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08-1154

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**RESOLUTION NO. 2008/594**  
**OF THE BOARD OF SUPERVISORS OF THE**  
**COUNTY OF CONTRA COSTA**

RESOLUTION AUTHORIZING THE ISSUANCE AND DELIVERY OF MULTIFAMILY HOUSING REVENUE BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$3,000,000 TO FINANCE A PORTION OF THE ACQUISITION, REHABILITATION AND DEVELOPMENT OF A MULTIFAMILY RENTAL HOUSING PROJECT GENERALLY KNOWN AS CASA ADOBE APARTMENTS; DETERMINING AND PRESCRIBING CERTAIN MATTERS AND APPROVING AND AUTHORIZING THE EXECUTION AND DELIVERY OF VARIOUS DOCUMENTS RELATED THERETO; RATIFYING ANY ACTION HERETOFORE TAKEN AND APPROVING RELATED MATTERS IN CONNECTION WITH SAID BONDS.

**WHEREAS**, the County of Contra Costa (the "County") is authorized pursuant to Section 52075 and following of the California Health and Safety Code (the "Act") to issue revenue bonds for the purpose of financing, among other things, the acquisition, rehabilitation and development of multifamily rental housing projects;

**WHEREAS**, the proceeds of such bonds may be loaned to a nongovernmental owner of multifamily housing, who shall be responsible for the payment of such bonds, to allow such nongovernmental owner to reduce the cost of acquiring, rehabilitating, owning and operating such housing and to assist in providing housing for low income persons;

**WHEREAS**, the County desires to assist in the financing of the acquisition, rehabilitation and development of a 54-unit multifamily rental housing development generally known as Casa Adobe Apartments (the "Project"), which will be owned and operated by San Pablo Senior Associates, L.P., a California Limited Partnership (the "Borrower").

**WHEREAS**, the County desires to authorize the sale and issuance not to exceed \$3,000,000 of multifamily housing revenue bonds in two series (as more fully described herein, the "Bonds"), and to loan the proceeds of the Bonds to the Borrower, thereby reducing the cost of the Project and assisting in providing housing for low income persons;

**WHEREAS**, the Board desires to approve the issuance of the Bonds;

**WHEREAS**, the Bonds will be privately placed with U.S. Bank National Association (the "Bank"); and

**WHEREAS**, there have been prepared and presented at this meeting the following documents required for the issuance of the Bonds, and such documents are now in substantial form and appropriate instruments to be executed and delivered for the purposes intended:

- (1) Master Agency Agreement (the "Agency Agreement") to be entered into between the County and the Bank, as agent (the "Agent");
- (2) Master Pledge and Assignment (the "Pledge Agreement") to be entered into among the County, the Agent and the Bank, as bondholder; and
- (3) Regulatory Agreement and Declaration of Restrictive Covenants (the "Regulatory Agreement") to be entered into between the Borrower and the County.

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Supervisors of the County of Contra Costa, as follows:

**Section 1.** This Board hereby specifically finds and declares that the statements, findings and determinations of the County set forth above are true and correct.

**Section 2.** Pursuant to the Act and the Indenture described herein, the County is hereby authorized to issue the Bonds. The Bonds shall be designated as "County of Contra Costa

Multifamily Housing Revenue Bonds (Casa Adobe Apartments)", and shall be issued in two series (with an appropriate series designation) in an aggregate principal amount not to exceed \$3,000,000.

The Bonds shall be in the form set forth in and otherwise in accordance with the Pledge Agreement. The Bonds shall be executed by the manual or facsimile signature of the Chair or Vice Chair of this Board of Supervisors, the County Administrator of the County, the Director of the Department of Conservation and Development of the County or the Deputy Director-Redevelopment of the County (each an "Authorized Officer"). The Bonds shall be issued and secured in accordance with the terms of the Pledge Agreement, and the payment of the principal of, redemption premium, if any, and interest on, the Bonds shall be made solely from the amounts and assets pledged thereto under the Pledge Agreement. The Bonds shall not be deemed to constitute a debt or liability of the County.

**Section 3.** The form of Agency Agreement, on file with the Clerk of the Board of Supervisors (the "Clerk"), is hereby approved and each Authorized Officer is hereby authorized and directed to execute and deliver the Agency Agreement in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

**Section 4.** The form of Pledge Agreement, on file with the Clerk, is hereby approved and each Authorized Officer is hereby authorized and directed to execute and deliver the Pledge Agreement in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. The date, maturity date or dates (which shall not extend beyond October 1, 2043), interest rate or rates (which shall not exceed 12% per annum), interest payment dates, denominations, form, registration

privileges, manner of execution, place of payment, terms of redemption and other terms of the Bonds shall be as provided in the Pledge Agreement as finally executed.

**Section 5.** The form of Regulatory Agreement, on file with the Clerk, is hereby approved and each Authorized Officer is hereby authorized and directed to execute and deliver one or more Regulatory Agreements in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

**Section 6.** The Bonds, when executed, shall be delivered to the Agent for authentication. The Agent is hereby requested and directed to authenticate the Bonds by executing the Agent's certificate of authentication appearing thereon, and to deliver the Bonds, when duly executed and authenticated, in accordance with written instructions executed and delivered on behalf of the County by an Authorized Representative, which instructions are hereby authorized and directed to be executed and delivered to the Agent. Such instructions shall provide for the delivery of the Bonds to the Bank upon payment of the purchase price thereof.

**Section 7.** The Board hereby appoints Orrick, Herrington & Sutcliffe LLP as bond counsel.

**Section 8.** All actions heretofore taken by the officers and agents of the County with respect to the financing of the Project and the sale and issuance of the Bonds are hereby approved, ratified and confirmed, and any Authorized Officer is hereby authorized and directed, for and in the name and on behalf of the County, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents, including but not limited to those described in the Pledge Agreement and the other documents herein approved, as

well as a tax certificate and an intercreditor and/or subordination agreement which such officer, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bonds and to effectuate the purposes thereof and of the documents herein approved in accordance with this resolution and resolutions heretofore adopted by the County and otherwise in order to carry out the financing of the Project.

**Section 9.** All further consents, approvals, notices, orders, requests and other actions permitted or required by any of the documents authorized by this resolution, whether before or after the issuance of the Bonds, including without limitation any of the foregoing which may be necessary or desirable in connection with any default under or amendment of such documents, any transfer or other disposition of the Project, any addition or substitution of security for the Bonds or any redemption of the Bonds, may be given or taken by an Authorized Officer without further authorization by this Board of Supervisors, and such Authorized Officer is 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 and the financing of the Project.

Section 10. This Resolution shall take effect upon its adoption.

PASSED AND ADOPTED THIS 16th day of September, 2008.

AYES: Groia, Wilkemy, Piepho, Bonilla & Glover

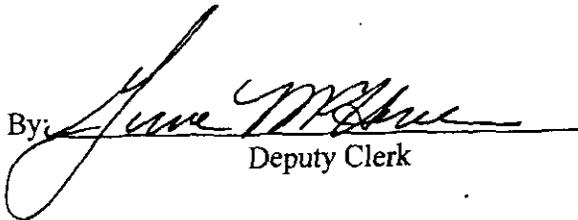
NOES: None

ABSENT: None

  
Chair of the Board of Supervisors

ATTEST: September 16, 2008

David Twa, County Administrator  
and Clerk of the Board of Supervisors

By:   
Deputy Clerk

cc: Department of Conservation and  
Development – Redevelopment and Housing

CLERK'S CERTIFICATE

I, June McQueen, Deputy Clerk of the Board of Supervisors of the County of Contra Costa, hereby certify that the foregoing is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Board of Supervisors of said County duly and regularly held at the regular meeting place thereof on September 16, 2008, of which meeting all of the members of said Board of Supervisors had due notice and at which a majority thereof were present; and that at said meeting said resolution was adopted by the following vote:

AYES: *Givira, Wilkema, Piepho, Bonville and Glavin*

NOES: *None*

ABSENT: *None*

An agenda of said meeting was posted at least 72 hours before said meeting at 651 Pine Street, Martinez, California, a location freely accessible to members of the public, and a brief general description of said resolution appeared on said agenda.

I further certify that I have carefully compared the same with the original minutes of said meeting on file and of record in my office; that the foregoing resolution is a full, true and correct copy of the original resolution adopted at said meeting and entered in said minutes; and that said resolution has not been amended, modified or rescinded since the date of its adoption, and the same is now in full force and effect.

WITNESS my hand and the seal of the County of Contra Costa this 16<sup>th</sup> day of September, 2008.

David Twa, County Administrator and  
Clerk of the Board of Supervisors

[SEAL]

By: *June McQueen*  
Deputy Clerk

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**MASTER PLEDGE AND ASSIGNMENT**

**among**

**COUNTY OF CONTRA COSTA,  
as Issuer**

**and**

**U.S. BANK NATIONAL ASSOCIATION,  
as Agent**

**and**

**U.S. BANK NATIONAL ASSOCIATION,  
as Holder**

**Dated as of November 1, 2008**

**Relating to**

**\$2,659,477  
County of Contra Costa  
Multifamily Housing Revenue Bonds  
(Casa Adobe Apartments Project)  
2008 Series B-1 and 2008 Series B-2**

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TABLE OF CONTENTS

ARTICLE 1 DEFINITIONS .....3  
    Section 1.1. Definitions .....3  
ARTICLE 2 BONDS.....7  
    Section 2.1. Issuance of Bonds to Fund Loan; Draw-Down Bonds .....7  
    Section 2.2. Form, Amount and Delivery of Bonds .....8  
    Section 2.3. Principal; Maturity Date .....8  
    Section 2.4. Interest .....8  
    Section 2.5. Limited Obligation of Issuer and Agent to Make Payments .....8  
    Section 2.6. Corresponding Payments .....8  
    Section 2.7. Replacement of Bonds .....9  
    Section 2.8. Registration and Transferability .....9  
    Section 2.9. Reserved .....9  
    Section 2.10. Circumstances of Redemption of the Bonds .....10  
    Section 2.11. No Notice of Redemption .....10  
ARTICLE 3 SECURITY FOR THE BONDS.....10  
    Section 3.1. Delivery of Collateral .....10  
    Section 3.2. Agent the Mortgagee of Record .....11  
ARTICLE 4 SERVICING THE LOAN AND THE BONDS .....11  
    Section 4.1. Servicing the Loan .....11  
    Section 4.2. Paying Agent for the Bonds; Investments .....12  
    Section 4.3. Standard of Care .....12  
    Section 4.4. Sale of Bonds and this Pledge and Assignment .....12  
    Section 4.5. Indemnification of Issuer by Agent .....13  
ARTICLE 5 DEFAULTS ON LOAN .....13  
    Section 5.1. Defaults on Loan .....13  
    Section 5.2. Action After Consultation with Holder .....14  
    Section 5.3. Losses and Expenses Upon Exercise of Rights .....14  
ARTICLE 6 REPRESENTATIONS AND COVENANTS BY AGENT AND ISSUER .....15  
    Section 6.1. Representations by Agent .....15  
    Section 6.2. Representations by Issuer .....15  
    Section 6.3. Tax-Exempt Status of the Bonds .....15  
ARTICLE 7 BOOKS AND RECORDS; REPORTS .....15

## TABLE OF CONTENTS

	Page
Section 7.1. Books and Records .....	15
Section 7.2. Reports.....	16
ARTICLE 8 NONRECOURSE; OBLIGATIONS NOT DEBT OF ISSUER, AGENT OR STATE.....	16
Section 8.1. Limited Obligations.....	16
ARTICLE 9 DEFAULTS UNDER THIS PLEDGE AND ASSIGNMENT AGREEMENT.....	17
Section 9.1. Events of Default.....	17
Section 9.2. Remedies .....	18
Section 9.3. Continuance of Obligations Upon Default by Agent .....	18
Section 9.4. Continuance of Obligations and Servicing by Agent Upon Default by Issuer.....	19
Section 9.5. Holder Authorized to Execute Assignments, Etc .....	19
Section 9.6. Waiver of Appraisal, Evaluation, Etc .....	19
Section 9.7. Application of Proceeds of Sale .....	19
Section 9.8. Right of Holder to Perform Covenants of the Issuer and the Agent .....	20
Section 9.9. No Waiver, Etc .....	20
Section 9.10. Remedies Cumulative, Etc .....	20
ARTICLE 10 MISCELLANEOUS.....	20
Section 10.1. Provisions Subject to Applicable Law.....	20
Section 10.2. Applicable Law.....	20
Section 10.3. Compromise of Action, Etc .....	21
Section 10.4. Notices, Etc.....	21
Section 10.5. Termination .....	21
Section 10.6. Duty of Issuer .....	21
Section 10.7. Consent to Assignment.....	22
Section 10.8. Amendment of the Note .....	22
Section 10.9. Amendments, Successors and Assigns, Headings and Counterparts.....	22
<b>EXHIBIT A-1</b>	<b>FORM OF SERIES B-1 BOND</b>
<b>EXHIBIT A-2</b>	<b>FORM OF SERIES B-1 BOND</b>
<b>EXHIBIT B</b>	<b>FORM OF INVESTOR LETTER</b>

## MASTER PLEDGE AND ASSIGNMENT

THIS MASTER PLEDGE AND ASSIGNMENT, dated as of November 1, 2008 (this "Pledge and Assignment"), from the COUNTY OF CONTRA COSTA, a political subdivision of the State of California (the "Issuer"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association, as agent (the "Agent"), under and pursuant to that certain Agency Agreement (as hereinafter defined), to U.S. BANK NATIONAL ASSOCIATION, a national banking association, as initial holder of the Bonds described herein, and any successors or assigns thereof (the "Holder").

### WITNESSETH:

WHEREAS, the Issuer is, concurrently herewith, issuing its Multifamily Housing Revenue Bonds (Casa Adobe Apartments Project) 2008 Series B-1 in the aggregate principal amount of \$1,900,000 (the "Series B-1 Bonds") and its Multifamily Housing Revenue Bonds (Casa Adobe Apartments Project) 2008 Series B-2 in the aggregate principal amount of \$759,477 (the "Series B-2 Bonds" and, together with the Series B-1 Bonds, the "Bonds").

WHEREAS, the proceeds of the Bonds will be advanced by the Agent for the account of the Issuer to San Pablo Senior Associates II, L.P., a California Limited Partnership (the "Borrower"), for the purpose of funding from the proceeds of the Bonds two loans relating to the two Series of Bonds (collectively, the "Loan") to the Borrower to finance the Borrower's acquisition and rehabilitation of a 54-unit multifamily rental housing project located in the City of San Pablo, County of Contra Costa, California, and known as the Casa Adobe Apartments (the "Project");

WHEREAS, the Loan will be made to the Borrower by the Agent for the account of the Issuer pursuant to a loan agreement of even date herewith (the "Loan Agreement"), by and between the Agent (for the account of the Issuer) and the Borrower;

WHEREAS, the Borrower's obligation to repay the Loan will be evidenced by two promissory notes, relating to each Series of Bonds (collectively, the "Note"), made by the Borrower to the order of the Agent for the account of the Issuer and secured by, among other things, a deed of trust (the "Deed of Trust"), of even date herewith, executed by the Borrower, as trustor, and naming the Agent, in its capacity as agent for the Issuer, as beneficiary, together with the other "Loan Documents" as defined in the Loan Agreement;

WHEREAS, the Holder, as a condition to its purchase of the Bonds, has required that the Issuer and the Agent execute and deliver this Pledge and Assignment.

NOW, THEREFORE, as an inducement to the Holder to purchase the Bonds, the Agent, as agent for the Issuer and for the account of the Issuer, to make and disburse the Loan as herein provided and in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Issuer and the Agent, in order to secure the due and punctual payment of the Bonds and other sums due the Holder, do hereby pledge, grant, bargain, sell, convey, assign, mortgage and transfer, and grant a security interest in, all of the Issuer's and the Agent's right, title and interest in and to the following described property, whether real or personal, to the registered Holder as set forth herein; provided,

however, that this Pledge and Assignment and the agreements and covenants made hereunder shall not be construed to constitute a general obligation of the Issuer or the Agent, and any obligations hereunder are limited obligations of the Issuer and the Agent to be paid and satisfied solely from the following described collateral (the "Collateral"):

(i) the Loan, including without limitation, the Note, the Deed of Trust, and all other Loan Documents to which either the Issuer or the Agent now is, or hereafter may be, a party or a direct beneficiary, together with all rights, powers, privileges and other benefits of the Agent and the Issuer under the Loan Documents, including the right to make all waivers and agreements, to give and receive duplicate copies of all notices and other instruments or communications, to take such action upon the occurrence of any default under the Loan Documents, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Loan Documents or by law, and to do any and all other things whatsoever which the Issuer or the Agent is or may be entitled to do under the Loan Documents;

(ii) any and all payments of principal, interest, premium and late payment fees made on the Loan at any time hereafter by the Borrower;

(iii) the proceeds of the sale of the Bonds to the extent they have not been applied to fund the Loan;

(iv) all tax, insurance or other similar escrows now or hereafter held with respect to the Loan; and

(v) any and all proceeds received under any policy of title insurance, hazard insurance, or other such insurance with respect to the Project, proceeds received from Condemnation (as hereinafter defined), and revenues, proceeds and other payments and tenders received from any foreclosure (or payments in lieu of foreclosure) of the Deed of Trust or from enforcement of the Deed of Trust or any other Loan Documents, and any and all proceeds from the conversion, voluntary or involuntary, of any of the foregoing into cash or other liquidated claims;

SUBJECT, HOWEVER, to (a) the interest of the Borrower, to the extent provided in the Loan Documents, with respect to the tax, insurance or other similar escrows and with respect to any property insurance proceeds or Condemnation awards or proceeds of foreclosure, (b) the right of the Agent and the Issuer (subject to the terms of the Master Agency Agreement) to exercise, without the consent of the Holder until an Event of Default shall have occurred and be continuing, all rights, powers, privileges and other benefits under the Loan Documents, including the right to make all waivers and agreements, to give and receive duplicate copies of all notices and other instruments or communications, and to take such action upon the occurrence of any default under the Loan Documents, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Loan Documents or by law, but subject to, and only upon, the terms and conditions of Article 5 hereof, and (c) any of the rights of the Issuer and the Agent and their respective directors, officers, elected officials, attorneys, accountants, employees, agents and consultants to be held harmless and indemnified thereunder, to be paid fees as described therein, to be reimbursed for attorneys' fees and expenses thereunder and to give or withhold consent to amendments, changes, modifications and

alterations to and to enforce the provisions of the Regulatory Agreement (as hereinafter defined); provided that payment to the Issuer of any fees, expenses and indemnification amounts under this subpart (c), other than the Issuer's annual fee and amounts payable to the United States government with respect to any rebate liability, shall be subordinate and junior in right of payment to the right of the Holder to be paid in full all amounts owing to it under the Bonds and other expenses as set forth in Section 5.1 hereof.

IT IS HEREBY COVENANTED by the parties hereto that the Collateral is to be held and applied subject to the further covenants, conditions, uses and trusts herein set forth; and the Issuer and the Agent, for themselves and their respective successors and assigns, hereby covenant and agree with the Holder as follows:

## ARTICLE 1

### DEFINITIONS

Section 1.1. Definitions. The following terms shall, for all purposes of this Pledge and Assignment, have the following respective meanings:

“Act” means Chapter 7 of Part 5 of Division 31 of the California Health and Safety Code, as amended.

“Affiliate” means any entity of which the ultimate parent corporation is the same as the parent corporation of the Holder, including such parent corporation.

“Agency Agreement” means the Master Agency Agreement, of even date herewith, between the Issuer and the Agent, as it may be supplemented or amended from time to time in accordance with its terms.

“Authorized Issuer Representative” shall mean the Chair or Vice Chair of the Board of Supervisors, the County Administrator, the Director of Community Development, or the Deputy Director-Redevelopment, or such other person at the time designated to act on behalf of the Issuer as evidenced by a written certificate signed on behalf of the Issuer by an Authorized Issuer Representative.

“Bond Counsel” means an attorney or a firm of attorneys of nationally recognized standing in matters pertaining to the tax status of interest on bonds issued by states and their political subdivisions, who is or are acceptable to the Issuer and duly admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia.

“Bonds” means, collectively, the Series B-1 Bonds and the Series B-2 Bonds.

“Borrower” means San Pablo Senior Associates II, L.P., a California Limited Partnership, and its successors and assigns.

“Closing Date” means the date of original delivery of the Bonds.

“Code” means the Internal Revenue Code of 1986.

“Collateral” has the meaning set forth in the recitals to this Pledge and Assignment.

“Condemnation” means a taking of all or any part of the Project or any real property on which the Project is situated or any interest therein or right accruing thereto as a result of or in lieu of or in anticipation of the exercise of the right of condemnation, eminent domain, change of grade, appropriation or confiscation.

“Conversion Date” means the date on which the Conversion to Permanent Phase occurs, on which date the Bonds shall be subject to partial redemption.

“Conversion to Permanent Phase” has the meaning given to the term “Conversion Date” in the Series B-1 Note.

“Deed of Trust” means the Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, executed as of November 4, 2008 by the Borrower, as trustor, naming the Agent, in its capacity as agent for the Issuer, as beneficiary thereunder, encumbering (among other things) the Project and securing the Loan, as recorded in the official records of the County of Contra Costa, California.

“Holder” has the meaning given to that term in the recitals to this Pledge and Assignment.

“Interest Payment Date” means the first Business Day of each month, commencing December 1, 2008.

“Investor Limited Partner” means NEF Assignment Corporation, an Illinois not-for-profit corporation, its successors and assigns.

“Loan” means, collectively, the mortgage loans made by the Agent for the account of the Issuer to the Borrower pursuant to the Loan Agreement.

“Loan Agreement” means the Loan Agreement as of November 4, 2008, by and between the Agent, in its capacity as agent for the Issuer, and the Borrower, as it may be amended or supplemented in accordance with its terms.

“Loan Documents” means, collectively, the Loan Agreement, the Note, the Deed of Trust, the Regulatory Agreement and all other documents evidencing, securing or otherwise pertaining to the Loan.

“Maximum Lawful Rate” means the highest per annum rate of interest permissible under the laws of the State, calculated by taking into account all available exceptions.

“Note” means, collectively, the Series B-1 Note and the Series B-2 Note.

“Note Rate” means the applicable rates of interest payable on the Bonds of each Series in effect from time to time, which rates shall equal the rates of interest payable on the Note; provided that no rate shall at any time exceed the Maximum Lawful Rate.

“Permitted Investments” means, to the extent permitted by applicable law, any of the following:

(1) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America, including instruments evidencing an ownership interest in securities described in this clause (1);

(2) obligations, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following: Federal Home Loan Bank System, Export-Import Bank of the United States, Federal Financing Bank, Federal Land Banks, Government National Mortgage Association, Federal National Mortgage Association (Fannie Mae), Federal Home Loan Deed of Trust Corporation or Federal Housing Administration;

(3) repurchase agreements (including those of the Agent) fully secured by collateral security described in clause (1) or (2) of this definition, which collateral (a) is held by the Agent or a third party agent approved by the Holder during the term of such repurchase agreement, (b) is not subject to liens or claims of third parties and (c) has a market value (determined at least once every (14 days) at least equal to the amount so invested;

(4) certificates of deposit of, or time deposits or deposit accounts in, any bank (including the Agent) or savings and loan association (a) the debt obligations of which (or in the case of the principal bank of a holding company, the debt obligations of the bank holding company of which) have been rated A or better by S&P, or (b) which are fully insured by the Federal Deposit Insurance Corporation, or (c) which are secured at all times, in the manner and to the extent provided by law, by collateral security (described in clause (1) or (2) of this definition) of a market value (valued at least quarterly) of no less than the amount of money so invested;

(5) investment agreements of financial institutions or insurance companies, in each case having uninsured, unsecured and unguaranteed obligations rated AA- or better by S&P, provided, however, that any such investment may be provided by a financial institution or insurance company having uninsured, unsecured and unguaranteed obligations not rated AA- or better by S&P, if such investment is unconditionally insured, guaranteed or enhanced by an entity whose uninsured, unsecured and unguaranteed obligations are rated AA- or better by S&P;

(6) shares in any investment company registered under the federal Investment Company Act of 1940 whose shares are registered under the federal Securities Act of 1933 and whose only investments are government securities described in clause (1) or (2) of this definition and repurchase agreements fully secured by government securities described in clause (1) or (2) of this definition and/or other obligations rated AAA by S&P, including investment companies

and master repurchase agreements from which the Agent or an affiliate derives a fee for investment advising or other service;

(7) tax-exempt obligations of any state of the United States, or political subdivision thereof, which are rated A or better by S&P or mutual funds invested only in such obligations;

(8) units of a taxable or nontaxable government money-market portfolio composed of government securities described in clause (1) and repurchase agreements collateralized by such obligations;

(9) commercial paper rated A or better by S&P;

(10) corporate notes or bonds with one year or less to maturity and rated A or better by S&P; or

(11) any other investment approved in writing by the Holder.

“Project” means the 54-unit multifamily rental housing project known as Casa Adobe Apartments and located in the City of San Pablo, County of Contra Costa, California.

“Qualified Institutional Buyer” has the meaning set forth in Rule 144A of the Securities Act of 1933.

“Qualified Project Costs” means costs paid with respect to the Project that are (i) properly chargeable to a capital account (or would be so chargeable with a proper election by the Borrower 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), (ii) are paid with respect to a qualified residential rental project or projects within the meaning of Section 142(d) of the Code, (iii) are paid after the earlier of 60 days prior to the date of a declarations of “official intent” to reimburse costs paid with respect to the Project (within the meaning of §1.150-2 of the United States Treasury Regulations) or the date of issue of the Bonds, and (iv) if project costs were previously paid and are to be reimbursed with proceeds of the Bonds, such costs were (A) costs of issuance of the Bonds, (B) preliminary capital expenditures (within the meaning of United States Treasury Regulations §1.150-2(f)(2)) with respect to the Project (such as architectural, engineering and soil testing services) incurred before commencement of acquisition or construction of the Project that do not exceed 20% of the issue price of the Bonds (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 18 months after the later of the date the expenditure was paid or the date the Project is placed in service (but in no event later than three years after the expenditure is paid).

“Regulatory Agreement” means that certain Regulatory Agreement and Declaration of Restrictive Covenants relating to the Project, dated as of November 1, 2008, between the Issuer and the Borrower, as it may be supplemented or amended in accordance with its terms.

“Series” means a series of Bonds.

“Series B-1 Bonds” means the County of Contra Costa Multifamily Housing Revenue Bonds (Casa Adobe Apartments Project) 2008 Series B-1 to be issued and delivered hereunder in an aggregate principal amount not to exceed \$1,900,000.

“Series B-2 Bonds” means the County of Contra Costa Multifamily Housing Revenue Bonds (Casa Adobe Apartments Project) 2008 Series B-2 to be issued and delivered hereunder in an aggregate principal amount not to exceed \$759,477.

“Series B-1 Note” means the Promissory Note relating to the Series B-1 Bonds, dated as of November 4, 2008, in the aggregate amount of \$1,900,000, executed by Borrower to the order of the Agent, as agent for the Issuer, and evidencing the Borrower’s obligation to repay the portion of the Loan relating to the Series B-1 Bonds.

“Series B-2 Note” means the Promissory Note relating to the Series B-2 Bonds, dated as of November 4, 2008, in the aggregate amount of \$759,477, executed by Borrower to the order of the Agent, as agent for the Issuer, and evidencing the Borrower’s obligation to repay the portion of the Loan relating to the Series B-2 Bonds.

“Sole Owner” means the owner of 100% in aggregate principal amount of the Bonds then outstanding. U.S. Bank National Association is the initial Sole Owner.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw Hill Companies, Inc., or any successor thereto.

“State” means the State of California.

“Tax Certificate” means the Tax Certificate and Agreement, dated the Closing Date, executed and delivered by the Issuer and the Borrower, including all exhibits thereto, as amended in accordance with its terms.

## ARTICLE 2

### BONDS

Section 2.1. Issuance of Bonds to Fund Loan; Draw-Down Bonds. This Pledge and Assignment is entered into by the Issuer in order to provide financing for the Project through the issuance of the Bonds. The Bonds are issued as draw-down bonds. The proceeds of the Bonds shall be advanced by the Holder directly to the Agent for the account of the Issuer as and when needed by the Agent to make each advance under the Loan Agreement, and shall be applied by the Agent for the account of the Issuer to the funding of the Loan pursuant to the terms of the Loan Agreement. As consideration for the issuance and delivery of the Bonds, the Holder agrees to purchase, at par, Bonds in an aggregate face amount (maximum principal amount) of up to \$3,000,000. Concurrently with each advance of principal by the Agent, for the account of the Issuer, to the Borrower under the Series B-1 Note or the Series B-2 Note, as applicable, and the Loan Agreement, of the proceeds of the Loan, the Holder shall deliver to the Agent, for the account of the Issuer, and on account of the Holder’s purchase of a corresponding principal amount of the Bonds of the applicable Series, an amount equal to the amount so advanced by the Agent, on account of the Issuer, to the Borrower under Series B-1 Note or the Series B-2 Note,

as applicable, and the Loan Agreement. Pursuant to Section 4.1 of the Loan Agreement, the Agent agrees to advance to the Borrower under the Series B-1 Note and the Loan Agreement, and the Holder agrees to deliver to the Agent for the account of the Issuer, at least \$55,000 on the Closing Date, and the Holder agrees to purchase Series B-1 Bonds in at least such amount on the Closing Date.

Section 2.2. Form, Amount and Delivery of Bonds. The Series B-1 Bonds secured hereby are designated "County of Contra Costa Multifamily Housing Revenue Bonds (Casa Adobe Apartments Project) 2008 Series B-1" and shall be delivered in substantially the form attached hereto as Exhibit A-1. The Series B-2 Bonds secured hereby are designated "County of Contra Costa Multifamily Housing Revenue Bonds (Casa Adobe Apartments Project) 2008 Series B-2" and shall be delivered in substantially the form attached hereto as Exhibit A-2. The Series B-1 Bonds are being issued in the aggregate face amount of \$1,900,000, and will be payable and mature, subject to prior redemption thereof, as provided herein. The Series B-2 Bonds are being issued in the aggregate face amount of \$759,477, and will be payable and mature, subject to prior redemption thereof, as provided herein.

Section 2.3. Principal; Maturity Date. The outstanding principal amount of the Bonds or either Series as of any given date shall be the total amount advanced by the Holder to the Agent on account of the Holder's purchase of the Bonds of such Series (and advanced or constructively advanced by the Agent to the Borrower under the Series B-1 Note or the Series B-2 Note, as applicable, and the Loan Agreement as proceeds of the Loan), less any payments of principal of the Bonds of such Series previously received by such Holder of such Bonds. The principal amount of the Bonds and interest thereon shall be payable on the basis specified in Sections 2.4 and 2.6.

The Series B-1 Bonds shall mature, and become due and payable in full, together with all accrued and unpaid interest thereon, to the extent full payment has not already been made pursuant to the Series B-1 Note, on February 1, 2025.

The Series B-2 Bonds shall mature, and become due and payable in full, together with all accrued and unpaid interest thereon, to the extent full payment has not already been made pursuant to the Series B-2 Note, on August 1, 2010.

Section 2.4. Interest. Interest shall be paid on the outstanding principal amount of the Bonds of either Series (such principal determined in accordance with Section 2.3 hereof) at the applicable Note Rate and otherwise as set forth in the Bonds.

Section 2.5. Limited Obligation of Issuer and Agent to Make Payments. The payments of principal, interest, premium, late payment fees and all other amounts to be made on the Bonds to the Holder thereof shall be made in accordance with the terms of the Bonds. In no event, however, shall the Issuer or the Agent have any obligation to make or remit such payments to the Holder unless and until moneys are received therefor by the Issuer or the Agent, as the case may be, from or with respect to the Loan.

Section 2.6. Corresponding Payments. The payment or prepayment of principal, interest and premium, if any, due on the Bonds shall be identical with and shall be made on the

same dates, terms and conditions, as the principal, interest, premiums, late payment fees and other amounts due on the Note. Any payment or prepayment made by the Borrower of principal, interest, premium, if any, due on the Note shall be deemed to be like payments or prepayments of principal, interest and premium, if any, due on the Bonds. Payments or prepayments by the Borrower under the Note of principal, interest and premium, if any, shall be deemed to have been constructively received by the Holders as payments or prepayments on the Bonds on the date of receipt of such payments by the Agent, and interest with respect to each principal payment or prepayment shall cease to accrue upon receipt thereof by the Agent. Payments or prepayments of principal, interest and premium, if any, shall be remitted immediately by the Agent to the Holder. Late payment fees payable on the Note and other amounts, if any, payable on the Note other than principal, interest and premium shall be retained by the Agent as additional compensation.

If more than one Bond is outstanding on the date of any payment on the Note, such payment shall be paid to the holders of the Bonds on a pro rata basis (based on the respective outstanding principal balances of such Bonds).

Section 2.7. Replacement of Bonds. Upon receipt of evidence reasonably satisfactory to the Issuer of the loss, theft, destruction or mutilation of the Bonds, or any replacement Bonds, and, in the case of any such loss, theft, or destruction, upon the delivery of an indemnity agreement reasonably satisfactory to the Issuer or, in the case of any mutilation, upon the surrender and cancellation of such mutilated Bond, the Issuer, at the expense of the Holder of such Bond, will issue a new Bond, of like tenor, in lieu of such lost, destroyed or mutilated Bond.

Section 2.8. Registration and Transferability. The Bonds shall be in fully registered form, registered in the name of the Holder upon the registration books of the Agent at the office of the Agent, such registration to be noted on the Bonds, after which no transfer shall be valid unless made in compliance with Section 4.4 hereof and noted on said registration books and on the Bonds.

Subject to Section 4.4, the Bonds shall be transferable upon said registration books by the registered owner in person or by its attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Agent, duly executed by the registered Holder or its duly authorized attorney. Upon such transfer, the Agent will note the date of registration and the name and address of the newly registered Holder on the books of the Agent and on the Bonds. The Issuer and the Agent shall deem and treat the person in whose name the Bond is last registered upon the books of the Agent, with such registration noted on the Bond, as the absolute owner thereof for the purpose of receiving payment of or on account of the principal, or interest, premium and late payment fees and for all other purposes; all such payments so made to the registered Holder or upon such Holder's order shall be valid and effectual to satisfy and discharge the liability upon the Bonds to the extent of the sum or sums so paid, and the Issuer shall not be affected by any notice to the contrary.

Section 2.9. Reserved.

Section 2.10. Circumstances of Redemption of the Bonds. The Bonds are subject to redemption upon the circumstances, on the dates and at the prices set forth as follows:

(a) The Bonds shall be subject to redemption in whole or in part on any date at a price equal to the outstanding principal amount of the Bonds to be redeemed plus interest accrued thereon to the date fixed for redemption, together with any applicable premium, upon prepayment of the Loan under the terms of the Note in whole or in part.

(b) The Bonds shall be subject to redemption in whole on any date at a price equal to the outstanding principal amount of Bonds plus interest accrued thereon to the date fixed for redemption, together with any applicable premium, upon acceleration of the Loan in whole following an Event of Default (as defined in the Loan Agreement).

(c) The Bonds shall be subject to redemption in whole or in part on any date at a price equal to the outstanding principal amount thereof to be redeemed plus accrued interest to the redemption date, together with any applicable premium, from the proceeds of any mandatory payment of principal on the Note under the terms of the Note or the Loan Agreement.

The premium due in connection with any of the foregoing redemption provisions shall be an amount equal to the amount paid on the Note and/or the Loan in connection with such redemption that is in excess of the principal and interest on the Bonds which is otherwise due on the redemption date.

The Holder is hereby authorized and directed, and hereby agrees, to fix the date for any such redemption, and, if moneys provided from the sources contemplated by this Pledge and Assignment and the Loan Agreement are available, to redeem the Bonds so called on the date so fixed by the Holder. The Holder shall give written notice of such redemption to the Issuer.

Section 2.11. No Notice of Redemption. No notice of redemption of the Bonds need be given to the Holder or other owners of the Bonds.

### ARTICLE 3

#### SECURITY FOR THE BONDS

Section 3.1. Delivery of Collateral. To provide security for the payment of the Bonds, the Agent and the Issuer have pledged and assigned to secure payment of the Bonds their respective right, title and interest in the Collateral to the Holder. In connection with such pledge, assignment, transfer and conveyance, the Agent shall deliver to the Holder the following documents or instruments promptly following their execution and, to the extent applicable, their recording or filing:

- (a) The Note endorsed without recourse in blank by the Agent;
- (b) The originally executed Loan Agreement and Regulatory Agreement;

(c) The originally executed Deed of Trust and all other Loan Documents existing at the time of delivery of the Note and an assignment for security of the Deed of Trust from the Agent to the Holder, in recordable form;

(d) Uniform Commercial Code financing statements or other chattel security documents giving notice of the Holder's status as an assignee of the Agent's security interest in any personal property forming part of the Project, in form suitable for filing; and

(e) Uniform Commercial Code financing statements giving notice of the pledge by the Issuer and the Agent of the Collateral pledged under this Pledge and Assignment.

The Agent and the Issuer shall deliver and deposit with the Holder such additional documents, financing statements, and instruments as the Holder may reasonably require from time to time for the better perfecting and assuring to the Holder of its lien and security interest in and to the Collateral.

Section 3.2. Agent the Mortgagee of Record. Notwithstanding the pledge and assignment of the Collateral to the Holder hereunder, the Agent shall, except as otherwise provided in Section 9.2 of this Pledge and Assignment upon the occurrence of an Event of Default, be and remain the mortgagee of record for the Loan, and is fully authorized and empowered to service and administer the Loan as provided in Section 4.1 hereof.

## ARTICLE 4

### SERVICING THE LOAN AND THE BONDS

Section 4.1. Servicing the Loan. The Agent shall take all steps necessary to maintain its qualifications to act hereunder as mortgagee, and shall service and administer the Loan in accordance with standard mortgage banking practices, taking all steps and exercising the same degree of care and skill with respect to the Loan, the Project and the Loan Documents that it would take or exercise under the circumstances in protecting its own interests as a mortgage lender or investor therein. Except as specifically noted below, the Agent shall have full power and authority, acting alone, to do any and all things in connection with such servicing and administration of the Loan that it may deem necessary or desirable, including, without limitation, the following:

(a) The making of the Loan directly to or for the account of the Borrower, pursuant to the Loan Agreement and other Loan Documents, in accordance with law and the Agent's usual practices and procedures in administering similar projects and mortgage loans.

(b) The recording and filing of documents and statements to create, preserve and release the lien of the Deed of Trust on the Project, site inspections, obtaining title updates and endorsements, processing change orders, and maintaining required insurance and escrow funds.

(c) The collection, holding and disbursement in accordance with the requirements of the Loan Documents and any applicable laws, of all payments of principal and interest due under the Loan, and any other payments or sums due under or with respect to the Loan, the Deed of Trust or other Loan Documents, including, without limitation, all payments for taxes,

assessments, hazard insurance premiums, service charges and late payment fees, all proceeds of title and hazard insurance policies, letters of credit, and all condemnation awards.

(d) The preservation, administration and enforcement of the Loan and the Loan Documents, and in this connection the Agent may do, or refrain from doing, all acts that are permitted under the terms of the Loan or the Loan Documents and which in its sole judgment may be appropriate; provided, however, that except as otherwise permitted in accordance with Section 5.2 hereof, upon the happening of a default by the Borrower under the Loan Agreement, Note or the Deed of Trust, the Agent may not take any action that would cause interest on the Bonds to be included in gross income of the owners thereof for federal income tax purposes without the prior written consent of the Issuer and the Holder, nor may the Agent do any of the following without the prior written consent of the Holder (unless the Loan Documents specifically provide therefor):

(i) consent to or permit modification of the maximum amount of the Loan, reduce the interest rate thereon, or extend the maturity date thereof or the due date of any principal payment thereof or the date for commencement of amortization, or

(ii) make or consent to any release of the Borrower from any liability under the Loan or any of the Loan Documents.

(e) The preservation and administration of all escrow funds required by any of the Loan Documents, in accordance with the requirements of the Loan Documents.

Section 4.2. Paying Agent for the Bonds; Investments. The Agent shall on behalf of the Issuer serve as paying agent for the Bonds, and shall remit, directly to the Holder, the payments of principal, interest, premium, late payment fees and all other amounts due on the Bonds required by, and in accordance with, Sections 2.3, 2.4, 2.5 and 2.6 hereof. The Agent shall invest any undisbursed proceeds of the Bonds received by the Agent, if any, in Permitted Investments, as directed by the Borrower and approved by the Holder.

Section 4.3. Standard of Care. In servicing and administering the Loan and acting as a paying agent for the Bonds pursuant to Sections 4.1 and 4.2 hereof, the Agent shall act in the best interests of the Holder, but neither the Issuer nor the Agent shall be liable to the Holder or to any other person or entity if, in so servicing and administering the Loan and the Bonds, the Agent exercises that degree of ordinary prudence and skill that it would exercise under the circumstances in protecting its own interests as if it were the Holder, and further, neither the Issuer nor the Agent shall have any liability when the Agent acts, or refrains from acting, pursuant to the specific written instructions of the Holder. The Issuer shall have no liability to the Holder for actions taken by the Agent in servicing and administering the Loan or acting as paying agent for the Bonds, including, but not limited to, liability for the errors or omissions, willful misconduct or negligence of the Agent.

Section 4.4. Sale of Bonds and this Pledge and Assignment. With the exception of a transfer to an Affiliate of the Holder, the Bonds shall only be sold, assigned, transferred or otherwise disposed of by the Holder or any Affiliate of the Holder under the conditions set forth below.

(a) The Holder shall have the right to sell the Bonds in denominations of not less than \$500,000 (and interests in the Bonds in amounts not less than \$500,000) to a Qualified Institutional Buyer without the consent of the Issuer, so long as the purchaser provides a Investor Letter substantially in the form attached hereto as Exhibit B and so long as the purchaser acknowledges in writing that it shall have no right to pursue any action or claim against the Issuer except as may be provided by, and as may be limited by, this Pledge and Assignment. This restriction on transfer shall not apply at any time at which the Bonds are rated "A" or better. The Holder shall provide written notice to the Issuer identifying any person or entity acquiring the Bonds or interests therein. The Holder may disclose to any purchaser or prospective purchaser any information or other data or material in the Holder's possession relating to the Issuer, the Bonds and the Project, without the consent of or notice to the Issuer.

(b) Nothing contained in this Section 4.4 shall be deemed to limit or otherwise restrict the sale by any Holder of any participation interests in any Bond, provided that the Holder shall remain the holder of record of such Bond following the sale of any such participation interest, to a Qualified Institutional Buyer (in which event such Holder shall remain Holder for all purposes of this Pledge and Assignment); provided any such participation shall be in a principal amount of at least \$500,000.

Section 4.5. Indemnification of Issuer by Agent. The Holder acknowledges that notwithstanding any other provision of this Pledge and Assignment, the Agent is acting as an independent contractor and not as the agent of Issuer in servicing and administering the Loan. The Agent agrees to indemnify, hold harmless and defend the Issuer and its officers and employees against all loss, costs, damages, expenses, suits, judgments, actions and liabilities of whatever nature (including, without limitation, attorneys' fees, litigation and court costs, amounts paid in settlement, and amounts paid to discharge judgments) directly or indirectly resulting from or arising out of or related to any act or omission on the part of the Agent under this Pledge and Assignment.

## ARTICLE 5

### DEFAULTS ON LOAN

Section 5.1. Defaults on Loan. Except as provided in Section 5.2 hereof, upon the happening of any default which extends beyond any applicable notice and cure period by the Borrower under the Loan Agreement, the Note or the Deed of Trust, the Agent shall (a) promptly notify the Holder and the Issuer of the default, (b) take such action as it is directed to take by the Holder to enforce the Loan Documents, and (c) promptly apply all proceeds realized upon enforcement of the Loan Documents, if any, in the following order of priority:

(a) To reimburse the Agent for its expenses (including reasonable attorneys' fees) incurred in taking such action to enforce the Loan Documents;

(b) To pay to the Holder any interest accrued on the Bonds, without preference or priority of any installment of such interest over any other installment of such interest;

(c) To pay to the Holder all principal outstanding on the Bonds and any corresponding unpaid premium and late payment fees, without preference or priority of any installment or amount of such principal, payment or fees;

(d) To reimburse the Holder for any losses or expenses incurred by it in connection with such default and the Bonds; and

(e) To pay to the Issuer any unpaid fees and expenses.

The balance, if any, of such proceeds shall be applied in accordance with the Loan Documents, if applicable, and otherwise in accordance with the applicable law or as determined by the Agent and the Issuer.

In the event that the Agent accepts a deed in lieu of a foreclosure or credit bids at the foreclosure sale and subsequently takes title to the Project, the Agent may request that the Issuer effect a termination of the Regulatory Agreement, but only in accordance with the terms of the Regulatory Agreement. In the event the Agent accepts a deed in lieu of a foreclosure or credit bids at foreclosure sale and subsequently takes title to the Project, the Agent shall take appropriate action to cause such deed to be delivered to the Holder.

The Issuer shall have no obligation to take any action or to incur any expense with respect to any default by the Borrower and shall have no liability to the Holder, the Agent or any other person for any losses or expenses incurred as a result of such a default.

Section 5.2. Action After Consultation with Holder. Upon the happening of any default by the Borrower under the Loan Agreement, the Note or the Deed of Trust, or if in the judgment of the Agent such default is imminent, the Agent shall notify the Holder and the Issuer of such circumstance. The Agent may request consent of the Holder, with a written copy of such request being delivered to the Issuer, to a course of action which is other than the enforcement of the Loan Documents but which is considered reasonable or appropriate by the Agent. Such course of action may include, but shall not be limited to, waiver of payments to any escrow under the Deed of Trust, deferral of payment of principal or interest on such Loan, entering into a forbearance agreement with the Borrower, and any similar work-out arrangement; provided, however, that no course of action shall be pursued without prior written consent of the Issuer which, in the opinion of Bond Counsel, would cause interest on the Bonds to be included in gross income for federal income tax purposes. In the event the Issuer and the Holder shall approve in writing any such course of action, the Agent shall take such course of action.

Section 5.3. Losses and Expenses Upon Exercise of Rights. Any and all losses or expenses incurred in enforcing the Loan Documents, or as a result of an alternate course or courses of action approved by the Holder, shall be borne by the Borrower. Such losses or expenses may include, but shall not be limited to:

(a) Loss resulting from nonpayment of interest on or principal of the Loan or from receipt of interest at a rate other than the rate specified in the Note.

(b) Reimbursement of the Agent for expenditures made voluntarily by it for taxes, assessments, water rates, hazard insurance and similar items with respect to the Project or the Loan, or for the completion and preservation of the Project.

(c) Expenses of foreclosure (including reasonable attorney's fees and court costs) in the event the Agent forecloses the Deed of Trust.

(d) Loss resulting from interest on the Bonds becoming includable in gross income for purposes of federal income taxation.

(e) Costs and expenses resulting from any indemnification provided pursuant to Section 4.5 or otherwise.

## ARTICLE 6

### REPRESENTATIONS AND COVENANTS BY AGENT AND ISSUER

Section 6.1. Representations by Agent. The Agent hereby represents and warrants to the Holder that as of the date of execution of this Pledge and Assignment, the Agent is a national banking association duly organized and validly existing and in good standing under the laws of the United States of America, and has all requisite power and authority to enter into this Pledge and Assignment and to carry out its obligations hereunder.

Section 6.2. Representations by Issuer. The Issuer hereby represents and warrants to the Holder, that as of the date of execution of this Pledge and Assignment:

(a) The Issuer is a political subdivision of the State of California.

(b) The Bonds have been duly authorized and issued in accordance with the Act and other applicable laws of the State of California and constitute valid and binding limited obligations of the Issuer payable solely from the Collateral, to the extent provided herein.

(c) The Issuer has all requisite power and authority to enter into this Pledge and Assignment and to carry out its obligations hereunder.

Section 6.3. Tax-Exempt Status of the Bonds. It is the intention of the parties hereto that interest on the Bonds shall be and remain excluded from gross income for federal income tax purposes and to that end the Issuer agrees to comply with all the requirements set forth in the Tax Certificate.

## ARTICLE 7

### BOOKS AND RECORDS; REPORTS

Section 7.1. Books and Records. The Agent shall at all times keep proper books, accounts and records relating to the Loan, the Project, the Loan Documents and the Bonds in a manner conforming to normal banking practices and in accordance with generally accepted accounting principles. All such books, accounts and records shall be accessible for inspection or

duplication by the Holder or the Issuer, or their respective representatives during normal business hours or at any other reasonable times.

Section 7.2. Reports. The Agent shall issue a written report to the Holder and the Issuer of any material adverse condition known to the Agent which, in its reasonable judgment, could result in a default under the Loan or the Loan Documents promptly upon learning of such condition. Upon written request, the Agent shall furnish to the Holder and the Issuer a statement of the principal balance outstanding on the Bonds.

## ARTICLE 8

### NONRECOURSE; OBLIGATIONS NOT DEBT OF ISSUER, AGENT OR STATE

Section 8.1. Limited Obligations. The Bonds and the interest thereon are limited obligations of the Issuer, payable solely from the Collateral, which is hereby specifically assigned and pledged to such purposes in the manner and to the extent provided herein. None of the Issuer, the State, any political subdivision thereof (except the Issuer, to the limited extent set forth in this Pledge and Assignment), any public agency shall in any event be liable for the payment of the principal of, premium (if any) or interest on the Bonds or for the performance of any pledge, obligation or agreement of any kind whatsoever, except as set forth above, and none of the Bonds or any of the Issuer's agreements or obligations shall be construed to constitute an indebtedness of or a pledge of the faith and credit of or a loan of the credit of any of the foregoing within the meaning of any constitutional or statutory provision whatsoever.

The Bonds, together with the interest and premium (if any) thereon and the purchase price thereof, shall not be deemed to constitute a debt or liability of the Issuer, the State, any political subdivision thereof or any public agency or a pledge of the faith and credit of the Issuer, the State, any political subdivision thereof or any public agency, but shall be payable solely from the funds provided therefor pursuant to this Pledge and Assignment. The Bonds are only a limited obligation of the Issuer as provided by the Act, and neither the Issuer nor any of its members, shall under any circumstances be obligated to pay the Bonds except from the Collateral.

Neither the faith and credit of the Issuer, nor the faith and credit or taxing power of the State, any public agency or any political subdivision of the State is pledged to the payment of the principal of, premium, if any, purchase price of or interest on the Bonds, nor is the State, the Issuer, any public agency or any political subdivision of the State in any manner obligated to make any appropriation for such payment.

No recourse shall be had for the payment of the principal of, premium, if any, or interest on the Bonds or for any claim based thereon or upon any obligation, covenant or agreement in this Pledge and Assignment contained (except from the Collateral), against the Issuer, any past, present or future member of its governing body, its officers, attorneys, accountants, financial advisors, agents or staff, or the officers, attorneys, accountants, financial advisors, agents or staff of any successor public entity, as such, either directly or through the Issuer or any successor public entity, under any rule of law or penalty or otherwise, and all such liability of the Issuer, any member of its governing bodies and its officers, attorneys, accountants, financial advisors,

agents and staff is hereby, and by the acceptance of the Bonds, expressly waived and released as a condition of, and in consideration for, the execution of this Pledge and Assignment and the issuance of the Bonds.

It is recognized that notwithstanding any other provision of this Pledge and Assignment, neither the Agent nor any Holder shall look to the Issuer or its members, directors, officers, attorneys, accountants, financial advisors, agents or staff or any successor or public entity for monetary damages suffered by the Agent or such Holder as a result of the failure of the Issuer to perform any covenant, undertaking or obligation under this Pledge and Assignment, the Agency Agreement, the Bonds, the Regulatory Agreement 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. Although this Pledge and Assignment recognizes that such documents shall not give rise to any pecuniary liability of the Issuer, nothing contained in this Pledge and Assignment shall be construed to preclude in any way any action or proceeding (other than that element of any action or proceeding involving a claim for monetary damages against the Issuer) in any court or before any governmental body, agency or instrumentality or otherwise against the Issuer or any of its officers or employees to enforce the provisions of any of such documents that the Issuer is obligated to perform and the performance of which the Issuer has not assigned to the Agent or any other person.

## ARTICLE 9

### DEFAULTS UNDER THIS PLEDGE AND ASSIGNMENT AGREEMENT

Section 9.1. Events of Default. Each of the following events shall constitute an event of default ("Event of Default") under this Pledge and Assignment:

(a) Any failure by the Agent to remit to the Holder any payment to be made on the Bonds in accordance with the provisions of this Pledge and Assignment or the Bonds on the due date thereof;

(b) If the Agent shall fail to conform or comply with any other terms or provisions of this Pledge and Assignment or the Bonds and such failure shall continue for more than thirty (30) days after notice thereof to the Agent from the Holder or, where such default is not subject to cure within such thirty (30) day period, if the Agent within such period shall not have commenced with due diligence and dispatch the curing of such default or thereafter shall fail to prosecute and complete with due diligence and dispatch and within a reasonable time the curing of such default;

(c) If any material representation or warranty made by the Agent or by the Issuer contained in this Pledge and Assignment shall prove to have been false or incorrect in any material respect on the date as of which made;

(d) If the Issuer shall fail or refuse, or be unable after sixty (60) days' notice from the Agent or the Holder to perform or comply with any term or provision of this Pledge and Assignment to be performed or complied with by the Issuer;

(e) If an action or proceeding shall be brought, or judgment rendered, against or relating to the Agent or the Issuer, which has the effect of substantially impairing the rights and obligations of the Agent or the Issuer hereunder or under the Bonds or with respect to the Loan;

(f) If either the Agent (during the term of its agency) or the Issuer shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts as they become due, or shall file a voluntary petition in bankruptcy, or shall be adjudicated a bankrupt or insolvent, or shall file any petition or answer seeking, consenting to, or acquiescing in reorganization, arrangement, adjustment, composition, liquidation, dissolution, or similar relief under any present or future statute, law or regulation, or shall file an answer admitting or shall fail to deny or contest the material allegations of a petition against it for any such relief; or

(g) If, with respect to either the Agent (during the term of its agency) or the Issuer, a trustee, receiver or liquidator of any material part of its properties or assets shall be appointed with its consent or acquiescence, or if any such appointment, if not so consented to or acquiesced in, shall remain unvacated or unstayed for sixty (60) days.

Section 9.2. Remedies. If any Event of Default shall have occurred and be continuing, the Holder shall promptly give notice to the Issuer and shall have all rights, powers, and remedies with respect to the Collateral as are available under the Uniform Commercial Code applicable thereto or as are available under any other applicable law at the time in effect and, without limiting the generality of the foregoing, the Holder may proceed at law or in equity or otherwise, to the extent permitted by applicable law:

(a) to take possession of the Collateral or any part thereof, with or without legal process, and to hold, service, administer and enforce any rights thereunder or thereto, and otherwise exercise all rights of ownership thereof, including (but not limited to) the sale of all or part of the Collateral;

(b) to become mortgagee of record for the Loan and to service and administer the same for its own account;

(c) to service and administer the Bonds as agent and on behalf of the Issuer or otherwise, and, if applicable, to take such actions necessary to enforce the Loan Documents on its own behalf, and to take such alternative courses of action, as it may deem appropriate; or

(d) to take such steps to protect and enforce its rights whether by action, suit or proceeding in equity or at law for the specific performance of any covenant, condition or agreement in the Bonds, this Pledge and Assignment, or the Loan Documents, or in and of the execution of any power herein granted, or for foreclosure hereunder, or for enforcement of any other appropriate legal or equitable remedy or otherwise as the Holder may elect.

Section 9.3. Continuance of Obligations Upon Default by Agent. Notwithstanding any other provision of this Pledge and Assignment, upon the occurrence and continuance of any Event of Default caused by or resulting from action, inaction or other condition on the part of the Agent (a) the Bonds shall for all purposes hereof remain outstanding and shall continue in full force and effect until paid in full or cancelled, and (b) the Holder shall have the right, in its sole discretion, to exercise such rights, powers and remedies hereunder or at law as may be required

to become the mortgagee of record for the Loan and to service and administer the Loan and the Bonds, and shall thereupon service and administer the Loan as mortgagee of record, or shall have the right to retain another mortgagee to so service and administer the Loan on its own behalf and administer the Bonds as agent and on behalf of the Issuer, in accordance with Sections 4.1, 4.2, 4.3, 5.1, 5.2 and 5.3 hereof, until retirement of the Bonds. Further, notwithstanding any such Event of Default, the provisions set forth in Section 4.5 hereof shall continue in full force and effect.

Section 9.4. Continuance of Obligations and Servicing by Agent Upon Default by Issuer. Notwithstanding any other provision of this Pledge and Assignment, upon the occurrence and continuance of any Event of Default caused by or resulting from action, inaction or other condition on the part of the Issuer, and not caused by action, inaction or other condition on the part of the Agent, then, unless otherwise specified to the contrary by the Holder (a) the Bonds shall, to the extent possible under the law and in the best interests of the Holder, for all purposes remain outstanding and shall continue in full force and effect, (b) the Holder shall not take possession of the Collateral, become mortgagee of record for the Loan or otherwise exercise its remedies hereunder or at law, and (c) the Agent shall, to the extent possible under the law and in the best interests of the Holder, continue to service the Loan as mortgagee of record and continue to service and administer the Bonds as agent and on behalf of the Issuer in accordance herewith until retirement of the Bonds.

Section 9.5. Holder Authorized to Execute Assignments, Etc. Subject to Section 4.4 hereof, the Issuer and the Agent each hereby irrevocably appoints the Holder the true and lawful attorney of such party, in its name and stead and on its behalf, for the purpose of effectuating any sale, assignment, transfer or other disposition for the enforcement of this Pledge and Assignment and the Bonds, to execute and deliver all assignments and other instruments as the Holder may consider necessary or appropriate, with full power of substitution, the Issuer and the Agent each hereby ratifying and confirming all that its said attorney or any substitute shall lawfully do by virtue hereof. If the Issuer has consented to such sale, assignment, transfer or other disposition of this Pledge and Assignment and the Bonds pursuant to Section 4.4 and if so requested thereafter by the Holder, the Issuer or the Agent shall ratify and confirm any such sale, assignment, transfer or other disposition by executing and delivering to the Holder all proper assignments, releases and other instruments as may be designated in any such request. Notwithstanding the foregoing, the Holder shall not have the right to delegate the Holder's obligation to make advances to the Agent for the account of the Issuer.

Section 9.6. Waiver of Appraisal, Evaluation, Etc. The Issuer and the Agent each hereby waives, to the full extent it may lawfully do so, the benefit of all appraisal, evaluation, stay, extension and redemption laws now or hereafter in force and all rights of marshaling in the event of any sale hereunder or any taking of possession by the Holder, of the Collateral or any part thereof or any interest therein.

Section 9.7. Application of Proceeds of Sale. The proceeds of any sale hereunder of the Collateral or any part thereof or any interest therein shall be applied in the order of priorities set forth in Section 5.1 hereof.

Section 9.8. Right of Holder to Perform Covenants of the Issuer and the Agent. If the Issuer or the Agent shall fail to take any action or to perform any obligation required of it hereunder following written notice from the Holder of not less than five (5) business days, the Holder, without further notice to or demand upon the Issuer or the Agent and without waiving or releasing of any obligation or default, may (but shall be under no obligation to) at any time thereafter take such action or perform such obligation for the account of the Issuer or the Agent and, in the case of the Agent, at the Agent's expense. All sums paid by the Holder or costs incurred (including, without limitation, reasonable attorneys' fees and expenses) together with interest thereon at the maximum legal rate from the date of payment by the Holder, shall be paid by the Agent.

Section 9.9. No Waiver, Etc. No failure by the Holder to insist upon the strict performance of any term hereof or of the Bonds or the Loan Documents or to exercise any right, power or remedy consequent upon a breach thereof, shall constitute a waiver of any such term or of any such breach. No waiver of any breach shall affect or alter this Pledge and Assignment, which shall continue in full force and effect until the Bonds are paid in full or cancelled, or the rights of the Holder with respect to any other then existing or subsequent breach.

Section 9.10. Remedies Cumulative, Etc. Each right, power and remedy of the Holder provided for in this Pledge and Assignment or now or hereafter existing at law or in equity or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power or remedy provided for in this Pledge and Assignment or now or hereafter existing at law or in equity or by statute or otherwise; each such right, power or remedy may be exercised by any such person in any order or sequence; and the exercise or beginning of the exercise by any such person of any one or more of such rights, powers and remedies shall not preclude the simultaneous or later exercise of any or all such rights, powers or remedies. No failure or delay on the part of the Holder to exercise any such right, power or remedy shall operate as a waiver thereof. Any rights, powers and remedies of the Holder set forth herein shall be exercised upon the affirmative determination to exercise the same by the owners of not less than 66 2/3% of the outstanding principal amount of the Bonds. The Issuer and the Agent are hereby authorized by the Holder to rely and act upon any direction provided by the owners of not less than 66 2/3% of the outstanding principal amount of the Bonds.

## ARTICLE 10

### MISCELLANEOUS

Section 10.1. Provisions Subject to Applicable Law. All rights, powers and remedies provided herein may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and are intended to be limited to the extent necessary so that they will not render this Pledge and Assignment invalid, unenforceable or not entitled to be rendered, registered or filed under the provisions of any applicable law. If any term of this Pledge and Assignment or any application thereof shall be invalid or unenforceable, the remainder of this Pledge and Assignment and any other application of such term shall not be affected thereby.

Section 10.2. Applicable Law. This Pledge and Assignment, the Bonds and the Loan Documents shall be interpreted in accordance with and governed by the laws of the State.

Section 10.3. Compromise of Action, Etc. Any action, suit or proceeding brought by the Holder pursuant to any of the terms of this Pledge and Assignment or the Bonds or otherwise, and any claim made by the Holder hereunder or under the Bonds, may be compromised, withdrawn or otherwise dealt with by the Holder following reasonable written notice to the Issuer and the Agent and without the approval of such parties.

Section 10.4. Notices, Etc. All notices, demands, requests, consents, approvals and other instruments under this Pledge and Assignment shall be in writing and shall be deemed to have been properly given if mailed by first class registered or certified mail, postage prepaid, to the following addresses, or to such other addresses as the parties hereto may designate to each other by notice.

To the Issuer: County of Contra Costa  
Conservation and Development  
Department  
2530 Arnold Drive, Suite 190  
Martinez, CA 94553

To the Agent: U.S. Bank National Association  
One California Street, Suite 2100  
San Francisco, CA 94111

To the Holder: U.S. Bank National Association  
One California Street, Suite 2100  
San Francisco, CA 94111

To the Borrower: San Pablo Senior Associates II, L.P.,  
a California Limited Partnership  
2169 E. Francisco Boulevard, Suite B  
San Rafael, CA 94901

With a copy to:

NEF Assignment Corporation,  
120 South Riverside Plaza, 15th Floor  
Chicago, Illinois 60606

Section 10.5. Termination. This Pledge and Assignment shall cease and terminate when the Bonds have been surrendered and finally paid and all obligations secured hereby shall have been observed.

Section 10.6. Duty of Issuer. Except for the actions set forth herein, the Issuer shall not be required to take any action or incur any expense not expressly provided for in this Pledge and Assignment. The Issuer shall not be obligated to take any action that might, in its reasonable judgment, involve the Issuer in any expense or liability unless it shall have been furnished with reasonable indemnity for the Issuer, its officers, directors, agents and employees.

Section 10.7. Consent to Assignment. The Issuer agrees that the Agent shall have the right to assign all of the rights that it holds under this Pledge and Assignment as Agent to any Affiliate. The Issuer will execute and deliver to the Agent any documents necessary to effectuate such assignment, and will not take any action to impair the Agent's right to assign pursuant to this Section 10.7.

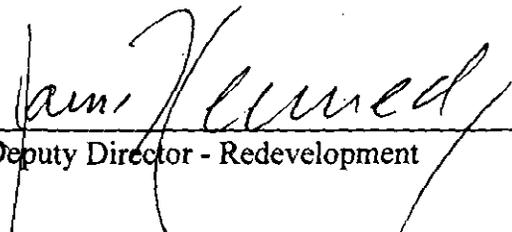
Section 10.8. Amendment of the Note. The Agent, with the consent of the Holder, may accept at any time an amended Note or a new Note delivered by the Borrower upon cancellation of the then-current Note; provided that no amendment or change to a Note affecting the payment terms of the Bonds shall be valid without the consent of the Issuer and receipt by the Issuer and the Agent of an opinion of Bond Counsel to the effect that such amendment or change will not, in and of itself, adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Section 10.9. Amendments, Successors and Assigns, Headings and Counterparts. Any of the terms of this Pledge and Assignment and the Bonds may be amended or waived only by an instrument signed by the Issuer, the Agent and the Holder. All of the terms of this Pledge and Assignment shall be binding upon the successors and assigns of and all persons claiming under or through the Issuer and the Agent or any such successor or assign, and shall inure to the benefit of and be enforceable by the successors and assigns of the Holder. The headings of this Pledge and Assignment are for convenience of reference only and shall not limit or otherwise affect the meaning hereof. This Pledge and Assignment may be executed in several counterparts, each of which shall be an original, and all of which shall constitute one and the same instrument.

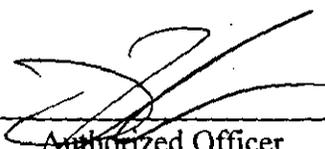
*Remainder of this page left intentionally blank.*

IN WITNESS WHEREOF, the Issuer, the Agent and the Holder have each caused this Pledge and Assignment to be executed in their respective names, by their authorized representatives, as of the date first written above.

**COUNTY OF CONTRA COSTA**

By:   
Deputy Director - Redevelopment

**U.S. BANK NATIONAL ASSOCIATION,**  
as Agent

By:   
Authorized Officer

**U.S. BANK NATIONAL ASSOCIATION,**  
as Holder

By:   
Authorized Officer

**EXHIBIT A-1**

**FORM OF SERIES B-1 BOND**

THIS BOND HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. THE TRANSFERABILITY HEREOF IS RESTRICTED BY THE TERMS SET FORTH HEREIN AND BY THE TERMS OF THE PLEDGE AND ASSIGNMENT DESCRIBED HEREIN.

\$1,900,000

(Maximum Principal Amount)

COUNTY OF CONTRA COSTA  
MULTIFAMILY HOUSING REVENUE BONDS  
(CASA ADOBE APARTMENTS)  
2008 SERIES B-1

<u>Maximum Principal Amount</u>	<u>Current Principal Amount</u>	<u>Maturity Date</u>	<u>Dated Date</u>
\$1,900,000	See Attached Principal Schedule	February 1, 2025	Date of Delivery

**HOLDER:**

The County of Contra Costa, a political subdivision of the State of California (the "Issuer"), for value received, hereby promises to pay, but only from the Collateral or the proceeds thereof (as that term is defined in the Master Pledge and Assignment hereinafter described), to the order of the Holder specified above, or registered assign (the "**Holder**"), at its office in San Francisco, California, or such other place as the Holder may designate in writing, from the source and in the manner hereinafter provided, the principal sum of \$1,900,000, or such lesser amount as may be deemed outstanding hereunder with interest on the unpaid balance of this Bond from the Dated Date until this Bond is fully paid, at the rate computed as specified below, in any coin or currency which at the time or times of payment is legal tender for the payment of public or private debts in the United States of America. All capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the Loan Agreement, the Note or the Pledge and Assignment hereinafter defined.

This Bond constitutes all or part of an issue in the total authorized principal amount of \$2,659,477 issued by the Issuer to provide moneys to fund a loan (the "**Loan**") to be made for the account of the Issuer to San Pablo Senior Associates II, L.P., a California Limited Partnership (the "**Borrower**"), for the purpose of financing the acquisition and rehabilitation of a

54-unit multifamily rental housing project located in the City of San Pablo, County of Contra Costa, California, and known as Casa Adobe Apartments (the "**Project**").

The obligations of the Borrower under the Loan will be evidenced by that certain Promissory Note (Convertible), dated as of November 4, 2008, in the amount of \$1,900,000 (the "**Note**") made by the Borrower to the order of U.S. Bank National Association, as agent (the "**Agent**") for the Issuer pursuant to a Master Agency Agreement dated as of November 1, 2008, between the Issuer and the Agent. This Bond is secured by a Master Pledge and Assignment (the "**Pledge and Assignment**"), dated as of November 1, 2008, by and among the Issuer, the Agent and the Holder.

The principal amount of this Bond from time to time outstanding shall bear interest at the Note Rate until the maturity or earlier redemption thereof, computed on the same basis that interest is computed under the Note. Commencing on December 1, 2008 and continuing on the first day of each calendar month thereafter, payments of interest only on this Bond shall be payable in monthly installments as set forth in the Note. Commencing on March 1, 2010, subject to extension in accordance with the Loan Agreement, and continuing on the first day of each calendar month thereafter, payments of principal and interest shall be due and payable in installments as set forth in the Note.

This Bond shall be subject to redemption in whole or in part as set forth in the Pledge and Assignment, including partial redemption in connection with regularly scheduled payments of principal under the Note.

If more than one Bond is outstanding on the date of any payment on the Note, such payment, whether of principal, interest, or a combination of both, shall be paid to the holders of the Bonds on a pro rata basis (based on the then respective outstanding principal balances of such Bonds)

This is a draw-down Bond. The principal amount of this Bond as of any given date shall be equal to (i) the total amount advanced by the Agent, on behalf of the Issuer, to the Borrower under the Note, less (ii) any payment of principal on the Bonds received by the Holders thereof. Amounts advanced to the Borrower on the Note and payments of principal on the Bonds shall be noted on the **Principal Schedule** attached hereto or otherwise recorded by the Holders with periodic statements provided, upon request, to the Issuer.

This Bond shall mature on the Maturity Date set forth above, subject to the prior payment or redemption thereof under the Note, and the entire unpaid principal balance of and any accrued interest on this Bond shall be paid in full on or before such date.

All payments received by the Agent under the Note shall be deemed due and owing on the Bonds to the same extent due and owing on the Note and, subject to the provisions of the Pledge and Assignment, the payments or prepayments of principal, interest, shall be identical under the Bonds with and shall be made on the same terms and conditions as such payments made on the Note. Said payments by the Borrower under the Note shall be deemed to have been constructively received by the Holders as payments on the Bonds on the date of receipt by the Agent under the Note. Payments shall be remitted to the Holder by the Agent immediately.

**Subject to the provisions of the Pledge and Assignment, this Bond may not be sold, assigned, transferred, participated or otherwise disposed of, in whole or in part, except upon satisfaction of the requirements of the Pledge and Assignment, including, but not limited to, the requirement that this Bond be sold or assigned only to Qualified Institutional Buyers (as defined in the Pledge and Assignment), only in denominations of not less than \$500,000 and only, except in the case of transfer of a participation interest, upon receipt from the purchaser of an Investor Letter in the form attached to the Pledge and Assignment.**

Subject to the foregoing, this Bond is transferable upon the books of the Agent, by the registered Holder hereof in person or by its attorney duly authorized in writing, upon surrender of this Bond together with a written instrument of transfer satisfactory to the Agent, duly executed by the registered Holder or its duly authorized attorney. Upon such transfer, the Agent will note the date of registration and the name and address of the newly registered Holder on the books of the Issuer and in the registration blank appearing below. The Issuer may deem and treat the person in whose name this Bond is last registered upon the books of the Agent, with such registration noted on this Bond, as the absolute owner hereof for the purpose of receiving payment of or on account of the principal or interest and for all other purposes; all such payments so made to the registered Holder or upon his order shall be valid and effectual to satisfy and discharge the liability upon this Bond to the extent of the sum or sums so paid, and the Issuer shall not be affected by any notice to the contrary.

If any of the payments required by the terms hereof shall not be paid when the same becomes due, or if the payment due on the Maturity Date is not paid when due, whether by acceleration or otherwise, or upon the occurrence of an Event of Default under the Pledge and Assignment, then, or at any time thereafter, the whole of the unpaid principal and interest owing on this Bond shall, at the option of Holder and without notice, become immediately due and payable. This option may be exercised at any time after any such event and the acceptance of one or more installments or other payments from any person thereafter shall not constitute a waiver of Holder's option. Holder's failure to exercise said option in connection with any particular event or series of events shall not be construed as a waiver of the provisions hereof as regards any subsequent event.

All of the agreements, covenants, conditions, limitations, provisions and stipulations contained in the Pledge and Assignment are hereby made a part of this Bond to the same extent and with the same effect as if they were fully set forth herein. If any payment of the principal of, interest hereon or other payments due hereunder are not made when due in accordance with the terms and conditions of this Bond, then the Holder may at its right and option declare immediately due and payable the principal of this Bond and interest accrued hereon to the date of declaration of such default, together with any reasonable attorneys' fees incurred by the Holder in collecting or enforcing payment hereof, whether suit be brought or not, and all other sums due hereunder or under the Pledge and Assignment, notwithstanding anything to the contrary therein and payment thereof may be enforced and recovered in whole or in part, at any time, by one or more of the remedies provided in this Bond or the Pledge and Assignment.

The remedies of the Holder upon an Event of Default, as provided herein and in the Pledge and Assignment, may be pursued at the sole discretion of the Holder and may be

exercised as often as occasion therefor shall occur. The failure to exercise any such right or remedy shall in no event be construed as a waiver or release thereof. Any default under the Pledge and Assignment shall constitute a default under this Bond.

The Holder shall not be deemed, by any act of omission or commission, to have waived any of its rights or remedies hereunder unless such waiver is in writing and signed by the Holder and then only to the extent specifically set forth in the writing. A waiver with reference to one event shall not be construed as a continuing waiver or as a bar to or waiver of any right or remedy as to a subsequent event.

This Bond may not be amended without the prior written consent of the Issuer, the Holder and the Agent.

**THIS BOND AND THE INTEREST HEREON IS A LIMITED OBLIGATION OF THE ISSUER, PAYABLE SOLELY FROM THE COLLATERAL. NEITHER THE ISSUER, THE STATE OF CALIFORNIA (THE "STATE"), NOR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE ISSUER, TO THE LIMITED EXTENT SET FORTH IN THE PLEDGE AND ASSIGNMENT) NOR ANY PUBLIC AGENCY SHALL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM (IF ANY) OR INTEREST ON THIS BOND OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER EXCEPT AS SET FORTH HEREIN AND IN THE PLEDGE AND ASSIGNMENT, AND NONE OF THE BONDS OR ANY OF THE ISSUER'S AGREEMENTS OR OBLIGATIONS SHALL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF OR A PLEDGE OF THE FAITH AND CREDIT OF OR A LOAN OF THE CREDIT OF OR A MORAL OBLIGATION OF ANY OF THE FOREGOING WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER.**

**NO MEMBER, OFFICER, AGENT, EMPLOYEE OR ATTORNEY OF THE ISSUER, INCLUDING ANY PERSON EXECUTING THE PLEDGE AND ASSIGNMENT OR THE BONDS, SHALL BE LIABLE PERSONALLY ON THE BONDS OR FOR ANY REASON RELATING TO THE ISSUANCE OF THE BONDS. NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE BONDS, OR FOR ANY CLAIM BASED ON THE BONDS, OR OTHERWISE IN RESPECT OF THE BONDS, OR BASED ON OR IN RESPECT OF THE PLEDGE AND ASSIGNMENT, AGAINST ANY MEMBER, 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 THE BONDS, EXPRESSLY WAIVED AND RELEASED.**

Neither the Borrower, the Agent nor any Holder shall look to the Issuer, directors, officers, attorneys, accountants, financial advisors, agents or staff or any successor or public entity for monetary damages suffered by the Borrower, the Agent or such Holder as a result of

the failure of the Issuer to perform any covenant, undertaking or obligation under the Pledge and Assignment, the Agency Agreement, this Bond, the Regulatory Agreement 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. Although the Pledge and Assignment recognizes that such documents shall not give rise to any pecuniary liability of the Issuer, nothing contained in the Pledge and Assignment or this Bond shall be construed to preclude in any way any action or proceeding (other than that element of any action or proceeding involving a claim for monetary damages against the Issuer) in any court or before any governmental body, agency or instrumentality or otherwise against the Issuer or any of its officers or employees to enforce the provisions of any of such documents which the Issuer is obligated to perform and the performance of which the Issuer has not assigned to the Agent or any other person.

It is intended that this Bond is made with reference to and shall be construed as a contract governed by the laws of the State.

IT IS HEREBY CERTIFIED AND RECITED that all conditions, acts and things required to exist, happen and be performed precedent to or in the issuance of this Bond do exist, have happened and have been performed in regular and due form as required by law.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be executed and attested on its behalf by the manual or facsimile signatures of its duly authorized officers, all as of the date first set forth above.

COUNTY OF CONTRA COSTA

By: \_\_\_\_\_  
Chair of the Board of Supervisors

ATTEST:

\_\_\_\_\_  
Clerk of the Board of Supervisors





**EXHIBIT A-2**

**FORM OF BOND**

THIS BOND HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. THE TRANSFERABILITY HEREOF IS RESTRICTED BY THE TERMS SET FORTH HEREIN AND BY THE TERMS OF THE PLEDGE AND ASSIGNMENT DESCRIBED HEREIN.

\$759,477

(Maximum Principal Amount)

COUNTY OF CONTRA COSTA  
MULTIFAMILY HOUSING REVENUE BONDS  
(CASA ADOBE APARTMENTS)  
2008 SERIES B-2

<u>Maximum Principal Amount</u>	<u>Current Principal Amount</u>	<u>Maturity Date</u>	<u>Dated Date</u>
\$759,477	See Attached Principal Schedule	August 1, 2010	Date of Delivery

**HOLDER:**

The County of Contra Costa, a political subdivision of the State of California (the "Issuer"), for value received, hereby promises to pay, but only from the Collateral or the proceeds thereof (as that term is defined in the Master Pledge and Assignment hereinafter described), to the order of the Holder specified above, or registered assign (the "**Holder**"), at its office in San Francisco, California, or such other place as the Holder may designate in writing, from the source and in the manner hereinafter provided, the principal sum of \$759,477, or such lesser amount as may be deemed outstanding hereunder with interest on the unpaid balance of this Bond from the Dated Date until this Bond is fully paid, at the rate computed as specified below, in any coin or currency which at the time or times of payment is legal tender for the payment of public or private debts in the United States of America. All capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the Loan Agreement, the Note or the Pledge and Assignment hereinafter defined.

This Bond constitutes all or part of an issue in the total authorized principal amount of \$2,659,477 issued by the Issuer to provide moneys to fund a loan (the "**Loan**") to be made for the account of the Issuer to San Pablo Senior Associates II, L.P., a California Limited Partnership (the "**Borrower**"), for the purpose of financing the acquisition and rehabilitation of a

54-unit multifamily rental housing project located in the City of San Pablo, County of Contra Costa, California, and known as Casa Adobe Apartments (the "Project").

The obligations of the Borrower under the Loan will be evidenced by that certain Promissory Note (Construction), dated as of November 4, 2008, in the amount of \$759,477 (the "Note") made by the Borrower to the order of U.S. Bank National Association as agent (the "Agent") for the Issuer pursuant to a Master Agency Agreement dated as of November 1, 2008, between the Issuer and the Agent. This Bond is secured by a Master Pledge and Assignment (the "Pledge and Assignment"), dated as of November 1, 2008, by and among the Issuer, the Agent and the Holder.

The principal amount of this Bond from time to time outstanding shall bear interest at the Note Rate until the maturity or earlier redemption thereof, computed on the same basis that interest is computed under the Note. Commencing on December 1, 2008 and continuing on the first day of each calendar month thereafter, payments of interest only on this Bond shall be payable in monthly installments as set forth in the Note. The principal amount of this Bond shall be payable on its Maturity Date.

This Bond shall be subject to redemption in whole or in part as set forth in the Pledge and Assignment, including partial redemption in connection with regularly scheduled payments of principal under the Note.

If more than one Bond is outstanding on the date of any payment on the Note, such payment, whether of principal, interest, or a combination of both, shall be paid to the holders of the Bonds on a pro rata basis (based on the then respective outstanding principal balances of such Bonds)

This is a draw-down Bond. The principal amount of this Bond as of any given date shall be equal to (i) the total amount advanced by the Agent, on behalf of the Issuer, to the Borrower under the Note, less (ii) any payment of principal on the Bonds received by the Holders thereof. Amounts advanced to the Borrower on the Note and payments of principal on the Bonds shall be noted on the Principal Schedule attached hereto or otherwise recorded by the Holders with periodic statements provided, upon request, to the Issuer.

This Bond shall mature on the Maturity Date set forth above, subject to the prior payment or redemption thereof under the Note, and the entire unpaid principal balance of and any accrued interest on this Bond shall be paid in full on or before such date.

All payments received by the Agent under the Note shall be deemed due and owing on the Bonds to the same extent due and owing on the Note and, subject to the provisions of the Pledge and Assignment, the payments or prepayments of principal, interest, shall be identical under the Bonds with and shall be made on the same terms and conditions as such payments made on the Note. Said payments by the Borrower under the Note shall be deemed to have been constructively received by the Holders as payments on the Bonds on the date of receipt by the Agent under the Note. Payments shall be remitted to the Holder by the Agent immediately.

**Subject to the provisions of the Pledge and Assignment, this Bond may not be sold, assigned, transferred, participated or otherwise disposed of, in whole or in part, except**

**upon satisfaction of the requirements of the Pledge and Assignment, including, but not limited to, the requirement that this Bond be sold or assigned only to Qualified Institutional Buyers (as defined in the Pledge and Assignment), only in denominations of not less than \$500,000 and only, except in the case of transfer of a participation interest, upon receipt from the purchaser of an Investor Letter in the form attached to the Pledge and Assignment.**

Subject to the foregoing, this Bond is transferable upon the books of the Agent, by the registered Holder hereof in person or by its attorney duly authorized in writing, upon surrender of this Bond together with a written instrument of transfer satisfactory to the Agent, duly executed by the registered Holder or its duly authorized attorney. Upon such transfer, the Agent will note the date of registration and the name and address of the newly registered Holder on the books of the Issuer and in the registration blank appearing below. The Issuer may deem and treat the person in whose name this Bond is last registered upon the books of the Agent, with such registration noted on this Bond, as the absolute owner hereof for the purpose of receiving payment of or on account of the principal or interest and for all other purposes; all such payments so made to the registered Holder or upon his order shall be valid and effectual to satisfy and discharge the liability upon this Bond to the extent of the sum or sums so paid, and the Issuer shall not be affected by any notice to the contrary.

If any of the payments required by the terms hereof shall not be paid when the same becomes due, or if the payment due on the Maturity Date is not paid when due, whether by acceleration or otherwise, or upon the occurrence of an Event of Default under the Pledge and Assignment, then, or at any time thereafter, the whole of the unpaid principal and interest owing on this Bond shall, at the option of Holder and without notice, become immediately due and payable. This option may be exercised at any time after any such event and the acceptance of one or more installments or other payments from any person thereafter shall not constitute a waiver of Holder's option. Holder's failure to exercise said option in connection with any particular event or series of events shall not be construed as a waiver of the provisions hereof as regards any subsequent event.

All of the agreements, covenants, conditions, limitations, provisions and stipulations contained in the Pledge and Assignment are hereby made a part of this Bond to the same extent and with the same effect as if they were fully set forth herein. If any payment of the principal of, interest hereon or other payments due hereunder are not made when due in accordance with the terms and conditions of this Bond, then the Holder may at its right and option declare immediately due and payable the principal of this Bond and interest accrued hereon to the date of declaration of such default, together with any reasonable attorneys' fees incurred by the Holder in collecting or enforcing payment hereof, whether suit be brought or not, and all other sums due hereunder or under the Pledge and Assignment, notwithstanding anything to the contrary therein and payment thereof may be enforced and recovered in whole or in part, at any time, by one or more of the remedies provided in this Bond or the Pledge and Assignment.

The remedies of the Holder upon an Event of Default, as provided herein and in the Pledge and Assignment, may be pursued at the sole discretion of the Holder and may be exercised as often as occasion therefor shall occur. The failure to exercise any such right or

remedy shall in no event be construed as a waiver or release thereof. Any default under the Pledge and Assignment shall constitute a default under this Bond.

The Holder shall not be deemed, by any act of omission or commission, to have waived any of its rights or remedies hereunder unless such waiver is in writing and signed by the Holder and then only to the extent specifically set forth in the writing. A waiver with reference to one event shall not be construed as a continuing waiver or as a bar to or waiver of any right or remedy as to a subsequent event.

This Bond may not be amended without the prior written consent of the Issuer, the Holder and the Agent.

**THIS BOND AND THE INTEREST HEREON IS A LIMITED OBLIGATION OF THE ISSUER, PAYABLE SOLELY FROM THE COLLATERAL. NEITHER THE ISSUER, THE STATE OF CALIFORNIA (THE "STATE"), NOR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE ISSUER, TO THE LIMITED EXTENT SET FORTH IN THE PLEDGE AND ASSIGNMENT) NOR ANY PUBLIC AGENCY SHALL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM (IF ANY) OR INTEREST ON THIS BOND OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER EXCEPT AS SET FORTH HEREIN AND IN THE PLEDGE AND ASSIGNMENT, AND NONE OF THE BONDS OR ANY OF THE ISSUER'S AGREEMENTS OR OBLIGATIONS SHALL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF OR A PLEDGE OF THE FAITH AND CREDIT OF OR A LOAN OF THE CREDIT OF OR A MORAL OBLIGATION OF ANY OF THE FOREGOING WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER.**

**NO MEMBER, OFFICER, AGENT, EMPLOYEE OR ATTORNEY OF THE ISSUER, INCLUDING ANY PERSON EXECUTING THE PLEDGE AND ASSIGNMENT OR THE BONDS, SHALL BE LIABLE PERSONALLY ON THE BONDS OR FOR ANY REASON RELATING TO THE ISSUANCE OF THE BONDS. NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE BONDS, OR FOR ANY CLAIM BASED ON THE BONDS, OR OTHERWISE IN RESPECT OF THE BONDS, OR BASED ON OR IN RESPECT OF THE PLEDGE AND ASSIGNMENT, AGAINST ANY MEMBER, 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 THE BONDS, EXPRESSLY WAIVED AND RELEASED.**

Neither the Borrower, the Agent nor any Holder shall look to the Issuer or any of its directors, officers, attorneys, accountants, financial advisors, agents or staff or any successor or public entity for monetary damages suffered by the Borrower, the Agent or such Holder as a result of the failure of the Issuer to perform any covenant, undertaking or obligation under the

Pledge and Assignment, the Agency Agreement, this Bond, the Regulatory Agreement 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. Although the Pledge and Assignment recognizes that such documents shall not give rise to any pecuniary liability of the Issuer, nothing contained in the Pledge and Assignment or this Bond shall be construed to preclude in any way any action or proceeding (other than that element of any action or proceeding involving a claim for monetary damages against the Issuer) in any court or before any governmental body, agency or instrumentality or otherwise against the Issuer or any of its officers or employees to enforce the provisions of any of such documents which the Issuer is obligated to perform and the performance of which the Issuer has not assigned to the Agent or any other person.

It is intended that this Bond is made with reference to and shall be construed as a contract governed by the laws of the State.

IT IS HEREBY CERTIFIED AND RECITED that all conditions, acts and things required to exist, happen and be performed precedent to or in the issuance of this Bond do exist, have happened and have been performed in regular and due form as required by law.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be executed and attested on its behalf by the manual or facsimile signatures of its duly authorized officers, all as of the date first set forth above.

COUNTY OF CONTRA COSTA

By: \_\_\_\_\_  
Chair of the Board of Supervisors

ATTEST:

\_\_\_\_\_  
Clerk of the Board of Supervisors

**PROVISIONS AS TO REGISTRATION**

The ownership of the unpaid principal balance of this Bond and the interest accruing thereon is registered on the books of the Agent in the name of the registered Holder last noted below.

<u>Date of Registration</u>	<u>Name of Registered Holder</u>	<u>Principal Amount Outstanding</u>	<u>Signature of Agent</u>
	U.S. BANK NATIONAL ASSOCIATION		



**EXHIBIT B**

**FORM OF INVESTOR LETTER**

[Date]

County of Contra Costa  
Martinez, California

U.S. Bank National Association, as Agent  
San Francisco, California

RE: COUNTY OF CONTRA COSTA  
MULTIFAMILY HOUSING REVENUE BONDS  
(CASA ADOBE APARTMENTS PROJECT)  
2008 SERIES B-1 AND 2008 SERIES B-2

Ladies and Gentlemen:

The undersigned (the "Purchaser") hereby acknowledges receipt of the above-referenced bonds (the "Bonds"), dated November 6, 2008 and bearing interest from the date thereof, in fully registered form and in the aggregate principal amount of \$2,659,477, constituting [all/not less than \$500,000 aggregate principal amount] of the Bonds currently outstanding. The Bonds have been checked, inspected and approved by the Purchaser.

The undersigned acknowledges that the Bonds were issued for the purpose of making a mortgage loan to finance the acquisition and rehabilitation of a multifamily rental housing development located in the City of San Pablo, County of Contra Costa, California (the "Project"), as more particularly described in that certain Loan Agreement, dated of as November 4, 2008 (the "Loan Agreement"), by and between U.S. Bank National Association in its capacity as agent (the "Agent") for the County of Contra Costa (the "Issuer") and San Pablo Senior Associates II, L.P., a California Limited Partnership (the "Borrower"). The undersigned further acknowledges that the Bonds are secured by a Master Pledge and Assignment dated as of November 1, 2008 (the "Pledge and Assignment"), from the Issuer and the Agent to the Holder of the Bonds.

In connection with the sale of the Bonds to the Purchaser, the Purchaser hereby makes the following representations upon which you may rely:

1. The Purchaser hereby certifies that it is a "Qualified Institutional Buyer" as defined in Rule 144A of the Securities Act of 1933.
2. The Bonds are being acquired by the Purchaser for investment and not with a view to, or for resale in connection with, any distribution of the Bonds, and the Purchaser intends to hold the Bonds for its own account and for an indefinite period of time, and does not intend at this time to dispose of all or any part of the Bonds other than

as permitted by the Pledge and Assignment. The Purchaser understands that it may need to bear the risks of this investment for an indefinite time, since any sale prior to maturity may not be possible.

3. The Purchaser understands that the Bonds have not been registered under the Securities Act of 1933, as amended (the "Act"). The Purchaser acknowledges that the Issuer requires that, if the Bonds are disposed of by it, current information, including all current financial statements with respect to the Project, which meets the disclosure requirements of any applicable state and federal securities laws then in effect, concerning the Bonds and the Project must be furnished to any prospective purchaser, and that any disclosure document must be delivered to the Issuer before the Bonds are offered for sale to any prospective purchaser, and further acknowledges that any current exemption from registration of the Bonds does not affect or diminish such requirements.

4. The Purchaser acknowledges that it is familiar with the conditions, financial and otherwise, of the Borrower and understands that the Borrower has no significant assets other than the Project for payment of the Bonds. Further, the Purchaser understands that an investment in the Bonds involves a high degree of risk. Specifically, and without in any manner limiting the foregoing, the Purchaser understands and acknowledges that, among other risks, the Bonds are payable solely from payments made with respect to the Loan and other amounts derived from the Collateral. The Purchaser has made such inquiry with respect to all of the foregoing as it believed to be desirable for its purposes.

5. It is acknowledged that no written information has been provided by the Issuer or the Agent and that any written information furnished by any party to the transaction does not purport to fully disclose all information pertinent to the Bonds or an investment therein.

6. The Purchaser is not now and has never been controlled by, or under common control with, the Borrower. The Borrower has never been and is not now controlled by the Purchaser. The Purchaser has entered into no arrangements with the Borrower or with any affiliate of the Borrower in connection with the Bonds, other than as disclosed to the Issuer.

7. The Purchaser has authority to purchase the Bonds and to execute this letter and any other instruments and documents required to be executed by the Purchaser in connection with the purchase of the Bonds.

8. In entering into this transaction the Purchaser has not relied upon any representations or opinions made by the Issuer or the Agent relating to the legal consequences or other aspects of the transactions, nor has it looked to, nor expected, the Issuer or the Agent to undertake or require any credit investigation or due diligence reviews relating to the Borrower, its financial condition or business operations, the Project (including the financing or management thereof), or any other matter pertaining to the merits or risks of the transaction, or the adequacy of the funds pledged to secure repayment of the Bonds. The Purchaser understands and acknowledges that the

obligations of the Borrower under the Loan Agreement are not recourse obligations against the general assets of the Borrower, but are secured only by the amounts set forth thereunder.

9. The Purchaser understands that the Bonds are not secured by any pledge of any moneys received or to be received from taxation by the State of California or any political subdivision or taxing district thereof, that the Bonds will never represent or constitute a general obligation or a pledge of the faith and credit of the Issuer, the State of California or any political subdivision thereof; that no right will exist to have taxes levied by the State of California or any political subdivision thereof for the payment of principal and interest on the Bonds; and that the liability of the Issuer with respect to the Bonds is subject to further limitations as set forth in the Bonds and the Pledge and Assignment.

10. The Purchaser has been informed that the Bonds have not been and will not be registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any jurisdiction, (ii) will not be listed on any stock or other securities exchange, (iii) will carry no rating from any rating service and (iv) are currently exempt from the requirements of Rule 15c2-12 of under the Securities Exchange Act of 1934.

11. Although the Purchaser does not intend at this time to dispose of all or any part of the Bonds other than as permitted by the Pledge and Assignment, the Purchaser acknowledges that it has the right to sell and transfer the Bonds, subject to the delivery to the Trustee of an investor's letter to the same effect as this Investor's Letter, including this paragraph 11, with no revisions except as may be approved in writing by the Issuer, unless the Bonds have been rated "A" or better by a nationally recognized, independent rating service. Failure to deliver such investor's letter shall cause the purported transfer to be null and void unless the Bonds have been so rated "A" or better. Nothing contained herein shall limit Purchaser's right to sell participations in the Bonds if and to the extent permitted under the Pledge and Assignment.

Capitalized terms used herein and not otherwise defined have the meanings given such terms in the Pledge and Assignment.

[PURCHASER]

08-1154

RCVD NOV 14 '08

THIS BOND HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. THE TRANSFERABILITY HEREOF IS RESTRICTED BY THE TERMS SET FORTH HEREIN AND BY THE TERMS OF THE PLEDGE AND ASSIGNMENT DESCRIBED HEREIN.

# SPECIMEN

\$1,900,000

(Maximum Principal Amount)

COUNTY OF CONTRA COSTA  
MULTIFAMILY HOUSING REVENUE BONDS  
(CASA ADOBE APARTMENTS)  
2008 SERIES B-1

<u>Maximum Principal Amount</u>	<u>Current Principal Amount</u>	<u>Maturity Date</u>	<u>Dated Date</u>
\$1,900,000	See Attached Principal Schedule	February 1, 2025	November 6, 2008

**HOLDER: U.S. BANK NATIONAL ASSOCIATION**

The County of Contra Costa, a political subdivision of the State of California (the "Issuer"), for value received, hereby promises to pay, but only from the Collateral or the proceeds thereof (as that term is defined in the Master Pledge and Assignment hereinafter described), to the order of the Holder specified above, or registered assign (the "Holder"), at its office in San Francisco, California, or such other place as the Holder may designate in writing, from the source and in the manner hereinafter provided, the principal sum of \$1,900,000, or such lesser amount as may be deemed outstanding hereunder with interest on the unpaid balance of this Bond from the Dated Date until this Bond is fully paid, at the rate computed as specified below, in any coin or currency which at the time or times of payment is legal tender for the payment of public or private debts in the United States of America. All capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the Loan Agreement, the Note or the Pledge and Assignment hereinafter defined.

This Bond constitutes all or part of an issue in the total authorized principal amount of \$2,659,477 issued by the Issuer to provide moneys to fund a loan (the "Loan") to be made for the account of the Issuer to San Pablo Senior Associates II, L.P., a California Limited Partnership (the "Borrower"), for the purpose of financing the acquisition and rehabilitation of a 54-unit multifamily rental housing project located in the City of San Pablo, County of Contra Costa, California, and known as Casa Adobe Apartments (the "Project").

The obligations of the Borrower under the Loan will be evidenced by that certain Promissory Note (Convertible), dated as of November 4, 2008, in the amount of \$1,900,000 (the

“Note”) made by the Borrower to the order of U.S. Bank National Association, as agent (the “Agent”) for the Issuer pursuant to a Master Agency Agreement dated as of November 1, 2008, between the Issuer and the Agent. This Bond is secured by a Master Pledge and Assignment (the “Pledge and Assignment”), dated as of November 1, 2008, by and among the Issuer, the Agent and the Holder.

The principal amount of this Bond from time to time outstanding shall bear interest at the Note Rate until the maturity or earlier redemption thereof, computed on the same basis that interest is computed under the Note. Commencing on December 1, 2008 and continuing on the first day of each calendar month thereafter, payments of interest only on this Bond shall be payable in monthly installments as set forth in the Note. Commencing on March 1, 2010, subject to extension in accordance with the Loan Agreement, and continuing on the first day of each calendar month thereafter, payments of principal and interest shall be due and payable in installments as set forth in the Note.

This Bond shall be subject to redemption in whole or in part as set forth in the Pledge and Assignment, including partial redemption in connection with regularly scheduled payments of principal under the Note.

If more than one Bond is outstanding on the date of any payment on the Note, such payment, whether of principal, interest, or a combination of both, shall be paid to the holders of the Bonds on a pro rata basis (based on the then respective outstanding principal balances of such Bonds)

This is a draw-down Bond. The principal amount of this Bond as of any given date shall be equal to (i) the total amount advanced by the Agent, on behalf of the Issuer, to the Borrower under the Note, less (ii) any payment of principal on the Bonds received by the Holders thereof. Amounts advanced to the Borrower on the Note and payments of principal on the Bonds shall be noted on the Principal Schedule attached hereto or otherwise recorded by the Holders with periodic statements provided, upon request, to the Issuer.

This Bond shall mature on the Maturity Date set forth above, subject to the prior payment or redemption thereof under the Note, and the entire unpaid principal balance of and any accrued interest on this Bond shall be paid in full on or before such date.

All payments received by the Agent under the Note shall be deemed due and owing on the Bonds to the same extent due and owing on the Note and, subject to the provisions of the Pledge and Assignment, the payments or prepayments of principal, interest, shall be identical under the Bonds with and shall be made on the same terms and conditions as such payments made on the Note. Said payments by the Borrower under the Note shall be deemed to have been constructively received by the Holders as payments on the Bonds on the date of receipt by the Agent under the Note. Payments shall be remitted to the Holder by the Agent immediately.

**Subject to the provisions of the Pledge and Assignment, this Bond may not be sold, assigned, transferred, participated or otherwise disposed of, in whole or in part, except upon satisfaction of the requirements of the Pledge and Assignment, including, but not limited to, the requirement that this Bond be sold or assigned only to Qualified**

**Institutional Buyers (as defined in the Pledge and Assignment), only in denominations of not less than \$500,000 and only, except in the case of transfer of a participation interest, upon receipt from the purchaser of an Investor Letter in the form attached to the Pledge and Assignment.**

Subject to the foregoing, this Bond is transferable upon the books of the Agent, by the registered Holder hereof in person or by its attorney duly authorized in writing, upon surrender of this Bond together with a written instrument of transfer satisfactory to the Agent, duly executed by the registered Holder or its duly authorized attorney. Upon such transfer, the Agent will note the date of registration and the name and address of the newly registered Holder on the books of the Issuer and in the registration blank appearing below. The Issuer may deem and treat the person in whose name this Bond is last registered upon the books of the Agent, with such registration noted on this Bond, as the absolute owner hereof for the purpose of receiving payment of or on account of the principal or interest and for all other purposes; all such payments so made to the registered Holder or upon his order shall be valid and effectual to satisfy and discharge the liability upon this Bond to the extent of the sum or sums so paid, and the Issuer shall not be affected by any notice to the contrary.

If any of the payments required by the terms hereof shall not be paid when the same becomes due, or if the payment due on the Maturity is not paid when due, whether by acceleration or otherwise, or upon the occurrence of an Event of Default under the Pledge and Assignment, then, or at any time thereafter, the whole of the unpaid principal and interest owing on this Bond shall, at the option of Holder and without notice, become immediately due and payable. This option may be exercised at any time after any such event and the acceptance of one or more installments or other payments from any person thereafter shall not constitute a waiver of Holder's option. Holder's failure to exercise said option in connection with any particular event or series of events shall not be construed as a waiver of the provisions hereof as regards any subsequent event.

All of the agreements, covenants, conditions, limitations, provisions and stipulations contained in the Pledge and Assignment are hereby made a part of this Bond to the same extent and with the same effect as if they were fully set forth herein. If any payment of the principal of, interest hereon or other payments due hereunder are not made when due in accordance with the terms and conditions of this Bond, then the Holder may at its right and option declare immediately due and payable the principal of this Bond and interest accrued hereon to the date of declaration of such default, together with any reasonable attorneys' fees incurred by the Holder in collecting or enforcing payment hereof, whether suit be brought or not, and all other sums due hereunder or under the Pledge and Assignment, notwithstanding anything to the contrary therein and payment thereof may be enforced and recovered in whole or in part, at any time, by one or more of the remedies provided in this Bond or the Pledge and Assignment.

The remedies of the Holder upon an Event of Default, as provided herein and in the Pledge and Assignment, may be pursued at the sole discretion of the Holder and may be exercised as often as occasion therefor shall occur. The failure to exercise any such right or remedy shall in no event be construed as a waiver or release thereof. Any default under the Pledge and Assignment shall constitute a default under this Bond.

The Holder shall not be deemed, by any act of omission or commission, to have waived any of its rights or remedies hereunder unless such waiver is in writing and signed by the Holder and then only to the extent specifically set forth in the writing. A waiver with reference to one event shall not be construed as a continuing waiver or as a bar to or waiver of any right or remedy as to a subsequent event.

This Bond may not be amended without the prior written consent of the Issuer, the Holder and the Agent.

**THIS BOND AND THE INTEREST HEREON IS A LIMITED OBLIGATION OF THE ISSUER, PAYABLE SOLELY FROM THE COLLATERAL. NEITHER THE ISSUER, THE STATE OF CALIFORNIA (THE "STATE"), NOR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE ISSUER, TO THE LIMITED EXTENT SET FORTH IN THE PLEDGE AND ASSIGNMENT) NOR ANY PUBLIC AGENCY SHALL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM (IF ANY) OR INTEREST ON THIS BOND OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER EXCEPT AS SET FORTH HEREIN AND IN THE PLEDGE AND ASSIGNMENT, AND NONE OF THE BONDS OR ANY OF THE ISSUER'S AGREEMENTS OR OBLIGATIONS SHALL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF OR A PLEDGE OF THE FAITH AND CREDIT OF OR A LOAN OF THE CREDIT OF OR A MORAL OBLIGATION OF ANY OF THE FOREGOING WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER.**

**NO MEMBER, OFFICER, AGENT, EMPLOYEE OR ATTORNEY OF THE ISSUER, INCLUDING ANY PERSON EXECUTING THE PLEDGE AND ASSIGNMENT OR THE BONDS, SHALL BE LIABLE PERSONALLY ON THE BONDS OR FOR ANY REASON RELATING TO THE ISSUANCE OF THE BONDS. NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE BONDS, OR FOR ANY CLAIM BASED ON THE BONDS, OR OTHERWISE IN RESPECT OF THE BONDS, OR BASED ON OR IN RESPECT OF THE PLEDGE AND ASSIGNMENT, AGAINST ANY MEMBER, 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 THE BONDS, EXPRESSLY WAIVED AND RELEASED.**

Neither the Borrower, the Agent nor any Holder shall look to the Issuer, directors, officers, attorneys, accountants, financial advisors, agents or staff or any successor or public entity for monetary damages suffered by the Borrower, the Agent or such Holder as a result of the failure of the Issuer to perform any covenant, undertaking or obligation under the Pledge and Assignment, the Agency Agreement, this Bond, the Regulatory Agreement 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. Although the Pledge and

Assignment recognizes that such documents shall not give rise to any pecuniary liability of the Issuer, nothing contained in the Pledge and Assignment or this Bond shall be construed to preclude in any way any action or proceeding (other than that element of any action or proceeding involving a claim for monetary damages against the Issuer) in any court or before any governmental body, agency or instrumentality or otherwise against the Issuer or any of its officers or employees to enforce the provisions of any of such documents which the Issuer is obligated to perform and the performance of which the Issuer has not assigned to the Agent or any other person.

It is intended that this Bond is made with reference to and shall be construed as a contract governed by the laws of the State.

IT IS HEREBY CERTIFIED AND RECITED that all conditions, acts and things required to exist, happen and be performed precedent to or in the issuance of this Bond do exist, have happened and have been performed in regular and due form as required by law.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be executed and attested on its behalf by the manual or facsimile signatures of its duly authorized officers, all as of the date first set forth above.

COUNTY OF CONTRA COSTA

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

**SPRUEN**  
Chair of the Board of Supervisors

ATTEST:

**SPRUEN**  
Clerk of the Board of Supervisors





08-1154

RCUD NOV 14'08

THIS BOND HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. THE TRANSFERABILITY HEREOF IS RESTRICTED BY THE TERMS SET FORTH HEREIN AND BY THE TERMS OF THE PLEDGE AND ASSIGNMENT DESCRIBED HEREIN.

**SPECIMEN**

\$759,477

(Maximum Principal Amount)

COUNTY OF CONTRA COSTA  
MULTIFAMILY HOUSING REVENUE BONDS  
(CASA ADOBE APARTMENTS)  
2008 SERIES B-2

<u>Maximum Principal Amount</u>	<u>Current Principal Amount</u>	<u>Maturity Date</u>	<u>Dated Date</u>
\$759,477	See Attached Principal Schedule	August 1, 2010	November 6, 2008

**HOLDER: U.S. BANK NATIONAL ASSOCIATION**

The County of Contra Costa, a political subdivision of the State of California (the "Issuer"), for value received, hereby promises to pay, but only from the Collateral or the proceeds thereof (as that term is defined in the Master Pledge and Assignment hereinafter described), to the order of the Holder specified above, or registered assign (the "Holder"), at its office in San Francisco, California, or such other place as the Holder may designate in writing, from the source and in the manner hereinafter provided, the principal sum of \$759,477, or such lesser amount as may be deemed outstanding hereunder with interest on the unpaid balance of this Bond from the Dated Date until this Bond is fully paid, at the rate computed as specified below, in any coin or currency which at the time or times of payment is legal tender for the payment of public or private debts in the United States of America. All capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the Loan Agreement, the Note or the Pledge and Assignment hereinafter defined.

This Bond constitutes all or part of an issue in the total authorized principal amount of \$2,659,477 issued by the Issuer to provide moneys to fund a loan (the "Loan") to be made for the account of the Issuer to San Pablo Senior Associates II, L.P., a California Limited Partnership (the "Borrower"), for the purpose of financing the acquisition and rehabilitation of a 54-unit multifamily rental housing project located in the City of San Pablo, County of Contra Costa, California, and known as Casa Adobe Apartments (the "Project").

The obligations of the Borrower under the Loan will be evidenced by that certain Promissory Note (Construction), dated as of November 4, 2008, in the amount of \$759,477 (the

"Note") made by the Borrower to the order of U.S. Bank National Association as agent (the "Agent") for the Issuer pursuant to a Master Agency Agreement dated as of November 1, 2008, between the Issuer and the Agent. This Bond is secured by a Master Pledge and Assignment (the "Pledge and Assignment"), dated as of November 1, 2008, by and among the Issuer, the Agent and the Holder.

The principal amount of this Bond from time to time outstanding shall bear interest at the Note Rate until the maturity or earlier redemption thereof, computed on the same basis that interest is computed under the Note. Commencing on December 1, 2008 and continuing on the first day of each calendar month thereafter, payments of interest only on this Bond shall be payable in monthly installments as set forth in the Note. The principal amount of this Bond shall be payable on its Maturity Date.

This Bond shall be subject to redemption in whole or in part as set forth in the Pledge and Assignment, including partial redemption in connection with regularly scheduled payments of principal under the Note.

If more than one Bond is outstanding on the date of any payment on the Note, such payment, whether of principal, interest, or a combination thereof, shall be paid to the holders of the Bonds on a pro rata basis (based on the then respective outstanding principal balances of such Bonds)

This is a draw-down Bond. The principal amount of this Bond as of any given date shall be equal to (i) the total amount advanced by the Agent, on behalf of the Issuer, to the Borrower under the Note, less (ii) any payment of principal on the Bonds received by the Holders thereof. Amounts advanced to the Borrower on the Note and payments of principal on the Bonds shall be noted on the Principal Schedule attached hereto or otherwise recorded by the Holders with periodic statements provided, upon request, to the Issuer.

This Bond shall mature on the Maturity Date set forth above, subject to the prior payment or redemption thereof under the Note, and the entire unpaid principal balance of and any accrued interest on this Bond shall be paid in full on or before such date.

All payments received by the Agent under the Note shall be deemed due and owing on the Bonds to the same extent due and owing on the Note and, subject to the provisions of the Pledge and Assignment, the payments or prepayments of principal, interest, shall be identical under the Bonds with and shall be made on the same terms and conditions as such payments made on the Note. Said payments by the Borrower under the Note shall be deemed to have been constructively received by the Holders as payments on the Bonds on the date of receipt by the Agent under the Note. Payments shall be remitted to the Holder by the Agent immediately.

**Subject to the provisions of the Pledge and Assignment, this Bond may not be sold, assigned, transferred, participated or otherwise disposed of, in whole or in part, except upon satisfaction of the requirements of the Pledge and Assignment, including, but not limited to, the requirement that this Bond be sold or assigned only to Qualified Institutional Buyers (as defined in the Pledge and Assignment), only in denominations of not less than \$500,000 and only, except in the case of transfer of a participation interest,**

**upon receipt from the purchaser of an Investor Letter in the form attached to the Pledge and Assignment.**

Subject to the foregoing, this Bond is transferable upon the books of the Agent, by the registered Holder hereof in person or by its attorney duly authorized in writing, upon surrender of this Bond together with a written instrument of transfer satisfactory to the Agent, duly executed by the registered Holder or its duly authorized attorney. Upon such transfer, the Agent will note the date of registration and the name and address of the newly registered Holder on the books of the Issuer and in the registration blank appearing below. The Issuer may deem and treat the person in whose name this Bond is last registered upon the books of the Agent, with such registration noted on this Bond, as the absolute owner hereof for the purpose of receiving payment of or on account of the principal or interest and for all other purposes; all such payments so made to the registered Holder or upon his order shall be valid and effectual to satisfy and discharge the liability upon this Bond to the extent of the sum or sums so paid, and the Issuer shall not be affected by any notice to the contrary.

If any of the payments required by the terms hereof shall not be paid when the same becomes due, or if the payment due on the Maturity Date is not paid when due, whether by acceleration or otherwise, or upon the occurrence of an Event of Default under the Pledge and Assignment, then, or at any time thereafter, the whole of the unpaid principal and interest owing on this Bond shall, at the option of the Holder and without notice, become immediately due and payable. This option may be exercised at any time after any such event and the acceptance of one or more installments or other payments from any person thereafter shall not constitute a waiver of Holder's option. Holder's failure to exercise said option in connection with any particular event or series of events shall not be construed as a waiver of the provisions hereof as regards any subsequent event.

All of the agreements, covenants, conditions, limitations, provisions and stipulations contained in the Pledge and Assignment are hereby made a part of this Bond to the same extent and with the same effect as if they were fully set forth herein. If any payment of the principal of, interest hereon or other payments due hereunder are not made when due in accordance with the terms and conditions of this Bond, then the Holder may at its right and option declare immediately due and payable the principal of this Bond and interest accrued hereon to the date of declaration of such default, together with any reasonable attorneys' fees incurred by the Holder in collecting or enforcing payment hereof, whether suit be brought or not, and all other sums due hereunder or under the Pledge and Assignment, notwithstanding anything to the contrary therein and payment thereof may be enforced and recovered in whole or in part, at any time, by one or more of the remedies provided in this Bond or the Pledge and Assignment.

The remedies of the Holder upon an Event of Default, as provided herein and in the Pledge and Assignment, may be pursued at the sole discretion of the Holder and may be exercised as often as occasion therefor shall occur. The failure to exercise any such right or remedy shall in no event be construed as a waiver or release thereof. Any default under the Pledge and Assignment shall constitute a default under this Bond.

The Holder shall not be deemed, by any act of omission or commission, to have waived any of its rights or remedies hereunder unless such waiver is in writing and signed by the Holder

and then only to the extent specifically set forth in the writing. A waiver with reference to one event shall not be construed as a continuing waiver or as a bar to or waiver of any right or remedy as to a subsequent event.

This Bond may not be amended without the prior written consent of the Issuer, the Holder and the Agent.

**THIS BOND AND THE INTEREST HEREON IS A LIMITED OBLIGATION OF THE ISSUER, PAYABLE SOLELY FROM THE COLLATERAL. NEITHER THE ISSUER, THE STATE OF CALIFORNIA (THE "STATE"), NOR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE ISSUER, TO THE LIMITED EXTENT SET FORTH IN THE PLEDGE AND ASSIGNMENT) NOR ANY PUBLIC AGENCY SHALL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM (IF ANY) OR INTEREST ON THIS BOND OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER EXCEPT AS SET FORTH HEREIN AND IN THE PLEDGE AND ASSIGNMENT, AND NONE OF THE BONDS OR ANY OF THE ISSUER'S AGREEMENTS OR OBLIGATIONS SHALL BE CONSTRUED AS A PLEDGE OF THE FAITH AND CREDIT OF THE ISSUER OR A PLEDGE OF THE FAITH AND CREDIT OF OR A LOAN OF THE CREDIT OF OR A MORAL OBLIGATION OF ANY OF THE FOREGOING WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER.**

**NO MEMBER, OFFICER, AGENT, EMPLOYEE OR ATTORNEY OF THE ISSUER, INCLUDING ANY PERSON EXECUTING THE PLEDGE AND ASSIGNMENT OR THE BONDS, SHALL BE LIABLE PERSONALLY ON THE BONDS OR FOR ANY REASON RELATING TO THE ISSUANCE OF THE BONDS. NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE BONDS, OR FOR ANY CLAIM BASED ON THE BONDS, OR OTHERWISE IN RESPECT OF THE BONDS, OR BASED ON OR IN RESPECT OF THE PLEDGE AND ASSIGNMENT, AGAINST ANY MEMBER, 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 THE BONDS, EXPRESSLY WAIVED AND RELEASED.**

Neither the Borrower, the Agent nor any Holder shall look to the Issuer or any of its directors, officers, attorneys, accountants, financial advisors, agents or staff or any successor or public entity for monetary damages suffered by the Borrower, the Agent or such Holder as a result of the failure of the Issuer to perform any covenant, undertaking or obligation under the Pledge and Assignment, the Agency Agreement, this Bond, the Regulatory Agreement 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. Although the Pledge and Assignment recognizes that such documents shall not give rise to any pecuniary liability of the Issuer, nothing contained in the Pledge and Assignment or this Bond shall be construed to

preclude in any way any action or proceeding (other than that element of any action or proceeding involving a claim for monetary damages against the Issuer) in any court or before any governmental body, agency or instrumentality or otherwise against the Issuer or any of its officers or employees to enforce the provisions of any of such documents which the Issuer is obligated to perform and the performance of which the Issuer has not assigned to the Agent or any other person.

It is intended that this Bond is made with reference to and shall be construed as a contract governed by the laws of the State.

IT IS HEREBY CERTIFIED AND RECITED that all conditions, acts and things required to exist, happen and be performed precedent to or in the issuance of this Bond do exist, have happened and have been performed in regular and due form as required by law.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be executed and attested on its behalf by the manual or facsimile signatures of its duly authorized officers, all as of the date first set forth above.

COUNTY OF CONTRA COSTA

By: ~~SPECIMEN~~  
Chair of the Board of Supervisors

ATTEST:

~~SPECIMEN~~  
Chair of the Board of Supervisors





PROMISSORY NOTE  
(CONVERTIBLE)  
**SPECIMEN**

Up to \$1,900,000.00

San Francisco, California  
November 4, 2008

FOR VALUE RECEIVED, SAN PABLO SENIOR ASSOCIATES II, L.P., a California limited partnership ("Borrower"), promises to pay, in lawful money of the United States of America, to the order of the U.S. BANK NATIONAL ASSOCIATION, a national banking association ("U.S. Bank"), as agent (in such capacity, "Agent") for the COUNTY OF CONTRA COSTA, a political subdivision of the State of California ("Issuer") under and pursuant to the Master Agency Agreement dated as of November 1, 2008, between the Issuer and Agent ("Agency Agreement"), at Sacramento, California or at such other place as Lender (as hereinafter defined) shall designate in writing, the principal sum of up to One Million Nine Hundred Thousand and No/100 Dollars (\$1,900,000.00) with interest on the unpaid principal balance at the Note Rate (as defined below). Issuer and its successors in interest in and to this Note, acting through Agent during the term of Agent's agency and acting on their own behalf or through other agents thereafter, are referred to in this Note along with Agent as "Lender." Pursuant to that certain Loan Agreement ("Loan Agreement") dated as of November 4, 2008, between Agent, on behalf of Lender and Borrower, Lender, on the terms and subject to the conditions contained therein, agreed to make (i) a construction loan to Borrower in a maximum aggregate principal amount not to exceed \$759,477.00 and bearing interest at the variable rates per annum identified therein ("Construction Loan"), and (ii) a construction and term loan to Borrower in a maximum aggregate principal amount not to exceed \$1,900,000.00 and bearing interest at the variable rates per annum specified herein until the Fixed Rate identified herein becomes effective ("Convertible Loan"). This Note, among other things, evidences the Convertible Loan. Certain terms used but not specifically defined herein are defined in the Loan Agreement and that certain Master Pledge and Assignment ("Master Pledge and Assignment") dated as of November 1, 2008, by and among Issuer, Agent and U.S. Bank, in its capacities as holder of and bondowner representative for the Bonds (in such capacities "Holder" or "Bondowner Representative").

1. Certain Definitions. As used herein, the following terms shall have the meanings set forth below, and the following definitions contain certain covenants:

"Acceptable Leases" means, with respect to residential rental units at the Project, legally valid, binding and enforceable written lease agreements with bonafide tenants (excluding employees of the Borrower or any Affiliate or Partner thereof or the Guarantor) providing for initial lease terms of not less than six months and complying with all applicable law, including all requirements set forth in the Loan Documents, the Subordinate Loan Documents and the Bond Documents.

"Bonds" means, collectively, the Series B-1 Bonds and the Series B-2 Bonds.

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

"Closing Date" means November 6, 2008.

"Conditions to Conversion" means, collectively, the following conditions:

(i) Borrower has paid to Lender all interest, fees, premiums and other amounts then due and payable to Lender on account of and under this Note, or Section 2.2 of the Loan Agreement, including without limitation, the Term Loan Fee; (ii) the Construction Note shall have been repaid in full; (iii) the Improvements shall have been completed in accordance with the Plans (as such completion is determined in accordance with the Loan Agreement, including without limitation, filing or recording a notice of completion), free and clear of all liens (other than mechanics' liens being contested by Borrower in strict compliance with Section 6.9 of the Loan Agreement); (iv) during the consecutive ninety day period immediately preceding the Conversion Date, at least 90% of the residential units within the Property shall have been leased to, and occupied by, third-party residential tenants under leases executed by Borrower constituting Acceptable Leases and in strict compliance with the terms and conditions of the Regulatory Agreement; (v) during the consecutive ninety day period immediately preceding the Conversion Date, the Debt Service Coverage Ratio for the Property shall have been 1.10 (or more) to 1.00; (vi) except as disclosed to Bondowner Representative and deemed reasonably acceptable thereby, all representations and warranties made by Borrower in the Loan Documents, the Bond Documents and the Subordinate Loan Documents shall be true and correct on and as of the Conversion Date as if made on and as of the Conversion Date (and, if required by Bondowner Representative, Bondowner Representative shall have received a certificate of the Borrower to that effect); (vii) as of the Conversion Date no Event of Default and no other event or condition which, upon the giving of notice or the passage of time, or both, would become an Event of Default, shall have occurred and be continuing; (viii) Borrower shall have paid to Bondowner Representative all reasonable costs and expenses incurred by Bondowner Representative in connection with the conversion of the Convertible Loan; (ix) all documents, agreements, instruments and other items required to be delivered or provided pursuant to the Loan Agreement or any of the Loan Documents or any such requirement shall have been delivered or provided or waived in writing by the party in interest; (x) there shall have been provided to Bondowner Representative a letter from all appropriate Governmental Agencies having jurisdiction and real property taxing power over the Property (initially the California Board of Equalization) to the effect that the Property is or remains exempt (as the case may be) from all real property taxation by such taxing authorities within sixty (60) days of the Conversion Date; provided that, in lieu of such a letter, Borrower may, with the prior written consent of matters as is deemed to be satisfactory in form and substance and from sources (including without limitation, opinions of counsel) satisfactory to Bondowner Representative; and (xi) if required by Bondowner Representative, there shall have been delivered to Bondowner Representative a final, as built survey showing the location of all completed improvements at the Property. As used herein for purposes of the definition of "Conditions to Conversion," (a) the term "Debt Service Coverage Ratio" means, for any period, the ratio of Net Cash Flow for such period to Debt Service for such period; (b) the term "Net Cash Flow" means, for any period, the excess, if any, of the actual gross operating income generated by the Project during such period (including rental assistance and excluding insurance (other than rental loss insurance proceeds) and condemnation proceeds, loan proceeds, security and cleaning deposits made by any tenant (except to the extent such deposits are applied against rent or other amounts then payable by the tenant under the applicable lease) and similar items and items of a nonrecurring nature), over all costs and expenses incurred by Borrower during such period in connection with Borrower's

ownership, maintenance, repair, operation and leasing of the Project during such period, all as determined by Lender in its sole and absolute discretion (and for purposes of such determination, Lender shall include as Project expenses in any monthly period, in lieu of any real estate taxes and assessments and any insurance premiums actually paid by Borrower in such monthly period, 1/12<sup>th</sup> of the annual real estate taxes (or payments in lieu thereof) if not abated and assessments constituting a lien on the Property, 1/12<sup>th</sup> of the annual insurance premiums for all insurance carried and/or required to be carried by Borrower with respect to the Project, 1/12<sup>th</sup> of the annual amounts then payable under the Operating Reserve Agreement and the Replacement Reserve Agreement and such portion of such other non-monthly expenses as Lender may deem appropriate, including without limitation, 1/12<sup>th</sup> of the annual Issuer fee payable pursuant to the Master Pledge and Assignment); and (c) the term "Debt Service" means, for any period, the sum of all principal and interest payments which would be due and payable under the (x) Loan Documents and the Bond Documents during a comparable period calculated based upon the assumption that each series of the Bonds accrued interest during that period at the applicable Note Rate, and (y) all required payments under the Subordinated Loan (as defined in the Loan Agreement).

"Construction Loan Fee" shall mean, with respect to this Note, the amount of \$14,250.

"Construction Note" has the meaning given that term in the Loan Agreement.

"Conversion Date" means the date established by Bondowner Representative in accordance with Section 2.4(a), below, as the "Conversion Date."

"Default Rate" shall mean the Note Rate plus five (5) percentage points.

"Fixed Rate" means, with respect to this Note, the fixed rate of interest per annum equal to five and sixty-eight one-hundredths percent (5.68%) established pursuant to the Rate Lock Agreement and subject to adjustment in accordance with the definition of Note Rate.

"Guaranty" means the unconditional and irrevocable Guaranty dated as of October 29, 2008 executed and delivered by EAH, Inc., a California nonprofit public benefit corporation, as Guarantor.

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

"Maturity Date" shall mean February 1, 2025, subject to earlier payment or deemed payment in accordance with the terms hereof.

"Note" shall mean this Promissory Note (Convertible).

"Notes" shall mean, collectively, this Note and the Construction Note.

"Note Rate" shall mean as of any date, the rate at which interest is then accruing under this Note, as determined in accordance with Section 2.2, below; provided that at any time the interest paid on the non-bank qualified Series B-1 Bonds is exempt from the gross income of

the holders thereof for federal income tax purposes, the Note Rate shall be the product of (i) the rate determined in accordance with Section 2.2(b) below, multiplied by (ii) 0.8316.

“Rate Lock Agreement” means, with respect to this Note, the Fixed Rate Interest Lock and Indemnity Agreement, dated October 29, 2008, between the Borrower and Agent relating to the Convertible Loan.

“Series B-1 Bonds” means the Issuer’s Multifamily Housing Revenue Bonds (Casa Adobe Apartments Project), 2008 Series B-1 to be issued in a maximum aggregate principal amount of up to \$1,900,000.

“Series B-2 Bonds” means the Issuer’s Multifamily Housing Revenue Bonds (Casa Adobe Apartments Project), 2008 Series B-2 to be issued in a maximum aggregate principal amount of up to \$759,477.

“Subordinate Loan” means the meaning assigned thereto in the Loan Agreement.

“Term Loan Fee” means, with respect to this Note, \$4,750.

“Termination Date” means February 1, 2010; provided that if the Borrower duly exercises its option to extend the Termination Date from February 1, 2010 to August 1, 2010 in accordance with Section 2.4(c) below, the Termination Date shall be August 1, 2010.

## 2. Monthly Payments; Crediting of Payments; and Repayment.

2.1 General. To induce Issuer to issue the Bonds in connection with the financing evidenced, in part, by this Note, Borrower shall pay to Lender all amounts, including principal, interest and premium (if any) which become due and payable on the Series B-1 Bonds, as and when such amounts become due and payable under the Series B-1 Bonds. Without limitation on the foregoing, Borrower shall also pay to Lender when due all other amounts described in this Note, as and when due and payable under this Note. Each advance and the entire outstanding principal balance of this Note will bear interest as described in Section 2.2 below. If the principal outstanding under this Note is prepaid, in whole or in part, whether as a result of acceleration upon default or otherwise, while bearing interest at the Fixed Rate, Borrower agrees to pay the Prepayment Premium described in Section 5 hereof and any similar amounts under the Rate Lock Agreement. No partial payment shall change any due date or the amount of any regularly scheduled installment of principal due under or in respect of this Note.

### 2.2 Interest.

(a) Subject to Section 4 below, at all times from and after the Closing Date to (but excluding) the date the Fixed Rate becomes effective, the entire outstanding principal balance of this Note shall accrue interest at variable rates per annum in effect from time to time in accordance with Section 2.2(b) below.

(b) Subject to Section 4 below and the definition of Note Rate, interest on each advance hereunder shall accrue at an annual rate equal to 1.00% plus the one-

month LIBOR rate quoted by U.S. Bank from Reuters Screen LIBOR 01 Page or any successor thereto, which shall be that one-month LIBOR rate in effect two New York Banking Days prior to the Reprice Date, adjusted for any reserve requirement and any subsequent costs arising from a change in government regulation, such rate rounded up to the nearest one-sixteenth percent and such rate to be reset monthly on each Reprice Date. The term "New York Banking Day" means any date (other than a Saturday or Sunday) on which commercial banks are open for business in New York, New York. The term "Reprice Date" means the first day of each month. If the initial advance under this Note occurs other than on the Reprice Date, the initial one-month LIBOR rate shall be that one-month LIBOR rate in effect two New York Banking Days prior to the date of the initial advance, which rate plus the percentage described above shall be in effect until the next Reprice Date. U.S. Bank's internal records of applicable interest rates shall be determinative in the absence of manifest error. Notwithstanding the foregoing, in the event that for any reason on the date for determining the LIBOR rate, U.S. Bank shall determine (which determination shall be conclusive in the absence of manifest error) that, by reason of circumstances affecting the Money Markets (defined as one or more wholesale funding markets available and selected by U.S. Bank, including negotiable certificates of deposit, commercial paper, federal funds, bank notes, federal funds, interest rate swaps or others), adequate and fair means do not exist for ascertaining the LIBOR rate, U.S. Bank shall promptly give to Borrower telephonic notice (confirmed as soon as practicable in writing) of the nature and effect of such circumstances. After receipt of such notice and during the existence of such circumstances, the interest rate applicable to the outstanding principal balance shall be determined based upon an alternate index selected by U.S. Bank, in its sole discretion, reasonably comparable to that of LIBOR, intended to generate a return substantially the same as that generated by the LIBOR rate.

(c) Subject to Section 4 below and the definition of Note Rate, at all times from and after the date the Fixed Rate becomes effective, the entire outstanding principal balance of this Note shall accrue interest at a fixed rate of interest per annum equal to the Fixed Rate.

2.3 Monthly Payments. Commencing on November 1, 2008, and continuing on the first day of each calendar month thereafter prior to, through and including the Conversion Date (unless another date is agreed to in the sole discretion of the Bondowner Representative), interest only shall be due and payable under this Note. Commencing on the first day of the calendar month in the month following the month in which the Conversion Date occurs (unless another date is agreed to in the sole discretion of the Bondowner Representative) and continuing on the first day of each calendar month thereafter until the Maturity Date, interest and principal shall be due and payable in monthly installments that are sufficient to fully repay, in such monthly payments of principal and interest, the principal balance of this Note then outstanding, on the basis of an amortization period of three hundred sixty (360) months and at an interest rate per annum equal to the Note Rate. Borrower agrees that at the request of the Holder it will make separate payments of principal and interest due and payable under this Note.

2.4 Conversion; Termination Date; and Special Mandatory Prepayment.

(a) If all of the Conditions to Conversion are fully satisfied prior to the Conversion Date, the Convertible Loan evidenced by this Note shall convert from the "construction loan phase" to the "permanent loan phase" and, in accordance with Section 2.3, above, Borrower shall, as of February 1, 2010 (unless another date is agreed to in the sole discretion of the Bondowner Representative), commence monthly "mortgage" style payments of principal and interest under this Note. Borrower shall, not later than thirty (30) days prior to the earlier to occur of the proposed "Conversion Date" or the Termination Date, as the case may be, give Lender and Bondowner Representative written notice ("Conversion Election Notice") that Borrower has elected to convert the Convertible Loan from the construction loan phase to the permanent loan phase. The Conversion Election Notice shall be accompanied by (a) a written certification by Borrower to Lender and Bondowner Representative stating that all of the Conditions to Conversion have been fully satisfied, (b) a rent roll covering the Property for each of the ninety (90) consecutive days immediately preceding the date of the Conversion Election Notice, certified by Borrower as true, correct and complete, plus (c) operating statements for the Project for each of those ninety (90) consecutive days in the form required by the Loan Agreement, containing the financials required under the Loan Agreement, and certified by Borrower to be true, correct and complete. If Bondowner Representative, based upon the information described above, and such other information as it may reasonably require Borrower to deliver to it as evidence of satisfaction of the Conditions to Conversion, shall concur that the Conditions to Conversion have been fully satisfied, Bondowner Representative shall give written notice ("Conversion Notice") of such determination to Lender and Borrower. In the Conversion Notice, Bondowner Representative shall establish the effective date of the conversion (the "Conversion Date") of the Convertible Loan from the construction loan phase to the permanent loan phase, which effective date shall be the first day of the calendar month following the month in which Bondowner Representative issues the Conversion Notice (but in no event later than the Termination Date).

(b) If the Conditions to Conversion have not been fully satisfied prior to the Termination Date, as such date may be extended in accordance with Section 2.4(c) below, Borrower shall pay to Lender, on the Termination Date, the entire outstanding principal balance of the Convertible Loan together with all accrued and unpaid interest thereon and other accrued and unpaid fees, costs and expenses owing under the Loan Documents, including without limitation, the Prepayment Premium described in Section 5 hereof.

(c) Borrower shall have the option exercisable with the consent of Lender ("Option to Extend the Termination Date") to extend the Termination Date ("Termination Date Extension") from February 1, 2010 to August 1, 2010 upon the timely prior satisfaction of all of the following conditions precedent:

(1) Borrower shall provide Lender and Bondowner Representative written notice of Borrower's desire to exercise the Option to

Extend the Termination Date not later than sixty (60) days prior to the initial Termination Date;

(2) On and as of the initial Termination Date, no Event of Default or event or condition which, with the giving of notice or the passage of time, or both, would constitute an Event of Default, shall have occurred and be continuing, and Lender and Bondowner Representative shall have received a certification to that effect signed by Borrower;

(3) On and as of the initial Termination Date, no material adverse change in the financial condition or identity of any of the Borrower, any General Partner, Investor Limited Partner, or Guarantor (other than as may be permitted under or pursuant to any of the Loan Documents) shall have occurred since the Closing Date, or, to the extent applicable, the date of the financial statements for any of those parties delivered to Lender and/or Bondowner Representative in connection with the execution of the Loan Documents;

(4) On or before the initial Termination Date, Borrower shall have executed, acknowledged, and delivered to Lender and Bondowner Representative such amendments or modifications to the Loan Documents as Lender and/or Bondowner Representative may reasonably require to reflect such extension of the Termination Date;

(5) On or before the initial Termination Date, Borrower shall have delivered to Lender and Bondowner Representative all other documents, instruments, agreements, certificate and opinions of counsel reasonably required by Lender and/or Bondowner Representative in connection with such extension;

(6) Borrower shall have delivered to Bondowner Representative evidence, in form and substance satisfactory to Bondowner Representative, to the effect that (i) the Project has achieved at least 90% of proforma lease up based on signed residential leases constituting Acceptable Leases, or (ii) the Project has achieved at least 90% of proforma debt service coverage (determined in accordance with the methodology set forth in the definition of Conditions to Conversion) based on signed residential leases constituting Acceptable Leases; and

(7) Borrower shall have delivered to Bondowner Representative for its account in immediately available funds an extension fee to be agreed upon by Borrower and Lender, which fee shall be fully earned when due and nonrefundable when paid.

Except as modified by this Option to Extend the Termination Date, the terms and conditions of this Note and the other Loan Documents as modified and approved by Lender and Bondowner Representative shall remain unmodified and in full force and effect.

2.5 Maturity Date. All unpaid principal and interest shall be due and payable in full on the Maturity Date, or the date payments under this Note are accelerated and become immediately due and payable, whichever shall first occur.

2.6 Application of Payments. To the fullest extent permitted by applicable law, all payments and prepayments received by Lender pursuant to the terms hereof shall be applied to amounts due under the Loan Documents in such order as the Holder may elect; provided in the absence of a direction of the Holder to the contrary, such payments and prepayments shall be applied in the following manner: first, to the payment of any Late Charge (as hereinafter defined) then due, second to the payment of all expenses, charges, costs and fees (including, but not limited to, the Prepayment Premium (as hereinafter defined) and any similar amounts due under the Rate Lock Agreement) incurred by or payable to Lender and Bondowner Representative by Borrower pursuant to the terms of the Loan Documents (in such order and manner as Lender, at the direction of Bondowner Representative, in its sole discretion, may elect); third to the payment of all interest accrued to the date of such payment; and fourth, to the payment of principal. Notwithstanding anything to the contrary contained herein, after the occurrence and during the continuation of any Event of Default (as defined in the Loan Agreement), all amounts received by Lender, in any payment, shall be applied in such order as Lender, at the direction of Bondowner Representative, in its sole discretion, may elect.

3. Acceleration. If any of the payments required by the terms hereof shall not be paid when the same becomes due (following applicable notice and cure periods, if any, including without limitation, cure provided by any limited partner of Borrower or any Affiliate of such limited partners), or if the payment due on the Maturity Date is not paid when due, whether by acceleration or otherwise, or if (following applicable notice and cure periods, if any, including without limitation, cure provided by any limited partner of Borrower or any Affiliate of such limited partners) an "Event of Default" (as defined in the Loan Agreement) occurs under the Loan Agreement, then, or at any time thereafter, the whole of the unpaid principal and interest owing on this Note shall, at the option of Lender and without notice, become immediately due and payable. This option may be exercised at any time after any such event and the acceptance of one or more installments or other payments from any person thereafter shall not constitute a waiver of Lender's option. Lender's failure to exercise said option in connection with any particular event or series of events shall not be construed as a waiver of the provisions hereof as regards that event or any subsequent event. The Bond Documents, Loan Agreement and other Loan Documents may also contain separate provisions that provide for the automatic acceleration of amounts owing under this Note upon the occurrence of certain specified events. Lender shall have, and be entitled to exercise, upon the occurrence of any Event of Default or other event described above, all rights and remedies available to Lender under the Bond Documents, Loan Agreement, this Note, the other Loan Documents or at law or in equity. All such rights and remedies shall be cumulative.

4. Late Charge; Default Interest; Usury. Borrower recognizes that default by Borrower in making the payments herein and in the Deed of Trust when due will result in Lender incurring additional expense in servicing the Convertible Loan, in loss to Lender of the use of the money due and in frustration to such lender in meeting its loan commitments. Borrower agrees that, if for any reason Borrower fails to pay when due any payment due under this Note, any

amount advanced by Lender under the Loan Agreement or the Deed of Trust or the amount due on the Maturity Date, or the accelerated maturity date, whichever shall first occur, Lender shall be entitled to damages for the detriment caused thereby, but that it is extremely difficult and impractical to ascertain the extent of such damages. Borrower therefore agrees that a reasonable estimate of such damages to Lender is as follows:

4.1 In the event Borrower fails to pay any installment payment of interest or of principal and interest within fifteen (15) days after the same is due (other than the final payment at maturity), then Borrower shall pay to Lender an amount equal to five percent (5%) of each such delinquent installment payment of interest or of principal and interest ("Late Charge").

4.2 In the event Borrower fails to reimburse Lender for any amount advanced by or for the account of Lender which is due hereunder or under the Deed of Trust within five (5) days after written notice of such advance is made by or on behalf of Lender to Borrower, then such unreimbursed amount shall thereafter bear interest at the Default Rate until paid, such interest to be compounded monthly ("Default Interest").

4.3 In the event the principal amount advanced but unpaid interest due on the Maturity Date, or the accelerated maturity date, whichever shall first occur, is not made in full when due, then said unpaid amounts shall thereafter bear interest at the Default Rate, until paid, such interest to be compounded monthly.

4.4 It is expressly stipulated and agreed to be the intent of Borrower and Lender to comply strictly with the applicable usury laws now or hereafter governing consideration received under this Note. If the applicable law is ever interpreted so as to render usurious or unenforceable any consideration called for, contracted for, charged, taken, reserved or received with respect to this Note, or if any prepayment by Borrower and Lender's exercise of the option herein contained to accelerate the maturity date of this Note results in Borrower having paid any additional interest in excess of that permitted by law, then notwithstanding anything to the contrary in this Note, it is Borrower's and Lender's express intent and agreement that all excess amounts theretofore collected by Lender be credited on the principal balance of this Note (or, if this Note has been paid in full, refunded to Borrower), and the provisions of this Note shall immediately be reformed and the amounts thereafter collectible hereunder reduced, without the necessity of the execution of any new documents, so as to comply with the then applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder.

5. Prepayment. (a) During any period while this Note bears interest at variable rates per annum pursuant to Section 2.2(a) and 2.2(b) hereof, this Note is prepayable, in whole at any time but with at least thirty (30) days prior written notice to Lender and Bondowner Representative, without penalty or premium, at a price equal to the then outstanding principal amount hereof plus interest accrued at the Note Rate through the date established for such prepayment, plus any other amounts due or owing to Lender or Bondowner Representative. Borrower acknowledges, understands and agrees that any prepayment of this Note may result in an obligation with respect to prepayment premium, breakfunding prepayment or yield maintenance under the Rate Lock Agreement.

(b) During the period while this Note bears interest at the Fixed Rate in accordance with Section 2.2(c), there shall be no prepayments of this Note, provided that the Bondowner Representative may consider requests for its consent with respect to prepayment of this Note without incurring an obligation to do so, and the Borrower acknowledges that in the event that such consent is granted, the Borrower shall be required to pay the Agent (for the exclusive benefit of the Bondowner Representative), upon prepayment of all or part of the principal amount before final maturity, a prepayment indemnity ("Prepayment Premium") equal to the greater of zero, or that amount, calculated on the date of prepayment ("Prepayment Date"), which is derived by subtracting: (a) the principal amount of the Note or portion of the Note to be prepaid from (b) the Net Present Value of the Note or portion of the Note to be prepaid on such Prepayment Date; provided, however that the Prepayment Premium shall not in any event exceed the maximum prepayment fee permitted by applicable law. For purposes of calculating the Net Present Value, the interest payments to be discounted shall be the amount of interest that would have been received by the Lender over the remaining life of the Series B-1 Bonds using an all-in taxable interest rate of six and eighty-three one hundredths percent (6.83%) rather than then the applicable Note Rate.

**SPECIMEN**  
"Net Present Value" shall mean the amount which is derived by summing the present values of each prospective payment of principal and interest which, without such full or partial prepayment, could otherwise have been received by the Lender over the shorter of the remaining contractual life of the Note or next repricing date if the Agent had instead initially invested the Note proceeds at the Initial Money Market Rate. The individual discount rate used to present value each prospective payment of interest and/or principal shall be the Money Market Rate at Prepayment for the maturity matching that of each specific payment of principal and/or interest.

"Initial Money Market Rate" shall mean the rate per annum, determined solely by the Agent, on the first day of the term of this Note or the most recent repricing date or as mutually agreed upon by the Borrower and the Agent, as the rate at which the Agent would be able to borrow the funds in Money Markets for the amount of this Note and with an interest payment frequency and principal repayment schedule equal to this Note and for a term as may be arranged and agreed upon by the Borrower and the Agent, adjusted for any reserve requirement and any subsequent costs arising from a change in government regulation. Borrower acknowledges that the Agent is under no obligation to actually purchase and/or match funds for the Initial Money Market Rate of this Note.

"Money Market Rate at Prepayment" shall mean that zero-coupon rate, calculated on the Prepayment Date, and determined solely by the Agent, as the rate in which the Agent would be able to borrow funds in Money Markets for the prepayment amount matching the maturity of a specific prospective Note payment or repricing date, adjusted for any reserve requirement and any subsequent costs arising from a change in government regulation. A separate Money Market Rate at Prepayment will be calculated for such prospective interest and/or principal payment date.

BY INITIALING BELOW, BORROWER ACKNOWLEDGE(S) AND AGREE(S) THAT: (A) EXCEPT AS OTHERWISE EXPRESSLY PROVIDED ABOVE, THERE IS NO RIGHT TO PREPAY THE CONVERTIBLE LOAN IN WHOLE OR IN PART, WITHOUT PAYING THE APPLICABLE PREPAYMENT PREMIUM; (B) BORROWER SHALL BE LIABLE FOR PAYMENT OF PREPAYMENT PREMIUM, ANY BREAKFUNDING, TERMINATION, BREAKAGE AND SIMILAR AMOUNTS AND FEES UNDER ANY RATE LOCK AGREEMENT AND OTHER COSTS UNDER CERTAIN CIRCUMSTANCES UPON SUCH PREPAYMENT OR IF LENDER EXERCISES ITS RIGHT TO ACCELERATE PAYMENT OF THE CONVERTIBLE LOAN, INCLUDING, WITHOUT LIMITATION, ACCELERATION UNDER A DUE-ON-SALE PROVISION; (C) BORROWER WAIVES ANY RIGHTS UNDER SECTION 2954.10 OF THE CALIFORNIA CIVIL CODE, OR ANY SUCCESSOR STATUTE; AND (D) LENDER HAS MADE THE CONVERTIBLE LOAN PURSUANT TO THIS NOTE IN RELIANCE ON THESE AGREEMENTS.

**SPECIMEN**  
BORROWER'S INITIALS

6. Miscellaneous.

6.1 Joint and Several Liability. If Borrower consists of more than one person or entity, each shall be jointly and severally liable for the performance of Borrower's obligations under this Note. Notwithstanding anything to the contrary contained herein, any payment obligations hereunder or under any of the Loan Documents shall be non-recourse to the limited partners of Borrower.

6.2 Time of Essence. Time is of the essence in the performance of each provision hereof.

6.3 Notices. All notices to be given pursuant to this Note shall be given as provided in the Loan Agreement.

6.4 Calculation of Interest. Interest hereunder shall be calculated on the basis of a year consisting of three hundred sixty (360) days but applied to the actual number of days elapsed for which principal is unpaid (actual/360).

6.5 Waivers. Borrower hereby waives for itself and any party who now or may hereafter become liable with respect to this Note, to the fullest extent permitted by law, diligence, presentment, protest and demand, notice without in any way affecting the liability of Borrower and any other party who now or may hereafter become liable with respect to this Note.

6.6 Severability. Every provision of this Note is intended to be severable. In the event any term or provision hereof is declared by a court of competent jurisdiction to be illegal, invalid or unenforceable for any reason whatsoever, such illegality, invalidity or unenforceability shall not affect the balance of the terms and provision hereof, which terms and provisions shall remain binding and enforceable, and this Note shall be construed as if such illegal, invalid or unenforceable provision had not been contained herein.

6.3 Notices. All notices to be given pursuant to this Note shall be given as provided in the Loan Agreement.

6.4 Calculation of Interest. Interest hereunder shall be calculated on the basis of a year consisting of three hundred sixty (360) days but applied to the actual number of days elapsed for which principal is unpaid (actual/360).

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6.7 Number and Gender. In this Note, the singular shall include the plural and the masculine gender shall include the feminine and neuter genders, and vice versa, if the context so requires.

6.8 Captions. The captions and headings in this Note are merely for convenience and substantively are not a part of this Note.

6.9 Payment in U.S. Currency. All sums payable hereunder shall be payable in immediately available funds and lawful money of the United States of America.

6.10 Choice of Law. This Note shall be governed by and construed in accordance with the laws of the State of California without regard to the choice of law principles thereof; provided that, if Lender has greater rights or remedies under federal law, then such rights and/or remedies under federal law shall also be available to Lender.

6.11 Enforcement Costs. In the event of (a) any action or proceeding that involves the protection, preservation or enforcement of Lender's and/or Bondowner Representative's rights or Borrower's obligations under this Note (including, but not limited to, Lender's and/or Bondowner Representative's defense of any action by Borrower in connection with the Convertible Loan if Lender and/or Bondowner Representative, as the case may be, prevail(s) in such defense of actions by Borrower), (b) Lender's and/or Bondowner Representative's collection or enforcement without institution of litigation proceedings, or (c) Lender's and/or Bondowner Representative's participation in any proceeding which is authorized under the terms of this Note, Lender and Bondowner Representative shall each be entitled to payment, upon demand, from Borrower of all reasonable costs and expenses associated therewith, including reasonable attorneys' fees and litigation expenses. Borrower shall pay Lender and Bondowner Representative, upon written demand, all reasonable attorneys' fees and expenses incurred in the representation of Lender and/or Bondowner Representative in any aspect of any bankruptcy or insolvency proceeding initiated by or on behalf of Borrower that

concerns any of its obligations to Lender and/or Bondowner Representative under the Loan Documents, or otherwise. In the event of a judgment against one party concerning any aspect of this Note, the right to recover post-judgment attorneys' fees incurred in enforcing the judgment shall not be merged into and extinguished by any money judgment. The provisions of this Section 6.11 constitute a distinct and severable agreement from the other contractual rights created by this Note.

6.12 Collateral. This Note is secured by, among other things, a Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing ("Deed of Trust") covering real and personal property (collectively, the "Property") situated in Alameda County, California, dated of even date herewith, to which reference is hereby made for a description of the nature and extent of the security provided thereby and the rights and limitations of Lender and of Borrower in respect of such security.

6.13 JURY TRIAL WAIVER; VENUE. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN ANY JUDICIAL ACTION OR PROCEEDING ARISING FROM OR RELATING TO THE CONVERTIBLE LOAN OR THE LOAN DOCUMENTS, INCLUDING ANY ACTION OR PROCEEDING INVOLVING A CLAIM BASED ON OR ARISING FROM AN ALLEGED TO BE BORROWER HEREBY WAIVES ANY RIGHT IT OR THEY MAY HAVE TO REQUEST OR DEMAND A TRIAL BY JURY. VENUE FOR ANY ACTION RELATED TO THE CONVERTIBLE LOAN OR LOAN DOCUMENTS SHALL BE IN AN APPROPRIATE COURT IN SACRAMENTO COUNTY, CALIFORNIA SELECTED BY LENDER (AT THE DIRECTION OF BONDOWNER REPRESENTATIVE) TO WHICH BORROWER HEREBY CONSENTS.

6.14 Loan Fees. On the date hereof, Borrower shall pay the Construction Loan Fee to Bondowner Representative for its sole account in immediately available funds which fee shall be fully earned when due and nonrefundable when paid. On or prior to the Conversion Date, Borrower shall pay the Term Loan Fee to Bondowner Representative for its sole account in immediately available funds which fee shall be fully earned when due and nonrefundable when paid. The extension fee shall be due and payable as described in Section 2.4(b)(7) hereof.

6.15 Pledge. The proceeds of the Convertible Loan being advanced to Borrower by Lender under this Note are derived from a portion of the proceeds of the purchase price paid by Holder to Issuer for the Series B-1 Bonds. Lender is endorsing this Note to Holder pursuant to the Master Pledge and Assignment whereby Lender is assigning all of its rights in, to and under the Convertible Loan to Holder as security for Issuer's promise to make the payments required to be made under the Series B-1 Bonds.

6.16 Right of Setoff. Borrower grants to Bondowner Representative a contractual security interest in, and hereby assigns, conveys, delivers, pledges, and transfers to Bondowner Representative all Borrower's right, title and interest in and to, Borrower's accounts with U.S. Bank (whether checking, savings, or some other account), including, without limitation, all accounts held jointly with someone else and all accounts Borrower may open in the future, excluding however all IRA and Keogh accounts, and all trust accounts for which the grant of a security interest would be prohibited by law. Borrower authorizes U.S. Bank, to the extent permitted by applicable law, to charge or setoff all sums owing on this Note against any and all such accounts.

6.17 Limitation on Liability. Sections 13.20 and 13.21 of the Loan Agreement are hereby incorporated herein as fully as if set forth at length herein.

*[Remainder of page left blank intentionally.]*

**SPECIMEN**

IN WITNESS WHEREOF, Borrower has executed this Note as of the date first set forth above.

**BORROWER:**

**SAN PABLO SENIOR ASSOCIATES II, L.P.,**  
a California limited partnership

By: EAH – San Pablo,  
a California nonprofit public benefit corporation,  
its general partner

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

[Signature Page to the Promissory Note (Convertible)]

**ALLONGE TO PROMISSORY NOTE (CONVERTIBLE)  
DATED AS OF NOVEMBER 4, 2008**

The undersigned, U.S. Bank National Association, a national banking association, as Agent, assigns without recourse to U.S. Bank National Association, a national banking association, as Bondowner Representative and Holder, all of the right, title and interest of Lender in, to and under that certain Promissory Note (Convertible) dated November 4, 2008, made by San Pablo Senior Associates II, L.P., a California limited partnership, to the order of the undersigned, in the original principal amount of up to \$1,900,000.00. Capitalized terms utilized in this allonge shall have the respective meanings ascribed thereto in that certain Promissory Note (Convertible).

U.S. BANK NATIONAL ASSOCIATION  
a national banking association Agent

By: \_\_\_\_\_  
Name: John Chan  
Title: Vice President

**SPECIMEN**

[Signature Page to Allonge to Promissory Note (Convertible)]

**PROMISSORY NOTE  
(CONSTRUCTION)**

Up to \$759,477.00

San Francisco, California  
November 4, 2008

FOR VALUE RECEIVED, SAN PABLO SENIOR ASSOCIATES II, L.P., a California limited partnership ("Borrower"), promises to pay, in lawful money of the United States of America, to the order of the U.S. BANK NATIONAL ASSOCIATION, a national banking association ("U.S. Bank"), as agent (in such capacity, "Agent") for the COUNTY OF CONTRA COSTA, a political subdivision of the State of California ("Issuer"), under and pursuant to the Master Agency Agreement dated as of November 1, 2008, between the Issuer and Agent ("Agency Agreement"), at Sacramento, California or at such other place as Lender (as hereinafter defined) shall designate in writing, the principal sum of up to Seven Hundred Fifty Nine Thousand Four Hundred Seventy Seven and No/100 Dollars (\$759,477.00) with interest on the unpaid principal balance at the Note Rate (as defined below). Issuer and its successors in interest in and to this Note, acting through Agent during the term of Agent's agency and acting on their own behalf or through other agents thereafter, are referred to in this Note along with Agent as "Lender." Pursuant to that certain Loan Agreement ("Loan Agreement") dated as of November 4, 2008, between Lender and Borrower, Lender, on the terms and subject to the conditions contained therein, agreed to make (i) a construction loan to Borrower in a maximum aggregate principal amount not to exceed \$759,477.00 and bearing interest at the variable rates per annum specified herein ("Construction Loan"), and (ii) a construction and term loan to Borrower in a maximum aggregate principal amount not to exceed \$1,900,000.00 and bearing interest at the variable rates per annum specified therein until the fixed rate per annum specified therein becomes effective ("Convertible Loan"). This Note, among other things, evidences the Construction Loan. Certain terms used but not specifically defined herein are defined in the Loan Agreement and that certain Master Pledge and Assignment ("Master Pledge and Assignment") dated as of November 1, 2008, by and among Issuer, Agent and U.S. Bank, in its capacities as holder of and bondowner representative for the Bonds (in such capacities "Holder" or "Bondowner Representative").

1. Certain Definitions. As used herein, the following terms shall have the meanings set forth below, and the following definitions contain certain covenants:

"Bonds" means, collectively, the Series B-1 Bonds and Series B-2 Bonds.

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

"Closing Date" means November 6, 2008.

"Construction Loan Fee" shall mean, with respect to this Note, the amount of \$5,696.00.

"Convertible Note" shall mean the Convertible Note as defined in the Loan Agreement.

"Default Rate" shall mean the Note Rate plus five (5) percentage points.

"Guaranty" means the unconditional and irrevocable Guaranty dated as of October 29, 2008 executed and delivered by EAH, Inc., a California nonprofit public benefit corporation, as Guarantor.

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

"Maturity Date" shall mean February 1, 2010; provided, however, that if the Termination Date is extended under the Convertible Note from February 1, 2010 to August 1, 2010, the Maturity Date under this Note shall simultaneously be extended from February 1, 2010 to August 1, 2010.

"Note" shall mean this Promissory Note (Construction).

"Note Rate" shall mean, as of any date, the rate at which interest is then accruing under this Note, as determined in accordance with Section 2.2 below, provided that at any time the interest paid on the Series B-2 Bonds is exempt from the gross income of the holders thereof for federal income tax purposes, the Note Rate shall be the product of (x) the rate determined in accordance with Section 2.2(b) below multiplied by 0.8316.

"Series B-1 Bonds" means the Issuer's Multifamily Housing Revenue Bonds (Casa Adobe Apartments Project), 2008 Series B-1 to be issued in a maximum aggregate principal amount of up to \$1,900,000.

"Series B-2 Bonds" means the Issuer's Multifamily Housing Revenue Bonds (Casa Adobe Apartments Project), 2008 Series B-2 to be issued in a maximum aggregate principal amount of up to \$759,477.

"Termination Date" means, the Termination Date as defined in the Convertible Note.

## 2. Monthly Payments; Crediting of Payments; and Repayment.

2.1 General. To induce Issuer to issue the Bonds in connection with the financing evidenced, in part, by this Note, Borrower shall pay to Lender all amounts, including principal, interest and premium (if any) which become due and payable on the Series B-2 Bonds, as and when such amounts become due and payable under the Series B-2 Bonds. Without limitation on the foregoing, Borrower shall also pay to Lender when due all other amounts described in this Note, as and when due and payable under this Note. Each Advance and the entire outstanding principal balance of this Note shall bear interest as described in Section 2.2 below.

### 2.2 Interest.

(a) Subject to Section 4 below and the definition of Note Rate, at all times from and after the Closing Date, the entire outstanding principal balance of this

Note shall accrue interest at variable rates per annum in effect from time to time in accordance with Section 2.2(b) below.

(b) Subject to Section 4 below and the definition of Note Rate, interest on each advance hereunder shall accrue at an annual rate equal to 1.00% plus the one-month LIBOR rate quoted by U.S. Bank from Reuters Screen LIBOR 01 Page or any successor thereto, which shall be that one-month LIBOR rate in effect two New York Banking Days prior to the Reprice Date, adjusted for any reserve requirement and any subsequent costs arising from a change in government regulation, such rate rounded up to the nearest one-sixteenth percent and such rate to be reset monthly on each Reprice Date. The term "New York Banking Day" means any date (other than a Saturday or Sunday) on which commercial banks are open for business in New York, New York. The term "Reprice Date" means the first day of each month. If the initial advance under this Note occurs other than on the Reprice Date, the initial one-month LIBOR rate shall be that one-month LIBOR rate in effect two New York Banking Days prior to the date of the initial advance, which rate plus the percentage described above shall be in effect until the next Reprice Date. U.S. Bank's internal records of applicable interest rates shall be determinative in the absence of manifest error. Notwithstanding the foregoing, in the event that for any reason on the date of determination of the LIBOR rate, U.S. Bank shall determine (which determination shall be conclusively in the absence of manifest error) that, by reason of circumstances affecting the Money Markets (defined as one or more wholesale funding markets available to and selected by U.S. Bank, including negotiable certificates of deposit, commercial paper, Eurodollar deposits, bank notes, federal funds, interest rate swaps or others), adequate and fair means do not exist for ascertaining the LIBOR rate, U.S. Bank shall promptly give to Borrower telephonic notice (confirmed as soon as practicable in writing) of the nature and effect of such circumstances. After receipt of such notice and during the existence of such circumstances, the interest rate applicable to the outstanding principal balance shall be determined based upon an alternate index selected by U.S. Bank, in its sole discretion, reasonably comparable to that of LIBOR, intended to generate a return substantially the same as that generated by the LIBOR rate

2.3 Monthly Payments. Commencing on December 1, 2008, and continuing on the first day of each calendar month thereafter until the Maturity Date, interest only shall be due and payable under this Note.

2.4 Maturity Date. All unpaid principal and interest shall be due and payable in full on the Maturity Date, or the date payments under this Note are accelerated and become immediately due and payable, whichever shall first occur.

2.5 Application of Payments. To the fullest extent permitted by applicable law, all payments and prepayments received by Lender pursuant to the terms hereof shall be applied to amounts due under the Loan Documents in such order as the Holder may elect; provided in the absence of a direction of the Holder to the contrary, such payments and prepayments shall be applied in the following manner: first, to the payment of any Late Charge (as hereinafter defined) then due, second to the payment of all expenses, charges, costs and fees incurred by or payable to Lender and Bondowner Representative by Borrower pursuant to the

terms of the Loan Documents (in such order and manner as Lender, at the direction of Bondowner, in its sole discretion, may elect); third to the payment of all interest accrued to the date of such payment; and fourth, to the payment of principal. Notwithstanding anything to the contrary contained herein, after the occurrence and during the continuation of an Event of Default (as defined in the Loan Agreement), all amounts received by Lender from any party shall be applied in such order as Lender, at the direction of Bondowner Representative, in its sole discretion, may elect.

3. Acceleration. If any of the payments required by the terms hereof shall not be paid when the same becomes due (following applicable notice and cure periods, if any, including, without limitation, cure provided by any limited partner of Borrower or any Affiliate of such limited partners), or if the payment due on the Maturity Date is not paid when due, whether by acceleration or otherwise, or if (following applicable notice and cure periods, if any, including, without limitation, cure provided by any limited partner of Borrower or any Affiliate of such limited partners) an "Event of Default" (as defined in the Loan Agreement) occurs under the Loan Agreement, then, or at any time thereafter, the whole of the unpaid principal and interest owing on this Note shall, at the option of Lender and without notice, become immediately due and payable. This option may be exercised at any time after any such event and the acceptance of one or more installments or other payments from any person thereafter shall not constitute a waiver of Lender's option or Lender's failure to exercise said option in connection with any particular event or series of events shall not be construed as a waiver of the provisions hereof as regards that event or any subsequent event. The Loan Agreement and other Loan Documents may also contain separate provisions that provide for the automatic acceleration of amounts owing under this Note upon the occurrence of certain specified events. Lender shall have, and be entitled to exercise, upon the occurrence of any Event of Default or other event described above, all rights and remedies available to Lender under the Loan Agreement, this Note, the other Loan Documents or at law or in equity. All such rights and remedies shall be cumulative.

4. Late Charge; Default Interest; Usury. Borrower recognizes that default by Borrower in making the payments herein and in the Deed of Trust when due will result in Lender incurring additional expense in servicing the Construction Loan, in loss to Lender of the use of the money due and in frustration to such lender in meeting its loan commitments. Borrower agrees that, if for any reason Borrower fails to pay when due (following any applicable notice and cure periods) any payment due under this Note, any amount advanced by Lender under the Loan Agreement or the Deed of Trust or the amount due on the Maturity Date, or the accelerated maturity date, whichever shall first occur, Lender shall be entitled to damages for the detriment caused thereby, but that it is extremely difficult and impractical to ascertain the extent of such damages. Borrower therefore agrees that a reasonable estimate of such damages to Lender is as follows:

4.1 In the event Borrower fails to pay any installment payment of interest or of principal and interest within fifteen (15) days after the same is due (other than the final payment at maturity), then Borrower shall pay to Lender an amount equal to five percent (5%) of each such delinquent installment payment of interest or of principal and interest ("Late Charge").

4.2 In the event Borrower fails to reimburse Lender for any amount advanced by or for the account of Lender which is due hereunder or under the Deed of Trust within five (5) days after written notice of such advance is made by or on behalf of Lender to Borrower, then such unreimbursed amount shall thereafter bear interest at the Default Rate until paid, such interest to be compounded monthly ("Default Interest").

4.3 In the event the payment of principal and accrued but unpaid interest due on the Maturity Date, or the accelerated maturity date, whichever shall first occur, is not made in full when due, then said unpaid amounts shall thereafter bear interest at the Default Rate, until paid, such interest to be compounded monthly.

4.4 It is expressly stipulated and agreed to be the intent of Borrower and Lender to comply strictly with the applicable usury laws now or hereafter governing consideration received under this Note. If the applicable law is ever interpreted so as to render usurious or unenforceable any consideration called for, contracted for, charged, taken, reserved or received with respect to this Note, or if any prepayment by Borrower and Lender's exercise of the option herein contained to accelerate the maturity date of this Note results in Borrower having paid any additional interest in excess of that permitted by law, then notwithstanding anything to the contrary in this Note, it is Borrower's and Lender's express intent and agreement that all excess amounts theretofore collected by Lender be applied to the principal balance of this Note (or, if this Note has been paid in full, returned to Borrower) and the provisions of this Note shall immediately be reformed and the amounts thereafter collectible hereunder reduced, without the necessity of the execution of any new documents, so as to comply with the then applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder.

5. Prepayment. This Note is prepayable, in whole at any time but with at least thirty (30) days prior written notice to Lender, at a price equal to the then outstanding principal amount hereof plus interest accrued at the Note Rate through the date established for such prepayment, plus any other amounts due or owing to Lender or Borrower Representative.

6. Miscellaneous.

6.1 Joint and Several Liability. If Borrower consists of more than one person or entity, each shall be jointly and severally liable for the performance of Borrower's obligations under this Note. Notwithstanding anything to the contrary contained herein, any payment obligations hereunder or any of the Loan Documents shall be non-recourse to the limited partners of Borrower.

6.2 Time of Essence. Time is of the essence in the performance of each provision hereof.

6.3 Notices. All notices to be given pursuant to this Note shall be given as provided in the Loan Agreement.

6.4 Calculation of Interest. Interest hereunder shall be calculated on the basis of a year consisting of three hundred sixty (360) days but applied to the actual number of days elapsed for which principal is unpaid (actual/360).

6.5 Waivers. Borrower hereby waives for itself and any party who now or may hereafter become liable with respect to this Note, to the fullest extent permitted by law, diligence, presentment, protest and demand, notice without in any way affecting the liability of Borrower and any other party who now or may hereafter become liable with respect to this Note.

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6.7 Number and Gender. In this Note the singular shall include the plural and the masculine gender shall include the feminine and neuter genders, and vice versa, if the context so requires.

6.8 Captions. The captions and headings in this Note are merely for convenience and substantively are not a part of this Note.

6.9 Payment in U.S. Dollars. All sums payable hereunder shall be payable in immediately available funds and lawful money of the United States of America.

6.10 Choice of Law. This Note shall be governed by and construed in accordance with the laws of the State of California without regard to the choice of law principles thereof; provided that, if Lender has greater rights or remedies under federal law, then such rights and/or remedies under federal law shall also be available to Lender.

6.11 Enforcement Costs. In the event of (a) any action or proceeding that involves the protection, preservation or enforcement of Lender's and/or Bondowner Representative's rights or Borrower's obligations under this Note (including, but not limited to, Lender's and/or Bondowner Representative's defense of any action by Borrower in connection with the Construction Loan if Lender and/or Bondowner Representative, as the case may be, prevail(s) in such defense of actions by Borrower), (b) Lender's and/or Bondowner Representative's collection or enforcement without institution of litigation proceedings, or (c) Lender's and/or Bondowner Representative's participation in any proceeding which is authorized under the terms of this Note, Lender and Bondowner Representative shall each be entitled to payment, upon demand, from Borrower of all reasonable costs and expenses associated therewith, including reasonable attorneys' fees and litigation expenses. Borrower shall pay Lender and Bondowner Representative, upon written demand, all reasonable attorneys' fees and expenses incurred in the representation of Lender and Bondowner Representative in any aspect of any bankruptcy or insolvency proceeding initiated by or on behalf of Borrower that concerns any of its obligations to Lender and/or Bondowner Representative under the Loan Documents, or otherwise. In the event of a judgment against one party concerning any aspect of this Note, the right to recover post-judgment attorneys' fees incurred in enforcing the judgment shall not be merged into and extinguished by any money judgment. The provisions of this Section 6.11 constitute a distinct and severable agreement from the other contractual rights created by this Note.

6.12 Collateral. This Note is secured by, among other things, a Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing ("Deed of Trust") covering real and personal property (collectively, the "Property") situated in Alameda County, California, dated of even date herewith, to which reference is hereby made for a description of the nature and extent of the security provided thereby and the rights and limitations of Lender and of Borrower in respect of such security.

6.13 JURY TRIAL WAIVER; VENUE. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN ANY JUDICIAL ACTION OR PROCEEDING ARISING FROM OR RELATING TO THE CONSTRUCTION LOAN OR THE LOAN DOCUMENTS, INCLUDING ANY ACTION OR PROCEEDING INVOLVING A CLAIM BASED ON OR ARISING FROM AN ALLEGED TORT, BORROWER HEREBY WAIVES ANY RIGHT IT OR THEY MAY HAVE TO REQUEST OR DEMAND A TRIAL BY JURY. VENUE FOR ANY ACTION RELATED TO THE CONSTRUCTION LOAN OR LOAN DOCUMENTS SHALL BE IN AN APPROPRIATE COURT IN SAN DIEGO COUNTY, CALIFORNIA SELECTED BY LENDER (AT THE DIRECTION OF BONDOWNER REPRESENTATIVE) TO WHICH BORROWER HEREBY CONSENTS.

6.14 Construction Loan Fee. On the date the Borrower shall pay the Construction Loan Fee to Bondowner Representative in immediately available funds which fee shall be fully earned when due and nonrefundable when paid.

6.15 Extension Fee. In the event the Termination Date is extended under the Convertible Note from February 1, 2010 to August 1, 2010, Borrower shall, on or before the date the Option to Extend the Termination Date (as defined in the Convertible Note) is exercised by Borrower, deliver to Bondowner Representative for its account in immediately available funds the extension fee specified in Section 2.4(c)(7) of the Convertible Note which fee shall be fully earned when due and nonrefundable when paid.

6.16 Pledge. The proceeds of the Construction Loan being advanced to Borrower by Lender under this Note are derived from a portion of the proceeds of the purchase price paid by Holder to Issuer for the Series B-2 Bonds. Lender is endorsing this Note to Holder pursuant to the Master Pledge and Assignment whereby Lender is assigning the Loan to Holder as security for Issuer's promise to make the payments required to be made under the Series B-2 Bonds.

6.17 Right of Setoff. Borrower grants to Bondowner Representative a contractual security interest in, and hereby assigns, conveys, delivers, pledges, and transfers to Bondowner Representative all Borrower's right, title and interest in and to, Borrower's accounts with U.S. Bank (whether checking, savings, or some other account), including, without limitation, all accounts held jointly with someone else and all accounts Borrower may open in the future, excluding however all IRA and Keogh accounts, and all trust accounts for which the grant of a security interest would be prohibited by law. Borrower authorizes U.S. Bank, to the extent permitted by applicable law, to charge or setoff all sums owing on this Note against any and all such accounts.

6.18 Limitation on Liability. Sections 13.20 and 13.21 of the Loan Agreement are hereby incorporated herein as fully as if set forth at length herein.

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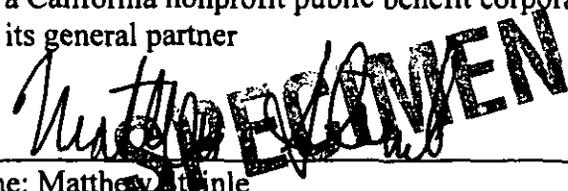
**SPECIMEN**

IN WITNESS WHEREOF, Borrower has executed this Note as of the date first set forth above.

**BORROWER:**

**SAN PABLO SENIOR ASSOCIATES II, L.P.,**  
a California limited partnership

By: EAH – San Pablo,  
a California nonprofit public benefit corporation,  
its general partner

By:   
Name: Matthew Steinle  
Title: Authorized Signatory

[Signature Page to the Promissory Note (Construction)]

**ALLONGE TO PROMISSORY NOTE (CONSTRUCTION)  
DATED AS OF NOVEMBER 4, 2008**

The undersigned, U.S. Bank National Association, a national banking association, as Agent, assigns without recourse to U.S. Bank National Association, a national banking association, as Bondowner Representative and Holder, all of the right, title and interest of Lender in, to and under that certain Promissory Note (Construction) dated November 4, 2008, made by San Pablo Senior Associates II, L.P., a California limited partnership, to the order of the undersigned, in the original principal amount of up to \$759,477.00. Capitalized terms utilized in this allonge shall have the respective meanings ascribed thereto in that certain Promissory Note (Construction).

U.S. BANK NATIONAL ASSOCIATION,  
a national banking association, Agent

By: \_\_\_\_\_  
Name: John S. Chan  
Title: Vice President

**SPECIMEN**

[Signature Page to Allonge to Promissory Note (Construction)]

**\$2,659,477**  
**County of Contra Costa**  
**Multifamily Housing Revenue Bonds**  
**(Casa Adobe Apartments Project)**  
**2008 Series B-1 and 2008 Series B-2**

**Schedule B - Production and Bond Years to Delivery**

Period Ending	Series B-1			Series B-2				Production	Bond Years to Delivery
	Par Amount	Price	Coupon	Par Amount	Interest	Debt Service	Price		
02/01/10	759,477.00	100.000						759,477.00	936,688.30
03/01/10			5.680%	6,713.33	8,993.33	15,706.66	100.000	6,713.33	945,527.52
04/01/10			5.680%	6,745.11	8,961.56	15,706.66	100.000	6,745.11	954,970.67
05/01/10			5.680%	6,777.03	8,929.63	15,706.66	100.000	6,777.03	965,023.27
06/01/10			5.680%	6,809.11	8,897.55	15,706.66	100.000	6,809.11	975,690.87
07/01/10			5.680%	6,841.34	8,865.32	15,706.66	100.000	6,841.34	986,979.09
08/01/10			5.680%	6,873.72	8,832.94	15,706.66	100.000	6,873.72	998,893.54
09/01/10			5.680%	6,906.26	8,800.40	15,706.66	100.000	6,906.26	1,011,439.91
10/01/10			5.680%	6,938.95	8,767.71	15,706.66	100.000	6,938.95	1,024,623.91
11/01/10			5.680%	6,971.79	8,734.87	15,706.66	100.000	6,971.79	1,038,451.30
12/01/10			5.680%	7,004.79	8,701.87	15,706.66	100.000	7,004.79	1,052,927.87
01/01/11			5.680%	7,037.95	8,668.71	15,706.66	100.000	7,037.95	1,068,059.46
02/01/11			5.680%	7,071.26	8,635.40	15,706.66	100.000	7,071.26	1,083,851.95
03/01/11			5.680%	7,104.73	8,601.93	15,706.66	100.000	7,104.73	1,100,311.24
04/01/11			5.680%	7,138.36	8,568.30	15,706.66	100.000	7,138.36	1,117,443.31
05/01/11			5.680%	7,172.15	8,534.51	15,706.66	100.000	7,172.15	1,135,254.15
06/01/11			5.680%	7,206.10	8,500.57	15,706.66	100.000	7,206.10	1,153,749.80
07/01/11			5.680%	7,240.21	8,466.46	15,706.66	100.000	7,240.21	1,172,936.35
08/01/11			5.680%	7,274.48	8,432.19	15,706.66	100.000	7,274.48	1,192,819.92
09/01/11			5.680%	7,308.91	8,397.75	15,706.66	100.000	7,308.91	1,213,406.68
10/01/11			5.680%	7,343.51	8,363.16	15,706.66	100.000	7,343.51	1,234,702.85
11/01/11			5.680%	7,378.26	8,328.40	15,706.66	100.000	7,378.26	1,256,714.67
12/01/11			5.680%	7,413.19	8,293.48	15,706.66	100.000	7,413.19	1,279,448.44
01/01/12			5.680%	7,448.28	8,258.39	15,706.66	100.000	7,448.28	1,302,910.52
02/01/12			5.680%	7,483.53	8,223.13	15,706.66	100.000	7,483.53	1,327,107.27
03/01/12			5.680%	7,518.95	8,187.71	15,706.66	100.000	7,518.95	1,352,045.14
04/01/12			5.680%	7,554.54	8,152.12	15,706.66	100.000	7,554.54	1,377,730.59
05/01/12			5.680%	7,590.30	8,116.36	15,706.66	100.000	7,590.30	1,404,170.14
06/01/12			5.680%	7,626.23	8,080.43	15,706.66	100.000	7,626.23	1,431,370.36
07/01/12			5.680%	7,662.33	8,044.34	15,706.66	100.000	7,662.33	1,459,337.85
08/01/12			5.680%	7,698.60	8,008.07	15,706.66	100.000	7,698.60	1,488,079.28
09/01/12			5.680%	7,735.04	7,971.63	15,706.66	100.000	7,735.04	1,517,601.33
10/01/12			5.680%	7,771.65	7,935.02	15,706.66	100.000	7,771.65	1,547,910.76
11/01/12			5.680%	7,808.43	7,898.23	15,706.66	100.000	7,808.43	1,579,014.35
12/01/12			5.680%	7,845.39	7,861.27	15,706.66	100.000	7,845.39	1,610,918.95
01/01/13			5.680%	7,882.53	7,824.13	15,706.66	100.000	7,882.53	1,643,631.45
02/01/13			5.680%	7,919.84	7,786.82	15,706.66	100.000	7,919.84	1,677,158.77
03/01/13			5.680%	7,957.33	7,749.34	15,706.66	100.000	7,957.33	1,711,507.89
04/01/13			5.680%	7,994.99	7,711.67	15,706.66	100.000	7,994.99	1,746,685.86
05/01/13			5.680%	8,032.83	7,673.83	15,706.66	100.000	8,032.83	1,782,699.73
06/01/13			5.680%	8,070.86	7,635.81	15,706.66	100.000	8,070.86	1,819,556.64
07/01/13			5.680%	8,109.06	7,597.60	15,706.66	100.000	8,109.06	1,857,263.76
08/01/13			5.680%	8,147.44	7,559.22	15,706.66	100.000	8,147.44	1,895,828.32
09/01/13			5.680%	8,186.01	7,520.66	15,706.66	100.000	8,186.01	1,935,257.58
10/01/13			5.680%	8,224.75	7,481.91	15,706.66	100.000	8,224.75	1,975,558.87
11/01/13			5.680%	8,263.68	7,442.98	15,706.66	100.000	8,263.68	2,016,739.55
12/01/13			5.680%	8,302.80	7,403.87	15,706.66	100.000	8,302.80	2,058,807.07
01/01/14			5.680%	8,342.10	7,364.57	15,706.66	100.000	8,342.10	2,101,768.87
02/01/14			5.680%	8,381.58	7,325.08	15,706.66	100.000	8,381.58	2,145,632.49
03/01/14			5.680%	8,421.26	7,285.41	15,706.66	100.000	8,421.26	2,190,405.51
04/01/14			5.680%	8,461.12	7,245.55	15,706.66	100.000	8,461.12	2,236,095.54
05/01/14			5.680%	8,501.17	7,205.50	15,706.66	100.000	8,501.17	2,282,710.27
06/01/14			5.680%	8,541.41	7,165.26	15,706.66	100.000	8,541.41	2,330,257.43
07/01/14			5.680%	8,581.83	7,124.83	15,706.66	100.000	8,581.83	2,378,744.80
08/01/14			5.680%	8,622.46	7,084.21	15,706.66	100.000	8,622.46	2,428,180.21
09/01/14			5.680%	8,663.27	7,043.39	15,706.66	100.000	8,663.27	2,478,571.55
10/01/14			5.680%	8,704.27	7,002.39	15,706.66	100.000	8,704.27	2,529,926.77
11/01/14			5.680%	8,745.47	6,961.19	15,706.66	100.000	8,745.47	2,582,253.87
12/01/14			5.680%	8,786.87	6,919.79	15,706.66	100.000	8,786.87	2,635,560.88
01/01/15			5.680%	8,828.46	6,878.20	15,706.66	100.000	8,828.46	2,689,855.92
02/01/15			5.680%	8,870.25	6,836.41	15,706.66	100.000	8,870.25	2,745,147.14
03/01/15			5.680%	8,912.24	6,794.43	15,706.66	100.000	8,912.24	2,801,442.76

\$2,659,477

County of Contra Costa  
 Multifamily Housing Revenue Bonds  
 (Casa Adobe Apartments Project)  
 2008 Series B-1 and 2008 Series B-2

Schedule B - Production and Bond Years to Delivery

Period Ending	Series B-1			Series B-2			Debt Service	Price	Production	Bond Years to Delivery
	Par Amount	Price	Coupon	Par Amount	Interest	Price				
04/01/15		5.680%		8,954.42	6,752.24		15,706.66	100.000	8,954.42	2,858,751.04
05/01/15		5.680%		8,996.80	6,709.86		15,706.66	100.000	8,996.80	2,917,080.32
06/01/15		5.680%		9,039.39	6,667.27		15,706.66	100.000	9,039.39	2,976,438.98
07/01/15		5.680%		9,082.18	6,624.49		15,706.66	100.000	9,082.18	3,036,835.44
08/01/15		5.680%		9,125.16	6,581.50		15,706.66	100.000	9,125.16	3,098,278.21
09/01/15		5.680%		9,168.36	6,538.31		15,706.66	100.000	9,168.36	3,160,775.85
10/01/15		5.680%		9,211.75	6,494.91		15,706.66	100.000	9,211.75	3,224,336.95
11/01/15		5.680%		9,255.36	6,451.31		15,706.66	100.000	9,255.36	3,288,970.18
12/01/15		5.680%		9,299.16	6,407.50		15,706.66	100.000	9,299.16	3,354,684.28
01/01/16		5.680%		9,343.18	6,363.48		15,706.66	100.000	9,343.18	3,421,488.02
02/01/16		5.680%		9,387.41	6,319.26		15,706.66	100.000	9,387.41	3,489,390.25
03/01/16		5.680%		9,431.84	6,274.82		15,706.66	100.000	9,431.84	3,558,399.87
04/01/16		5.680%		9,476.48	6,230.18		15,706.66	100.000	9,476.48	3,628,525.84
05/01/16		5.680%		9,521.34	6,185.33		15,706.66	100.000	9,521.34	3,699,777.19
06/01/16		5.680%		9,566.41	6,140.26		15,706.66	100.000	9,566.41	3,772,163.00
07/01/16		5.680%		9,611.69	6,094.98		15,706.66	100.000	9,611.69	3,845,692.40
08/01/16		5.680%		9,657.18	6,049.48		15,706.66	100.000	9,657.18	3,920,374.61
09/01/16		5.680%		9,702.89	6,003.77		15,706.66	100.000	9,702.89	3,996,218.89
10/01/16		5.680%		9,748.82	5,957.84		15,706.66	100.000	9,748.82	4,073,234.56
11/01/16		5.680%		9,794.96	5,911.70		15,706.66	100.000	9,794.96	4,151,431.03
12/01/16		5.680%		9,841.33	5,865.34		15,706.66	100.000	9,841.33	4,230,817.73
01/01/17		5.680%		9,887.91	5,818.75		15,706.66	100.000	9,887.91	4,311,404.20
02/01/17		5.680%		9,934.71	5,771.95		15,706.66	100.000	9,934.71	4,393,199.99
03/01/17		5.680%		9,981.74	5,724.93		15,706.66	100.000	9,981.74	4,476,214.77
04/01/17		5.680%		10,028.98	5,677.68		15,706.66	100.000	10,028.98	4,560,458.23
05/01/17		5.680%		10,076.45	5,630.21		15,706.66	100.000	10,076.45	4,645,940.14
06/01/17		5.680%		10,124.15	5,582.51		15,706.66	100.000	10,124.15	4,732,670.35
07/01/17		5.680%		10,172.07	5,534.59		15,706.66	100.000	10,172.07	4,820,658.76
08/01/17		5.680%		10,220.22	5,486.45		15,706.66	100.000	10,220.22	4,909,915.33
09/01/17		5.680%		10,268.59	5,438.07		15,706.66	100.000	10,268.59	5,000,450.10
10/01/17		5.680%		10,317.20	5,389.47		15,706.66	100.000	10,317.20	5,092,273.16
11/01/17		5.680%		10,366.03	5,340.63		15,706.66	100.000	10,366.03	5,185,394.69
12/01/17		5.680%		10,415.10	5,291.56		15,706.66	100.000	10,415.10	5,279,824.92
01/01/18		5.680%		10,464.40	5,242.27		15,706.66	100.000	10,464.40	5,375,574.15
02/01/18		5.680%		10,513.93	5,192.73		15,706.66	100.000	10,513.93	5,472,652.76
03/01/18		5.680%		10,563.69	5,142.97		15,706.66	100.000	10,563.69	5,571,071.18
04/01/18		5.680%		10,613.70	5,092.97		15,706.66	100.000	10,613.70	5,670,839.92
05/01/18		5.680%		10,663.93	5,042.73		15,706.66	100.000	10,663.93	5,771,969.56
06/01/18		5.680%		10,714.41	4,992.25		15,706.66	100.000	10,714.41	5,874,470.75
07/01/18		5.680%		10,765.12	4,941.54		15,706.66	100.000	10,765.12	5,978,354.20
08/01/18		5.680%		10,816.08	4,890.58		15,706.66	100.000	10,816.08	6,083,630.71
09/01/18		5.680%		10,867.28	4,839.39		15,706.66	100.000	10,867.28	6,190,311.14
10/01/18		5.680%		10,918.71	4,787.95		15,706.66	100.000	10,918.71	6,298,406.41
11/01/18		5.680%		10,970.40	4,736.27		15,706.66	100.000	10,970.40	6,407,927.53
12/01/18		5.680%		11,022.32	4,684.34		15,706.66	100.000	11,022.32	6,518,885.58
01/01/19		5.680%		11,074.50	4,632.17		15,706.66	100.000	11,074.50	6,631,291.70
02/01/19		5.680%		11,126.91	4,579.75		15,706.66	100.000	11,126.91	6,745,157.13
03/01/19		5.680%		11,179.58	4,527.08		15,706.66	100.000	11,179.58	6,860,493.15
04/01/19		5.680%		11,232.50	4,474.16		15,706.66	100.000	11,232.50	6,977,311.13
05/01/19		5.680%		11,285.67	4,421.00		15,706.66	100.000	11,285.67	7,095,622.53
06/01/19		5.680%		11,339.08	4,367.58		15,706.66	100.000	11,339.08	7,215,438.85
07/01/19		5.680%		11,392.76	4,313.91		15,706.66	100.000	11,392.76	7,336,771.70
08/01/19		5.680%		11,446.68	4,259.98		15,706.66	100.000	11,446.68	7,459,632.76
09/01/19		5.680%		11,500.86	4,205.80		15,706.66	100.000	11,500.86	7,584,033.76
10/01/19		5.680%		11,555.30	4,151.36		15,706.66	100.000	11,555.30	7,709,986.53
11/01/19		5.680%		11,610.00	4,096.67		15,706.66	100.000	11,610.00	7,837,502.98
12/01/19		5.680%		11,664.95	4,041.71		15,706.66	100.000	11,664.95	7,966,595.08
01/01/20		5.680%		11,720.16	3,986.50		15,706.66	100.000	11,720.16	8,097,274.90
02/01/20		5.680%		11,775.64	3,931.02		15,706.66	100.000	11,775.64	8,229,554.58
03/01/20		5.680%		11,831.38	3,875.29		15,706.66	100.000	11,831.38	8,363,446.33
04/01/20		5.680%		11,887.38	3,819.28		15,706.66	100.000	11,887.38	8,498,962.44
05/01/20		5.680%		11,943.65	3,763.02		15,706.66	100.000	11,943.65	8,636,115.31

**\$2,659,477**  
**County of Contra Costa**  
**Multifamily Housing Revenue Bonds**  
**(Casa Adobe Apartments Project)**  
**2008 Series B-1 and 2008 Series B-2**

**Schedule B - Production and Bond Years to Delivery**

Period Ending	Series B-1			Series B-2				Production	Bond Years to Delivery
	Par Amount	Price	Coupon	Par Amount	Interest	Debt Service	Price		
06/01/20			5.680%	12,000.18	3,706.48	15,706.66	100.000	12,000.18	8,774,917.38
07/01/20			5.680%	12,056.98	3,649.68	15,706.66	100.000	12,056.98	8,915,381.19
08/01/20			5.680%	12,114.05	3,592.61	15,706.66	100.000	12,114.05	9,057,519.37
09/01/20			5.680%	12,171.39	3,535.27	15,706.66	100.000	12,171.39	9,201,344.62
10/01/20			5.680%	12,229.00	3,477.66	15,706.66	100.000	12,229.00	9,346,869.72
11/01/20			5.680%	12,286.88	3,419.78	15,706.66	100.000	12,286.88	9,494,107.56
12/01/20			5.680%	12,345.04	3,361.62	15,706.66	100.000	12,345.04	9,643,071.07
01/01/21			5.680%	12,403.48	3,303.19	15,706.66	100.000	12,403.48	9,793,773.29
02/01/21			5.680%	12,462.19	3,244.48	15,706.66	100.000	12,462.19	9,946,227.36
03/01/21			5.680%	12,521.17	3,185.49	15,706.66	100.000	12,521.17	10,100,446.48
04/01/21			5.680%	12,580.44	3,126.22	15,706.66	100.000	12,580.44	10,256,443.93
05/01/21			5.680%	12,639.99	3,066.68	15,706.66	100.000	12,639.99	10,414,233.10
06/01/21			5.680%	12,699.82	3,006.85	15,706.66	100.000	12,699.82	10,573,827.47
07/01/21			5.680%	12,759.93	2,946.73	15,706.66	100.000	12,759.93	10,735,240.57
08/01/21			5.680%	12,820.33	2,886.34	15,706.66	100.000	12,820.33	10,898,486.05
09/01/21			5.680%	12,881.01	2,825.65	15,706.66	100.000	12,881.01	11,063,577.65
10/01/21			5.680%	12,941.98	2,764.68	15,706.66	100.000	12,941.98	11,230,529.18
11/01/21			5.680%	13,003.24	2,703.43	15,706.66	100.000	13,003.24	11,399,354.55
12/01/21			5.680%	13,064.79	2,641.88	15,706.66	100.000	13,064.79	11,570,067.76
01/01/22			5.680%	13,126.63	2,580.04	15,706.66	100.000	13,126.63	11,742,682.90
02/01/22			5.680%	13,188.76	2,517.90	15,706.66	100.000	13,188.76	11,917,214.14
03/01/22			5.680%	13,251.19	2,455.48	15,706.66	100.000	13,251.19	12,093,675.77
04/01/22			5.680%	13,313.91	2,392.76	15,706.66	100.000	13,313.91	12,272,082.13
05/01/22			5.680%	13,376.93	2,329.74	15,706.66	100.000	13,376.93	12,452,447.70
06/01/22			5.680%	13,440.24	2,266.42	15,706.66	100.000	13,440.24	12,634,787.03
07/01/22			5.680%	13,503.86	2,202.80	15,706.66	100.000	13,503.86	12,819,114.74
08/01/22			5.680%	13,567.78	2,138.88	15,706.66	100.000	13,567.78	13,005,445.59
09/01/22			5.680%	13,632.00	2,074.66	15,706.66	100.000	13,632.00	13,193,794.40
10/01/22			5.680%	13,696.53	2,010.14	15,706.66	100.000	13,696.53	13,384,176.11
11/01/22			5.680%	13,761.36	1,945.31	15,706.66	100.000	13,761.36	13,576,605.74
12/01/22			5.680%	13,826.49	1,880.17	15,706.66	100.000	13,826.49	13,771,098.41
01/01/23			5.680%	13,891.94	1,814.72	15,706.66	100.000	13,891.94	13,967,669.34
02/01/23			5.680%	13,957.69	1,748.97	15,706.66	100.000	13,957.69	14,166,333.85
03/01/23			5.680%	14,023.76	1,682.90	15,706.66	100.000	14,023.76	14,367,107.35
04/01/23			5.680%	14,090.14	1,616.52	15,706.66	100.000	14,090.14	14,570,005.35
05/01/23			5.680%	14,156.83	1,549.83	15,706.66	100.000	14,156.83	14,775,043.48
06/01/23			5.680%	14,223.84	1,482.82	15,706.66	100.000	14,223.84	14,982,237.44
07/01/23			5.680%	14,291.17	1,415.50	15,706.66	100.000	14,291.17	15,191,603.05
08/01/23			5.680%	14,358.81	1,347.85	15,706.66	100.000	14,358.81	15,403,156.22
09/01/23			5.680%	14,426.78	1,279.89	15,706.66	100.000	14,426.78	15,616,912.97
10/01/23			5.680%	14,495.06	1,211.60	15,706.66	100.000	14,495.06	15,832,889.43
11/01/23			5.680%	14,563.67	1,142.99	15,706.66	100.000	14,563.67	16,051,101.82
12/01/23			5.680%	14,632.61	1,074.05	15,706.66	100.000	14,632.61	16,271,566.47
01/01/24			5.680%	14,701.87	1,004.79	15,706.66	100.000	14,701.87	16,494,299.80
02/01/24			5.680%	14,771.46	935.20	15,706.66	100.000	14,771.46	16,719,318.36
03/01/24			5.680%	14,841.38	865.29	15,706.66	100.000	14,841.38	16,946,638.79
04/01/24			5.680%	14,911.63	795.04	15,706.66	100.000	14,911.63	17,176,277.83
05/01/24			5.680%	14,982.21	724.46	15,706.66	100.000	14,982.21	17,408,252.36
06/01/24			5.680%	15,053.12	653.54	15,706.66	100.000	15,053.12	17,642,579.32
07/01/24			5.680%	15,124.38	582.29	15,706.66	100.000	15,124.38	17,879,275.79
08/01/24			5.680%	15,195.96	510.70	15,706.66	100.000	15,195.96	18,118,358.96
09/01/24			5.680%	15,267.89	438.77	15,706.66	100.000	15,267.89	18,359,846.11
10/01/24			5.680%	15,340.16	366.50	15,706.66	100.000	15,340.16	18,603,754.65
11/01/24			5.680%	15,412.77	293.89	15,706.66	100.000	15,412.77	18,850,102.09
12/01/24			5.680%	15,485.72	220.94	15,706.66	100.000	15,485.72	19,098,906.05
01/01/25			5.680%	15,559.02	147.64	15,706.66	100.000	15,559.02	19,350,184.26
02/01/25			5.680%	15,632.67	73.99	15,706.66	100.000	15,632.67	19,603,954.58
	<b>759,477.00</b>			<b>1,900,000.00</b>	<b>927,199.39</b>	<b>2,827,199.39</b>		<b>2,659,477.00</b>	