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THE BOARD OF SUPERVISORS OF CONTRA COSTA COUNTY, CALIFORNIA

and for Special Districts, Agencies and Authorities Governed by the Board

Adopted this Resolution on 06/23/2009 by the following vote:

AYES: 5

NOES:

ABSENT:

ABSTAIN:

RECUSE:



Resolution No. 2009/313

RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING REVENUE BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$20,000,000 TO FINANCE A PORTION OF THE CONSTRUCTION AND DEVELOPMENT OF A MULTIFAMILY RENTAL HOUSING PROJECT KNOWN AS VALLEY VISTA SENIOR HOUSING, DETERMINING AND PRESCRIBING CERTAIN MATTERS RELATING THERETO, RATIFYING ANY ACTION HERETOFORE TAKEN, AND APPROVING AND AUTHORIZING RELATED ACTIONS AND THE EXECUTION AND DELIVERY OF RELATED DOCUMENTS.

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 the construction 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 constructing, developing, owning and operating such housing and to assist in providing housing for very low income persons;

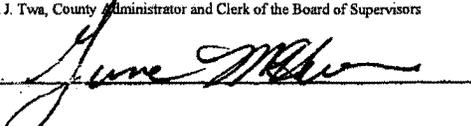
WHEREAS, the County desires to participate in the financing of the construction and development of a 105-unit senior housing development located in San Ramon, California (in Contra Costa County), known as Valley Vista Senior Housing (the "Project"), which will be owned and operated by Valley Vista Senior Housing, L.P., a California limited partnership (the "Owner"), and in order to do so intends to sell and issue not to exceed \$20,000,000 of its multifamily housing revenue bonds (the "Bonds");

Contact: Jim Kennedy, 335-7225

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: June 23, 2009

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

By: 

cc:

WHEREAS, there has been prepared and available to this Board of Supervisors (the "Board") of the County for consideration at this meeting the documentation required for the issuance of multifamily housing revenue bonds for such financing; WHEREAS, each of the documents which is now before this meeting is in substantially final form and an appropriate instrument to be executed and delivered for the purposes intended; WHEREAS, this Board hereby finds and declares that this resolution is being adopted pursuant to the powers granted by the Act;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF THE COUNTY OF CONTRA COSTA, AS FOLLOWS: 1. This Board hereby specifically finds and declares that the statements, findings and determinations of the County set forth above are true and correct. 2. Pursuant to the Act and the Bond Issuance and Pledge Agreement (hereinafter defined), a series of revenue bonds of the County, to be designated as the "County of Contra Costa Multifamily Housing Revenue Bonds (Valley Vista Senior Housing), 2009 Series B" in an aggregate principal amount not to exceed \$20,000,000, is hereby authorized to be issued. The Bonds shall be in the form set forth in and otherwise in accordance with the Bond Issuance and Pledge Agreement, and 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 Bond Issuance and Pledge Agreement (defined below), 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 Bond Issuance and Pledge Agreement. The Bonds shall not be deemed to constitute a debt or liability of the County. 3. The proposed form of Bond Issuance and Pledge Agreement (the "Bond Issuance and Pledge Agreement") between the County and Wells Fargo Bank, National Association, as Fiscal Agent (the "Fiscal Agent"), in substantially the form presented to this meeting, is hereby approved. The Authorized Officers are each hereby authorized and directed to execute and deliver to the Fiscal Agent, for and in the name and on behalf of the County, the Bond Issuance and Pledge Agreement in substantially said form, with such additions, changes and corrections as such officer may approve (provided that such additions or changes shall not authorize an aggregate principal amount of Bonds in excess of the amount stated in Section 2 hereof or a maturity date later than August 1, 2014, or result in an initial interest rate on the Bonds in excess of 12% per annum), such approval to be conclusively evidenced by the execution and delivery of said Bond Issuance and Pledge Agreement, with such additions, changes or corrections. The date, maturity dates, interest rates, 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 Bond Issuance and Pledge Agreement as finally executed. 4. The proposed form of Loan Agreement (the "Loan Agreement") by and among the County, the Fiscal Agent and the Owner, in substantially the form presented to this meeting, is hereby approved. The Authorized Officers are each hereby authorized and directed to execute, for and in the name and on behalf of the County, the Loan Agreement in substantially said form, with such additions, changes and corrections as such officers may approve, such approval to be conclusively evidenced by the execution and delivery of said Loan Agreement, with such additions, changes or corrections. 5. The proposed form of Regulatory Agreement and Declaration of Restrictive Covenants (the "Regulatory Agreement") by and between the County and the Owner, in substantially the form presented to this meeting, is hereby approved. The Authorized Officers are each hereby authorized and directed to execute, for and in the name and on behalf of the County, the Regulatory Agreement in substantially said form, with such additions, changes and corrections as such officers may approve, such approval to be conclusively evidenced by the execution and delivery of said Regulatory Agreement, with such additions, changes or corrections. 6. The Board hereby appoints Orrick, Herrington & Sutcliffe LLP as bond counsel. 7. The Bonds, when executed, shall be delivered to the Fiscal Agent for authentication. The Fiscal Agent is hereby requested and directed to authenticate the Bonds by executing the Fiscal Agent's certificate of authentication appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to the purchaser thereof in accordance with written instructions executed on behalf of the County by an Authorized Officer, which instructions the Authorized Officers are hereby authorized and directed, for and in the name and on behalf of the County, to execute and deliver to the Fiscal Agent. Such instructions shall provide for the delivery of the Bonds to the purchaser thereof upon payment of the purchase price therefor. 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, confirmed and ratified, and the proper officers of the County are 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 Bond Issuance and Pledge Agreement and the other documents herein approved, which they, 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. 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 the Authorized Officers without further authorization by this Board of Supervisors, and the Authorized Officers are hereby authorized and directed to give any such consent, approval, notice, order or request and to take any such action which such officer may deem necessary or desirable to further the purposes of this resolution and the financing of the Project. 10. All resolutions or parts thereof in conflict herewith are, to the extent of such conflict, hereby repealed. 11. This resolution shall take effect immediately upon its passage and adoption.

BOND ISSUANCE AND PLEDGE AGREEMENT

from

**COUNTY OF CONTRA COSTA,
as Issuer**

to

**WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Fiscal Agent**

Dated as of November 1, 2009

Relating to:

**\$18,250,000
County of Contra Costa
Multifamily Housing Revenue Bonds
(Valley Vista Senior Housing),
2009 Series B**

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BOND ISSUANCE AND PLEDGE AGREEMENT

This BOND ISSUANCE AND PLEDGE AGREEMENT dated as of November 1, 2009 (as the same may be amended, modified or supplemented from time to time, this “Pledge Agreement”), from COUNTY OF CONTRA COSTA, a political subdivision of the State of California (together with its successors to assigns, the “Issuer”), to WELLS FARGO BANK, NATIONAL ASSOCIATION, a banking corporation organized under the laws of the State of California, as fiscal agent (together with any successor fiscal agent hereunder and their respective successors and assigns, the “Fiscal Agent”);

WITNESSETH:

WHEREAS, the Issuer is authorized by the provisions of Chapter 7 of Part 5 of Division 31 of the California Health and Safety Code (the “Housing Law”), to issue one or more series of its revenue bonds and to loan the proceeds thereof to finance the construction and equipping of residential rental housing facilities to provide housing for persons of low and very low income; and

WHEREAS, by proceedings adopted pursuant to and in accordance with the provisions of the Housing Law, the Issuer has authorized the issuance of its Multifamily Housing Revenue Bonds (Valley Vista Senior Housing), 2009 Series B in the maximum aggregate principal amount of \$18,250,000 (the “Bonds”), to finance a portion of the costs of the construction and equipping of a 105-unit residential rental development to be known as Valley Vista Senior Housing and to be located in the County of Contra Costa, California (the “Project”); and

WHEREAS, pursuant to a Loan Agreement dated as of the date hereof (as the same may be amended, modified or supplemented from time to time, the “Loan Agreement” or the “Agreement”) among the Issuer, the Fiscal Agent and Valley Vista Senior Housing, L.P., a California limited partnership organized and existing under the laws of the State of California (together with its successors and assigns, the “Borrower”), the Issuer has agreed to issue the Bonds and cause a construction loan (the “Loan”) to be made to the Borrower from the proceeds thereof, and the Borrower has agreed to (a) apply the proceeds of the Loan to pay a portion of the costs of construction and equipping of the Project, (b) make payments sufficient to pay the principal of, premium, if any, and interest on the Bonds when due (whether at maturity, by redemption, acceleration or otherwise), and (c) observe the other covenants and agreements and make the other payments set forth therein; and

WHEREAS, the Borrower has delivered to the Issuer, and the Issuer has assigned to the Fiscal Agent hereunder, a promissory note dated the date of issuance of the Bonds in a maximum principal amount equal to the maximum aggregate principal amount of the Bonds (as the same may be amended, supplemented or modified from time to time, the “Note”) evidencing the Borrower’s obligation to repay the Loan and the Issuer has made the Loan to the Borrower, subject to the terms and conditions of the Loan Agreement and this Pledge Agreement; and

WHEREAS, the obligations of the Borrower under this Pledge Agreement and the Note will be secured by, among other things, the Guaranty (as defined in the Loan Agreement) and by the other Loan Documents (as defined herein).

NOW, THEREFORE, in consideration of the premises and the mutual promises, representations and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

PLEDGE OF COLLATERAL

The Issuer, in consideration of the acceptance by the Fiscal Agent of the collateral pledged hereunder, the purchase and acceptance of the Bonds by the Owners thereof, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in order to secure the payment of the principal of, redemption premium, if any, and interest on the Bonds according to their tenor and effect, and to secure the performance and observance by the Issuer of all the covenants, agreements and conditions herein and in the Bonds contained, does hereby transfer, pledge and assign, without recourse, to the Fiscal Agent and its successors and assigns, and does hereby grant a security interest unto the Fiscal Agent and its successors and its assigns, in and to all and singular the property described in paragraphs (a), (b) and (c) below (said property being herein referred to as the "Collateral"), to wit:

(a) All moneys from time to time paid by the Borrower pursuant to the terms of the Loan Documents and all right, title and interest of the Issuer (including, but not limited to, the right to enforce any of the terms thereof) under and pursuant to and subject to the provisions of the Loan Agreement and the Note (but excluding the Reserved Rights); and

(b) All other moneys and securities from time to time held by the Fiscal Agent under the terms of this Pledge Agreement, excluding amounts required to be rebated to the United States Treasury under Section 148(f) of the Code; and

(c) Any and all property (real, personal or mixed) of every kind and nature from time to time hereafter, by delivery or by writing of any kind, pledged, assigned or transferred as and for additional security hereunder to the Fiscal Agent, which the Fiscal Agent is hereby authorized to receive at any and all times and to hold and apply the same subject to the terms of this Pledge Agreement;

PROVIDED, NEVERTHELESS, and these presents are upon the express condition, that if the Issuer or its successors or assigns shall well and truly pay or cause to be paid the principal of and premium, if any, on such Bonds with interest, according to the provisions set forth in the Bonds, (it being understood that any payment with respect to the principal of or interest on Bonds made by the Borrower shall not be deemed payment or provision for the payment of the principal of or interest on Bonds, except Bonds purchased and canceled by the Fiscal Agent, all such uncanceled Bonds to remain Outstanding and the principal of and interest thereon payable to the Owners thereof), and shall also pay or cause to be paid all other sums payable hereunder by the Issuer, then these presents and the estate and rights hereby granted shall cease, terminate and become void, and thereupon the Fiscal Agent, on payment of its lawful charges and disbursements then unpaid, on demand of the Issuer and upon the payment by the Issuer of the cost and expenses thereof, shall duly execute, acknowledge and deliver to the Issuer such instruments of satisfaction or release as may be necessary or proper to discharge this Pledge Agreement of record, and if necessary shall grant, reassign and deliver to the Issuer all and

singular the property, rights, privileges and interests by it hereby granted, conveyed and assigned, and all substitutes therefor, or any part thereof, not previously disposed of or released as herein provided; otherwise this Pledge Agreement shall be and remain in full force;

THIS PLEDGE AGREEMENT FURTHER WITNESSETH, and it is hereby expressly declared, covenanted and agreed by and between the parties hereto, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and that all the Collateral is to be held and applied under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Issuer does hereby agree and covenant with the Fiscal Agent, for the benefit of the respective Owners from time to time of the Bonds as follows:

ARTICLE I

DEFINITIONS AND CONSTRUCTION

Section 1.01 Definitions. The following capitalized terms, as used in this Pledge Agreement, shall have the meanings specified below unless the context otherwise shall require.

“Accounts” means the accounts established pursuant to Section 5.01 hereof.

“Affiliate” means any entity the ultimate parent corporation of which is the same as that of Wells Fargo Bank, National Association (or any successor to Wells Fargo Bank, National Association as the Bondowner Representative), including such parent corporation.

“Alternative Rate” shall have the meaning given to that term in Exhibit B to the Loan Agreement.

“Authorized Amount” means an aggregate principal amount of Bonds of \$18,250,000.

“Authorized Denomination” means (i) the full principal amount of Bonds Outstanding as of any date or (ii) \$100,000, and any amount in excess of \$100,000, but not in excess of the aggregate principal amount of Bonds then Outstanding.

“Authorized Representative” means, with respect to the Issuer, 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 and the Deputy Director-Redevelopment of the County and, with respect to the Borrower, any representative of the Borrower identified in writing by the Borrower in accordance with the terms of Exhibit B to the Loan Agreement, or, in each case, such other person at any time designated by the Issuer to act on behalf of the Issuer or by the Borrower to act on behalf of the Borrower, as evidenced by a written certificate delivered to the Issuer or Borrower, as the case may be, the Fiscal Agent, and the Bondowner Representative, containing the specimen signature of such person and signed by an authorized representative of the Issuer or the Borrower, as the case may be. Such certificate may designate an alternate or alternates, each of whom shall be entitled to perform all duties and exercise all powers of an Authorized Representative.

“Bond” or “Bonds” means the Issuer’s Multifamily Housing Revenue Bonds (Valley Vista Senior Housing), 2009 Series B issued and delivered in the maximum aggregate principal amount of \$18,250,000.

“Bond Counsel” means any attorney or firm of attorneys of nationally recognized standing in the field of municipal finance law whose opinions are generally accepted by purchasers of tax-exempt obligations and who is acceptable to the Bondowner Representative and the Issuer.

“Bond Payment Date” means the first Business Day of each month and any other date on which principal or redemption price or interest shall be payable on any of the Bonds according to their respective terms.

“Bondowner Representative” means (a) any one person or entity owning all of the Outstanding Bonds or any person appointed as Bondowner Representative by such owner of all Outstanding Bonds or (b) if no single Owner owns all of the Outstanding Bonds, a person appointed as Bondowner Representative by the Owners of at least 51% of all Outstanding Bonds. The initial Bondowner Representative shall be Wells Fargo Bank, National Association, as Bond Purchaser.

“Bond Purchaser” means Wells Fargo Bank, National Association, a national banking association organized under the laws of the United States, as purchaser of the Bonds, together with its successors and assigns.

“Business Day” means a day of the year which is not a Saturday or Sunday or any other day on which banks located in the city of New York, New York and banks located in the city in which the Principal Office of the Fiscal Agent is located are required or authorized by law to remain closed and on which The New York Stock Exchange is not closed.

“Closing Date” means the date of issuance of the Bonds.

“Code” means the Internal Revenue Code of 1986; each reference to the Code is deemed to include (i) any successor internal revenue law and (ii) the applicable regulations whether final, temporary or proposed under the Code or such successor law. Any reference to a particular provision of the Code is deemed to include any successor provision of any successor internal revenue law and applicable regulations whether final, temporary or proposed under such provision or successor provision.

“Collateral” has the meaning given above under “PLEDGE OF COLLATERAL”.

“Costs of Issuance” means “issuance costs” with respect to the Bonds within the meaning of Section 147(g) of the Code.

“Deed of Trust” means the Construction Deed of Trust with Absolute Assignment of Leases and Payments, Security Agreement, and Fixture Filing, dated as of November 1, 2009, from the Borrower to the Fiscal Agent for the benefit of the Issuer, as the same may be modified, amended or supplemented.

“Default” or “Event of Default” means, when referring to (i) the Pledge Agreement, an event or condition specified or defined as such by Article VI of this Pledge Agreement and (ii) the Loan Agreement, an event or condition specified or defined as such by Section 7.1 of the Loan Agreement.

“Determination of Taxability” means (i) a determination by the Commissioner or any District Director of the Internal Revenue Service, (ii) a private ruling or Technical Advice Memorandum issued by the National Office of the Internal Revenue Service, (iii) a determination by any court of competent jurisdiction, or (iv) receipt by the Fiscal Agent, at the request of the Bondowner Representative, of an opinion of Bond Counsel to the effect that the interest on the Bonds is includable for federal income tax purposes in the gross income of the Owners thereof or any former Owner thereof, other than an Owner who is a “substantial user” (as such term is defined in Section 147 (a) of the Code) of the Project or a Related Person; provided that no such Determination of Taxability under clause (i), (ii) or (iii) shall be deemed to have occurred if (a) the Borrower has been afforded the opportunity to contest such determination, and (b) the Borrower has elected to contest such determination in good faith and is proceeding with all applicable dispatch to prosecute such contest until the earliest of (A) a final determination adverse to the Borrower’s contest from which no appeal may be taken, or (B) abandonment of such contest by the Borrower.

“Disbursed Amount” means the sum of (i) the aggregate purchase price of the Bonds paid to the Fiscal Agent on the Closing Date and deposited into the Funds and Accounts pursuant to Section 5.01 and (ii) the balance of such purchase price which has been funded by the Bond Purchaser from time to time and deposited in accordance with Section 5.01, as indicated on the Bonds and the Note and in the records of the Fiscal Agent.

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

“Fiscal Agent” means Wells Fargo Bank, National Association, a banking corporation organized under the laws of the State of California, as fiscal agent, together with any successors and assigns.

“Fiscal Agent Expenses” means the fees and expenses of the Fiscal Agent set forth in 7.04 of this Pledge Agreement.

“Funds” means the funds established pursuant to Section 5.01 hereof.

“Governmental Authority” means the United States, the State in which the Land is located and any political subdivision, agency, department, commission, board, bureau, authority or instrumentality of either of them, including any local authorities, or any other entity exercising executive, legislative, judicial, regulatory or administrative functions of government, which has jurisdiction over the Land or the construction and operation of the Project thereon.

“Housing Law” means the provisions of Chapter 7 of Part 5 of Division 31 of the California Health and Safety Code, as the same may be amended.

“Interest Payment Date” means the first day of each month commencing January 4, 2010, and each Bond Payment Date.

“Investment Securities” means and includes any of the following securities and other investments, if and to the extent the same are legal for the investment of the Issuer’s moneys at the time such investment is made or contracted for:

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

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

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

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

(e) any other investments approved by the Bondowner Representative.

“Issuer” means the County of Contra Costa, together with its successors and assigns.

“Issuer Documents” means, collectively, this Pledge Agreement, the Loan Agreement and the Regulatory Agreement.

“Land” means the real property described in Exhibit A attached to the Regulatory Agreement.

“Loan” means the construction loan made from the proceeds of the Bonds pursuant to the Loan Agreement.

“Loan Agreement” has the meaning given to that term in the recitals to this Pledge Agreement.

“Loan Amount” means an amount equal to the maximum principal amount of the Bonds.

“Loan Documents” means, collectively, the Note, the Deed of Trust, the Guaranty (as defined in the Loan Agreement), the Loan Agreement and the Regulatory Agreement, together with all other documents or instruments executed by the Borrower which evidence or secure the Borrower’s indebtedness under such documents and all other documents and instruments delivered simultaneously herewith or required under the Loan Documents to be delivered during the term of the Loan.

“Maturity Date” means December 1, 2012.

“Note” means the Promissory Note dated the Closing Date in favor of the Issuer and assigned to the Fiscal Agent, in which the Borrower has agreed to make payments in amounts equal to amounts of principal of and premium, if any, and interest on the Bonds, as the same may be modified, amended or supplemented from time to time.

“Notice Address” means, with respect to the Issuer, County of Contra Costa, Community Development Department, 2530 Arnold Drive, Suite 150, Martinez, CA 96553; with respect to the Borrower’s general partner, Carmel Senior Housing, Inc., 6120 Stoneridge Mall Road, Third Floor, Pleasanton, CA 94588, Attention: Ancel Romero; with respect to the Borrower’s limited partner: MCCC, LLC, c/o Merritt Community Capital Corporation, 1970 Broadway, Suite 250, Oakland, CA 94612, Attention: Bernard T. Deasy; with respect to the Fiscal Agent and the initial Bondowner Representative, Wells Fargo Bank, National Association, Regional Community Lending Division, 45 Fremont Street, 9th Floor, MAC# A0194-090, San Francisco, CA 94105; Attention: Loan Administration; and with respect to any future Bondowner Representative, such address as may be shown in the records of the Fiscal Agent.

“Outstanding” means, when used with respect to Bonds, as of any date, all Bonds theretofore authenticated and delivered under this Pledge Agreement except:

(a) any Bond canceled or delivered to the registrar for cancellation on or before such date;

(b) any Bond in lieu of or in exchange for which another Bond shall have been authenticated and delivered pursuant to Article II of this Pledge Agreement;

(c) any Bond deemed to have been paid as provided in Section 9.02 or Section 9.03 of this Pledge Agreement;

(d) any Bond owned or held by or for the account of the Issuer or Borrower, as provided in Section 10.11 of this Pledge Agreement, for the purpose of consent or other action or any calculation of outstanding Bonds provided for in this Pledge Agreement; and

(e) any undelivered Bond (except for purposes of receiving the purchase price thereof upon surrender in accordance with this Pledge Agreement).

“Owner” or “Owners” means the registered owner, or owners, of the Bonds.

“Person” means any natural individual, corporation, partnership, trust, unincorporated association, business or other legal entity, and any government or governmental agency or political subdivision thereof.

“Principal Office” means, with respect to any party, the office designated as such in, or as designated by the respective party in writing pursuant to, this Pledge Agreement.

“Project” has the meaning given to that term in the recitals to this Pledge Agreement.

“Qualified Costs of the Project” means the actual costs incurred to acquire, construct, furnish and equip the Project which (i) are or were incurred after the date that is 60 days before October 28, 2008, (ii) are (A) chargeable to the Project’s capital account or would be so chargeable either with a proper election by the Borrower or but for a proper election by the Borrower to deduct such costs, within the meaning of Treasury Regulation Section 1.1038(a)(1), and if charged or chargeable to the Project’s capital account are or would have been deducted only through an allowance for depreciation or (B) made for the acquisition of land, to the extent allowed in Section 147(c) of the Code and (iii) are made exclusively with respect to a “qualified residential rental project” within the meaning of Section 142(d) of the Code.

“Rating Agency” means each of Standard & Poor’s Ratings Group, a division of McGraw-Hill, Inc., Moody’s Investors Service, Inc., Duff & Phelps Credit Rating Co. and Fitch Investors Service, Inc. or any other nationally-recognized statistical rating agency which has been approved by the Bondowner Representative.

“Rebate Analyst” means any person, chosen by the Borrower and at the expense of the Borrower, qualified and experienced in the calculation of rebate payments under Section 148 of the Code and compliance with the arbitrage rebate regulations promulgated under the Code, which is engaged for the purpose of determining the amount of necessary rebate payments, if any.

“Record Date” means, with respect to each Bond Payment Date, the close of business on the day preceding such Bond Payment Date, whether or not such day is a Business Day.

“Regulatory Agreement” means the Regulatory Agreement and Declaration of Restrictive Covenants dated as of the date hereof, by and between the Issuer and the Borrower, as the same may be amended, modified or supplemented from time to time.

“Reserved Rights” means those certain rights of the Issuer under the Loan Agreement to indemnification and to payment or reimbursement of fees and expenses of the Issuer, its right to receive notices and to enforce notice and reporting requirements, its right to inspect and audit the books, records and premises of the Borrower and of the Project, its right to collect attorneys’ fees and related expenses, its right to specifically enforce the Borrower’s covenant to comply with applicable federal tax law and State law (including the Housing Law and the rules and regulations of the Issuer, if any), and its right to give or withhold consent to amendments, changes, modifications and alterations to the Loan Agreement relating to the Reserved Rights.

“Resolution” means the resolution of the Issuer adopted on June 23, 2009, authorizing, among other things, the execution and delivery by the Issuer of the Issuer Documents and the Bonds and the performance of its obligations thereunder.

“State” means the State of California.

“Supplemental Pledge Agreement” means any document delivered by the Issuer in accordance with Article VIII of this Pledge Agreement amending or supplementing this Pledge Agreement.

“Tax Certificate” means the means the Tax Certificate and Agreement dated the date of delivery of the Bonds and executed by the Issuer and the Borrower, as amended or modified pursuant to its terms.

Section 1.02 Construction. In this Pledge Agreement, unless the context otherwise requires:

(a) Articles and Sections referred to by number shall mean the corresponding Articles and Sections of this Pledge Agreement.

(b) The terms “hereby”, “hereof”, “hereto”, “herein”, “hereunder” and any similar terms refer to this Pledge Agreement, and the term “hereafter” shall mean after, and the term “heretofore” shall mean before, the date of adoption of this Pledge Agreement.

(c) Words of the masculine gender shall mean and include correlative words of the female and neuter genders, and words importing the singular number shall mean and include the plural number and vice versa.

(d) Words importing the redemption of a Bond or the calling of a Bond for redemption do not include or connote the payment of such Bond at its stated maturity or the purchase of such Bond.

(e) References in this Pledge Agreement to particular sections of the Code, the Housing Law or any other legislation shall be deemed to refer also to any successor sections thereto or other redesignation for codification purposes.

(f) The terms “receipt”, “received”, “recovery”, “recovered” and any similar terms, when used in this Pledge Agreement with respect to moneys or payments due the Issuer, shall be deemed to refer to the passage of physical possession and control of such moneys and payments to the Issuer, the Owners of the Bonds or the Fiscal Agent on its behalf.

ARTICLE II

REPRESENTATIONS AND COVENANTS OF THE ISSUER

Section 2.01 Representations by the Issuer. The Issuer represents and warrants to the Fiscal Agent and the Owners of the Bonds that:

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

(b) The Issuer has power and lawful authority to adopt the Resolution, to execute and deliver the Issuer Documents; to issue the Bonds and receive the proceeds of the Bonds; to apply or cause to be applied the proceeds of the Bonds to make the Loan; to assign the revenues derived and to be derived by the Issuer from the Loan to the Fiscal Agent; and to perform and observe the provisions of the Issuer Documents and the Bonds on its part to be performed and observed.

(c) The Issuer has duly authorized the execution and delivery of the Issuer Documents and the issuance, execution, sale and delivery of the Bonds, and the performance of the obligations of the Issuer thereunder.

(d) To the best knowledge of the Issuer, there is no litigation pending or, to the knowledge of the Issuer, threatened, in any court, either state or federal, calling into question (i) the creation, organization or existence of the Issuer, (ii) the validity of the Issuer Documents or the Bonds, (iii) the authority of the Issuer to adopt, make or perform, as the case may be, this Pledge Agreement or the Issuer Documents or to issue, execute and deliver the Bonds or (iv) the exclusion from gross income of interest on the Bonds for purposes of federal income taxation.

(e) To the best knowledge of the Issuer, none of the adoption of the Resolution, the execution and delivery of the Issuer Documents, the issuance, execution, sale and delivery of the Bonds or the performance by the Issuer of its obligations under the Issuer Documents or the Bonds will violate any provision of law (including the Housing Law) or regulation, or any decree, writ, order or injunction by which the Issuer is bound, or conflict with the provisions of the organizational documents of the Issuer, or contravene the provisions of or constitute a default under any agreement, Pledge Agreement, resolution or other instrument to which the Issuer is a party or by which the Issuer is bound.

(f) All actions on the part of the Issuer necessary for the execution and delivery of the Issuer Documents, the issuance, execution, sale and delivery of the Bonds and the performance by the Issuer of its obligations thereunder have been duly and effectively taken. To the best knowledge of the Issuer, no consent, authorization or approval of, or filing or registration with, any governmental or regulatory body is required on the part of the Issuer for the execution and delivery of the Issuer Documents, the issuance, execution, sale and delivery of the Bonds, or the performance by the Issuer of its obligations under the Issuer Documents or the Bonds, except the aforesaid action on the part of the Issuer which has been duly and effectively taken.

(g) All requirements and conditions specified in the Housing Law, the organizational documents of the Issuer, the Resolution and all other applicable laws and regulations to the adoption of the Resolution, the making of the Loan, the execution and delivery of the Issuer Documents and the issuance, execution, sale and delivery of the Bonds have been fulfilled.

Section 2.02 Covenants of the Issuer. The Issuer hereby agrees with the Owners from time to time of the Bonds that, so long as the Bonds remain unpaid:

(a) The Issuer will take no action and, to the extent of its ability to do so, will suffer no action to be taken, to terminate its existence.

(b) The Issuer will take all action and do all things which it is authorized by law to take and do in order to perform and observe all covenants and agreements on its part to be performed and observed under the Issuer Documents and the Bonds and in order to provide for and to assure payment of the Bonds and interest thereon when due.

(c) The Issuer will not take any action impairing any authority, right or benefit given or conferred by the Issuer Documents or the Bonds.

(d) The Issuer will pay or cause to be paid the principal of and the interest on the Bonds as the same become due, but solely to the extent provided in Section 10.02 hereof.

(e) The Issuer will execute and/or acknowledge, when appropriate, from time to time at the request of the Owners of the Bonds or the Fiscal Agent such further acts, instruments, financing statements and other documents as are necessary or desirable to better assure, transfer, pledge or assign to the Fiscal Agent, and grant a security interest unto the Fiscal Agent in and to the Collateral and the other properties and revenues herein described and otherwise to carry out the intent and purpose of the Issuer Documents and the Bonds.

(f) The Issuer shall neither take any action nor fail to take any action (to the extent it exercises control) nor permit the Borrower or any other party to take any action or fail to take any action which, if either taken or not taken, would adversely affect the exclusion from gross income of interest on the Bonds for purposes of federal income taxation.

(g) The Issuer has not entered into and will not enter into any arrangement, formal or informal, with the Borrower or any related person (as defined in Section 147(a) of the Code) pursuant to which the Borrower (or any such related person) shall purchase Bonds in an amount related to the amount of the Loan.

(h) The Issuer covenants and agrees that it will use or cause to be used the proceeds of the Bonds as soon as is practicable and with all reasonable dispatch for the purposes for which the Bonds are issued, and the Issuer covenants and agrees that it shall not invest, or cause to be invested, any part of the proceeds of the Bonds in any security or obligations except during the temporary period pending such use, nor use at any time, directly or indirectly, in a manner which, if such use had been reasonably anticipated on the date of issuance of the Bonds, would have caused any of the Bonds to be or become “arbitrage bonds” within the meaning of Section 148 of the Code and the regulations of the Treasury Department thereunder proposed or in effect at the time of such use and applicable to obligations issued on the date of issuance of the Bonds.

Section 2.03 Exempt from Individual Liability. No covenant, condition or agreement contained herein shall be deemed to be a covenant, agreement or obligation of any present or future officer, director, employee or agent of the Issuer or the Fiscal Agent in his or her individual capacity, and neither the officers, directors, employees or agents of the Issuer nor the Fiscal Agent executing the Bonds or this Pledge Agreement shall be liable personally on the Bonds or under this Pledge Agreement or be subject to any personal liability or accountability by reason of the issuance of the Bonds or the execution of this Pledge Agreement.

ARTICLE III

AUTHORIZATION AND ISSUANCE OF BONDS

Section 3.01 Authorization of Bonds.

(a) There is hereby authorized, established and created an issue of Bonds of the Issuer to be known and designated as the “County of Contra Costa Multifamily Housing Revenue Bonds (Valley Vista Senior Housing), 2009 Series B”, in an aggregate principal amount not to exceed \$18,250,000. The Bonds shall be issued for the purpose of making the Loan by depositing such amounts in the various accounts established hereunder.

(b) The Bonds are hereby authorized to be issued as drawdown Bonds. The Owners of the Bonds shall fund the purchase price of the Bonds in installments. The initial installment for the purchase of the Bonds shall be in the amount of \$55,000 to be advanced by the Owners of such Bonds and received by the Fiscal Agent on the Closing Date, which purchase price shall be deposited in accordance with Section 5.01 hereof. Provided that the conditions to advance contained in the Loan Agreement are either satisfied or waived by the Fiscal Agent, the balance of the purchase price of the Bonds shall be advanced in subsequent installments by the Owners (if more than one Owner for a series of Bonds, pro rata based on the respective maximum face principal amounts of such Bonds) concurrently and in like amount with each advance of funds under the Loan Agreement. The Fiscal Agent shall maintain in its books a log which shall reflect from time to time the payment of the purchase price of each series of Bonds by the Owners in

accordance with the provisions of this Section 3.01(b). If presented to the Fiscal Agent by any Owner, amounts funded by the Owners in accordance with the provisions of this Section 3.01(b) shall be noted on Schedule A attached to the applicable Bond so presented to the Fiscal Agent. Each series of Bonds shall bear interest as provided in Section 3.06 hereof upon the deposit with Fiscal Agent by the Owners of the amount of purchase price of the Bonds so paid in accordance with the provisions of this Section 3.01(b). The Fiscal Agent is hereby directed to advance funds to the Owners to pay interest on the Bonds without any requisition, notice or other written request. Such amounts are added to the Outstanding principal balance of the Bonds and shall not to exceed \$18,250,000.

Section 3.02 Conditions Precedent to Delivery and Initial Disbursement of Bonds. Prior to the initial delivery of Bonds, there shall be filed with the Fiscal Agent:

- (i) Executed counterparts of this Pledge Agreement, the other Issuer Documents, and the Loan Documents;
- (ii) A certified copy of the Resolution;
- (iii) Evidence of recording of the Regulatory Agreement in the real property records of the County of Contra Costa, or evidence acceptable to Bond Counsel and counsel to the Bondowner Representative that provision has been made for such recording; and
- (iv) An opinion of Bond Counsel substantially to the effect that the Bonds constitute legal, valid and binding obligations of the Issuer and that under existing statutes, regulations, published rulings and judicial decisions, the interest on the Bonds is not includable for federal income tax purposes in the gross income of the Owners thereof.

Section 3.03 Registered Bonds. The Bonds shall be in fully registered form and shall be payable in accordance with the provisions hereof and of the Bonds to the registered Owner thereof as shown on the records maintained by the Fiscal Agent.

Section 3.04 Loss, Theft, Destruction or Mutilation of Bonds. In the event a Bond is mutilated, lost, stolen or destroyed, the Issuer may execute and the Fiscal Agent may authenticate and deliver a new Bond bearing the same number, if any, as the mutilated, destroyed, lost or stolen Bond and bearing a notation indicating the principal amount outstanding, in exchange for the mutilated Bond, or in substitution for a Bond so destroyed, lost or stolen. In every case of exchange or substitution, the applicant shall furnish to the Issuer and the Fiscal Agent (i) such security or indemnity as may be required by them to save them harmless from all risks, however remote, and (ii) evidence to their satisfaction of the mutilation, destruction, loss or theft of a Bond and of the ownership thereof. Upon the issuance of a Bond upon such exchange or substitution, the Fiscal Agent may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses, including counsel fees, of the Issuer and the Fiscal Agent. In case a Bond shall become mutilated or be destroyed, lost or stolen, the Fiscal Agent may, instead of authenticating a bond in exchange or substitution therefor, pay or authorize the payment of the

same (without surrender thereof except in the case of a mutilated Bond) if the applicant for such payment shall furnish to the Issuer and the Fiscal Agent such security or indemnity as it may require to save it harmless and evidence satisfactory to the Issuer of the mutilation, destruction, loss or theft of the Bond and of the ownership thereof.

Section 3.05 Terms of Bonds – General.

(a) Registration; Denomination. The Bonds shall be issued in Authorized Denominations, subject to modification to the extent required to effect transfers, exchanges or redemptions permitted or required by this Pledge Agreement. The Bonds shall be substantially in the form of Exhibit A hereto, with such amendments and changes as the officer executing the same shall deem appropriate. The Bonds shall be issued as draw down Bonds, to be purchased in installments as more fully described in Section 3.01(b).

(b) Date and Maturity; Payment of Principal. All Bonds shall be dated the date of issuance thereof. The Bonds shall bear interest from the date of issuance thereof until paid in full, payable for the periods, in the amounts and as provided in Section 3.06 hereof. The Bonds shall mature on the Maturity Date, unless sooner redeemed or accelerated. Principal of the Bonds shall be due and payable at the times and in the manner in which principal is payable on the Loan.

(c) Payment. The principal of, premium, if any, and interest on the Bonds shall be payable in lawful money of the United States of America by check or draft of the Fiscal Agent. Payments of interest and of principal upon redemption pursuant to Section 4.01(c) hereof shall be mailed by first class mail to the Owners of the Bonds at their addresses appearing on the records of the Fiscal Agent; provided, however, that the payment to the Owners shall, upon written request of the Bondowner Representative, be transmitted by the Fiscal Agent by wire transfer or other means requested in writing by the Bondowner Representative. Payment of the principal (other than upon redemption pursuant to Section 4.01(f) hereof) of and premium, if any, on a Bond shall only be made upon surrender of the Bond at the office of the Fiscal Agent.

(d) Numbers. The Bonds shall be numbered as the Fiscal Agent shall determine.

Section 3.06 Interest on the Bonds. The Bonds shall bear interest on the Outstanding principal amount thereof, payable on each Interest Payment Date at an interest rate equal to the interest rate that is from time to time applicable to the principal of the Loan (as provided in the Note and the Loan Agreement, including Exhibit B thereto) until paid on the Maturity Date or upon earlier redemption or acceleration. Interest on the Bonds shall be calculated on the basis of a 360-day year and actual days elapsed.

Section 3.07 Execution and Authentication of Bonds.

(a) The Bonds shall be executed on behalf of the Issuer by the manual or facsimile signature of an Authorized Representative.

(b) In case any officer of the Issuer whose signature or facsimile signature shall appear on any of the Bonds shall cease to be such officer before the Bonds so signed and sealed shall have been actually delivered, such Bonds may, nevertheless, be delivered as herein provided, and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office or be so employed. Any Bond may be signed and sealed on behalf of the Issuer by such persons as, at the actual time of the execution of such Bond, shall be duly authorized or hold the proper office in or employment by the Issuer, although at the date of the Bonds such persons may not have been so authorized nor have held such office or employment.

(c) No Bond shall be valid or obligatory for any purpose or shall be entitled to any right or benefit under this Pledge Agreement unless there shall be endorsed on such Bond a certificate of authentication in the form set forth in such Bond duly executed by the Fiscal Agent, by the manual signature of an authorized signatory thereof, and such certificate of the Fiscal Agent upon any Bond executed on behalf of the Issuer shall be conclusive evidence that the Bond so authenticated has been duly issued under this Pledge Agreement and that the holder thereof is entitled to the benefits of this Pledge Agreement.

Section 3.08 Negotiability, Transfer and Registry of Bonds; Restrictions on Transfer

(a) All the Bonds issued under this Pledge Agreement shall be negotiable, subject to the provisions for registration and transfer contained in this Pledge Agreement and in the Bonds. So long as this Pledge Agreement remains in force, the Fiscal Agent, as registrar, shall maintain and keep books for the recordation of the taxpayer identification number of each of the Owners of the Bonds and the registration, transfer and exchange of Bonds. Each Bond shall be transferable only upon the books of registration. The Fiscal Agent is hereby appointed registrar, to act as agent of the Issuer for the registration and transfer of Bonds and the maintenance of the books of registration. The Issuer may appoint a successor registrar upon notice by mail to the Owners of the Bonds.

(b) Upon a partial redemption of the Bonds, the Issuer shall execute and the Fiscal Agent shall authenticate and deliver new certificates representing the unredeemed portion of the Bonds to be so tendered or redeemed in part, in exchange for the certificates representing the Bonds to be so tendered or redeemed in part. Surrender of Bonds for execution, authentication and delivery of new certificates shall not be a precondition to the partial redemption of Bonds pursuant to Section 4.01(f) hereof. If a Bond shall be transferred in part, such Bond shall be delivered to the registrar, and the Fiscal Agent shall, on behalf of the Issuer, deliver two Bonds in replacement therefor, having the same maturity and interest provisions and in the same aggregate principal amount as the Bond so delivered.

(c) Upon surrender of the Bonds at the Principal Office of the Fiscal Agent with a written instrument of transfer satisfactory to the Fiscal Agent, duly executed by the Owner or his attorney duly authorized in writing, such Bonds may, at the option of

the Owner thereof, be exchanged for an equal aggregate principal amount of Bonds in any other Authorized Denominations.

(d) Bonds shall be transferred upon presentation and surrender thereof at the Principal Office of the Fiscal Agent by the Owner thereof or his attorney duly authorized in writing with due endorsement for transfer or accompanied by a written instrument of transfer in form satisfactory to the Fiscal Agent. All Bonds surrendered in any exchanges or transfers shall forthwith be canceled. For every such exchange or transfer of Bonds, there shall be made a charge sufficient to pay any tax or other governmental charge required to be paid with respect to such exchange or transfer, which sum or sums shall be paid by the Owner requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. The Fiscal Agent shall not be obligated to (i) authenticate, exchange or transfer any Bond during a period beginning at the opening of business on any Record Date and ending at the close of business on the next succeeding Interest Payment Date, (ii) authenticate, exchange or transfer any Bond during a period beginning at the opening of business 15 days next preceding any selection of Bonds to be redeemed and ending at the close of business on the date of the first giving of notice of such redemption, or (iii) transfer or exchange any Bonds called or being called for redemption in whole or in part.

With the exception of a transfer to an Affiliate of Bondowner Representative, for which no investor letter shall be required, at any time that the Bonds are unrated or rated lower than "A" (or equivalent) by any Rating Agency, the transfer of such Bonds or any interest therein may be made from time to time only if, at such time, the Fiscal Agent has been notified in writing of the identity of the Bondowner Representative, and then only to a purchaser who delivers an investor letter substantially in the form set forth as Exhibit B to this Pledge Agreement; provided that if the transferee is a custodian or a Fiscal Agent under a custodian or trust agreement, the indemnification provided for below and in paragraph 7 of Exhibit B may be provided by the transferor and not the transferee. Additionally, transfers of interests in the Bonds by a custodian or trustee as contemplated by paragraph 2 of such investor letter may be made without any indemnification of the Issuer if such interests or the securities representing such interests have been assigned a rating of "A" or better by a nationally recognized municipal bond rating service. The Fiscal Agent may assume that the Bonds are not rated unless it has received written notification from or on behalf of the Borrower or the Bondowner Representative of the assignment of a rating on the Bonds. The Fiscal Agent shall not transfer any Bond subject to the transfer restrictions set forth in this Section unless it has received a signed investor letter in substantially the form attached as Exhibit B hereto.

Unless the transferor of any Bonds agrees in writing to provide the required indemnification, any Owner to whom a Bond is transferred in accordance with the provisions of this Section shall, and by acceptance of its Bonds does thereby, agree to indemnify the Issuer against any liability, cost or expense (including attorneys' fees) that is based upon the transferee's receipt, sale, transfer or other disposition of the Bonds, other than as permitted pursuant to this Pledge Agreement. The provisions of this Section shall apply to all transfers of Bonds subject to the transfer restrictions set forth in this Section, notwithstanding anything to the

contrary contained in this Pledge Agreement, and any transfer in violation of the provisions of this Section shall be null and void.

The Owners of the Bonds, by the purchase and acceptance of the Bonds, further agree to the restrictions regarding sales of Bonds and securitizations thereof set forth in the investor letter that they execute in satisfaction of the requirements of this Section 3.08.

Section 3.09 Ownership of Bonds. The Issuer, the Fiscal Agent and any other person may treat the registered owner of any Bond as the absolute owner thereof, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal or redemption price of and interest on such Bond and for all other purposes whatsoever, and payment of the principal or redemption price, if any, of and interest on any such Bond shall be made only to, or upon the order of, such registered owner. All such payments to such registered owner shall be valid and effectual to satisfy and discharge the liability of the Issuer upon such Bond to the extent of the sum or sums so paid, and neither the Issuer nor any Fiscal Agent shall be affected by any notice to the contrary.

Section 3.10 Payments on Bonds Due on Non-Business Days. In any case where any Bond Payment Date shall be a day other than a Business Day, then payment of the Bonds need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the Bond Payment Date, and no interest shall accrue for the period after such date.

ARTICLE IV

REDEMPTION OF BONDS

Section 4.01 Terms of Redemption. 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 Bonds to be redeemed plus interest accrued thereon to the date fixed for redemption, together with any applicable premium, upon optional or mandatory 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 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 of the Note under the terms of the Note or the Loan Agreement.

(c) The Bonds shall be subject to mandatory 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 under the Note, the Loan Agreement or any other Loan Document and upon a determination by the Agent to cause redemption as a result thereof.

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.

Section 4.02 Purchase in Lieu of Redemption. At the election of the Borrower upon a redemption in whole of the Bonds, by written notice to the Fiscal Agent and the Bondowner Representative given not less than five (5) Business Days in advance of such redemption date, the Bonds will be deemed tendered for purchase in lieu of the redemption on such date. The purchase price of Bonds so purchased in lieu of redemption shall be the principal amount thereof together with all accrued and unpaid interest to the date of redemption and shall be payable on the date of redemption thereof. Bonds so purchased in lieu of redemption shall be registered to or upon the direction of the Borrower. Bonds purchased under this Section may be transferred by the Borrower only (i) in accordance with the restrictions set forth in Section 3.08 hereof and (ii) upon receipt by the Fiscal Agent of an opinion of Bond Counsel to the effect that such transfer, in and of itself, will not cause interest on the Bonds to become includable for federal income tax purposes in the gross income of the Owners thereof.

Section 4.03 Notice of Redemption. No notice of redemption of the Bonds need be given to the Bondowner Representative or other Owners of the Bonds; provided that this section shall not relieve the Borrower of any obligation to provide notice of prepayment under the Note and the Loan.

Section 4.04 Disbursed Amount Limitation. Notwithstanding any provision herein to the contrary, the aggregate principal amount of Bonds that may be redeemed pursuant to this Article IV shall not exceed the Disbursed Amount with respect to the Bonds.

ARTICLE V

ESTABLISHMENT OF CERTAIN FUNDS AND ACCOUNTS, APPLICATION THEREOF AND SECURITY THEREFOR

Section 5.01 Establishment of Funds and Accounts.

The Fiscal Agent may at its own discretion establish such Funds and Accounts, and subaccounts within any of the Accounts, as the Fiscal Agent may deem necessary or useful for the purposes of holding funds for construction, disbursement, escrows, reserves or any other purpose, including but not limited to, a project fund, a replacement reserve fund, operating reserve fund, and tax and insurance reserve fund, but the establishment of any such Funds or Accounts shall not alter or modify any of the requirements of this Pledge Agreement with respect to a deposit or use of money in the Funds established hereunder, or result in commingling of Funds not permitted hereunder.

Section 5.02 Tax Covenants.

(a) The Issuer shall not use or permit the use of any proceeds of Bonds or any other funds of the Issuer, directly or indirectly, to acquire any securities or obligations, and shall not use or permit the use of any revenues of the Project in any manner, and shall not take or permit

to be taken any other action or actions, which would cause any Bond to be an “arbitrage Bond” within the meaning of Section 148 of the Code, or which would otherwise affect the exclusion of interest on the Bonds from gross income of the Owners thereof for federal income tax purposes.

(b) The Issuer shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the Issuer on the Bonds shall, for federal income tax purposes, be excluded from the gross income of the Owners thereof. In furtherance of this covenant, the Issuer and the Borrower shall execute, deliver and perform the Tax Certificate, which is by this reference incorporated herein and made a part hereof as if set forth herein in full, and by its acceptance of this Pledge Agreement the Fiscal Agent acknowledges receipt of the Tax Certificate and acknowledges its incorporation herein by reference.

(c) Notwithstanding any provision of this Pledge Agreement, the Regulatory Agreement or the Loan Agreement to the contrary, the Fiscal Agent shall not be liable or responsible for any calculation or determination that may be required in connection with, or for the purpose of complying with, Section 148 of the Code, or any successor statute or any regulation, ruling or other judicial or administrative interpretation thereof, including, without limitation, the calculation of amounts required to be paid to the United States of America or the determination of the maximum amount which may be invested in nonpurpose obligations having a yield higher than the yield on the Bonds, and the Fiscal Agent shall not be liable or responsible for monitoring the compliance by the Borrower or the Issuer with any of the requirements of Section 148 of the Code or any applicable regulation, ruling or other judicial or administrative interpretation thereof.

Section 5.03 Records. The Fiscal Agent shall keep and maintain adequate records pertaining to the funds and accounts established hereunder, including all deposits to and disbursements from said funds and accounts. The Fiscal Agent shall retain in its possession all certifications and other documents presented to it, all such records and all records of principal, interest and premium paid on the Bonds, subject to the inspection of the Borrower, the Issuer, the Fiscal Agent and the Owners of the Bonds and their representatives at all reasonable times and upon reasonable prior notice.

Section 5.04 Reports From the Fiscal Agent. The Fiscal Agent shall, on or before the fifth (5th) day of each month and annually, file with the Bondowner Representative and the Borrower a statement setting forth in respect to the preceding calendar month or year:

(a) the amount withdrawn or transferred by it and the amount deposited within or on account of each Fund and Account held by it under the provisions of this Pledge Agreement, including the amount of Investment Income on each Fund and Account;

(b) the amount on deposit with it at the end of such month to the credit of each Fund and Account;

(c) a brief description of all obligations held by it as an investment of moneys in each such Fund and Account;

(d) the amount applied to the purchase or redemption of Bonds and a description of the Bonds or portions of Bonds so purchased or redeemed; and

(e) any other information which the Borrower, the Bondowner Representative or the Issuer may reasonably request and to which the Fiscal Agent has access in the ordinary course of its operations.

Upon the written request of any Owner or Owners of twenty-five percent (25%) or more in aggregate principal amount of Bonds then Outstanding, the Fiscal Agent, at the cost of the Borrower, shall provide a copy of such statement to such Owner. All records and files pertaining to the Collateral shall be open at all reasonable times to the inspection of the Bondowner Representative and its agents and representatives upon reasonable prior notice.

ARTICLE VI

DEFAULT PROVISIONS; REMEDIES

Section 6.01 Events of Default. Each of the following events is hereby declared an “Event of Default” under this Pledge Agreement:

(a) The failure to pay any installment of principal or the redemption price of any Bond when and as the same shall become due and payable, whether at maturity or by call for redemption or otherwise;

(b) The failure to pay any installment of interest on any Bond when and as the same shall become due and payable; and

(c) The Issuer shall fail to perform or observe any other covenant, agreement or condition on its part contained in this Pledge Agreement or in the Bonds, and such failure shall continue for a period of sixty (60) days after written notice thereof to the responsible party by the Fiscal Agent or by the Owners of not less than twenty-five percent (25%) in principal amount of the Bonds Outstanding.

Section 6.02 Acceleration; Annulment of Acceleration.

(a) Except as otherwise provided in this Article, actions to be taken in respect of an Event of Default shall be directed in writing by the Bondowner Representative.

(b) Upon the occurrence and during the continuance of an Event of Default, the Fiscal Agent, if so directed by the Bondowner Representative, shall declare all Bonds Outstanding immediately due and payable; then such Bonds shall become and be immediately due and payable, anything in the Bonds or in this Pledge Agreement to the contrary notwithstanding. In such event, there shall be due and payable on the Bonds an amount equal to the total principal amount of all such Bonds, plus all interest accrued thereon and which will accrue thereon to the date of payment and all unpaid interest on the Bonds on the date of payment.

(c) At any time after the principal of the Bonds shall have been so declared to be due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under this Pledge Agreement, the Fiscal Agent, if so directed by the Bondowner Representative, shall annul such declaration and its consequences with respect to any Bonds not then due by their terms. In such event, the Issuer, the Borrower, the Fiscal Agent and all of the Owners shall be restored to the same position as before the occurrence of the Event of Default. No such annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

Section 6.03 Additional Remedies and Enforcement of Remedies. Upon the occurrence and continuation of any Event of Default, the Fiscal Agent, if and to the extent directed by the Bondowner Representative, may proceed forthwith to protect and enforce its rights and the rights of the Owners under the Housing Law, the Bonds and this Pledge Agreement by such suits, actions or proceedings as the Bondowner Representative, in its sole discretion, shall deem expedient.

Section 6.04 Application of Revenues and Other Moneys After Default.

(a) If an Event of Default shall occur, shall not have been remedied and shall be continuing, the Fiscal Agent shall apply (i) all moneys and securities then held in any Fund or Account under this Pledge Agreement and (ii) as promptly as practicable after receipt thereof, all revenues and other payments or receipts pledged under this Pledge Agreement and all proceeds realized as a result of remedial action under the Loan Documents as follows and in the following order:

(i) To the payment of Fiscal Agent Expenses;

(ii) To the payment of the interest and principal installments or redemption price then due and payable on the Bonds, as follows:

(A) Unless the principal of all of the Bonds shall have become or have been declared due and payable:

First: To the payment to the persons entitled thereto of all installments of interest then due and payable in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal installments or redemption price of any Bonds which shall have become due and payable, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all the

Bonds due and payable on any date, then to the payment thereof ratably, according to the amounts of principal installments or redemption price due on such date, to the persons entitled thereto, without any discrimination or preference.

(B) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference (except as to any difference as to the respective rates of interest specified in the Bonds); and

(iii) To the payment of the amounts required to reimburse the Owners of the Bonds and the Issuer for any legal or other out-of-pocket costs incurred by them and attributable to the Project.

(iv) Notwithstanding anything contained herein to the contrary, the Bondowner Representative may by written notice to the Fiscal Agent direct the application of funds other than in the manner set forth above (except that the priority of payment of Fiscal Agent's fees and expenses shall not be altered), including, without limitation, the application of funds between the principal or interest on the Bonds. Any such determination by the Bondowner Representative shall be deemed conclusive, and the Issuer and the Fiscal Agent shall have no liability for the tax consequences of said determination.

Section 6.05 Remedies Not Exclusive. No remedy by the terms of this Pledge Agreement conferred upon or reserved to the Fiscal Agent or the Owners of the Bonds is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Pledge Agreement or existing at law or in equity or by statute (including the Housing Law) on or after the date of adoption of this Pledge Agreement.

Section 6.06 Remedies Vested in Fiscal Agent and Bondowner Representative. All rights of action (including the right to file proof of claims) under this Pledge Agreement or under any of the Bonds may be enforced by the Fiscal Agent and the Bondowner Representative without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto. Subject to the rights of the Bondowner Representative to direct proceedings hereunder, any such suit or proceeding instituted by the Fiscal Agent shall be brought in its name under the authority herein granted without the necessity of joining as plaintiffs or defendants any Owners of the Bonds. Any recovery of judgment shall be for the equal benefit of the Owners of the Outstanding Bonds.

Section 6.07 Individual Owners Action Restricted.

(a) No Owner of any Bond other than the Bondowner Representative (if it is an Owner) shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Pledge Agreement or for the execution of any trust under this Pledge Agreement or for any remedy under this Pledge Agreement.

(b) Nothing contained in this Pledge Agreement shall affect or impair, or be construed to affect or impair, the right of the Owner of any Bond (i) to receive payment of the principal of or interest on such Bond on or after the due date thereof or (ii) to institute suit for the enforcement of any such payment on or after such due date; provided, however, no Owner of any Bond may institute or prosecute any such suit or enter judgment therein, if, and to the extent that, the institution or prosecution of such suit or the entry of judgment therein, under applicable law, would result in the surrender, impairment, waiver or loss of the lien of this Pledge Agreement on the moneys, funds and properties pledged under this Pledge Agreement for the equal and ratable benefit of all Owners of the Bonds appertaining thereto.

Section 6.08 Termination of Proceedings. In case any proceeding taken by the Bondowner Representative or by the Fiscal Agent at the direction of the Bondowner Representative on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Owners of the Bonds, the Issuer, the Fiscal Agent, the Borrower and the Owners of the Bonds shall be restored to their former positions and rights under this Pledge Agreement, and all rights, remedies and powers of the such parties shall continue as if no such proceeding had been taken.

Section 6.09 Waiver and Non-Waiver of Event of Default.

(a) No delay or omission of the Fiscal Agent, the Bondowner Representative or the Owners of the Bonds to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein. Every power and remedy given by this Article VI to any party may be exercised from time to time and as often as may be deemed expedient.

(b) In case of any waiver by the Fiscal Agent, acting upon the direction of the Bondowner Representative, of an Event of Default under this Pledge Agreement, the Issuer, the Fiscal Agent and the Owners of the Bonds shall be restored to their former positions and rights under this Pledge Agreement, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

Section 6.10 Bondowner Representative Controls Proceedings. If an Event of Default shall have occurred and be continuing, notwithstanding anything in this Pledge Agreement to the contrary, the Bondowner Representative shall have the right, at any time, by an instrument in writing executed and delivered to the Fiscal Agent, to direct the method and place of conducting any proceedings to be taken in connection with the enforcement of the terms and conditions of this Pledge Agreement or any other proceedings under this Pledge Agreement; provided, however, that such direction is in accordance with law and the provisions of this Pledge

Agreement; provided that nothing in this Section 6.10 shall impair the right of the Fiscal Agent in its discretion to take any other action under this Pledge Agreement which it may deem proper and which is not inconsistent with such direction by the Bondowner Representative.

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

Section 6.12 Right of Bondowner Representative to Perform Covenants of the Issuer and the Fiscal Agent. If the Issuer or the Fiscal Agent shall fail to take any action or to perform any obligation required of it hereunder following written notice from Bondowner Representative of not less than five (5) business days, Bondowner Representative, without further notice to or demand upon the Issuer or the Fiscal 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 Fiscal Agent and, in the case of the Fiscal Agent, at the Agent's expense. All sums paid by Bondowner Representative 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 Bondowner Representative, shall be paid by the Agent.

ARTICLE VII

CONCERNING THE FISCAL AGENT

Section 7.01 Fiscal Agent; Appointment and Acceptance of Duties.

(a) The Issuer hereby appoints Wells Fargo Bank, National Association as Fiscal Agent hereunder. The appointment provided for in this Section 7.01(a) is coupled with an interest and is irrevocable except as expressly set forth herein. The Fiscal Agent shall signify its acceptance of the duties and obligations imposed upon it by this Pledge Agreement by executing this Pledge Agreement.

(b) Unless otherwise provided, the offices of the Fiscal Agent identified in this Pledge Agreement are designated as the respective offices or agencies of the Fiscal Agent for the authentication and delivery of Bonds.

(c) The Fiscal Agent represents and warrants to the Issuer that it is a banking corporation organized under the laws of the State of California with full power and authority to enter into the transactions contemplated by this Pledge Agreement and to serve as the agent of the Issuer for the purpose of making the Loan to the Borrower as provided in the Loan Documents.

Section 7.02 Responsibilities of Fiscal Agent.

(a) The Fiscal Agent is authorized and agrees, in its capacity as agent for the Issuer, to execute and deliver the Loan Documents and, pursuant to the terms

thereof, advance moneys on behalf of the Issuer to fund the Loan upon satisfaction of the conditions set forth herein and otherwise to act on behalf of the Issuer as provided herein. The Fiscal Agent is hereby irrevocably authorized, directed and empowered to exercise all of the rights, powers and remedies of the Issuer under the Loan Agreement and the other Loan Documents, and to make all determinations and exercise all options and elections thereunder, without the necessity of further advice to or consultation with, or consent or authorization by, the Issuer, and all actions taken by the Fiscal Agent under the Loan Agreement or any of the other Loan Documents shall be as valid, and shall have the same force and effect, as if taken by the Issuer. The Fiscal Agent agrees to provide the Issuer, upon the Issuer's request, with copies of any policies of insurance provided by or on behalf of the Borrower under the Loan Documents that are required to name the Issuer as an additional insured and to provide Issuer, at the Issuer's request, with copies of any notices of default given by, or delivered to, the Fiscal Agent pursuant to the Loan Agreement or any other information it maintains on behalf of the Issuer with respect to the Bonds or the Project.

(b) The Fiscal Agent shall cooperate fully with the Bondowner Representative in the enforcement and protection of the rights of the Owners of the Bonds to the fullest extent possible under this Pledge Agreement, the Loan Documents and applicable law. Toward this end, the Fiscal Agent shall take such action as directed by the Bondowner Representative, including, without limitation, notification of Defaults or Events of Default, notification of acceleration, notification of redemption, suit for specific performance of the Loan Documents or for damages for nonperformance thereof and assignment of the Loan Documents to the Owners of the Bonds for purposes of enforcing the rights of the Owners of the Bonds. Except for the circumstances described in Section 7.02(a) hereof, the Fiscal Agent shall not require indemnification for actions taken upon the direction of the Bondowner Representative.

(c) The Fiscal Agent shall not take any discretionary action under the Loan Documents (although approval or disapproval of disbursement of Loan proceeds and investment earnings thereon under the Loan Agreement shall be made in accordance with the terms of Article V hereof) without the written approval of the Bondowner Representative and shall take such discretionary action permitted or required under the Loan Documents, as may be directed in writing by the Bondowner Representative. Except for the circumstances described in Section 7.02(a) hereof, the Fiscal Agent shall not require indemnification for any such actions taken at the direction of the Bondowner Representative.

(d) The Fiscal Agent shall notify the Bondowner Representative of any notification received by the Fiscal Agent under or pursuant to the Loan Documents promptly after receipt of said notice.

Section 7.03 Standard of Performance. The Fiscal Agent will perform its duties hereunder in accordance with this Pledge Agreement. The Fiscal Agent shall act in the best interests of the Owner, but neither the Issuer nor the Fiscal Agent shall be liable to the Owner or to any other person or entity if, in so servicing and administering the Loan and the Bonds, the

Fiscal Agent exercises that degree of ordinary prudence and skill which it would exercise under the circumstances in protecting its own interests as if it were the Owner, and further, neither the Issuer nor the Fiscal Agent shall have any liability when the Fiscal Agent acts, or refrains from acting, pursuant to the specific written instructions of the Owner. The Issuer shall have no liability to the Owner for actions taken by the Fiscal 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 Fiscal Agent.

Section 7.04 Compensation; No Liens. The Issuer shall cause the Borrower to pay to the Fiscal Agent from time to time reasonable compensation for all services rendered under this Pledge Agreement and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents, and employees, incurred in and about the performance of their powers and duties under this Pledge Agreement, provided that the Fiscal Agent shall not have a lien therefor on any moneys or Investment Securities at any time held or received by it under this Pledge Agreement.

Section 7.05 Successor Fiscal Agent. Anything herein to the contrary notwithstanding, any corporation or association into which the Fiscal Agent may be converted or merged or with which it may be consolidated or to which it may sell or transfer its business and assets as a whole or substantially as a whole or any corporation or association resulting from any conversion, sale, merger, consolidation or transfer to which it is a party will, ipso facto, be and become successor Fiscal Agent hereunder and vested with all of the title to the whole property and all the powers, discretion, immunities, privileges, obligations and all other matters as was its predecessor, without the execution or filing of any instruments or any further act, deed or conveyance on the part of the parties hereto.

Section 7.06 Removal or Resignation of Fiscal Agent. Neither the Issuer nor the Fiscal Agent may terminate the agency relationship established hereunder between the Issuer and the Fiscal Agent so long as the Fiscal Agent or any affiliate thereof is the Bondowner Representative. In the event the Bonds are sold, assigned, transferred or otherwise disposed of in accordance with the provisions hereof, other than to an affiliate of the Fiscal Agent, such that neither the Fiscal Agent nor any affiliate thereof is the Bondowner Representative, either the Issuer or the Bondowner Representative may remove the Fiscal Agent or the Fiscal Agent may resign upon the terms hereinafter provided in this Section 7.06 by giving 30 days' written notice to the other party and the owners of the Bonds. Such termination shall take effect, except as to the duties of the Fiscal Agent under Section 7.07, upon the appointment of a successor fiscal agent by the Issuer as directed by the Bondowner Representative with the consent, which is not to be unreasonably withheld, of the Issuer (such consent not being required if such Fiscal Agent is the subsequent owner of all of the Bonds or is an affiliate of such subsequent owner) and the execution, acknowledgment and delivery by the successor Fiscal Agent of an instrument evidencing such Fiscal Agent's acceptance of the duties and obligations imposed upon it by this Pledge Agreement.

Section 7.07 Obligations of Fiscal Agent in the Event of Termination. From and after the effective date of removal or resignation of the Fiscal Agent pursuant to Section 7.06, the Fiscal Agent will be relieved of any responsibility in connection with this Pledge Agreement and the Loan Documents. In the event of such termination, the Fiscal Agent will pay over to the

Issuer or, if the Issuer shall so direct, to any successor Agent appointed by the Issuer, all moneys collected and held by it pursuant to this Pledge Agreement and/or pursuant to any other agreement, letter or arrangement relative to the Bonds, this Pledge Agreement and the Loan Documents simultaneously with such termination, and turn over to the successor Fiscal Agent appointed by the Issuer all documents and records held in connection with the Bonds, this Pledge Agreement and the Loan Documents simultaneously with such termination. The Fiscal Agent will deliver to the successor Fiscal Agent a full accounting, including a statement showing the monthly payments collected by it and a statement of moneys held in escrow for the payment of taxes, maintenance or other charges in respect of this Pledge Agreement and the Loan Documents simultaneously with such termination. The Fiscal Agent will execute and deliver to its successor without recourse, representation or warranty such instruments as are required to assign to the successor all its right, title and interest in all property of whatever nature that it holds as Fiscal Agent of the Issuer. Where necessary, all such instruments must be filed and/or recorded in each office where such instruments are required to be filed and/or recorded. In addition, the Fiscal Agent shall provide to the Issuer an opinion of counsel to the Fiscal Agent to the effect that all things necessary to transfer to the successor Fiscal Agent all property held by the Fiscal Agent as Fiscal Agent hereunder have been done.

ARTICLE VIII

AMENDMENTS AND SUPPLEMENTAL PLEDGE AGREEMENTS; AMENDMENTS OF ISSUER DOCUMENTS

Section 8.01 Supplemental Pledge Agreements Not Requiring Consent of Owners of Bonds. The Issuer and the Fiscal Agent may, without the consent of, or notice to, the Owners of any Bonds (but only with the consent of the Bondowner Representative), adopt one or more Supplemental Pledge Agreements for any one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission in this Pledge Agreement;
- (b) to grant to or confer any additional benefits, rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Owners of the Bonds or the Fiscal Agent, or to make any change which, in the judgment of the Fiscal Agent (or the Bondowner Representative, if any), is not to the prejudice of the Owners of the Bonds;
- (c) to subject to the pledge and lien of this Pledge Agreement additional revenues, properties and collateral;
- (d) to modify, amend or supplement the provisions of this Pledge Agreement or any Supplemental Pledge Agreement relating to the holding or investing by the Fiscal Agent of moneys hereunder or thereunder in such manner as the Issuer may deem necessary or desirable to maintain the exclusion of interest on the Bonds from the gross income of Owners for federal income tax purposes.

Section 8.02 Supplemental Pledge Agreements Requiring Consent of Owners of Bonds.

(a) Exclusive of Supplemental Pledge Agreements covered by Section 8.01 of this Pledge Agreement and subject to the terms and provisions contained in this Section 8.02, and not otherwise, the Owners of not less than two-thirds in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained in this Pledge Agreement to the contrary notwithstanding, to consent to and approve the execution and delivery by the Issuer and the Fiscal Agent of one or more Supplemental Pledge Agreements for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Pledge Agreement or in any Supplemental Pledge Agreement; provided, however, that nothing in this Section 8.02 contained shall permit, or be construed as permitting, without the consent of the Owners of all of the Bonds, (i) an extension of the maturity date of the principal of or the interest on any Bond, (ii) a reduction in the principal amount of any Bond or the rate of interest thereon, (iii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, (iv) a reduction in the percentages of the Owners of the Outstanding Bonds required for consent to such Supplemental Pledge Agreement, (v) the creation of any lien other than a lien ratably securing all of the Bonds at any time Outstanding or (vi) any reduction of the powers, rights, obligations, duties, remedies, immunities and privileges of the Fiscal Agent.

(b) If at any time the Issuer and the Fiscal Agent, acting for their own purposes or at the written request of the Bondowner Representative, shall desire to execute and deliver a Supplemental Pledge Agreement for any of the purposes of this Section 8.02, the Fiscal Agent shall, upon being satisfactorily indemnified with respect to fees and expenses, cause notice of the proposed execution of such Supplemental Pledge Agreement to be mailed by registered or certified mail to each Owner of the Bonds. Such notice shall briefly set forth the nature of the proposed Supplemental Pledge Agreement and shall state that copies thereof are on file with the Fiscal Agent for inspection by all Owners of the Bonds. If within 60 days or such longer period as shall be prescribed by the Issuer following the giving of such notice, the Owners of not less than two-thirds in aggregate principal amount of the Bonds Outstanding at the time of the execution of any such Supplemental Pledge Agreement shall have consented to and approved the execution thereof as herein provided, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Issuer from adopting the same or from taking any action pursuant to the provisions thereof. Subject to Section 8.04 hereof, upon the execution of any such Supplemental Pledge Agreement as in this Section 8.02 permitted and provided, this Pledge Agreement shall be and be deemed to be modified and amended in accordance therewith.

Section 8.03 Reliance on Opinion of Counsel. The Fiscal Agent shall be entitled to rely upon an opinion of counsel stating that a Supplemental Pledge Agreement is authorized or permitted by this Pledge Agreement, and prior to the execution and delivery of any Supplemental Pledge Agreement, the Fiscal Agent and the Issuer shall be furnished with an opinion of Bond Counsel stating that the provisions of such Supplemental Pledge Agreement will not cause the interest on the Bonds to be includable in gross income for purposes of federal income taxation.

Section 8.04 Consents Required. Anything herein to the contrary notwithstanding, a Supplemental Pledge Agreement described in Section 8.01 or Section 8.02 hereof which affects adversely any rights of the Borrower, the Bondowner Representative, the Issuer or the Fiscal Agent shall not become effective unless and until the affected party shall have consented in writing to the execution and delivery of such Supplemental Pledge Agreement. In this regard, the Fiscal Agent shall cause notice of the proposed execution and delivery of any Supplemental Pledge Agreement together with a copy of the proposed Supplemental Pledge Agreement to be mailed as provided in Section 10.08 at least ten (10) days before the date of its proposed execution and delivery.

Section 8.05 Amendments of Loan Documents Not Requiring Consent of Owners of Bonds. The Fiscal Agent and the Borrower may, without the consent of or notice to any of the Owners of Bonds (but only with the consent of the Bondowner Representative, if any) enter into any amendment, change or modification of any of the Loan Documents as may be required (a) by the provisions of the Loan Agreement or this Pledge Agreement, (b) for the purpose of curing any ambiguity or formal defect or omission therein, (c) so as to add additional rights and remedies for the benefit of Owners of the Bonds, or (d) in connection with any other change therein which, in the judgment of the Fiscal Agent (or the Bondowner Representative, if any), is not to the prejudice of the Fiscal Agent or the Owners of the Bonds.

Section 8.06 Amendments of Loan Documents Requiring Consent of Owners of Bonds. Except for the amendments, changes or modifications as provided in Section 8.05 hereof, neither the Fiscal Agent nor the Borrower shall enter into any other amendment, change or modification of the Loan Documents without the written approval or consent of the Owners of not less than 66-2/3% in aggregate principal amount of the Bonds at the time Outstanding; provided, however, that nothing in this Section or Section 8.05 hereof shall permit or be construed as permitting without the consent of the Owners of all of the Bonds (a) an extension of the time of the payment of any amounts payable under the Loan Documents, or (b) a reduction in the amount of any payment or in the total amount due under the Loan Documents.

Section 8.07 Reliance on Opinion of Counsel. The Issuer and the Fiscal Agent may rely upon an opinion of counsel to the effect that any proposed amendment, change or modification to the Loan Documents or the Issuer Documents will comply with the provisions of this Article VIII. Prior to requesting a consent to any proposed amendment, the Issuer or the Fiscal Agent, as the case may be, shall present the Fiscal Agent or the Issuer, as the case may be, or the Fiscal Agent shall have received, as the case may be, an opinion of Bond Counsel that the provisions of such amendment will not cause interest on the Bonds to be includable in gross income of the Owners for federal income tax purposes.

ARTICLE IX

DISCHARGE

Section 9.01 Discharge of Pledge Agreement. If the Issuer shall pay, or there shall otherwise be paid, to the Owners of all Bonds the principal or redemption price, if applicable, and interest due thereon, at the times and in the manner stipulated therein and in this Pledge Agreement and if all Fiscal Agent Expenses shall be paid in full, then the pledge of revenues,

other moneys and securities under this Pledge Agreement and all covenants, agreements and other obligations of the Issuer to the Owners of Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Fiscal Agent shall cause an accounting for such period or periods as shall be requested by the Issuer to be prepared and filed with the Issuer and, upon the request of the Issuer, shall execute and deliver to the Issuer all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiscal Agent shall pay over or deliver as provided in Article V hereof all moneys or securities held by it pursuant to this Pledge Agreement after the payment of principal or redemption price, if applicable, of or interest on Bonds.

Section 9.02 Discharge by Delivery. The obligation to pay the principal of, premium, if any, and interest on all or any portion of the Bonds (the "Bond Obligations") may be discharged by the delivery of the Bonds to the Fiscal Agent accompanied by written direction from the Owner(s) thereof to cancel such Bonds without payment (except as provided hereafter in this Section 9.02), and upon such delivery, such Bond Obligations shall be canceled. In the event only a portion of the Bond Obligations shall be canceled pursuant to the terms of this Section 9.02, those Bond Obligations which are not so canceled shall remain Outstanding for all purposes of this Pledge Agreement; provided that if all Bonds Outstanding shall be delivered to the Fiscal Agent in accordance with the terms of this Section 9.02 and all of the requirements for the discharge of the Pledge Agreement (other than the payment of Bond Obligations) shall be paid and satisfied in full, then the Fiscal Agent shall discharge and release the lien of this Pledge Agreement, deliver to the Owner(s) of the Bonds all moneys and securities held by the Fiscal Agent pursuant to this Pledge Agreement up to an amount necessary to pay in full all of the principal of and interest on the Bonds through such cancellation and any other amounts due under the Loan Documents, and execute and deliver any such releases or other instruments requisite to release the lien hereof.

ARTICLE X

MISCELLANEOUS

Section 10.01 Evidence of Signatures of Owners and Ownership of Bonds.

(a) Any request, consent, revocation of consent or other instrument that this Pledge Agreement may require or permit to be signed and executed by the Owners may be in one or more instruments of similar tenor, and shall be signed or executed by such Owners in person or by their attorneys appointed in writing. Upon request of the Issuer or the Fiscal Agent, the fact and date of the execution by any Owner of the Bonds or his attorney of such instruments may be proved by a guaranty of the signature thereon by a bank, trust company or national banking association or by the certificate of any notary public or other officer authorized to take acknowledgments of deeds, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. Where such execution is by an officer of a corporation or association or a partner of a partnership, on behalf of such corporation, association or partnership, such signature guaranty, certificate or affidavit also shall constitute sufficient proof of his authority.

(b) The ownership of Bonds and the amount, numbers and other identification, and date of holding the same, shall be proved by the registry books maintained by the Fiscal Agent.

(c) Any request or consent by the Owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by the Issuer or any Fiscal Agent in accordance therewith.

Section 10.02 Bonds Not an Obligation of the State or Any Political Subdivision. NEITHER THE ISSUER (NOR ANY OFFICER OR MEMBER OF THE BOARD OF SUPERVISORS THEREOF) NOR ANY PERSON EXECUTING THE BONDS, IS LIABLE PERSONALLY ON THE BONDS OR SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THEIR ISSUANCE. THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER AND ARE NOT A DEBT, NOR A PLEDGE OF THE FAITH AND CREDIT, OF THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NONE OF SUCH ENTITIES IS LIABLE ON THE BONDS, NOR ARE THE BONDS PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THE COLLATERAL PLEDGED AND ASSIGNED UNDER THE PLEDGE AGREEMENT. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION. THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATSOEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT.

Section 10.03 Parties Interested Herein. Nothing in this Pledge Agreement expressed or implied is intended or shall be construed to confer upon, or to give to, any person, other than the Issuer, the Fiscal Agent, the Bondowner Representative, the Borrower and the Owners of the Bonds, any right, remedy or claim under or by reason of this Pledge Agreement or any covenant, condition or stipulation of this Pledge Agreement; and all the covenants, stipulations, promises and agreements in this Pledge Agreement shall be for the sole and exclusive benefit of the Issuer, the Fiscal Agent, the Bondowner Representative, the Borrower and the Owners of the Bonds.

Section 10.04 No Recourse on the Bonds. No recourse shall be had for the payment of the principal or redemption price of or interest on the Bonds or for any claim based thereon or on this Pledge Agreement against any supervisor, officer, employee or agent of the Issuer or any person executing the Bonds.

Section 10.05 Severability of Invalid Provisions. If any one or more of the covenants or agreements provided in this Pledge Agreement on the part of the Issuer or any Fiscal Agent to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements, and in no way shall affect the validity of the other provisions of this Pledge Agreement.

Section 10.06 Successors. Whenever in this Pledge Agreement the Issuer is named or referred to, it shall be deemed to include any entity that may succeed to the principal functions and powers of the Issuer under the Housing Law, and all the covenants and agreements contained

in this Pledge Agreement by or on behalf of the Issuer shall bind and inure to the benefit of said successor whether so expressed or not.

Section 10.07 Notices, Demands and Requests. All notices, demands and requests to be given or made under this Pledge Agreement to or by the Issuer or the Fiscal Agent shall be in writing and shall be sufficiently given and shall be deemed given (a) three days after mailing by certified mail, first-class, postage prepaid; (b) the Business Day after sending by expedited overnight delivery service; (c) the date of receipt if delivered by personal delivery; (d) if sent by facsimile transmission, the date of transmission, if receipt of such transmission is telephonically confirmed on such day and addressed to the Notice Address of the respective addressee. Either the Issuer or the Fiscal Agent may change the Notice Address listed for it at any time upon written notice of such change sent by United States mail, postage prepaid, to the other party, which charge shall be effective upon receipt.

Section 10.08 Applicable Law. This Pledge Agreement shall be governed exclusively by the applicable laws of the State.

Section 10.09 Table of Contents and Section Headings Not Controlling. The Table of Contents and the headings of the several Articles and Sections of this Pledge Agreement have been prepared for convenience of reference only and shall not control, affect the meaning of, or be taken as an interpretation of any provision of this Pledge Agreement.

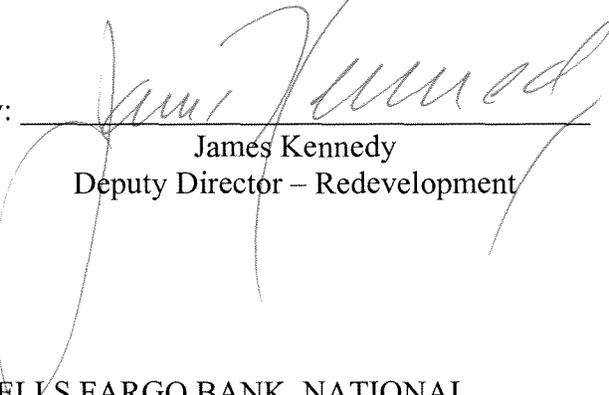
Section 10.10 Exclusion of Bonds. Bonds owned or held by or for the account of the Issuer or the Borrower shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Pledge Agreement, and the Issuer and the Borrower shall not be entitled with respect to such Bonds to give any consent or take any other action provided for herein, unless all of the Outstanding Bonds are then owned by such person.

Section 10.11 Effective Date. This Pledge Agreement shall take effect immediately upon the execution and delivery hereof by all of the parties hereto.

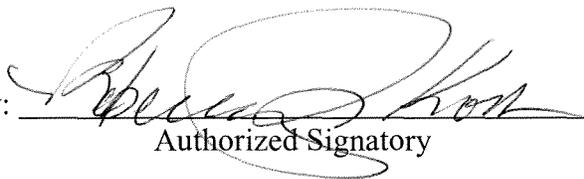
Section 10.12 Limitation of Liability of Issuer. The Issuer shall not be directly, indirectly, contingently or otherwise liable under this Pledge Agreement or any document or instrument referred to herein or by reason of or in connection with this Pledge Agreement or other document or instrument except to the extent it receives amounts from the Borrower available for such purpose.

IN WITNESS WHEREOF, the parties hereto have caused this Bond Issuance and Pledge Agreement to be executed by their duly authorized officers all as of the date and year first set forth above.

COUNTY OF CONTRA COSTA, as Issuer

By: 
James Kennedy
Deputy Director – Redevelopment

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Fiscal Agent

By: 
Authorized Signatory

Agreed to and Acknowledged by:

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Bond Purchaser and as Bondowner Representative

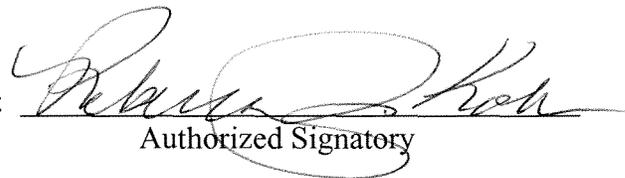
By: 
Authorized Signatory

EXHIBIT A

FORM OF BOND

THE FISCAL AGENT IS PROHIBITED FROM REGISTERING THE OWNERSHIP OR TRANSFER OF OWNERSHIP OF THIS BOND TO ANY PERSON WITHOUT RECEIPT OF AN EXECUTED INVESTOR LETTER AS DEFINED IN AND ATTACHED TO THE PLEDGE AGREEMENT DESCRIBED HEREIN.

COUNTY OF CONTRA COSTA
MULTIFAMILY HOUSING REVENUE BOND
(Valley Vista Senior Housing),
2009 Series B

Number: R-1

Dated Date: December 9, 2009

Maturity Date: December 1, 2012

Registered Owner: Wells Fargo Bank, National Association

Principal Amount: \$18,250,000

Interest Rate: as provided in the Note

The County of Contra Costa (the "Issuer"), a political subdivision of the State of California (the "State"), created and existing under and by virtue of the laws of the State, hereby acknowledges itself indebted for, and for value received promises to pay to the registered owner hereof stated above, or registered assigns, at the maturity date stated above, but only from the sources and as hereinafter provided, upon presentation and surrender of this Bond at the principal office of Wells Fargo Bank, National Association in San Francisco, California or its successor as Fiscal Agent (the "Fiscal Agent"), under the Pledge Agreement (described below), the principal amount stated above, and to pay interest on said principal amount at the interest rate set forth above, from and including the dated date stated above (the "Dated Date"), until the principal amount shall have been paid in accordance with the terms of this Bond and the Pledge Agreement, as and when set forth below, but only from the sources and as hereinafter provided, by wire transfer upon request of the Bondowner Representative or otherwise by check or draft mailed to the record Owners of Bonds as the same appear upon the books of registry to be maintained by the Fiscal Agent, as registrar.

This Bond is one of a series of bonds (the "Bonds") issued pursuant to, and is subject to, the Bond Issuance and Pledge Agreement dated as of November 1, 2009 between the Issuer and the Fiscal Agent (as amended and supplemented from time to time, the "Pledge Agreement"), and the provisions of Chapter 7 of Part 5 of Division 31 of the California Health and Safety Code (the "Housing Law"). Reference is made to the Pledge Agreement and the Housing Law for a full statement of their respective terms. Capitalized terms used herein and not otherwise defined herein have the respective meanings accorded such terms in the Pledge Agreement, which are hereby incorporated herein by reference. The Bonds issued under the Pledge Agreement are expressly limited to \$18,250,000 in aggregate principal amount at any time Outstanding and are all of like tenor, except as to numbers and denominations, and are issued for the purposes of

providing construction financing for qualified multifamily rental housing units in the State and of paying certain expenses incidental thereto.

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 received by the Fiscal Agent, on behalf of the Issuer, as installment payments of the purchase price of the Bonds, less (ii) any payment of principal on the Bonds made by the Fiscal Agent to the Owners thereof. Payments of principal on the Bonds shall be recorded by the Fiscal Agent with periodic statements provided, upon request, to the Issuer.

Pursuant to a Loan Agreement dated as of November 1, 2009, and a Promissory Note (the "Note") dated as of November 1, 2009, Valley Vista Senior Housing, L.P., a California limited partnership (the "Borrower"), has agreed to make payments to the Issuer in amounts equal to amounts of principal of and premium, if any, and interest on the Bonds.

NEITHER THE ISSUER (NOR ANY OFFICER OR MEMBER OF THE BOARD OF SUPERVISORS THEREOF) NOR ANY PERSON EXECUTING THE BONDS, IS LIABLE PERSONALLY ON THE BONDS OR SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THEIR ISSUANCE. THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER AND ARE NOT A DEBT, NOR A PLEDGE OF THE FAITH AND CREDIT, OF THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NONE OF SUCH ENTITIES IS LIABLE ON THE BONDS, NOR ARE THE BONDS PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE ISSUER PLEDGED FOR THE PAYMENT THEREOF. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION. THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATSOEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT.

Interest on the Bonds. The Bonds (including this Bond) shall bear interest on the outstanding principal amount thereof from and including the Dated Date at an interest rate equal to the interest rate that is from time to time applicable to principal of the Loan (as provided in the Note and the Loan Agreement, including Exhibit B thereto) until paid at maturity or upon earlier redemption or acceleration. Interest on the Bonds shall be calculated on the basis of a 360-day year and actual days elapsed. The interest payable on the Bonds as provided above shall be payable on the first day of each month commencing January 4, 2010, and on each Bond Payment Date.

Registration and Transfer. This Bond is transferable by the registered owner hereof in person or by his attorney duly authorized in writing at the office of the Fiscal Agent as registrar, but only in the manner, subject to the limitations and upon payment of the charges provided in the Pledge Agreement, and upon surrender and cancellation of this Bond. Upon such transfer a new registered Bond or Bonds, of any Authorized Denomination or denominations, of the same maturity and for the same aggregate principal amount will be issued to the transferee in exchange herefor. The Bonds are issuable as fully registered Bonds in Authorized Denominations as

provided in the Pledge Agreement. The Issuer, the Fiscal Agent, and any other person may treat the person in whose name this Bond is registered on the books of registry as the Owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Bond be overdue, and no person shall be affected by notice to the contrary.

Redemption of Bonds. The Bonds are subject to optional and mandatory redemption by the Issuer and purchase in lieu of redemption by the Borrower prior to maturity as a whole or in part at such time or times, under such circumstances, at such redemption prices and in such manner as is set forth in the Pledge Agreement.

Enforcement. Only the Bondowner Representative shall have the right to direct the Fiscal Agent to enforce the provisions of this Bond or the Pledge Agreement or to institute any action to enforce the covenants herein or therein, or to take any action with respect to any Event of Default under the Pledge Agreement, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Pledge Agreement. If an Event of Default occurs and is continuing, the principal of all Bonds then outstanding may be declared due and payable by the Bondowner Representative upon the conditions and in the manner and with the effect provided in the Pledge Agreement. As provided in the Pledge Agreement, and to the extent permitted by law, interest and an alternative rate of interest shall be payable on unpaid amounts due hereon.

Discharge. The Pledge Agreement prescribes the manner in which it may be discharged and after which the Bonds shall be deemed to be paid and no longer be secured by or entitled to the benefits of the Pledge Agreement, except for the purposes of registration and exchange of Bonds and of such payment.

Modifications. Modifications or alterations of the Pledge Agreement, or of any supplements thereto, may be made only to the extent and in the circumstances permitted by the Pledge Agreement.

This Bond shall not be valid or obligatory for any purpose until it shall have been signed on behalf of the Issuer and such signature attested, by the officer, and in the manner, provided in the Pledge Agreement, and authenticated by a duly authorized officer of the Fiscal Agent.

It is hereby certified and recited that all conditions, acts and things required by the statutes of the State and by the Housing Law and the Pledge Agreement to exist, to have happened or to have been performed precedent to or in the issuance of this Bond exist, have happened and have been performed and that the issue of the Bonds, together with all other indebtedness of the Issuer, is within every debt and other limit prescribed by said statutes.

IN WITNESS WHEREOF, the Issuer has caused this County of Contra Costa Multifamily Housing Revenue Bonds (Valley Vista Senior Housing), 2009 Series B Bond to be executed as of the Dated Date stated above.

COUNTY OF CONTRA COSTA

By: _____
Chair of the Board of Supervisors

Attest: _____
Clerk of the Board of Supervisors

FORM OF CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the within mentioned Pledge Agreement and is one of the Multifamily Housing Revenue Bonds (Valley Vista Senior Housing), 2009 Series B of the County of Contra Costa.

WELLS FARGO BANK, NATIONAL
ASSOCIATION,
as Fiscal Agent

By: _____
Authorized Signatory

Date of Authentication:

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto the within and hereby authorizes the transfer of this Bond on the registration books of the Fiscal Agent.

Dated: _____
Authorized Signature

Name of Transferee

Signature Guaranteed by

Name of Bank

By: _____
Title: _____

EXHIBIT B

FORM OF INVESTOR LETTER

Wells Fargo Bank, National Association, as Fiscal Agent

Re: County of Contra Costa
Multifamily Housing Revenue Bonds
(Valley Vista Senior Housing), 2009 Series B

Ladies and Gentlemen

The undersigned (the "Investor") hereby acknowledges receipt of the above-referenced bonds (the "Bonds"), in fully registered form and in the aggregate principal amount of \$ _____, constituting [all/a portion of] of the Bonds currently outstanding. The Bonds have been acquired checked, inspected and approved by the Investor.

The undersigned acknowledges that the Bonds were issued for the purpose of making a construction loan to assist in the financing of the construction and equipping of a multifamily rental housing facility located in the City of San Ramon, Contra Costa County, California (the "Project"), as more particularly described in that certain Loan Agreement, dated as of November 1, 2009 (the "Loan Agreement"), by and among the County of Contra Costa (the "Issuer"), Wells Fargo Bank, National Association, as Fiscal Agent and Valley Vista Senior Housing, L.P., a California limited partnership (the "Borrower"). The undersigned further acknowledges that the Bonds are secured by a Bond Issuance and Pledge Agreement dated as of November 1, 2009 (the "Pledge Agreement"), between the Issuer and the Fiscal Agent, which creates a security interest in the Collateral for the benefit of the holders and owners of the Bonds.

In connection with the purchase of the Bonds by the Investor, the Investor hereby makes the following representations upon which you may rely:

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

2. The Investor is a "qualified institutional buyer" under Rule 144A of the Securities Act of 1933 (the "Act") or an "accredited investor" as defined in Regulation D promulgated under the Act, which has sufficient knowledge and experience in financial and business matters, including purchase and ownership of multifamily housing revenue bonds, to be able to evaluate the risks and merits of the investment represented by the Bonds and which can bear the economic risk of their investment in the Bonds.

or

We are the custodian/Fiscal Agent under a custody agreement/trust agreement, which provides each beneficial owner of interests in the Bonds must be a “qualified institutional buyer” under the Act or an “accredited investor” as defined in Regulation D promulgated under the Act, which has sufficient knowledge and experience in financial and business matters, including purchase and ownership of multifamily housing revenue bonds, to be able to evaluate the risks and merits of the investment represented by the Bonds and which can bear the economic risk of their investment in the Bonds. Any sale of beneficial interest shall comply with the requirements set forth below in paragraph 3.

3. The Bonds are being acquired by the Investor for investment and not with a present view to, or for resale in connection with, any distribution of the Bonds, and, subject to the further provisions of this paragraph 3, the Investor 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, except as permitted by the Pledge Agreement. The Investor 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. Notwithstanding the foregoing, the undersigned may transfer the Bonds to a trustee or custodian of a trust the ownership interests in which are to be distributed through the sale of (A)(i) investment grade securities that are registered under the Securities Act and/or (ii) investment grade securities in transactions that are exempt from the registration requirements of the Securities Act and (b) non-investment grade securities in transactions that are exempt from the registration requirements of the Act to “qualified institutional buyers” or under Rule 144A of said Act or “accredited investors” under Regulation D promulgated under said Act; provided that the current prospectus relating to the investment grade securities and/or the current private placement memorandum relating to any non-investment grade securities will, unless approved in advance by the Issuer, disclose no more regarding the Issuer than its name and status as a political subdivision of the State of California and that the Bonds are special limited obligations of the Issuer secured solely by the Collateral as described in the Pledge Agreement.

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

5. The Investor acknowledges that it has either been supplied with or been given access to information, including financial statements and other financial information, to which a reasonable investor would attach significance in making investment decisions, and the Investor has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the Borrower, the Project and the Bonds and the security therefor so that, as a reasonable investor, the Investor has been able to make its own decision to purchase the Bonds. The Investor acknowledges that it has not relied upon the Issuer for any information in connection with the Investor’s purchase of the Bonds.

or

The transferor of the Bonds (the "Transferor") has represented to the Investor that the Transferor has either been supplied with or been given access to information, including financial statements and other financial information, to which a reasonable investor would attach significance in making investment decisions, and the Transferor has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the Borrower, the Project and the Bonds. The Transferor has represented to the Investor that the Transferor has not relied upon the Issuer for any information in connection with its purchase of the Bonds.

6. The Investor acknowledges that it has the right to sell and transfer the Bonds, subject to the delivery to the Fiscal Agent of an investor's letter from the transferee to the same effect as this Investor's Letter, with no material revisions except as may be approved in writing by the Issuer. Failure to deliver such investor's letter shall cause the purported transfer to be null and void.

7. Unless the Transferor otherwise agrees in writing to indemnify and hold harmless the Issuer, the Investor hereby agrees to indemnify and hold harmless the Issuer and its officers and employees with respect to any claim asserted against the Issuer and its officers and employees that is based upon our receipt, sale, transfer or other disposition of the Bonds, other than as permitted by the Pledge Agreement.

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

Very truly yours,

[INVESTOR]

By: _____

LOAN AGREEMENT

by and among the

**COUNTY OF CONTRA COSTA,
as Issuer**

**WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Fiscal Agent**

and

**VALLEY VISTA SENIOR HOUSING, L.P.,
A CALIFORNIA LIMITED PARTNERSHIP**

Dated as of November 1, 2009

Relating to:

**\$18,250,000
COUNTY OF CONTRA COSTA
MULTIFAMILY HOUSING REVENUE BONDS
(VALLEY VISTA SENIOR HOUSING),
2009 SERIES B**

The amounts payable to the County of Contra Costa (the "Issuer") and other rights of the Issuer (except for Reserved Rights, as defined in the Pledge Agreement) under this Loan Agreement have been pledged and assigned to Wells Fargo Bank, National Association, as fiscal agent (the "Fiscal Agent") under the Bond Issuance and Pledge Agreement between the Issuer and the Fiscal Agent dated as of November 1, 2009 (the "Pledge Agreement").

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LOAN AGREEMENT

THIS LOAN AGREEMENT, dated as of November 1, 2009 (the "Loan Agreement") is by and among the County of Contra Costa, a political subdivision of the State of California (together with any successor to its rights, duties and obligations, the "Issuer"), Wells Fargo Bank, National Association, a banking corporation organized under the laws of the State of California (the "Fiscal Agent"), as Fiscal Agent under the Bond Issuance and Pledge Agreement between the Issuer and the Fiscal Agent dated as of November 1, 2009 (the "Pledge Agreement"), and Valley Vista Senior Housing, L.P., a California limited partnership (the "Borrower").

For and in consideration of the mutual agreements hereinafter contained, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 1.1. Recitals; Definitions. The following capitalized terms, as used in this Loan Agreement, shall have the meanings specified below unless the context otherwise shall require.

"Act of Bankruptcy" means the filing of a petition in bankruptcy (or other commencement of a bankruptcy or similar proceeding) by or against the Borrower, or any guarantor of the Borrower, under any applicable bankruptcy, insolvency or similar law now or hereafter in effect.

"Bonds" has the meaning given such term in the Pledge Agreement.

"Borrower" means Valley Vista Senior Housing, L.P., a California limited partnership, and its successors and assigns.

"Building Loan Agreement" means the Building Loan Agreement made and entered into on November 1, 2009, by and between the Fiscal Agent and the Borrower, attached hereto as Exhibit A.

"County" means the County of Contra Costa, California.

"Deed of Trust" shall have the meaning set forth in the Building Loan Agreement.

"Event of Default" means any of the events described as an event of default in Section 7.1 hereof.

"Outstanding Balance" has the meaning given such term in the Note.

"Pledge Agreement" means the Bond Issuance and Pledge Agreement, dated as of November 1, 2009, between the Issuer and the Fiscal Agent, as executed by the parties thereto and as thereafter amended in accordance with its terms.

Section 1.2. Interpretation. Capitalized terms not otherwise defined herein shall have the meanings given to them in the Pledge Agreement. Unless the context clearly requires otherwise, words of masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa. This Loan Agreement and all the terms and provisions hereof shall be construed to effectuate the purpose set forth herein and to sustain the validity hereof.

Section 1.3. Recitals, Titles and Headings. The terms and phrases used in the recitals of this Loan Agreement have been included for convenience of reference only, and the meaning, construction and interpretation of all such terms and phrases for purposes of this Loan Agreement shall be determined by reference to Section 1.1 hereof. The titles and headings of the articles and sections of this Loan Agreement have been inserted for convenience of reference only and are not to be considered a part hereof, and shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this Loan Agreement or any provision hereof or in ascertaining intent, if any question of intent should arise.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations and Warranties of the Issuer. The Issuer represents, warrants and covenants that:

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

(b) The Issuer has full legal right, power and authority under the laws of the State and has taken all official actions necessary (i) to enter into this Loan Agreement, the Pledge Agreement and the Regulatory Agreement; (ii) to perform its obligations hereunder and thereunder; and (iii) to consummate all other transactions on its part contemplated by this Loan Agreement, the Pledge Agreement and the Regulatory Agreement.

(c) This Loan Agreement, the Pledge Agreement and the Regulatory Agreement have been duly executed and delivered by the Issuer and constitute valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their respective terms, except as limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the rights of creditors generally.

(d) The execution and delivery of this Loan Agreement, the Pledge Agreement and the Regulatory Agreement, the performance by the Issuer of its obligations hereunder and thereunder and the consummation of the transactions on its part contemplated hereby and thereby, including, without limitation, the lending of the amounts herein set forth to the Borrower, do not violate any law, rule, regulation or ordinance or any order, judgment or decree of any federal, state or local court, and do not conflict with, or constitute a breach of, or a default under the terms and conditions of any agreement, instrument or commitment to which the Issuer is a party or by which the Issuer or any of its property is bound.

(e) To the best knowledge of the Issuer, there is no action, suit, proceeding, inquiry or investigation served upon the Issuer or, to the knowledge of the Issuer, threatened against the Issuer by or before any court, governmental agency or public board or body which (i) affects or questions the existence or the territorial jurisdiction of the Issuer or the title to office of any members of the governing body of the Issuer; (ii) affects or seeks to prohibit, restrain or enjoin the execution and delivery of this Loan Agreement, the Regulatory Agreement, the Pledge Agreement or the lending of the amounts herein set forth to the Borrower; (iii) affects or questions the validity or enforceability of this Loan Agreement, the Pledge Agreement or the Regulatory Agreement; or (iv) questions the power or authority of the Issuer to carry out the transactions on its part contemplated by this Loan Agreement, the Pledge Agreement or the Regulatory Agreement.

Section 2.2. Representations, Warranties and Covenants of the Borrower. The Borrower represents, warrants and covenants that:

(a) The Borrower is a California limited partnership, organized and existing under the laws of the State, is in good standing in the State, and has full legal right, power and authority under the laws of the State (i) to enter into this Loan Agreement and the other Loan Documents to which it is a party; (ii) to perform its obligations hereunder and thereunder; and (iii) to consummate the transactions on its part contemplated by the Loan Documents.

(b) The Loan Documents to which it is a party have been duly executed and delivered by the Borrower and constitute valid and binding obligations of the Borrower, enforceable in accordance with their respective terms, except as limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws or judicial decisions affecting the rights of creditors generally and by judicial discretion in the exercise of equitable remedies.

(c) The execution and delivery of the Loan Documents to which it is a party, the performance by the Borrower of its obligations hereunder and thereunder and the consummation of the transactions contemplated hereby and thereby will not violate the Borrower's partnership agreement, or any law, regulation, rule or ordinance or any order, judgment or decree of any federal, state or local court and do not conflict with, or constitute a breach of, or a default under, any document, instrument or commitment to which the Borrower is a party or by which the Borrower or any of its property is bound.

(d) There is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency or public board or body pending or, to the best knowledge of the Borrower, threatened against the Borrower which (i) affects or seeks to prohibit, restrain or enjoin the lending of the amounts set forth herein to the Borrower or the execution and delivery of this Loan Agreement or the other Loan Documents, (ii) affects or questions the validity or enforceability of this Loan Agreement or the other Loan Documents, (iii) questions the power or authority of the Borrower to carry out the transactions contemplated by, or to perform its obligations under, this Loan Agreement or the other Loan Documents to which it is a party, or the powers of the Borrower to own, acquire, construct or operate the Project.

(e) The Borrower is not in default under any document, instrument or commitment to which the Borrower is a party or to which it or any of its property is subject which default would or could affect the ability of the Borrower to carry out its obligations under this Loan Agreement or the other Loan Documents.

(f) Any certificate signed by a Borrower Representative and delivered pursuant to this Loan Agreement or the other Loan Documents shall be deemed a representation and warranty by the Borrower as to the statements made therein.

(g) The Borrower will obtain all necessary certificates, approvals, permits and authorizations with respect to the acquisition and construction of the Project from

applicable local governmental agencies and agencies of the State and the federal government.

(h) The acquisition, construction and operation of the Project in the manner presently contemplated and as described herein and in the Regulatory Agreement will not conflict with any zoning, water or air pollution or other ordinance, order, law or regulation applicable thereto. The Borrower will cause the Project to be operated in all material respects in accordance with all applicable federal, state and local laws or ordinances (including rules and regulations) relating to zoning, building, safety and environmental quality.

(i) The Borrower acknowledges, represents and warrants that it understands the nature and structure of the Project; that it is familiar with the provisions of all of the documents and instruments relating to the financing of the Project to which it or the Issuer is a party or of which it is a beneficiary; that it understands the risks inherent in such transactions, including without limitation the risk of loss of the Project; and that it has not relied on the Issuer for any guidance or expertise in analyzing the financial or other consequences of such financing transactions or otherwise relied on the Issuer in any manner except to issue the Bonds in order to provide funds for the Loan.

(j) The Borrower intends to hold the Project for its own account, has no current plans to sell or assign and has not entered into any agreement to sell or assign the Project.

(k) In the event the Loan proceeds are not sufficient to complete the construction and equipping of the Project and the payment of all costs of issuing the Bonds, the Borrower will furnish any additional moneys necessary to complete the construction and equipping of the Project.

(l) The Borrower hereby incorporates herein, as if set forth in full herein, each of the representations, covenants and warranties of the Borrower contained in the Tax Certificate.

Section 2.3. Representations and Warranties of the Fiscal Agent. The Fiscal Agent represents, warrants and covenants that:

(a) The Fiscal Agent is a national banking association organized under the laws of the United States.

(b) The Fiscal Agent has full legal right, power and authority under its organizational documents (i) to enter into this Loan Agreement and the Pledge Agreement; (ii) to perform its obligations hereunder and thereunder; and (iii) to consummate all other transactions on its part contemplated by this Loan Agreement and the Pledge Agreement.

(c) This Loan Agreement and the Pledge Agreement have been duly executed and delivered by the Fiscal Agent and constitute valid and binding obligations of the Fiscal Agent, enforceable against the Fiscal Agent in accordance with their respective

terms, except as limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the rights of creditors generally.

(d) The execution and delivery of this Loan Agreement and the Pledge Agreement by the Fiscal Agent and the performance by the Fiscal Agent of its obligations hereunder and thereunder and the consummation of the transactions on its part contemplated hereby and thereby, including, without limitation, the approval of disbursements of the Loan to the Borrower, do not violate any law, rule, regulation or ordinance or any order, judgment or decree of any federal, state or local court, and do not conflict with, or constitute a breach of, or a default under the terms and conditions of any agreement, instrument or commitment to which the Fiscal Agent is a party or by which the Fiscal Agent or any of its property is bound.

(e) There is no action, suit, proceeding, inquiry or investigation as to which process has been served upon the Fiscal Agent by or before any court, governmental agency or public board or body which (i) affects or questions the existence of the Fiscal Agent or the title to office of any of its officers; (ii) affects or seeks to prohibit, restrain or enjoin the execution and delivery of this Loan Agreement or the Pledge Agreement or the lending of the amounts herein set forth to the Borrower; (iii) affects or questions the validity or enforceability of this Loan Agreement or the Pledge Agreement; or (iv) questions the power or authority of the Fiscal Agent to carry out the transactions on its part contemplated by this Loan Agreement or the Pledge Agreement.

ARTICLE III

THE LOAN

Section 3.1. Closing of the Loan. The closing of the Loan shall not occur until the following conditions are met:

(a) the Fiscal Agent shall have received an original executed counterpart of this Loan Agreement, the Note, the Regulatory Agreement and the Deed of Trust, together with evidence that the Regulatory Agreement and the Deed of Trust have been recorded in the official records of the County Recorder of the County, which may be by telephonic notice from a title company, and each of the other Loan Documents;

(b) no Event of Default nor any event which with the passage of time and/or the giving of notice would constitute an Event of Default under this Loan Agreement shall have occurred as evidenced by a certificate received from the Borrower;

(c) all legal matters incident to the transactions contemplated by this Loan Agreement shall be concluded to the reasonable satisfaction of counsel to the Issuer and

(d) the Building Loan Agreement shall have been executed and delivered and all of the conditions contained hereto shall have been satisfied or waived by the Bondowner Representative.

Section 3.2. Amount and Source of Loan. The Issuer hereby makes to the Borrower and agrees to fund, or cause the Fiscal Agent to fund, and the Borrower hereby accepts from the Issuer, upon the terms and conditions set forth herein, the Loan in installments in an amount not to exceed \$18,250,000, and agrees to have the proceeds of the Loan applied and disbursed in accordance with the provisions of this Loan Agreement.

Section 3.3. Disbursement of Loan Proceeds. Subject to satisfaction of the conditions to closing of the Loan set forth in Section 3.1(a), the Issuer hereby authorizes and directs the funding and disbursement of the Loan by the Fiscal Agent in accordance with conditions set forth in the Building Loan Agreement.

ARTICLE IV

LIABILITY OF ISSUER AND BORROWER

Section 4.1. Non-Liability of Issuer. The Issuer shall not be obligated to pay the principal (or redemption price) of or interest on the Bonds, except from payments made by the Borrower and other moneys and assets received by the Fiscal Agent on behalf of the Issuer pursuant to the Note and this Loan Agreement. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof, nor the faith and credit of the Issuer or any member of the Board of Supervisors of the Issuer is pledged to the payment of the principal (or redemption price) or interest on the Bonds. The Issuer shall not be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with this Loan Agreement, the Bonds or the Pledge Agreement, except to the extent amounts are received for the payment thereof from the Borrower under this Loan Agreement, and to the extent any such liability arises directly from the willful misconduct of the Issuer.

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

Section 4.2. Waiver of Personal Liability. No officer, agent or employee of the Issuer or any partner, director, officer, agent or employee of the Borrower shall be individually or personally liable for the payment of any principal (or redemption price) or interest on the Bonds or any other sum hereunder or be subject to any personal liability or accountability by reason of the execution and delivery of this Loan Agreement; but nothing herein contained shall relieve any such officer, agent or employee from the performance of any official duty provided by law or by this Loan Agreement.

Section 4.3. Unlimited Recourse Obligations of Borrower. The obligations of the Borrower under this Loan Agreement, the Note, the Deed of Trust, the Regulatory Agreement and the other "Loan Documents" (as that term is defined in the Building Loan Agreement) shall be unlimited, recourse obligations of the Borrower; provided, that Borrower's limited partner shall have no liability hereunder.

ARTICLE V

REPAYMENT OF THE LOAN

Section 5.1. Loan Repayment. (a) The Loan shall be evidenced by the Note. The Borrower agrees to pay to the Fiscal Agent, on behalf of the Issuer, the principal of and interest on the Loan at the times, in the manner, in the amount and at the rate of interest provided in the Note and this Loan Agreement, and to pay all other amounts necessary in order to make timely payments of principal, interest and all other amounts payable on the Bonds.

(b) The Borrower further agrees to pay all taxes and assessments, general or special, including, without limitation, all ad valorem taxes, concerning or in any way related to the Project, or any part thereof, and any other governmental charges and impositions whatsoever, foreseen or unforeseen, and all utility and other charges and assessments with respect thereto; provided, however, that the Borrower reserves the right to contest in good faith the legality of any tax or governmental charge concerning or in any way related to the Project. In addition, the Borrower agrees to pay any loan fee, processing fee and all title, escrow, recording and closing costs and expenses, any appraisal costs and all other reasonable fees and costs associated with or required in connection with the Bonds, the Regulatory Agreement or the Pledge Agreement.

(c) The Borrower hereby acknowledges and consents to the assignment by the Issuer to the Fiscal Agent of its rights under this Loan Agreement (excepting only the Issuer's rights under Section 6.7, and the Issuer's retained rights under Sections 5.1(d) and 7.3 hereunder), and the appointment of the Fiscal Agent as agent of the Issuer to hold the Funds created pursuant to Section 5.01 of the Pledge Agreement, to collect the payments on the Loan and to approve the making of disbursements, all as set forth in the Pledge Agreement.

(d) The Borrower hereby agrees to pay the amounts described in Section 20 of the Regulatory Agreement to the Fiscal Agent for remittance to the Issuer, and all other costs and expenses incurred by the Issuer at any time in connection with the Bonds or the Project that are not paid from the amounts held under the Pledge Agreement, including, without limitation, legal fees and expenses incurred in connection with the interpretation, performance, enforcement or amendment of any documents relating to the Project or the Bonds or in connection with questions or other matters arising under such documents, which amounts shall be paid within thirty (30) days after receipt of request for payment thereof.

Section 5.2. Nature of the Borrower's Obligations. The Borrower shall repay the Loan pursuant to the terms of the Note irrespective of any rights of set-off, recoupment or counterclaim the Borrower might otherwise have against the Issuer or any other person. The Borrower will not suspend, discontinue or reduce any such payment or (except as expressly provided herein) terminate this Loan Agreement for any cause, including, without limiting the generality of the foregoing, (i) any delay or interruption in the operation of the Project; (ii) the failure to obtain any permit, order or action of any kind from any governmental agency relating to the Loan or the Project; (iii) any event constituting force majeure; (iv) any acts or circumstances that may constitute commercial frustration of purpose; (v) any change in the laws of the State or any political subdivision thereof; or (vi) any failure of the Issuer, the Bondowner Representative or the Borrower to perform or observe any covenant whether expressed or

implied, or to discharge any duty, liability or obligation arising out of or connected with the Note; it being the intention of the parties that, as long as the Note or any portion thereof remains outstanding and unpaid, the obligation of the Borrower to repay the Loan and provide such moneys shall continue in all events. This Section 5.2 shall not be construed to release the Borrower from any of its obligations hereunder, or, except as provided in this Section 5.2, to prevent or restrict the Borrower from asserting any rights which it may have against the Issuer under the Note or under any provision of law or to prevent or restrict the Borrower, at its own cost and expense, from prosecuting or defending any action or proceeding by or against the Issuer or the Fiscal Agent or taking any other action to protect or secure its rights.

Notwithstanding the foregoing, neither the officers nor the directors of any partner in the Borrower shall be personally liable for the amounts owing under the Note or the Deed of Trust. Notwithstanding the Pledge Agreement, no assignment by the Issuer of its rights hereunder shall preclude the Issuer from proceeding directly against the Borrower in connection with the obligation of the Borrower to indemnify the Issuer under Section 6.7 hereof or Section 9 of the Regulatory Agreement or to make any payment to the Issuer required to be paid by the Borrower pursuant to the provisions of Sections 5.1(d) or 7.3 hereof. Nothing in this Section 5.2 shall prohibit the Borrower from contesting in good faith any lien (other than the lien of the Deed of Trust).

Section 5.3. Prepayment. Borrower may prepay, at any time, all or part of the Outstanding Balance of the Note in accordance with the terms of the Note.

ARTICLE VI

FURTHER AGREEMENTS

Section 6.1. Successor to the Issuer. The Issuer will at all times use its best efforts to maintain the powers, functions, duties and obligations now reposed in it pursuant to law or assure the assumptions of its obligations hereunder by any public trust or political subdivision succeeding to its powers.

Section 6.2. Borrower Not to Dispose of Assets; Conditions Under Which Exceptions Permitted. The Borrower agrees that during the term of this Loan Agreement it will not dispose of all or substantially all of its assets nor consolidate with nor merge into any entity unless (i) the Issuer and the Fiscal Agent shall consent to the disposition, consolidation or merger, (ii) the acquirer of its assets or the entity with which it shall consolidate or into which it shall merge shall be an individual or a corporation, partnership or other legal entity organized and existing under the laws of the State of California or one of the states of the United States of America and shall be qualified and admitted to do business in the State; and (iii) such acquiring or remaining entity shall assume in writing all of the obligations of the Borrower under this Loan Agreement, the Regulatory Agreement and the Note. It is hereby acknowledged that the Issuer and the Fiscal Agent have consented to a transfer of the Project to the general partner of the Borrower in connection with a buy-out by such general partner of the Borrower's interests in the Project or of the limited partner's interest in the Borrower.

Section 6.3. Cooperation in Enforcement of Regulatory Agreement. The Borrower hereby covenants and agrees as follows:

- (a) to comply with all provisions of the Regulatory Agreement;
- (b) to advise the Issuer in writing promptly upon learning of any default with respect to the covenants, obligations and agreements of the Borrower set forth in the Regulatory Agreement; and
- (c) upon written direction by the Issuer, to cooperate fully and promptly with the Issuer in enforcing the terms and provisions of the Regulatory Agreement.

The Issuer shall not incur any liability in the event of any breach or violation of the Regulatory Agreement by the Borrower, and the Borrower agrees to indemnify the Issuer from any claim or liability for such breach pursuant to Section 6.7 hereof.

Section 6.4. Additional Instruments. The Borrower hereby covenants to execute and deliver such additional instruments and to perform such additional acts as may be necessary, in the opinion of the Issuer, to carry out the intent of the Loan Documents or to perfect or give further assurances of any of the rights granted or provided for in the Loan, the Deed of Trust and the Note.

Section 6.5. Books and Records. The Borrower hereby covenants to permit the Issuer and the Fiscal Agent or their duly authorized representatives access during normal business hours to the books and records of the Borrower pertaining to the Loan and the Project, and to

make such books and records available for audit and inspection upon reasonable notice to the Borrower, at reasonable times and under reasonable conditions to the Issuer and the Fiscal Agent and their duly authorized representatives and at the sole expense of the Borrower.

Section 6.6. Notice of Certain Events. The Borrower hereby covenants to advise the Issuer and the Fiscal Agent promptly in writing of the occurrence of any Event of Default hereunder or any event which, with the passage of time or service of notice, or both, would constitute an Event of Default hereunder, specifying the nature and period of existence of such event and the actions being taken or proposed to be taken with respect thereto. In addition, the Borrower hereby covenants to advise the Issuer and the Fiscal Agent promptly in writing of the occurrence of any Act of Bankruptcy.

Section 6.7. Indemnification of the Issuer. The Borrower hereby covenants and agrees to indemnify, hold harmless and defend the Issuer and the members of its board of supervisors, its officers, employees and any agents of the Issuer and each of them from and against (i) any and all claims arising from any act or omission of the Borrower or any of its agents, servants, employees or licensees, in connection with the Loan or the Project; (ii) any and all claims arising from the construction, operation, use, occupancy, maintenance, or ownership of the Project (including compliance with laws, ordinances and rules and regulations of public authorities relating thereto); or (iii) any obligation or liability of the Issuer under the Americans with Disabilities Act with respect to the Project or otherwise arising from the making of the Loan, including all costs and fees actually incurred by the Issuer in any way arising from the making of the Loan; and (iv) all reasonable costs, counsel fees, expenses or liabilities incurred in connection with any such claim or proceeding brought thereon. In the event that any action or proceeding is brought against the Issuer or any of its officers, directors, officials or employees with respect to which indemnity may be sought hereunder, the Borrower, upon written notice from the indemnified party, shall assume the investigation and defense thereof, including the employment of counsel selected by the indemnified party and the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in consultation with the Issuer; provided that the Issuer shall have the right to review and approve or disapprove any such compromise or settlement. In connection with any transfer of the Project to another owner in compliance with the provisions of the Regulatory Agreement, the Borrower shall remain obligated to indemnify pursuant to this Section 6.7, but only with respect to acts or omissions occurring prior to the date of transfer. Nothing in this paragraph shall obligate the Borrower for any claims, obligations or liabilities attributable solely to the gross negligence or willful misconduct of the Issuer. BORROWER'S OBLIGATIONS TO INDEMNIFY, HOLD HARMLESS AND DEFEND THE ISSUER SHALL SURVIVE PAYMENT OF THE LOAN, CANCELLATION OF THE NOTE AND BONDS, AND RELEASE, RECONVEYANCE OR PARTIAL RECONVEYANCE OF THE DEED OF TRUST.

Nothing in this Section shall be construed in any way to limit or restrict the Borrower's obligations to indemnify the Issuer pursuant to Section 9 of the Regulatory Agreement, or the Fiscal Agent and Bondowner Representative pursuant to Exhibit B, which obligations are wholly separate from and independent of the obligations imposed under this Section 6.7.

Section 6.8. Consent to Assignment. The Issuer has made an assignment under the Pledge Agreement of all rights and interest of the Issuer in and to this Loan Agreement (except

its rights under Section 6.7, and its retained rights under Sections 5.1(d) and 7.3 hereof), the Note and the Deed of Trust and the Fiscal Agent is authorized to collect the payments by the Borrower on the Loan; and the Borrower hereby consents to all such assignments and such appointment.

Section 6.9. Compliance with Usury Laws. Notwithstanding any other provision of this Loan Agreement, it is agreed and understood that in no event shall this Loan Agreement, with respect to the Note or other instrument of indebtedness, be construed as requiring the Borrower or any other person to pay interest and other costs or considerations that constitute interest under any applicable law which are contracted for, charged or received pursuant to this Loan Agreement in an amount in excess of the maximum amount of interest allowed under any applicable law.

In the event of any acceleration of the payment of the principal amount of the Note or other evidence of indebtedness, that portion of any interest payment in excess of the maximum legal rate of interest, if any, provided for in this Loan Agreement or related documents shall be cancelled automatically as of the date of such acceleration, or if theretofore paid, credited to the principal amount.

The provisions of this Section prevail over any other provision of this Loan Agreement.

Section 6.10. Title to the Project. The Borrower shall concurrently with the closing of the Loan have fee title to the Project free and clear of any lien or encumbrance except for (i) liens for nondelinquent assessments and taxes not yet due or which are being contested in good faith by appropriate proceedings; (ii) the Regulatory Agreement; (iii) the Deed of Trust; (iv) one or more subordinate deeds of trust, regulatory agreements and other encumbrances securing the subordinate loans (identified and permitted, in and pursuant to Exhibit B hereto); and (v) any other encumbrances approved by the Fiscal Agent.

Section 6.11. Payment of Taxes. The Borrower has filed or caused to be filed all federal, state and local tax returns or information returns which are required to be filed with respect to the Project and of which Borrower has knowledge, and has paid or caused to be paid all taxes as shown on said returns or on any assessment received by it, to the extent that such taxes have become due and payable other than those payable without penalty or interest.

Section 6.12. No Untrue Statements. Neither this Loan Agreement nor any other document, certificate or statement furnished to the Issuer or the Fiscal Agent by or on behalf of the Borrower, contains to the best of the Borrower's knowledge any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein not misleading or incomplete as of the date hereof. It is specifically understood by Borrower that all such statements, representations and warranties shall be deemed to have been relied upon by the Issuer as an inducement to make the Loan, and by the Fiscal Agent as an inducement to make the Loan, and that if any such statements, representations and warranties were materially incorrect at the time they were made, the Issuer may consider any such misrepresentation or breach an Event of Default.

Section 6.13. Insurance. The Borrower shall provide policies of insurance with respect to the Project and the operation thereof, in form and amounts specified in Exhibit B hereto.

Section 6.14. Tax Exempt Status of the Bonds. The Borrower covenants that it will comply with the requirements and conditions of the Tax Certificate and the Regulatory Agreement. Without limiting the foregoing and notwithstanding anything to the contrary in this Loan Agreement, the Borrower will not take, or permit to be taken on its behalf, any action which would cause interest on the Bonds to be included in gross income of Owners thereof for federal income tax purposes and will take such reasonable action as may be necessary to continue such exclusion from gross income, including:

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

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

(c) the Borrower will pay to the United States any amount required to be paid by the Issuer or the Borrower pursuant to Section 148(f) of the Code, at the times, in the amounts and at the places required in order to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes.

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

Section 6.15. Additional Obligations. The Borrower agrees to perform all of its obligations under the Building Loan Agreement, which is incorporated into this Agreement by this reference.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

Section 7.1. Events of Default. Each of the following shall be an “Event of Default”:

(a) The Borrower shall fail to pay when due the amounts required to be paid under the Note or this Loan Agreement when the same shall become due and payable in accordance with the terms of the Note or this Loan Agreement, including a failure to repay any amounts which have been previously paid but are recovered, attached or enjoined pursuant to any insolvency, receivership, liquidation or similar proceedings; or

(b) The Borrower shall fail to perform or observe any of its covenants or agreements contained in this Loan Agreement or the Regulatory Agreement, other than as specified in paragraph (a) above, and the Borrower shall have failed to correct such failure within 30 days after receipt of notice to correct the failure; provided, however, that if the default stated in the notice is of such a nature that it cannot be corrected within 30 days, such default shall not constitute an Event of Default hereunder so long as (i) the Borrower institutes corrective action within said 30 days and diligently pursues such action until the default is corrected and such default is cured within 90 days, and (ii) in the opinion of Bond Counsel, the failure to cure said default within 90 days will not cause interest on the Bonds to become includable for federal income tax purposes in the gross income of the Owners thereof; or

(c) Any representation or warranty of the Borrower hereunder shall be determined by the Fiscal Agent or the Issuer to have been false in any material respect when made; or

(d) The occurrence of a Default as defined in the Building Loan Agreement.

Section 7.2. Remedies. Whenever any Event of Default under Section 7.1 hereof shall have happened, the Fiscal Agent may, but only at the direction of the Bondowner Representative, take whatever remedial steps as it may determine and as may be otherwise allowed under the law, this Loan Agreement (including Exhibit B hereto) and the Deed of Trust. The Fiscal Agent shall provide written notice from time to time to the Issuer describing any such remedial steps it is taking in response to any Event of Default.

Section 7.3. Permitted Cures of an Event of Default. The Fiscal Agent shall permit the Borrower, including the limited partner of the Borrower, for a period specified by the Fiscal Agent, to cure any Event of Default, but only if (a) the Borrower pays to the Fiscal Agent, for proper remittance, all overdue payments of principal and interest on the Note, (b) the Borrower cures any nonmonetary defaults under the Note, the Deed of Trust and the other Loan Documents to the satisfaction of the Bondowner Representative, and (c) the Borrower pays all fees, costs and expenses of the Fiscal Agent and the Issuer, including, without limitation, all legal fees and expenses, incurred in connection with the Event of Default; provided, however, that Events of Default occurring pursuant to Section 7.1(d) hereof shall be cured only as

provided in the Building Loan Agreement. The Borrower acknowledges that any cure of any default will not affect any subsequent default under the Loan Documents.

Section 7.4. Attorneys' Fees and Expenses. If an Event of Default occurs and if the Issuer, the Fiscal Agent or the Bondowner Representative should employ attorneys or incur expenses for the enforcement of any obligation or agreement of the Borrower contained herein, the Borrower on demand will pay to the Issuer, the Bondowner Representative and/or the Fiscal Agent the reasonable fees of such attorneys and the reasonable expenses so incurred, including court appeals.

Section 7.5. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Issuer, the Bondowner Representative or the Fiscal Agent is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Loan Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Issuer, the Bondowner Representative or the Fiscal Agent to exercise any remedy reserved to either of them in this Article VII, it shall not be necessary to give any notice, other than such notice as may be herein expressly required; provided, that any notice given to the Borrower shall also be given to the limited partner of the Borrower at the address specified in the Bond Issuance and Pledge Agreement, or at such other address as may be specified in writing by the limited partner of the Borrower. Such rights and remedies as are given the Issuer hereunder shall be exercisable solely by the Fiscal Agent, as assignee of the Issuer's interests in the Note, the Deed of Trust and this Loan Agreement and the other Loan Documents.

Section 7.6. No Additional Waiver Implied by One Waiver. In the event any agreement or covenant contained in this Loan Agreement should be breached by the Borrower and thereafter waived by the Issuer or the Fiscal Agent, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder including any other breach of the same agreement or covenant.

ARTICLE VIII

MISCELLANEOUS

Section 8.1. Entire Agreement. The Loan Documents constitute the entire agreement and supersede all prior agreements and understandings, both written and oral, among the Issuer, the Fiscal Agent and the Borrower with respect to the subject matter hereof.

Section 8.2. Notices. All notices, certificates or other communications shall be in writing and shall be sufficiently given and shall be deemed given on the second day following the date on which the same have been personally delivered or mailed by first class mail postage prepaid, addressed as provided in Section 10.08 of the Pledge Agreement.

Section 8.3. Assignments. This Loan Agreement may not be assigned by any party without the prior written consent of the other, except that the Issuer shall assign its rights under this Loan Agreement pursuant to the Pledge Agreement, and except also that the Borrower may assign to any transferee its rights under this Loan Agreement as provided by Section 6.2.

Section 8.4. Severability. If any provision of this Loan Agreement shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative, or unenforceable to any extent whatever.

Section 8.5. Execution in Counterparts. This Loan Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 8.6. Amendments, Changes and Modifications. Except as otherwise provided in this Loan Agreement, subsequent to the issuance of the Bonds and prior to their payment in full (or provision for payment thereof having been made in accordance with the provisions of the Pledge Agreement), this Loan Agreement may not be effectively amended, changed, modified, altered or terminated without the written consent of the parties hereto, the Bondowner Representative and the Fiscal Agent.

Section 8.7. Governing Law. This Loan Agreement shall be governed exclusively by and construed in accordance with the applicable laws of the State of California.

Section 8.8. Term of Agreement. This Loan Agreement shall be in full force and effect from the date hereof until such time as the Note shall have been fully paid or provision made for such payment. Time is of the essence in this Loan Agreement.

Section 8.9. Survival of Agreement. All agreements, representations and warranties made herein shall survive the making of the Loan.

Section 8.10. Binding Effect. This Loan Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Borrower, the Fiscal Agent and their respective successors and assigns.

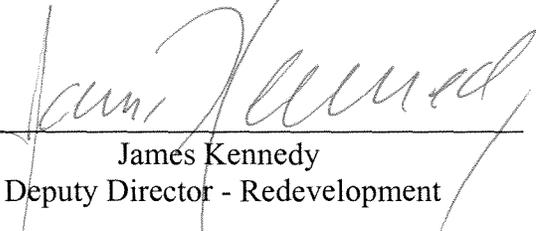
Section 8.11. Third Party Beneficiary. The Bondowner Representative shall be a third party beneficiary of this Loan Agreement, with the power to enforce those provisions of this Loan Agreement (including, but not limited to, the Building Loan Agreement) that impart rights to the Bondowner Representative.

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IN WITNESS WHEREOF, the parties hereto have executed this Loan Agreement, all as of the date first above written.

COUNTY OF CONTRA COSTA

By: _____


James Kennedy
Deputy Director - Redevelopment

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Fiscal Agent

By: _____


Rebecca J. Koch
Vice President

[Signatures continue on following page.]

[Signature Page to Loan Agreement.]

VALLEY VISTA SENIOR HOUSING, L.P.,
a California limited partnership

By: Carmel Senior Housing, Inc.,
a California nonprofit public benefit
corporation, its General Partner

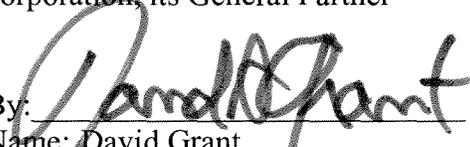
By: 
Name: David Grant
Authorized Signatory

EXHIBIT A
BUILDING LOAN AGREEMENT

BUILDING LOAN AGREEMENT

between

WELLS FARGO BANK, NATIONAL ASSOCIATION,

as Lender

and

**VALLEY VISTA SENIOR HOUSING, L.P.,
A CALIFORNIA LIMITED PARTNERSHIP**

as Borrower

Relating to

\$18,250,000

Multifamily Housing Revenue Bonds

(Valley Vista Senior Housing)

2009 Series B

Dated as of November 1, 2009

The interests of the Issuer in this Loan Agreement, excluding the rights reserved by the Issuer pursuant to the Bond Issuance and Pledge Agreement dated as of November 1, 2009, have been assigned to Wells Fargo Bank, National Association, as Lender pursuant to a Bond Issuance and Pledge Agreement, between the County of Contra Costa and the Lender.

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BUILDING LOAN AGREEMENT

THIS BUILDING LOAN AGREEMENT (this "Loan Agreement") is made and entered into as of November 1, 2009, by and between WELLS FARGO BANK, NATIONAL ASSOCIATION, as fiscal agent for the COUNTY OF CONTRA COSTA, a political subdivision of the State of California ("Issuer"), pursuant to that certain Bond Issuance and Pledge Agreement dated as of even date herewith (the "Lender"), and VALLEY VISTA SENIOR HOUSING, L.P., a California limited partnership (the "Borrower").

WITNESSETH:

WHEREAS, the Issuer is a political subdivision of the State of California (the "State"); and

WHEREAS, pursuant to Chapter 7 of Part 5 of Division 31 of the Health and Safety Code of the State of California, as now in effect and as it may from time to time hereafter be amended or supplemented (collectively, the "Act"), the Issuer is authorized and empowered to issue revenue bonds and apply the proceeds to make loans for the acquisition and construction, of qualifying housing developments (defined in the Act to include buildings used to provide residential housing for four or more families); and

WHEREAS, Borrower has requested the Issuer to issue its Multifamily Housing Revenue Bonds (Valley Vista Senior Housing), 2009 Series B, in the original principal amount of \$18,250,000 (the "Bonds") for the purpose of making a loan (the "Loan") to finance, in part, the acquisition, construction, and development of a 105 unit, 2 building, low-income senior rental housing development known as Valley Vista Senior Apartments (the "Project") on certain real property in the City of San Ramon, County of Contra Costa, California, with a street address of 20503 and 20509 San Ramon Boulevard, San Ramon, California, and as more particularly described on Exhibit A hereto (the "Real Property"); and

WHEREAS, to evidence the Loan, Borrower is executing that certain promissory note payable to Lender (the "Note") in the original principal amount of \$18,250,000 in the form attached hereto as Exhibit E, which Note provides for the repayment of the Loan in amounts sufficient to pay, when due, the principal of, premium, if any, and interest on the Bonds, and Borrower has executed or caused to be executed the Deed of Trust and the Security Agreement (as such terms are hereinafter defined) with respect to the Project to secure, among other things, the payments due under this Loan Agreement; and

WHEREAS, upon issuance of the Bonds, all rights, title and interest of Issuer under and in the Loan will be assigned by Issuer to Lender, as fiscal agent for Issuer (in such capacity, "Fiscal Agent") pursuant to that certain Bond Issuance and Pledge Agreement dated as of November 1, 2009 ("Bond Issuance and Pledge Agreement"); and

WHEREAS, in connection with the issuance of the Bonds, Issuer, Lender (as Fiscal Agent) and Borrower are entering into a Loan Agreement ("Bond Loan Agreement") pursuant to which Lender, as Fiscal Agent, will disburse the Loan proceeds pursuant to this Loan Agreement; and

WHEREAS, pursuant to the authority set forth in the Bond Loan Agreement, Fiscal Agent is executing this Loan Agreement and, subject to the other terms and conditions of this Loan Agreement shall disburse the proceeds of the Loan to Borrower in its capacity as fiscal

agent for Issuer pursuant to the Bond Issuance and Pledge Agreement. All of the rights, powers, elections, determinations, remedies, duties and functions of Issuer hereunder may be exercised and performed on behalf of Issuer by Fiscal Agent unless and until Fiscal Agent's agency pursuant to the Bond Issuance and Pledge Agreement is terminated, modified, assigned, in whole or in part, or otherwise amended in accordance with the provisions of the Bond Issuance and Pledge Agreement; and

WHEREAS, Borrower has obtained a loan from the County of Contra Costa, a political subdivision of the State of California ("County"), in the aggregate original principal amount of \$2,500,000.00 (the "County Loan"). The obligations of Borrower in connection with the County Loan shall be secured by that certain First Amended and Restated Deed of Trust, Assignment of Rents, and Security Agreement (the "County Deed of Trust"). In addition, in connection with the County Loan, Borrower and County have executed that certain First Amended and Restated Regulatory Agreement and Declaration of Restrictive Covenants, dated as of November 1, 2009 (as modified, amended, replaced or assigned from time to time, the "County Regulatory Agreement"), to be recorded substantially concurrently with the Deed of Trust in the Official Records of Contra Costa County, California, imposing certain restrictions on the Project. The lien of the Deed of Trust shall be senior and prior to the County Regulatory Agreement and County Deed of Trust; and

WHEREAS, Borrower has obtained a loan from the Redevelopment Agency of the City of San Ramon, a public body corporate and politic ("Agency"), in the aggregate original principal amount of \$5,500,000 (the "Agency Loan"). The obligations of Borrower in connection with the Agency Loan are secured by that certain Deed of Trust with Assignment of Rents, Security Agreement and Fixture Filing (the "Agency Deed of Trust"). In addition, in connection with the Agency Loan, Borrower and Agency have executed that certain Affordable Housing Covenant Agreement, dated as of March 28, 2007 (as modified, amended, replaced or assigned from time to time, the "Agency Regulatory Agreement"), recorded in the Official Records of Contra Costa County, California, on April 30, 2007, imposing certain restrictions on the Project. The lien of the Deed of Trust shall be senior and prior to the Agency Regulatory Agreement and Agency Deed of Trust; and

WHEREAS, Borrower has obtained from HUD a commitment (the "HUD Commitment") (i) to make a capital advance (the "Capital Advance") to American Baptist Homes of the West, a California nonprofit public benefit corporation ("Sponsor"), pursuant to HUD's Section 202 program, which commitment is being assigned to Carmel Senior Housing, Inc. and the proceeds of which shall be used to fund a loan from General Partner to Borrower in the original principal amount of \$12,282,400.00 (the "General Partner Loan"), and (ii) to provide project-based rental assistance payments to the Project; and

WHEREAS, Borrower will obtain a loan under the Federal Home Loan Bank's Affordable Housing Program in the original principal amount of \$945,000.00 (the "AHP Loan") from Bank of the West (the "AHP Lender"). The obligations of Borrower in connection with the AHP Loan shall be secured by that certain Deed of Trust to be executed by Borrower as trustor in favor of AHP Lender (the "AHP Loan Deed of Trust"). The lien of the Deed of Trust shall be senior and prior to the AHP Loan Deed of Trust; and

WHEREAS, Borrower has obtained a commitment from TCAC to make a loan to Borrower of TCAP funds ("TCAP Loan") in the amount of \$725,000; and

WHEREAS, Borrower has represented to Lender that the Improvements will be eligible for Federal Low Income Housing Tax Credits in the annual amount of \$1,190,802 for a period of ten (10) years ("LIHTC") pursuant to a Tax-Exempt Reservation Letter dated July 8, 2009, from the Tax Credit Allocation Committee ("TCAC") of the State of California (the "Reservation Letter"); and

WHEREAS, the execution and delivery of this Loan Agreement and the issuance of the Bonds have been duly and validly authorized by the Issuer;

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

ARTICLE 1 DEFINITIONS AND RULES OF INTERPRETATION

1.1 Defined Terms. Capitalized terms used in this Loan Agreement and not otherwise defined have the meanings set forth for those terms in Section 1.01 of the Bond Issuance and Pledge Agreement.

"Act" has the meaning ascribed to such term in the Recitals.

"ADA" means the Americans with Disabilities Act, 42 U.S.C. §§12101, et seq. as hereinafter amended or modified.

"Additional Charges" has the meaning ascribed to such term in Section 3.4 of this Loan Agreement.

"Affiliate" has the meaning ascribed to such term in Section 15.1(i) of this Loan Agreement.

"Agency" means the Redevelopment Agency of the City of San Ramon, a public body corporate and politic, organized and existing under the laws of the State of California.

"Agency Loan" means the loan of affordable housing program and HELP Program funds made by the Agency to Borrower in the principal amount of \$5,500,000.

"Agency Regulatory Agreement" means that certain Affordable Housing Covenant Agreement, dated as of March 28, 2007, executed by and between Borrower and Agency in connection with the Agency Loan.

"Agency Subordination Agreement" means the subordination agreement required pursuant to Section 4.1(b)(vi) of this Loan Agreement with respect to the Agency Loan.

"AHP Lender" means Bank of the West.

"AHP Loan" means an Affordable Housing Program loan to be made by AHP Lender to Borrower in the principal amount of \$945,000.00.

"AHP Subordination" means the subordination agreement required pursuant to Section 4.1(b)(viii) hereof with respect to the AHP Loan.

“Application for Payment” has the meaning ascribed to such term in the Disbursement Plan attached hereto as Exhibit “D.”

“Architect” means HKIT Architects.

“Architectural Contract” means that certain Standard Form of Agreement Between Owner and Architect executed between Architect and Borrower dated March 1, 2007, as that contract may be amended or replaced from time to time.

“Area Median Income” means the area median income as determined annually by the United States Department of Housing and Urban Development, and as adjusted for household size.

“Bond Counsel” has the meaning ascribed to such term in Section 1.01 of the Bond Issuance and Pledge Agreement.

“Bond Documents” means collectively, the Regulatory Agreement, the Bond Issuance and Pledge Agreement, the Bond Loan Agreement, and all other documents, agreements, and instruments executed and delivered in connection with the issuance, sale and/or remarketing of the Bonds, as each such document, agreement or instrument may be amended, modified, supplemented or restated from time to time.

“Bond Issuance and Pledge Agreement” means that certain Bond Issuance and Pledge Agreement, executed by and between Issuer and Lender, dated as of November 1, 2009.

“Bond Loan Agreement” means that certain Loan Agreement dated as of November 1, 2009, among Issuer, Borrower and Lender.

“Bondowner Representative” has the meaning ascribed to such term in the Bond Issuance and Pledge Agreement.

“Bonds” has the meaning ascribed to such term in the third WHEREAS clause of the introductory Section of this Loan Agreement.

“Border Zone Property” means any property designated as “border zone property” under the provisions of California Health and Safety Code, Sections 25220 et seq., or any regulation, adopted in accordance therewith.

“Borrower” means Valley Vista Senior Housing, L.P., a California limited partnership.

“Borrower’s Funds” means all funds of Borrower deposited with the Lender pursuant to the terms and conditions of this Loan Agreement.

“Borrower’s Funds Account” means an account at Lender, from which no withdrawals are permitted without Lender’s consent, in which all deposits of funds required of Borrower pursuant to this Loan Agreement will be held.

“Business Day” means a day of the week (but not a Saturday, Sunday or holiday) on which the offices of Lender are open to the public for carrying on substantially all of Lender’s business functions. Unless specifically referenced in this Agreement as a Business Day, all references to “days” shall be to calendar days.

“Capital Advance” has the meaning ascribed to such term in the Recitals.

“Capital Contributions” means cash contributions to the capital of Borrower as described below but subject to the terms and conditions set forth in the Partnership Documents:

Payment	Amount	% of Total Investment	Timing
1	\$500,000	5.6%	Investor Limited Partner’s admission as a limited partner and closing of AHP Loan
2	\$144,000	1.6%	Completion
3	\$7,702,000	87.2%	90% occupancy of the Improvements and funding of the Capital Advance to the General Partner and General Partner Loan to the Borrower
4	\$500,000	5.6%	Receipt of IRS Forms 8609
TOTAL	\$8,846,000	100%	Total Capital Contributions

“CDLAC Bond Allocation” means that certain Allocation of the State Ceiling on Qualified Private Activity Bonds for a Qualified Residential Rental Project issued by the California Debt Limit Allocation Committee on March 25, 2009.

“Closing Date” means December 9, 2009.

“Code” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it maybe amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

“Completion Date” means June 9, 2011.

“Construction Contract” means that certain Standard Form of Agreement Between Owner and Contractor dated December 4, 2009, executed between Contractor and Borrower, as that contract may be amended or replaced from time to time with the written consent of Lender.

“Contractor” means James E. Roberts – Obayashi Corporation, or another general contractor approved in writing by Lender.

“County” means the County of Contra Costa.

“County Loan” means the loan of HOME and CDBG Program funds made by the County to Borrower in the principal amount of \$2,500,000.00.

“County Regulatory Agreement” means that certain First Amended and Restated Regulatory Agreement and Declaration of Restrictive Covenants, dated as of November 1, 2009, executed by and between Borrower and County in connection with the County Loan.

“County Subordination Agreement” means the subordination agreement required pursuant to Section 4.1(b)(v) of this Loan Agreement with respect to the County Loan.

“Deed of Trust” means the Construction Deed of Trust with Absolute Assignment of Leases and Payments, Security Agreement and Fixture Filing executed as of even date with this Loan Agreement by Borrower as Trustor, naming American Securities Company as trustee and the Lender as beneficiary.

“Default” has the meaning ascribed to such term in Section 15.1 of this Loan Agreement.

“Default Rate” means the lesser of (a) a variable rate of interest, computed on the basis of a 360-day year and actual days elapsed, at a rate equal to five percent (5.0%) in excess of the interest rate otherwise accruing under the Note, or (b) the highest rate of interest permitted from time to time by applicable State laws.

“Development Management Agreement” means that certain Development Management Agreement dated January 10, 2007, executed between Satellite Housing, Inc. and Borrower, as that contract may be amended or replaced from time to time with the written consent of Lender.

“Development Services Agreement” means that certain Development Services Agreement dated November 1, 2009, executed between Borrower and American Baptist Homes of the West, a California nonprofit public benefit corporation, as amended or replaced from time to time.

“Disbursement Budget” has the meaning ascribed to such term in Exhibit D to this Loan Agreement.

“Disbursement Plan” means the Disbursement Plan attached hereto as Exhibit D.

“Effective Date” means the date the Deed of Trust is recorded in the Office of the County Recorder of the County of Contra Costa.

“Extended Maturity Date” means June 1, 2012.

“Financial Requirements Analysis” means the financial requirements analysis attached hereto as Exhibit C, as the same may be amended from time to time.

“Financing Statements” means the financing statements listed in Paragraph (a), items (v) and (vi) of Exhibit B hereto and filed with the California Secretary of State pursuant to Section 4.1(c) hereof.

“Fiscal Agent” shall have the meaning ascribed to such term in the recitals above, together with any successor Fiscal Agent under the Bond Issuance and Pledge Agreement.

“General Partner” means Carmel Senior Housing, Inc., a California nonprofit public benefit corporation.

“Governmental Authority” means (i) any government, municipality or political subdivision thereof, (ii) any governmental or quasi-governmental agency, authority, board, bureau, commission, department, instrumentality or public body, (iii) any court, administrative tribunal or public utility, or (iv) any central bank or comparable authority.

“GP Account” means an account at Lender, from which no withdrawals are permitted without Lender’s consent, in which the proceeds of the infrastructure improvements reimbursement are deposited pursuant to Section 4.1(aa) hereof.

“Gross Operating Income” has the meaning ascribed to such term in Section 11.4(a) of this Loan Agreement.

“Guarantor” means American Baptist Homes of the West, a California nonprofit public benefit corporation.

“Guaranty” has the meaning ascribed to such term in Section 4.1(r) of this Loan Agreement.

“Hazardous Materials” has the meaning ascribed to such term in Section 9.1(a) of this Loan Agreement

“Hazardous Materials Claims” has the meaning ascribed to such term in Section 9.1(c) of this Loan Agreement.

“Hazardous Materials Laws” has the meaning ascribed to such term in Section 9.1(b) of this Loan Agreement.

“HUD” means the United States Department of Housing and Urban Development.

“HUD Commitment” means the commitment from HUD to make a Capital Advance to Sponsor in an amount not less than \$12,282,400, and to enter into a rental assistance payments contract for 89 units at the Project, which commitment will be assigned to the General Partner.

“Impositions” has the meaning ascribed to such term in Section 6.3 of this Loan Agreement.

“Improvements” means all on-site and off-site improvements to the Real Property, constituting the Project, together with all fixtures, tenant improvements and appurtenances now or later to be located on the Real Property and/or in such improvements.

“Indemnified Parties” has the meaning ascribed to such term in Section 6.23(a) of this Loan Agreement.

“Indemnitor” means American Baptist Homes of the West, a California nonprofit public benefit corporation.

“Initial Disbursement” means the first disbursement of Bond proceeds in the amount of \$55,000.

“Insolvency Proceeding” means any bankruptcy or other voluntary or involuntary proceeding, in or out of court, for the adjustment of debtor-creditor relationships.

“Investor Affiliate” means entities (a) in which Merritt Community Capital Corporation, has an ownership interest, directly or indirectly, and (b) for which Merritt Community Capital Corporation, manages and controls, directly or indirectly, the management decisions.

“Investor Commitment” means the commitment of the Investor Limited Partner to be admitted as a limited partner of the Borrower and to make its cash Capital Contributions to the Borrower, dated as of June 30, 2009.

“Investor Limited Partner” means MCCC, LLC, and its successors and assigns.

“Issuer” means the County of Contra Costa, a political subdivision of the State of California.

“Issuer Documents” has the meaning given in Section 3.4(e) hereof.

“Lender” means Wells Fargo Bank, National Association, as fiscal agent for the Issuer.

“Liabilities” has the meaning ascribed to such term in Section 6.23(a) of this Loan Agreement.

“Loan” has the meaning ascribed to such term in the Recitals.

“Loan Documents” means the Regulatory Agreement, this Loan Agreement, the Note, the Deed of Trust, the Security Agreement and the other documents listed as Loan Documents in Exhibit B attached to this Loan Agreement.

“Management Agreement” means that certain agreement dated as of April 22, 2009, between Borrower and Project Manager.

“Maturity Date” means December 1, 2011, subject to extension pursuant to Section 3.10 of this Loan Agreement.

“Note” has the meaning ascribed to such term in the Recitals above.

“One-Month LIBO Rate” is the rate of interest, rounded upward to the nearest whole multiple of one hundredth of one percent (.01%), equal to the sum of: (a) two and three quarters percent (2.75%), plus (b) the rate of interest, rounded upward to the nearest whole multiple of one-sixteenth of one percent (.0625%), that is quoted by Lender from time to time as the London InterBank Offered Rate for deposits in U.S. Dollars, at approximately 9:00 a.m. (California time), for a period of one (1) month (“One-Month Rate”), which rate is divided by one (1.00) minus the Reserve Percentage. Any change in an Effective Rate due to a change in the One-Month LIBO Rate shall become effective on the day each such change occurs.

$$\text{One-Month LIBO Rate} = 2.75 \% + \frac{\text{One-Month Rate}}{(1 - \text{Reserve Percentage})}$$

“One-Month Rate” is the rate of interest defined above in the definition of “One-Month LIBO Rate”.

“Operating Statement” has the meaning ascribed to such term in Section 11.4 of this Loan Agreement.

“Option to Extend” has the meaning ascribed to such term in Section 3.10 of this Loan Agreement.

“Original Maturity Date” has the meaning ascribed to such term in Section 3.10 of this Loan Agreement.

“Other Related Documents” means those documents, as hereafter amended, supplemented, replaced or modified from time to time, properly executed and in recordable form, if necessary, listed in Exhibit B attached hereto as Other Related Documents.

“Owner” has the meaning ascribed to such term in the Bond Issuance and Pledge Agreement.

“Partnership Agreement” means that certain First Amended and Restated Agreement of Limited Partnership of Valley Vista Senior Housing, L.P., a California limited partnership, between General Partner and Investor Limited Partner, dated as of November 1, 2009, as the same may be amended, supplemented or amended and restated from time to time.

“Partnership Documents” means the Partnership Agreement and all other instruments and documents now or hereafter executed by partners in Borrower and related to Borrower, including without limitation any promissory notes, contribution agreements, funding agreements or similar documents relating to obligations to contribute or advance money to Borrower.

“Payment and Performance Bonds” has the meaning given in Section 4.1(k) of this Loan Agreement.

“Permitted Encumbrances” means the Regulatory Agreement and other title exceptions shown on Schedule B, Part I of the Lender’s title policy.

“Permitted Operating Expenses” has the meaning ascribed to such term in Section 11.4(b) of this Loan Agreement.

“Permitted Transfer” means a transfer, upon not less than thirty (30) days prior written notice to Lender to permit Lender to complete a Patriot Act Compliance Review, by Investor Limited Partner of any of its limited partnership interests in Borrower to (i) an Investor Affiliate (an assignment to Merritt Community Capital Corporation Fund XIII, L.P. is hereby exempted from the thirty (30) day prior notice provision), provided, however, that all of the following conditions are satisfied: (a) such transfer has been approved in writing by Agency, County, AHP Lender and HUD if such approval is required by such parties, and (b) Investor Limited Partner has delivered to Lender complete and accurate copies of all documentation evidencing such transfer; or (ii) to a non-Investor Affiliate, provided, however, that all of the following conditions are satisfied: (a) Lender has consented in writing, which consent shall not be unreasonably withheld, (b) the transfer has been approved in writing by Agency, County, AHP Lender and HUD, if such approval is required by such parties, and (c) Investor Limited Partner has delivered to Lender complete and accurate copies of all documentation evidencing such transfer. It shall be deemed reasonable for Lender to withhold consent to a transfer of the limited partnership interests that does not meet with the approval of Agency, County, AHP Lender and HUD, if such approval is required by such parties.

“Permitted Transferee” means either an Investor Affiliate or a non Investor Affiliate meeting the criteria set forth above in the definition of a Permitted Transfer.

“Personal Property” means all such personal property and intangibles secured by the Deed of Trust and the Financing Statements.

“Plans and Specifications” means the plans and specifications and/or scope of work for the Project approved in writing by Lender, together with such amendments thereto as are made from time to time in accordance with Section 5.5 of this Loan Agreement.

“Project” has the meaning ascribed to such term in the Recitals.

“Project Agreements” means the Architectural Contract, Construction Contract, Plans and Specifications, Development Management Agreement, Development Services Agreement, and all other contracts and subcontracts entered into in connection with the design, development and construction of the Project.

“Project Costs” means any and all costs incurred by Borrower with respect to the construction of the Project including, without limitation, costs for site preparation, the planning of housing and related facilities and improvements, the acquisition of property, the removal or demolition of existing structures, the construction of housing and related facilities and improvements, and all other work in connection therewith, and all costs of financing, including, without limitation, the cost of consultant, accounting and legal services, other expenses necessary or incident to determining the feasibility of the Project, administrative and other expenses necessary or incident to the Project and the financing thereof (including reimbursement to any municipality, county or entity for expenditures made for the Project) and all other costs approved by Bond Counsel to the extent such costs are paid from the proceeds of the sale of the Bonds.

“Project Manager” means American Baptist Homes of the West, a California nonprofit public benefit corporation.

“Property” means the Real Property, the Personal Property, and the Improvements.

“Qualified Project Costs” means costs paid with respect to the Project that meet each of the following requirements: (i) the costs are properly chargeable to capital account (or would be so chargeable with a proper election by the Borrower or but for a proper election by the Borrower to deduct such costs) in accordance with general Federal income tax principles and in accordance with United States Treasury Regulations §1.103-8(a)(1), provided, however, that only such portion of interest accrued during rehabilitation or construction of the Project shall be eligible to be a Qualified Project Cost as bears the same ratio to all such interest as the Qualified Project Costs bear to all Project Costs; and provided further that interest accruing after the date of completion of the Project shall not be a Qualified Project Cost; and provided still further that if any portion of the Project is being constructed or rehabilitated by an Affiliate (whether as a general contractor or a subcontractor), Qualified Project Costs shall include only (A) the actual out-of-pocket costs incurred by such Affiliate in constructing or rehabilitating the Project (or any portion thereof), (B) any reasonable fees for supervisory services actually rendered by the Affiliate, and (C) any overhead expenses incurred by the Affiliate which are directly attributable to the work performed on the Project, and shall not include, for example, inter company profits resulting from members of an affiliated group (within the meaning of Section 1504 of the Code) participating in the rehabilitation or construction of the Project or payments received by such Affiliate due to early completion of the Project (or any portion thereof); (ii) the costs are paid with respect to a qualified residential rental project or projects within the meaning of Section 142(d) of the Code, (iii) the costs are paid after the earlier of 60

days prior to the date of a declaration 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 the 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 twenty percent (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 eighteen (18) months after the later of the date the expenditure was paid or the date the Project is placed in service (but no later than three (3) years after the expenditure is paid).

“Real Property” has the meaning ascribed to such term in the Recitals.

“Regulatory Agreement” means that certain Regulatory Agreement and Declaration of Restrictive Covenants dated as of November 1, 2009, between the Issuer and Borrower relating to the Bonds, as originally executed, or as it may from time to time be supplemented, modified or amended by any supplemental regulatory agreement.

“Regulatory Costs” means collectively, future, supplemental, emergency or other changes in reserve percentages under Federal Reserve Board Regulation D, assessment rates imposed by the Federal Deposit Insurance Corporation, or similar requirements or costs imposed by any domestic or foreign governmental authority and related in any manner to a Variable Rate.

“Requirements” has the meaning ascribed to such term in Section 5.15(a) of this Loan Agreement.

“Reservation Letter” has the meaning ascribed to such term in Section 8.2(o) of this Loan Agreement.

“Reserve Percentage” means, at any time, the percentage announced by the Lender as the reserve percentage under Regulation D (as promulgated by the Board of Governors of the Federal Reserve System, or its successor) for loans and obligations making reference to a Variable Rate for a specified period, or time remaining in a specified period on a Variable Rate Adjustment Date, as appropriate. The Reserve Percentage shall be based on Regulation D or other regulations from time to time in effect concerning reserves for Eurocurrency Liabilities (as defined in Regulation D) from related institutions as though Lender were in a net borrowing position.

“Secured Obligations” has the meaning ascribed to such term in the Deed of Trust.

“Security Agreement” means that certain Security Agreement to be executed by Borrower and General Partner.

“Single Purpose Entity” has the meaning ascribed to such term in Section 8.5(d) of this Loan Agreement.

“Soils Report” has the meaning ascribed to such term in Section 4.1(g) of this Loan Agreement.

“Subordinate Loans” means, collectively, the County Loan, Agency Loan, TCAP Loan and AHP Loan.

“Tax Certificate” means, collectively, that certain document entitled “Certificate as to Arbitrage,” executed by the Issuer and Borrower and that certain document entitled “Certificate Regarding Use of Proceeds” executed by Borrower, both of which are dated as of the Closing.

“Tax Credits” means low income housing tax credits allocated to the Project pursuant to Section 42 of the Code.

“Taxes” means collectively, all withholdings, interest equalization taxes, stamp taxes or other taxes (except income and franchise taxes) imposed by any domestic or foreign governmental authority and related in any manner to a Variable Rate.

“TCAC” means the California Tax Credit Allocation Committee.

“TCAP Loan” means the loan of TCAP funds in the amount of \$725,000 from TCAC to Borrower.

“Title Company” means Old Republic Title Company.

“Title Policy” has the meaning ascribed to such term in Section 4.1(d) of this Loan Agreement.

1.2 Rules of Interpretation.

(a) This Loan Agreement shall be governed by and construed in accordance with the laws and judicial decisions of the State of California (the “State”), except as they may be preempted by federal rules, regulations and laws applicable to the Issuer. The Issuer and Borrower expressly acknowledge and agree that any judicial action to enforce any rights of the Issuer under this Loan Agreement shall be brought and maintained at the option of the Issuer in the Superior Court of the State of California or in the United States District Court for the Northern District of California or in any United States Bankruptcy Court in any case involving or having jurisdiction over Borrower or over the Project.

(b) The words “herein,” “hereof” and “hereunder” and words of similar import, without reference to any particular Section or subdivision, refer to this Loan Agreement as a whole rather than to any particular Section or subdivision of this Loan Agreement.

(c) References in this Loan Agreement to any particular article, Section or subdivision hereof are to the designated article, Section or subdivision of this Loan Agreement as originally executed.

(d) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with tax basis accounting principles; and all computations provided for herein shall be made in accordance with tax basis accounting principles consistently applied and applied on the same basis as in prior years.

(e) The Table of Contents and titles of Articles and Sections herein are for convenience of reference only and are not a part of this Loan Agreement, and shall not define or limit the provisions hereof.

(f) Unless the context hereof clearly requires otherwise, the singular shall include the plural and vice versa and the masculine shall include the feminine and vice versa.

(g) Articles, Sections, subsections and clauses mentioned by number only are those so numbered which are contained in this Loan Agreement.

(h) Any opinion of counsel required hereunder shall be a written opinion of such counsel.

(i) References to the Bonds as "tax exempt" or to the "tax exempt status of the Bonds" are to the exclusion of interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103(a) of the Code.

1.3 Exhibits Incorporated. Exhibits A, B, C, D, E, F, and G, all attached hereto, are hereby incorporated into this Loan Agreement.

ARTICLE 2 ISSUANCE OF BONDS; PAYMENT OF ISSUANCE COSTS

2.1 Issuance of Bonds. Upon execution of this Loan Agreement, the other Loan Documents and the Bond Documents and the occurrence of all conditions precedent to issuance, or as soon thereafter as practicable, the Issuer will execute the Bonds and deliver the Bonds to the Lender upon payment of the initial installment of the purchase price, filing with the Lender of the opinion of Bond Counsel as to the legality of the Bonds and the furnishing of all other documents required to be furnished before such delivery. The outstanding balance of principal of the Bonds shall be that amount of the purchase price advanced by the Lender from time to time. The purchase price for the Bonds will be advanced by the Lender upon satisfaction of the conditions to purchase contained in this Loan Agreement and concurrently with such advance of purchase price, a corresponding portion of the principal of the Bonds shall be disbursed in accordance with this Loan Agreement.

2.2 Intentionally Deleted.

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

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

- (b) premiums on all insurance required to be secured and maintained during the term of this Loan Agreement;
- (c) all recording and escrow fees and other taxes, charges, assessments, license or registration fees of every nature whatsoever incurred and to be incurred in connection with this financing (other than a tax on the income of Issuer or Lender);
- (d) all reasonable initial fees and expenses of the Lender and the Issuer (including, without limitation, the Issuer's initial bond administration fee);
- (e) the fee payable to Lender pursuant to Section 6.1;
- (f) fees payable to the California Debt Limit Allocation Committee and the California Debt and Investment Advisory Committee; and
- (g) other reasonable costs of issuance.

ARTICLE 3 THE LOAN, LOAN REPAYMENT AND ADDITIONAL CHARGES

3.1 The Loan. The Issuer will, upon the terms and conditions specified herein and in the Bond Documents, lend to Borrower the proceeds of the Bonds, by causing such proceeds to be deposited with the Lender in installments corresponding to the successive "draw-down" purchases of the Bonds by the Lender. The proceeds of the Bonds shall be disbursed as provided herein and in the Bond Issuance and Pledge Agreement and Bond Loan Agreement. The obligation of Borrower to repay the Loan shall be evidenced by the Note from Borrower to the order of Lender, as Fiscal Agent for Issuer. Borrower will repay the Loan in accordance with the provisions of the Note and this Loan Agreement.

3.2 Loan Disbursements. The proceeds of the Bonds shall be disbursed by the Lender only in accordance with a written requisition of Borrower approved in writing by the Lender, which approval shall be granted by the Lender upon satisfaction or waiver by the Lender of the conditions set forth in Article 4 of this Loan Agreement. Disbursements shall then be made according to the final Financial Requirements Analysis prepared by Lender and attached hereto as Exhibit C, and according to the other terms and provisions of the Loan Documents. Lender also reserves the right to receive, review and approve all Project expenditures made prior to the Closing Date.

3.3 Loan Repayment and Payment of Other Amounts. Borrower hereby acknowledges its indebtedness to the Issuer and covenants to repay the Loan, and to pay interest on the amount of the Loan outstanding from time to time in accordance with the following:

- (a) For so long as the One Month LIBO Rate is in effect with respect to the Bonds, Borrower may, at its option, prepay principal on the Note, in whole or in part, in order to effect a redemption of Bonds pursuant to Section 2.9 of the Bond Issuance and Pledge Agreement by paying to Lender an amount equal to the principal amount of the Bonds to be redeemed, together with all accrued and unpaid interest through the date of redemption of Bonds on the portion of principal prepaid, plus any One Month LIBO Rate Price Adjustment payable pursuant to Section 3.5, below.

Borrower shall give Lender not less than fifteen (15) days' advance written notice of its intention to make a prepayment pursuant to this Section 3.3(a).

(b) Following the occurrence of an Event of Default under this Loan Agreement and demand by Lender for redemption of all of the Bonds pursuant to Section 4.01 of the Bond Issuance and Pledge Agreement, Borrower shall immediately pay to Lender the full amount of outstanding principal of the Note, together with all accrued and unpaid interest thereon through the date of redemption of Bonds, plus any One Month LIBO Rate Price Adjustment payable pursuant to Section 3.5, below.

(c) For so long as any portion of the principal of the Loan is outstanding, Borrower shall pay to Lender, on or before the first day of each month, an amount equal to the interest accrued on the Loan during the previous month at the applicable Effective Rate, subject to Section 6.30 hereof.

(d) In the event of damage to or destruction or condemnation of the Project or any part thereof, Borrower shall pay to Lender, for redemption of Bonds pursuant to Section 4.01 of the Bond Issuance and Pledge Agreement, such portion of the Loan as is required to be paid pursuant to Article 13 of this Loan Agreement and Section 5.6 of the Deed of Trust, accrued and unpaid interest through the date of redemption of the Bonds, without premium.

(e) Borrower agrees to pay, at the same time as the monthly payments pursuant to Section 3.3(c) above, if required to do so by written notice from Lender, one-twelfth (1/12th) of the amount budgeted by Borrower for annual premiums for insurance required to be maintained pursuant to this Loan Agreement and for real estate taxes or other charges for governmental service for the current year (except for utility charges) which shall be disbursed by the Lender from time to time.

(f) Borrower agrees to make such other payments to Lender, in the amounts and at the times necessary to enable the Lender, on behalf of the Issuer, to pay all amounts payable with respect to the Bonds when due, whether as principal of, premium, or interest on, or otherwise, and whether at maturity or by redemption (including mandatory sinking fund redemption) or acceleration or otherwise.

(g) Borrower also agrees to pay, (i) without written demand therefor, the fees of the Issuer specified in Section 20 of the Regulatory Agreement (including, without limitation, the Issuer's project monitor fee, if any, its initial bond administration fee and its annual bond administration fee), at the times and in the amounts specified therein; and (ii) within thirty (30) days after receipt of request for payment thereof, all expenses of the Issuer related to the Project and the financing thereof which are not otherwise required to be paid by Borrower under the terms of this Loan Agreement, including, without limitation, legal fees and expenses incurred in connection with the amendment, interpretation and enforcement of any documents relating to the Project or the Bonds and the performance of the Issuer's obligations and exercise of its rights thereunder.

(h) Borrower agrees: (i) to pay to the Lender from time to time reasonable compensation for all services rendered by it (including the reasonable compensation, expenses and disbursements of its agents and counsel) under the Bond Issuance and Pledge Agreement, and any other agreements relating to the Bonds to

which the Lender is a party (collectively, "Ordinary Fees and Expenses"); (ii) except as otherwise expressly provided in the Bond Issuance and Pledge Agreement, this Loan Agreement or such other agreements related to the Bonds or the Project, to reimburse the Lender upon its request for all reasonable expenses, disbursements and advances (including reasonable counsel fees) incurred or made by the Lender (provided that the Lender shall not be required to make advances) in accordance with any provision of the Bond Issuance and Pledge Agreement, or other agreements to which the Lender is a party (including, but not limited to, the reasonable compensation and the expenses and disbursements of its agents and counsel and the cost of printing Bonds), except any such expense, disbursement or advance (provided that the Lender shall not be required to make advances) as may be attributable to its negligence or willful misconduct, (iii) to pay to an arbitrage consultant reasonable compensation for all services rendered by it, and (iv) to pay to the Lender for deposit to the Rebate Fund any rebatable arbitrage required to be paid to the federal government.

3.4 Additional Charges. Borrower agrees to pay each and all of the following (collectively, the "Additional Charges"):

(a) upon the occurrence of an Event of Default under the Bond Issuance and Pledge Agreement, or an Event of Default under this Loan Agreement, to or upon the order of the Lender, when due, all reasonable fees of the Lender for services rendered under the Bond Issuance and Pledge Agreement and any other amounts due under Section 6.23 hereof which are not included in Ordinary Fees and Expenses, and all reasonable fees and charges of any registrars, legal counsel, accountants, engineers, public agencies and others incurred in the performance, on request of the Issuer or Lender, of services required under the Bond Issuance and Pledge Agreement or this Loan Agreement for which such persons are entitled to payment or reimbursement, provided that Borrower may, upon notice to the Lender and without creating an Event of Default hereunder, contest in good faith the necessity or reasonableness of any such services, fees or expenses other than Ordinary Fees and Expenses, but the Lender's final decision shall control;

(b) (i) all indemnity payments required to be made under Sections 6.23, 6.30, 9.4, 15.5 and 16.30 of this Loan Agreement and Section 9 of the Regulatory Agreement (such indemnity payments being due to the Lender, the Issuer or Indemnified Party upon written demand therefor and accruing interest at the Default Rate 60 days after notice of demand therefor); (ii) all reasonable expenses (including reasonable legal fees and expenses) incurred by the Lender in exercising its rights under this Loan Agreement following an Event of Default; and (iii) all other expenses incurred by the Lender in relation to the Project which are not otherwise required to be paid by Borrower under the terms of this Loan Agreement or any separate fee agreement, including costs incurred as a result of a request by Borrower;

(c) interest, at the Default Rate, on all payments not made by Borrower under Section 3.3 and under this Section 3.4 when due, to the parties entitled thereto;

(d) all taxes and assessments of any type or character charged to the Issuer affecting the amount available to the Issuer from payments to be received hereunder or in any way arising due to the transactions contemplated hereby (including taxes and assessments assessed or levied by any public agency or governmental

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

(e) the reasonable fees and expenses of the Issuer or any agent or attorney selected by the Issuer to act on its behalf in connection with this Loan Agreement, the Bond Issuance and Pledge Agreement, the Bond Loan Agreement, the Regulatory Agreement and the Tax Certificate (collectively, the "Issuer Documents"), including, without limitation, any and all reasonable expenses incurred in connection with the authorization, issuance, sale and delivery of any Bonds or in connection with any litigation, investigation or other proceeding that may at any time be instituted involving the Issuer Documents or any other documents contemplated thereby, or in connection with the reasonable supervision or inspection of the Borrower, its properties, assets or operations or otherwise in connection with the administration of the Issuer Documents.

3.5 One Month LIBO Rate Price Adjustment. Borrower acknowledges that any prepayment of the Loan and early redemption of any portion of the Bonds at any time during which the Loan bears interest at a One Month LIBO Rate shall result in Lender's incurring additional costs, expenses and/or liabilities and that it is extremely difficult and impractical to ascertain the extent of such costs, expenses and/or liabilities. Therefore, if any portion of the Bonds are redeemed on any date other than the first business day of a calendar month, Borrower will pay Lender on the date of redemption (in addition to all other sums then owing to Lender) an amount ("One Month LIBO Rate Price Adjustment") equal to the then present value of (a) the amount of interest that would have accrued on the portion of the Bonds redeemed for the remainder of such calendar month at the One Month LIBO Rate in effect as of the first day of such calendar month, less (b) the amount of interest that would accrue on the same portion of the Bonds redeemed for the same period if the One Month LIBO Rate were set on the date of redemption at the One Month LIBO Rate in effect on the Price Adjustment Date. The present value shall be calculated by using as a discount rate the One Month Rate quoted on the date of redemption. Borrower understands, agrees and acknowledges the following: (x) Lender has no obligation to purchase, sell and/or match funds in connection with the use of a One Month Rate as a basis for calculating a One Month LIBO Rate or One Month LIBO Rate Price Adjustment; (y) a One Month Rate is used merely as a reference in determining a One Month LIBO Rate and One Month LIBO Rate Price Adjustment; and (z) Borrower has accepted a One Month Rate as a reasonable and fair basis for calculating a One Month LIBO Rate and a One Month LIBO Rate Price Adjustment. Borrower further agrees to pay the One Month LIBO Rate Price Adjustment, Taxes and Regulatory Costs, if any, whether or not Lender elects to purchase, sell and/or match funds.

3.6 Interest Rate. The Loan shall bear interest at the applicable One Month LIBO Rate, subject to the Interest Rate Floor described in the Note.

3.7 Borrower's Obligations Unconditional. The obligations of Borrower to perform and observe the other agreements on its part contained herein shall be absolute and unconditional and payment of the Loan and Additional Charges and all other payments required of Borrower hereunder or under the Note shall be paid without notice or demand and without set off, counterclaim, or defense for any reason and without abatement or deduction or defense.

Borrower will not suspend or discontinue any such payments, will perform and observe all of its other agreements in this Loan Agreement and, except as expressly permitted in Section 14.1, will not terminate this Loan Agreement for any cause, including, but not limited to, any acts or circumstances that may constitute failure of consideration, destruction or damage to the Project or Borrower's business, the taking of the Project or Borrower's business by Condemnation or otherwise, the lawful prohibition of Borrower's use of the Project or Borrower's business, the interference with such use by any private person or corporation, the invalidity or unenforceability or lack of due authorization or other infirmity of this Loan Agreement, the lack of right, power or authority of the Lender to enter into this Loan Agreement, eviction by paramount title, commercial frustration of purpose, bankruptcy or insolvency of the Issuer or the Lender, change in the tax or other laws or administrative rulings or actions of the United States of America or of the State or any political subdivision thereof, or failure of the Lender to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Loan Agreement, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the payment of the Loan and other amounts payable by Borrower hereunder or under the Note shall be paid in full when due without any delay or diminution whatever.

3.8 Borrower's Remedies. Nothing contained in this Article shall be construed to release the Issuer and/or Lender from the performance of any of its agreements herein, and if the Issuer should fail to perform any such agreements, Borrower may (subject to the limitations of Section 16.26 hereof) institute such action against the Issuer and/or Lender as Borrower may deem necessary to compel such performance so long as such action shall not violate Borrower's agreements in Section 3.4 or diminish or delay the amounts required to be paid by Borrower pursuant to Sections 3.3, 3.4, and 3.5. Borrower, however, acknowledges and agrees that any pecuniary obligation of the Issuer created by or arising out of this Loan Agreement shall be payable solely from the proceeds derived from this Loan Agreement, the sale of the Bonds, any insurance and condemnation awards, or amounts received upon the sale or other disposition of the Project upon a default by Borrower or otherwise.

3.9 Assignment of Issuer's Rights. As security for the payment of the Bonds, the Issuer will pledge the amounts payable hereunder and assign, without recourse or liability, to the Lender, the Issuer's rights with respect to the Loan, including the right to receive payments under the Loan (except for certain rights reserved to Issuer pursuant to the Bond Issuance and Pledge Agreement), and Borrower is hereby directed to make said payments directly to the Lender, or otherwise upon the order of the Lender. Borrower assents to such assignment and will make payments under this Loan Agreement directly to the Lender, or otherwise upon the order of the Lender without defense or set off by reason of any dispute between Borrower, the Issuer, the Owner or the Lender.

3.10 Option to Extend. Borrower shall have the option to extend ("Option to Extend") the Maturity Date (for purposes of this Section, "Original Maturity Date"), to the Extended Maturity Date, upon satisfaction of each of the following conditions precedent:

(a) Borrower shall provide Lender with written notice of Borrower's request to exercise the Option to Extend not more than ninety (90) days but not less than thirty (30) days prior to the Original Maturity Date;

(b) As of the date of Borrower's delivery of notice of request to exercise the Option to Extend, and as of the Original Maturity Date, no Event of Default under any of the Loan Documents shall have occurred and be continuing, and no 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 Borrower shall so certify in writing;

(c) Borrower shall execute or cause the execution of all documents reasonably required by Lender to exercise the Option to Extend and shall deliver to Lender, at Borrower's sole cost and expense, such title insurance endorsements reasonably required by Lender;

(d) There shall have occurred no material adverse change, as determined by Lender in its sole discretion, in the financial condition of Borrower, General Partner, or any Guarantor from that which existed as of the later of: (i) the Effective Date; or (ii) the date upon which the financial condition of such party was first represented to Lender;

(e) Borrower shall represent and warrant that the Partnership Documents and the Investor Limited Partner's obligations to make capital contributions thereunder as approved by Lender pursuant to Section 4.1(l) and 4.1(m) are unamended and in full force and effect and no default has occurred and is continuing under any of the Partnership Documents;

(f) Lender shall have received evidence satisfactory to it that Investor Limited Partner has funded all Capital Contributions required to be funded pursuant to the schedule set forth in Section 1.1 of this Loan Agreement, and such funds have been disbursed to pay Project Costs pursuant to the terms and conditions outlined in the Loan Documents.

(g) Borrower shall provide evidence satisfactory to Lender of Borrower's continued compliance with all TCAC achievement dates;

(h) The Project shall be one hundred percent (100%) complete and Borrower shall obtain and deliver to Lender a copy of a certificate of occupancy issued by the appropriate governmental authority for the Improvements and a certificate of completion from Architect in form and substance reasonably satisfactory to Lender with a copy of the recorded notice of completion and CLTA 101.2 lien free endorsement;

(i) Fifty percent (50%) of the residential units in the Project are leased pursuant to leases that comply with the Regulatory Agreement and all restrictions recorded against the Property; and

(j) Lender shall have determined that there is a sufficient amount in the Project Rental Assistance Contract reserve to pay interest accruing under the Loan until the Extended Maturity Date.

(k) The Subordinate Loan Documents are in full force and effect and Borrower is in compliance with all provisions of the Subordinate Loan Documents;

(l) The balance in the interest reserve as of the Original Maturity Date shall be sufficient to pay interest on the Loan until the Extended Maturity Date;

(m) The HUD Commitment is unamended and in full force and effect and does not expire sooner than 30 days after the Extended Maturity Date; and

(n) Borrower shall pay to Lender an extension fee equal to .20% of the principal amount of the Loan.

Upon extension of the Maturity Date pursuant to this Section 3.10, the maturity date of the Note shall be extended to the date of the Extended Maturity Date. Except as modified by this Option to Extend, the terms and conditions of this Loan Agreement and the other Loan Documents as modified and approved by Lender shall remain unmodified and in full force and effect.

ARTICLE 4 DISBURSEMENT CONDITIONS PRECEDENT

4.1 Conditions Precedent to Initial Disbursement of Proceeds of the Bonds. Lender's obligation under this Loan Agreement (including, without limitation, its obligation to make the Initial Disbursement of Loan proceeds) shall be subject to satisfaction (or waiver by Lender, in its sole discretion) of each of the following conditions precedent:

(a) Delivery of Documents. The documents listed on Exhibit B, (including without limitation all Loan Documents and all Other Related Documents,) shall have been delivered to Lender in form and substance satisfactory to Lender, duly executed (and, if required by Lender, acknowledged) by all of the appropriate parties.

(b) Recorded Documents. The following documents shall have been duly recorded, in the order indicated below, in the Official Records of Contra Costa County, California.

(i) the Regulatory Agreement;

(ii) the Deed of Trust;

(iii) the County Regulatory Agreement;

(iv) the deed of trust securing the obligations of Borrower under the County Loan;

(v) a subordination agreement, in form and content approved by Lender, executed by County subordinating its right to payment under the County Loan and the liens securing the same, and its rights under the County Regulatory Agreement, to the Loan, the Regulatory Agreement and the Deed of Trust;

(vi) a subordination agreement, in form and content approved by Lender, executed by Agency subordinating its right to payment under the Agency Loan and the liens securing the same, and its rights under the Agency Regulatory Agreement, to the Loan, the Regulatory Agreement and the Deed of Trust; and

(vii) the Payment and Performance Bonds (defined below).

(c) Financing Statements. The Financing Statements described in Exhibit B, Paragraph (a), items (v), (vi) and (vii) shall have been filed with the California Secretary of State, and Lender shall have received and approved the results of a UCC search conducted and certified by the California Secretary of State.

(d) Title Insurance. Borrower shall (at its own expense) have obtained a commitment from the Title Company in form and content satisfactory to Lender for delivery to the Lender of a mortgagee's policy of title insurance (the "Title Policy") which complies with the following requirements: (x) the Title Policy shall be issued with respect to the Property, shall show the Deed of Trust as the insured mortgage, shall name the Lender as insured, shall be dated as of the date of recording of the Deed of Trust, shall be in an amount not less than the original principal amount of the Bonds, shall contain no creditor's rights exceptions, and shall be in form and substance reasonably satisfactory to the Lender; and (y) when originally issued, the Title Policy shall be in form ALTA LP-10 (in 2006 form or other form acceptable to Lender) and shall contain such endorsements as Lender may require, including without limitation, CLTA Form 100, 110.9, 111.5, and 116 Endorsements and a commitment to issue such further endorsements as Lender may require, including without limitation, a CLTA Form 102.5/102.7 Endorsement upon completion of construction of foundations without encroachment. All tax liens, real estate taxes, bonds or assessments that are due and payable shall be paid in full prior to the Closing Date. The Title Policy shall insure:

(i) that the fee interest in the Property and title to the Improvements is in Borrower;

(ii) that the Deed of Trust is a valid first lien upon the Property, subject only to Permitted Encumbrances; and

(iii) that the following standard exceptions be waived and insured: (1) facts which would be disclosed by a comprehensive survey of the Property, (2) mechanic's, contractors' or materialmen's liens and lien claims, (3) rights of parties in possession other than residential tenants under leases with a term of one year or less and (4) all other exceptions noted in Schedule B, Section I of the Title Policy.

(e) Subordinate Loan Funds. All proceeds of the Subordinate Loans have been disbursed to pay Project Costs in accordance with the terms of this Loan Agreement other than a retention equal to \$20,000 of the County Loan.

(f) Opinion Letter. The Lender shall have received an original Bond Counsel approving and tax opinion for the Bonds, in form and content satisfactory to Lender, addressed to the Lender.

(g) Delivery of Contracts; Approval of Reports. Lender shall have received and approved in form and substance satisfactory to Lender:

(i) an environmental questionnaire and Phase I environmental site assessment with respect to the presence, if any, of Hazardous Materials on the Property;

(ii) a geotechnical report for the Property in form and substance acceptable to Lender, in its sole and absolute discretion, provided that no disbursements of Bond proceeds for foundation work will be approved by Lender until Lender has received a certification in form and substance acceptable to Lender that the ground preparation work performed by Borrower complies with the geotechnical report dated August 8, 2008 previously submitted to Lender;

(iii) two sets of the Plans and Specifications, certified as complete by the Architect, together with evidence of all necessary or appropriate approvals of all applicable Governmental Authorities;

(iv) evidence of satisfaction of any and all conditions precedent to issuance (other than payment of a fee) of all building permits and similar permits, licenses, approvals, development agreements and other authorizations of Governmental Authorities required in connection with the construction, development and rehabilitation of the Property and Project including, but not limited to, all authorizations, including building permits, annexation agreements, development agreements, subdivision approvals, sewer and water permits, vault permits, encroachment permits, driveway access and curb cut authorizations, and zoning and land use entitlements, and all other approvals, consents, permits and licenses issued or to be issued by any Governmental Authority which are (a) required for the construction, development and rehabilitation of the Project in accordance with the Plans and Specifications and in accordance with all applicable laws, ordinances and regulations and (b) capable of being issued through the date of the requested disbursement, and all of the same shall remain in full force and effect;

(v) copies of any initial study, negative declaration, mitigated negative declaration, environmental impact report, notice of determination or notice of exemption prepared, adopted, certified or filed by or with any Governmental Authority in connection with the Property and Project;

(vi) copies of all documents, agreements, instruments, policies and other materials relating to the Project requested by Lender, including without limitation, all design, architect's, engineering, brokerage and construction contracts; the Development Management Agreement entered into with Satellite Housing, Inc.; all appraisals required by Section 6.2 hereof; and all surveys required by Section 5.14(d), in each case set forth in such detail as Lender may require.

(h) Reservation Letter. Lender shall have received a photocopy of the Reservation Letter.

(i) Utilities. Lender shall have received evidence satisfactory to Lender that all utility services, including, without limitation, gas, water, sewage, electrical and telephone, necessary for the development and occupancy of the Property and Project are available at or within the boundaries of the Property, or Borrower has taken all steps necessary to assure that all such services will be available upon completion of the Project, including a "will serve" letter from each such utility provider.

(j) Fees. Borrower shall have paid to Lender, in good funds, all fees owing pursuant to Sections 6.1 and 6.2 and all costs of issuance of the Bonds.

(k) Payment and Performance Bond as to Construction Contract. Borrower shall have delivered to Lender a payment and performance bond for recording with respect to the Construction Contract meeting the following requirements ("Payment and Performance Bonds"):

(i) the Payment and Performance Bond shall name Borrower and Wells Fargo Bank, National Association, and its successors or assigns as Fiscal Agent under the Bond Issuance and Pledge Agreement as co-obligees;

(ii) the Payment and Performance Bond shall be in an amount not less than one hundred percent (100%) of the costs of the Construction Contract;

(iii) the Payment and Performance Bond shall be issued by a corporate surety licensed to do business in the state of California and approved by Lender;

(iv) the Payment and Performance Bond shall include language to the effect that the Contractor will promptly and faithfully perform its obligations under the Construction Contract and that the surety waives notice of any alteration or extension of time given by Borrower under the Construction Contract;

(v) the Payment and Performance Bond shall include a requirement of the principal to promptly make payment to all claimants; and

(vi) the Payment and Performance Bond shall correctly state Borrower's name and the address of the Project.

(l) Admission of Investor Limited Partner. Borrower shall have delivered to Lender a commitment from an investor or investors acceptable to Lender, in its sole and absolute discretion, to purchase limited partnership interests in the Borrower in the amount of \$8,913,000.00 (the "Investor Limited Partner"). Upon approval by Lender, the Investor Limited Partner shall be admitted as a limited partner in Borrower, and Borrower's Partnership Documents shall be amended, on or before the Closing Date, to reflect the admission of Investor Limited Partner, on terms and conditions reasonably approved by Lender. Without limitation upon the generality of the foregoing, the Partnership Documents, as amended, shall obligate the Investor Limited Partner to make an initial Capital Contribution of \$500,000 on the Closing Date to be incurred for Project Costs approved by Lender or deposited in the Borrower's Funds Account, and to make such other cash Capital Contributions in at least the amounts and at the times set forth in the Partnership Agreement, subject to the terms of the Partnership Agreement.

(m) Assignment to Syndicated Investment Fund; Initial Contribution of Investor Limited Partner. Written confirmation from sponsor of the Investor Limited Partner that the Interest of the Investor Limited Partner has been assigned to an investment fund and upper tier investors have been admitted to the successor Investor Limited Partner and have made commitments to fund equity investments to successor

Investor Limited Partner sufficient to timely and fully fund the Capital Contributions. Such confirmation shall include the date of such admission and the identity of each investor. Borrower shall have caused Investor Limited Partner to have deposited its initial Capital Contribution of \$500,000.00 with the Title Company to pay Project Costs.

(n) Fee Ownership. Borrower shall have delivered to Lender copies of all documents relating to the Borrower's ownership of the Property, including without limitation documents relating to Borrower's fee interest in the Property, and the condition of Borrower's title shall be satisfactory to Lender.

(o) HUD Commitment. Borrower shall have obtained the HUD Commitment from HUD to make a Capital Advance to Sponsor and provide rental assistance payments to the Project, which commitment shall have been assigned to the General Partner, and Borrower shall have submitted the HUD Commitment to the Lender for its approval prior to the Closing Date. Further, no uncured default or failure of condition shall have occurred in connection with the HUD Commitment.

(p) TCAP Loan. Borrower shall have closed the TCAP Loan and received an initial advance of loan proceeds thereunder and TCAC shall have entered a subordination agreement in form and substance satisfactory to Lender subordinating the lien of the TCAP Loan to the lien of the Deed of Trust.

(q) Agency Loan. Borrower shall have delivered to Lender, and Lender shall have approved, copies of the executed loan documents for the Agency Loan, in form and content satisfactory to Lender, and evidence that the Agency Loan has closed.

(r) County Loan. Borrower shall have delivered to Lender, and Lender shall have approved, copies of the executed loan documents for the County Loan, in form and content satisfactory to Lender, and evidence that the County Loan has closed.

(s) AHP Loan. Borrower shall have delivered to Lender, and Lender shall have approved, copies of the executed loan documents for the AHP Loan, in form and content satisfactory to Lender, and evidence that the AHP Loan has closed.

(t) Guaranty. Borrower shall have delivered to Lender a repayment guaranty and a completion guaranty, each executed by Guarantor, in form and substance acceptable to Lender, in its sole and absolute discretion (collectively, the "Guaranty").

(u) CEQA and/or NEPA Compliance. Borrower shall have delivered to Lender copies of any initial study, negative declaration, mitigated negative declaration, environmental impact report, notice of determination or notice of exemption prepared, adopted, certified or filed by or with any governmental authority in connection with the Property and the Project, and all of the above shall be acceptable to Lender in its sole and absolute discretion.

(v) Sufficiency of Funds. Lender shall have received evidence satisfactory to Lender that there will be sufficient funds available to Borrower to complete the Project and cover all costs as shown on the Disbursement Budget attached hereto,

whether from the proceeds of the Loan, the Agency Loan, the AHP Loan, the County Loan, the General Partner Loan, the projected net operating income from the Project and the Capital Contributions of the Investor Limited Partner, or from another source or other sources acceptable to Lender.

(w) Confirmation of Insurance. Lender shall have received and approved in form and substance satisfactory to Lender all insurance policies, certificates, and any other evidence of insurance coverage that Borrower is required to obtain and maintain pursuant to Article 7 of this Loan Agreement.

(x) Construction Contract. Lender shall have approved the Contractor and shall have received and approved, in form and substance satisfactory to Lender, the executed Construction Contract.

(y) Architectural Contract. Lender shall have approved the Architect and shall have received and approved, in form and substance satisfactory to Lender, the executed Architectural Contract.

(z) Development Management Agreement. Lender shall have received and approved, in form and substance satisfactory to Lender, the executed Development Management Agreement between Borrower and Satellite Housing, Inc.

(aa) Reimbursement for Infrastructure Improvements. Borrower shall have caused \$_____ for infrastructure improvements, to be deposited with the Title Company to pay Project Costs with the remainder to be deposited in the GP Account.

4.2 Conditions Subsequent to Initial Disbursement of Proceeds of the Bonds. Lender has permitted the closing of the Bonds and has made the Initial Disbursement of Bond proceeds even though the conditions precedent to the closing of the Bonds and the Initial Disbursement of Bond Proceeds set forth in Sections 4.1(g)(iii) and (iv) (Plans and Specs issuance of governmental permits) Section 4.1(o) (HUD Commitment), Section 4.1(p) (TCAP Loan), Section 4.1(m) (admission of upper tier investor) and Section 4.1(s) (AHP Loan) have not yet been satisfied. Lender shall have no further obligation to fund disbursements of Bond proceeds until such conditions are satisfied and such conditions shall have been satisfied on or before January 31, 2010, as such date may be extended in Lender's sole discretion.

4.3 Conditions Precedent To Any Disbursement. Lender's obligation to consent to any disbursement (including the Initial Disbursement and the final disbursement) shall be subject to the satisfaction (or waiver by Lender, in its sole discretion) of the following conditions precedent:

(a) Application for Payment. Lender shall have received and approved an Application for Payment (as defined in the Disbursement Plan), executed by Borrower, stating the amount of the disbursement then requested and meeting the requirements of the Disbursement Plan attached hereto as Exhibit D, and all other documents, instruments, agreements, certificates, lien waivers and other items required thereunder.

(b) Disbursement Plan Conditions. All of the conditions precedent to the requested disbursement set forth in the Disbursement Plan attached hereto as Exhibit D shall have been satisfied.

(c) Compliance with Financial Requirements Analysis; Borrower's Funds. Borrower shall be in compliance with its obligations under Sections 5.6 and 5.7 of this Loan Agreement. To the extent that Borrower is obligated to deposit Borrower's Funds into the Borrower's Funds Account pursuant to those Sections, such Borrower's Funds shall have been fully disbursed as a condition to any obligation of Lender to make further disbursement of proceeds of the Bonds under the Loan Documents.

(d) Lender Inspections. Lender shall have determined, based upon such inspections and examinations of the progress of construction of the Project as Lender shall elect in its sole judgment to conduct from time to time, that construction of the Project is proceeding in accordance with the Plans and Specifications, as modified by change orders with respect to which Borrower has complied with Section 5.5. Borrower shall have paid all of the costs and expenses of Lender incurred in any such inspection and examination.

(e) Government Inspections. If Lender shall so require, any portion of the Project completed through the date of the requested disbursement which requires inspection or certification by municipal or other Governmental Authorities shall have been inspected and certified as complete and all other necessary approvals shall have been duly issued and Lender shall have received true and correct copies of all such inspections, certificates and approvals or Lender shall have received other evidence, in form and content reasonably satisfactory to Lender, that the Project has been constructed in such a manner as to be in compliance with any such inspections, certificates and approvals.

(f) Title Endorsements. Lender shall have received such endorsements and binders to the Title Policy as Lender may require (including without limitation endorsements confirming the continuing priority of the Deed of Trust with respect to such disbursement, and endorsements confirming that no encroachments exist on the Property or adjoining property). Without limitation upon the generality of the foregoing, Lender shall not be required to consent to any disbursement after the foundations of any of the buildings that form part of the Project have been installed, or at any time for any item other than foundation and pre-foundation items, unless and until the Lender has been furnished, at the sole cost of Borrower, such endorsements to the Title Policy as Lender may require, guaranteeing in effect that the foundations of such buildings have been located and constructed within the boundary lines of the Property and that the foundations do not encroach onto any easements in violation of the terms of any recorded documents related to such easements. Lender shall be furnished, at no cost to it, such surveys and certificates as may be required by the title insurance company in connection with the issuance of such endorsement.

(g) Mechanics' Liens; Stop Notices. No mechanics' lien shall have been recorded against the Property and no stop notice shall have been served upon Lender or the Lender unless there has been issued a surety bond, or such other collateral as is satisfactory to Lender, adequate to release the Project from the lien thereof in accordance with this section), and Lender shall have no reasonable cause to believe that the requested disbursement will be junior in priority of lien to any mechanics'

or material suppliers' lien or to any intervening or other lien upon the Property; if a claim of lien is recorded which affects the Property or Project or a bonded stop notice is served upon Lender and/or Lender, Borrower shall, within twenty (20) calendar days of such recording or service or within five (5) calendar days of Lender's demand, whichever occurs first: (i) pay and discharge the claim of lien or bonded stop notice; (ii) effect the release thereof by recording or delivering to Lender a surety bond in sufficient form and amount; or (iii) provide Lender with other assurances which Lender deems, in its sole discretion, to be satisfactory for the payment of such claim of lien or bonded stop notice and for the full and continuous protection of the lien of the Deed of Trust from the effect of such lien or bonded stop notice.

(h) Compliance With Bond and Loan Documents. Borrower shall have complied with all of the terms and conditions imposed by the Bond Issuance and Pledge Agreement, the Bond Loan Agreement and this Loan Agreement in connection with such disbursement and Lender shall have received a certificate to that effect signed by Borrower.

(i) No Default; Compliance with Bond Documents. There shall exist no Default, as defined in this Loan Agreement, or Default as defined in any of the other Bond Documents and Loan Documents or in the other Related Documents, or event requiring mandatory redemption of the Bonds or event which, with the giving of notice or the passage of time, or both, could be an Default or event requiring mandatory redemption of the Bonds, and Borrower shall have performed all of its obligations under this Loan Agreement and complied with all of the terms and conditions imposed by the Bond Issuance and Pledge Agreement and this Loan Agreement in connection with such disbursement and, if Lender shall so require, Lender shall have received a certificate to that effect signed by Borrower.

(j) Representations and Warranties. All representations and warranties contained in this Loan Agreement shall be true and correct as of the date of the disbursement, and Lender shall have received a certificate restating each of such representations and warranties as true and correct as of the date of the disbursement.

(k) Full Force and Effect. Each of the Bond Documents and Loan Documents shall remain in full force and effect, binding upon all parties thereto.

(l) Status of Project Funds. All of the obligations of Borrower shall have been fully performed and discharged and the Project shall be free and clear of all liens for labor or materials provided to date, and all work performed to date in construction of the Project shall have been accomplished in a good workmanlike manner and in accordance with the Plans and Specifications.

(m) HUD Commitment. The HUD Commitment is in full force and effect.

(n) No Default Under Guaranties. There shall exist no Event of Default under, or revocation or termination of, either of the Guaranties.

(o) No Subordinate Loan Defaults. There shall exist no default under any of the loan documents evidencing or securing the Subordinate Loans or the Agency or County Regulatory Agreements.

(p) No Default Under Project Documents. There shall exist no default by Borrower under any of the Project Agreements.

(q) Issuer Fees. Borrower shall have paid to the Issuer all fees due the Issuer at the time of such disbursement (as defined or described in the Regulatory Agreement) in the amount(s) required by the Issuer.

4.4 Account, Pledge and Assignment, and Disbursement Authorization.

Borrower's Funds shall be deposited into Borrower's Funds Account and the GP Account and disbursed by the Lender to or for the benefit or account of Borrower under the terms of this Loan Agreement, after consent to such disbursement by Lender, upon the written request of any person who has been authorized by Borrower to request such disbursements until such time as written notice of Borrower's revocation of such authority is received by the Lender. As additional security for Borrower's performance under the Loan Documents, Borrower hereby irrevocably pledges and assigns to Lender, and grants to Lender a security interest in Borrower's Funds Account and the GP Account and all moneys at any time deposited in Borrower's Funds Account, as collateral security for the obligations of Borrower under this Loan Agreement and the Note, and agrees that Lender shall have all of the rights of a secured party under the California Uniform Commercial Code in connection therewith.

4.5 Loan Disbursements. Subject to the conditions set forth in Sections 4.1, 4.2, 4.3, and 5.7 of this Loan Agreement, the proceeds of the Bonds and Borrower's Funds shall be disbursed in accordance with the terms and conditions of Exhibit D and applied to Project Costs in accordance with the Financial Requirements Analysis; provided, however, that Lender shall have no obligation to consent to any disbursement of proceeds of the Bonds (other than the initial disbursement pursuant to Section 4.1 hereof) until and unless the conditions set forth in Section 4.1, 4.2, and 4.3 have been satisfied, and all proceeds of the Bonds and Borrower's Funds previously disbursed shall have been disbursed in accordance with the terms and conditions of Exhibit D and applied to Project Costs in accordance with the Financial Requirements Analysis. All costs incurred in connection with the requisition and disbursement of funds from the Project Fund, including, but not limited to, updates to the Title Policy, shall be paid by Borrower. All disbursements shall be held by Borrower in trust and applied by Borrower solely for the purposes for which the funds have been disbursed. Lender has no obligation to monitor or determine Borrower's use or application of the disbursements. All funds held in Borrower's Funds Account shall be disbursed prior to any disbursement by Lender of the proceeds of the Loan.

4.6 Intentionally Deleted.

4.7 Funds Transfer Disbursements. Borrower hereby authorizes Lender to disburse the proceeds of any Loan(s) made by Lender or its affiliate pursuant to the Loan Documents as requested by an authorized representative of the Borrower to any of the accounts designated in Exhibit F. Borrower agrees to be bound by any transfer request: (i) authorized or transmitted by Borrower; or, (ii) made in Borrower's name and accepted by Lender in good faith and in compliance with these transfer instructions, even if not properly authorized by Borrower. Borrower further agrees and acknowledges that Lender may rely solely on any bank routing number or identifying bank account number or name provided by Borrower to effect a wire or funds transfer even if the information provided by Borrower identifies a different bank or account holder than that named by the Borrower. Lender is not obligated or required in any way to take any actions to detect errors in information provided by Borrower. If Lender takes any actions in an attempt to detect errors in the transmission or content of transfer

or requests or takes any actions in an attempt to detect unauthorized funds transfer requests, Borrower agrees that no matter how many times Lender takes these actions Lender will not in any situation be liable for failing to take or correctly perform these actions in the future and such actions shall not become any part of the transfer disbursement procedures authorized under this provision, the Loan Documents, or any agreement between Lender and Borrower. Borrower agrees to notify Lender of any errors in the transfer of any funds or of any unauthorized or improperly authorized transfer requests within fourteen (14) days after Lender's confirmation to Borrower of such transfer.

Lender will, in its sole discretion, determine the funds transfer system and the means by which each transfer will be made. Lender may delay or refuse to accept a funds transfer request if the transfer would: (i) violate the terms of this authorization; (ii) require use of a bank unacceptable to Lender or prohibited by government authority; (iii) cause Lender to violate any Federal Reserve or other regulatory risk control program or guideline; or (iv) otherwise cause Lender to violate any applicable law or regulation.

Lender shall not be liable to Borrower or any other parties for (i) errors, acts or failures to act of others, including other entities, banks, communications carriers or clearinghouses, through which Borrower's transfers may be made or information received or transmitted, and no such entity shall be deemed an agent of the Lender; (ii) any loss, liability or delay caused by fires, earthquakes, wars, civil disturbances, power surges or failures, acts of government, labor disputes, failures in communications networks, legal constraints or other events beyond Lender's control; or (iii) any special, consequential, indirect or punitive damages, whether or not (a) any claim for these damages is based on tort or contract or (b) Lender or Borrower knew or should have known the likelihood of these damages in any situation. Lender makes no representations or warranties other than those expressly made in this Loan Agreement.

ARTICLE 5 CONSTRUCTION COVENANTS

5.1 Commencement and Completion. Borrower shall commence construction of the Project without delay within 30 days of Loan closing, or as earlier required by the CDLAC Bond Allocation, and shall complete construction of the Project on or before the Completion Date and shall deliver to Lender a copy of a certificate of occupancy for all of the Improvements by the appropriate governmental authority and shall cause to be recorded and deliver to Lender a copy of the certificates of occupancy issued by the appropriate Governmental Authority. Notwithstanding the above, Borrower shall meet the "placed in service" requirements under the Reservation Letter.

5.2 Force Majeure. The time within which construction of the Project must be completed shall be extended for a period of time equal to the period of any delay directly affecting construction which is caused by fire, earthquake or other acts of God, strike, lockout, acts of public enemy, riot, insurrection, or governmental regulation of the sale or transportation of materials, supplies or labor; provided, however, that Borrower shall furnish Lender with written notice satisfactory to Lender evidencing any such delay within ten (10) days from the occurrence of any such delay. In no event shall the time for completion of the Project be extended more than sixty (60) days beyond the Completion Date.

5.3 Construction Contract. Borrower and Contractor have entered into the Construction Contract pursuant to the terms and conditions of which Contractor is to construct the Project. Borrower shall require Contractor to perform in accordance with the terms of the

Construction Contract, subject to Section 5.5(a) below, and shall not amend, modify or alter the responsibilities of Contractor under the Construction Contract without Lender's prior written consent. Borrower shall execute, upon Lender's request, an assignment of Borrower's rights under the Construction Contract to the Lender as security for Borrower's obligations under this Loan Agreement and the other Loan Documents and shall cause the Contractor to consent to any such assignment.

5.4 Architectural Contract. Borrower and Architect have entered into the Architectural Contract, pursuant to which Architect is to design the Project. Borrower shall require Architect to perform in accordance with the terms of the Architectural Contract and subject to Section 5.5(a) below, shall not amend, modify or alter the responsibilities of Architect under the Architectural Contract without Lender's prior written consent. Upon Lender's request, Borrower shall execute an assignment of the Architectural Contract, together with the Plans and Specifications relating thereto, to the Lender as additional security for Borrower's performance under this Loan Agreement and the other Loan Documents and shall cause the Architect to consent to any such assignment.

5.5 Plans and Specifications.

(a) Changes: Lender Consent. Except as otherwise provided in this Loan Agreement, Borrower shall not make any changes in the Plans and Specifications without the prior written consent of Lender if such change: (i) constitutes a material change in the building material or equipment specifications, or in the architectural or structural design, value or quality of any of the Project; (ii) would result in an increase of construction costs in excess of \$25,000.00 for any single change or in excess of \$100,000.00 for all such changes; (iii) would affect the structural integrity, quality of building materials, or overall efficiency of operating systems of the Project. Without limiting the above, Lender agrees that Borrower may make minor changes in the Plans and Specifications without Lender's prior written consent, provided that such changes do not violate any of the conditions specified herein. Borrower shall at all times maintain, for inspection by Lender, a full set of working drawings of the Project.

(b) Changes: Submission Requirements. Borrower shall submit any proposed change in the Plans and Specifications to Lender at least ten (10) days prior to the commencement of construction relating to such proposed change whether or not such change is subject to Lender's consent. Requests for any change which requires consent shall be accompanied by working drawings and a written description of the proposed change, submitted on a change order form acceptable to Lender, signed by Borrower and, if required by Lender, also by the Architect and the Contractor. At its option, Lender may require Borrower to provide: (i) evidence satisfactory to Lender of the cost and time necessary to complete the proposed change; (ii) a deposit in the amount of any increased costs into the Borrower's Funds Account in accordance with Section 5.7 below; and (iii) a complete set of "as built" Plans and Specifications for the completed Project.

(c) Consent Process. Borrower acknowledges that Lender's review of any changes and required consent may result in delays in construction and hereby consents to any such delays; provided, however, that Lender will use its best efforts to review such changes in a timely manner.

(d) Final Plans and Specifications. Upon completion of the Project, Borrower shall deliver to Lender within ten (10) days a set of final Plans and Specifications. Notwithstanding the above, final Plans and Specifications shall be subject to the Lender's approval prior to the Closing Date, which approval may include, without limitation, architectural plans and details, exterior elevations, interior finish schedule, structural plans and details, plumbing plans, HVAC plans, electrical plans, Contractor's cost breakdown, grading plans, drainage, sewer, water, street, electrical and gas plans, plot plans, offsite, and landscaping plans.

5.6 Financial Requirements Analysis. Borrower shall apply proceeds of the Bonds in accordance with the Financial Requirements Analysis attached hereto as Exhibit C, and shall construct the Project in accordance with the Plans and Specifications and within the time limits imposed by this Loan Agreement. Promptly and in any event within ten (10) days after Borrower's discovery that the Financial Requirements Analysis does not accurately project the Project Costs which have been and will be incurred in connection with construction of the Project in accordance with the Plans and Specifications, Borrower shall notify Lender of the discrepancy and shall submit to Lender a revised budget of Project Costs.

5.7 Balancing. Borrower agrees to keep the Financial Requirements Analysis "in balance" at all times. The Financial Requirements Analysis is not "in balance" if any undisbursed principal of the Loan, and all sums, if any, to be provided by Borrower as shown in Exhibit C are not at all times equal to or greater than the amount which Lender from time to time determines necessary to: (i) complete each line item category as contained on Exhibit C; (ii) pay, through completion, all costs of development, construction, operation and leasing of the Project in accordance with the Bond Documents and the Loan Documents; (iii) pay all sums which may become payable under the Loan Documents and Other Related Documents; and (iv) enable Borrower to perform and satisfy all of the covenants of Borrower contained in the Loan Documents. If Lender determines at any time that the Financial Requirements Analysis is not "in balance," Borrower shall provide the amount of such deficiency to the Lender for deposit into Borrower's Funds Account within five (5) business days of a written demand from Lender to make such deposit.

5.8 Contractor/Construction Information. Within ten (10) days of Lender's written request, Borrower shall deliver to Lender from time to time in a form acceptable to Lender: (a) a list detailing the name, address and phone number of each contractor, subcontractor and material supplier to be employed or used for construction of the Project together with the dollar amount, including changes, if any, of each contract and subcontract, and the portion thereof, if any, paid through the date of such list; (b) copies of each contract and subcontract identified in such list, including any changes thereto; (c) a cost breakdown of the projected total cost of constructing the Project, and that portion, if any, of each cost item which has been incurred; (d) a construction progress schedule detailing the progress of construction and the projected sequencing and completion time for uncompleted work, all as of the date of such schedule; (e) a copy of the Contractor's valid and current license; and (f) such financial information concerning the Contractor as the Lender may request.

Borrower agrees that Lender may disapprove any contractor, subcontractor or material supplier which, in Lender's good faith determination, is deemed financially or otherwise unqualified; provided, however, that the absence of any such disapproval shall not constitute a warranty or representation of qualification by Lender. Lender may contact any such contractor, subcontractor or material supplier to discuss the course of construction.

5.9 Prohibited Contracts. Without Lender's prior written consent, Borrower shall not contract for any materials, furnishings, equipment, fixtures or other parts or components of the Project (other than for coin operated vending machines), if any third party shall retain any ownership interest (other than lien rights created by operation of law) in such items after their delivery to the Property and Project. Borrower shall have five (5) days to effect the removal of any such retained interest.

5.10 Liens and Stop Notices. If a claim of lien is recorded which affects the Property or Project or a bonded stop notice is served upon Borrower, Lender or Issuer, Borrower shall, within twenty (20) calendar days of such recording or service or within five (5) calendar days of Lender's demand, whichever occurs first: (a) pay and discharge the claim of lien or bonded stop notice; (b) effect the release thereof by recording or delivering to Lender a surety bond in sufficient form and amount; or (c) provide Lender with other assurances which Lender deems, in its sole discretion, to be satisfactory for the payment of such claim of lien or bonded stop notice and for the full and continuous protection of Lender from the effect of such lien or bonded stop notice.

5.11 Construction Responsibilities. Borrower shall construct the Project in a workmanlike manner according to the Plans and Specifications, and the recommendations of any other soils or engineering report approved by Lender. Borrower shall comply with all applicable laws, ordinances, rules, regulations, building restrictions, recorded covenants and restrictions, and requirements of all regulatory authorities having jurisdiction over the Property or Project. Borrower shall be solely responsible for all aspects of Borrower's business and conduct in connection with the Property and Project, including, without limitation, for the quality and suitability of the Plans and Specifications and their compliance with all governmental requirements, the supervision of the work of construction, the qualifications, financial condition and performance of all architects, engineers, contractors, material suppliers, consultants and property managers, and the accuracy of all applications for payment and the proper application of all disbursements. Lender is not obligated to supervise, inspect or inform Borrower or any third party of any aspect of the construction of the Project or any other matter referred to above.

5.12 Assessments and Community Facilities Districts. Without Lender's prior written consent, Borrower shall not cause to become effective or otherwise consent to the formation of any assessment district or community facilities district which includes all or any part of the Property and Project pursuant to: (a) the Mello-Roos Community Facilities Act of 1982; (b) the Municipal Improvement Act of 1913; or (c) any other comparable or similar statute or regulation. Nor shall Borrower cause or otherwise consent to the levying of special taxes or assessments against the Property and Project by any such assessment district or community facilities district.

5.13 Delay. Borrower shall promptly notify Lender in writing of any event causing more than a thirty (30) day delay or interruption of construction, or the timely completion of construction. The notice shall specify the particular work delayed, and the cause and period of each delay.

5.14 Inspections.

(a) Lender shall have the right to enter upon the Property at all reasonable times to inspect the Project and the construction work and to verify information disclosed or required pursuant to this Loan Agreement.

(b) If Lender in its reasonable judgment determines that any work or materials fail to conform to the approved Plans and Specifications or sound building practices, or that they otherwise depart from any of the requirements of this Loan Agreement, Lender may require the work to be stopped and withhold its consent to further disbursements until the matter is corrected. If this occurs, Borrower must correct the work to Lender's satisfaction promptly and, at Lender's request, halt all other work pending completion of such corrective work. No such action by Lender will affect Borrower's obligation to complete the Project in accordance with the Plans and Specifications and on or before the Completion Date.

(c) Lender has no duty to visit Project site, to supervise or observe construction or to examine any books or records. Any site visit, observation or examination by Lender is solely for the purpose of protecting Lender's rights and interests, and may not be relied upon by Borrower or by any third party as a representation or warranty of compliance with this Loan Agreement or any other agreement. No site visit, observation or examination by Lender will impose any liability on Lender or result in a waiver of any default of Borrower or be a representation that Borrower is or will be in compliance with the Plans and Specifications, that the construction is free from defective materials or workmanship, or that the construction complies with all applicable Requirements. Neither Borrower nor any other party is entitled to rely on any site visit, observation or examination by Lender. Lender owes no duty of care to protect Borrower or any other party against, or to inform Borrower or any other party of, any negligent or defective design or construction of the Project or any other adverse condition affecting the Property.

(d) Upon Lender's written request, Borrower shall promptly deliver to Lender: (a) a survey of the Property showing the location of all matters affecting the Property, including the location of boundary lines, easements, rights of way, and setting forth the legal description of the Property; (b) upon completion of the foundations of the Project, a survey showing the location of the Project on the Property and confirming that the Project are located entirely within the Property and do not encroach upon any easement, or breach or violate any governmental requirement; and (c) upon completion of the Project, an as-built survey acceptable to a title insurer for purposes of issuing an ALTA policy of title insurance. All such surveys shall be performed and certified by a licensed engineer or surveyor acceptable to the title insurer.

5.15 Project, Title, Operation and Maintenance.

(a) Neither Lender nor Issuer shall be under any obligation to operate, maintain or repair the Property. Borrower agrees that until this Loan Agreement is terminated pursuant to Section 14.1 hereof, it will, at its own expense, (a) keep the Property in safe repair and in such operating condition as is needed for its operations; (b) make all necessary repairs and replacements to the Property (whether ordinary or extraordinary, structural or nonstructural); (c) subject to the restrictions imposed by the Regulatory Agreement, operate the Project in a sound and economic manner in accordance with usual business practice; (d) operate the Project in compliance with all applicable laws, codes, environmental laws, zoning laws, the ADA (to the extent applicable) and laws regulating construction, occupancy or maintenance of property of a character included in the Project; (e) operate the Project in compliance with Section 6.35 of this Loan Agreement; and (f) comply with all existing and future laws, regulations, orders, building codes and restrictions and requirements of, and all permits and

approvals from, and agreements with and commitments to, all governmental, judicial or legal authorities having jurisdiction over the Property or Borrower's business, conducted thereon or therefrom, and with all restrictive covenants and other title encumbrances encumbering the Property, including without limitation those contained in the Regulatory Agreement (all collectively, the "Requirements").

(b) Borrower shall pay all expenses of the operation and maintenance of the Project including, but without limitation, adequate insurance thereon and insurance against all liability for injury to persons or property arising from the operation thereof, and all taxes and special assessments levied upon or with respect to the Project and payable during the term of this Loan Agreement, all in conformance with and subject to any good faith contest provisions provided in the Deed of Trust.

(c) In the event Borrower shall fail to maintain, or cause to be maintained, the full insurance coverage required by this Loan Agreement or shall fail to keep the Project in good repair and good operating condition and make all necessary repairs and replacements to the Project, the Lender may, after providing Borrower with reasonable notice and the opportunity to remedy the problem(s) identified by Lender, but shall be under no obligation to, contract for the required policies of insurance and pay the premiums on the same or make any required repairs, renewals and replacements; and Borrower agrees to reimburse the Issuer or the Lender to the extent of the amounts so advanced, and in addition shall pay interest on any such amount at the Default Rate from the date such amount was advanced until the date such amount was repaid or reimbursed by Borrower.

(d) Borrower shall obtain or cause to be obtained all necessary permits and approvals for the operation and maintenance of the Project and shall comply with all applicable lawful requirements of any governmental body regarding the use or condition of the Project, whether existing or later enacted or whether involving any change in governmental policy or requiring structural or other changes to part or all of the Project and irrespective of the cost of making the same.

(e) Notwithstanding the provisions of this Section 5.15, Borrower may in good faith contest the validity or the applicability of any law, ordinance, rule or regulation provided that during the period of such contest and any appeal therefrom, (i) such failure to comply with such requirement or requirements will not adversely affect the lien of the Deed of Trust or materially endanger such liens or the Project or any part thereof, (ii) will not subject the Project or any part thereof to loss or forfeiture and (iii) Borrower will post with the Lender, for the benefit of the Owner, cash, a bond or other reasonably acceptable security in an amount equal to 125% of the disputed amount.

(f) Borrower agrees not to permit or suffer others to commit a nuisance in or about the Property or themselves commit a nuisance in connection with their use or occupancy of the Property.

5.16 Advances. Borrower acknowledges and agrees that under this Loan Agreement and certain of the other Loan Documents, the Owner or the Lender may, but shall be under no obligation to, take certain action and make certain advances relating to the Project from certain funds held under the Bond Issuance and Pledge Agreement or otherwise, or to certain other matters as expressly provided therein, and Borrower shall be obligated to repay all

such advances on demand with interest from the date such payment was originally advanced until repaid or reimbursed by Borrower at the Default Rate.

5.17 Alterations to the Project and Removal of Equipment. Without the reasonable consent of Lender, Borrower shall not remodel or make any additions, modifications, alterations, or changes to the Project (collectively referred to as “alterations”) in or to the Project or remove any equipment therefrom other than in the ordinary course of business in the operation of the Project. Notwithstanding the provisions of the Deed of Trust, no such alteration or removal will be made if to do so would impair the character of the Project as a “project” within the meaning of the Act, or impair the exclusion of interest on the Bonds from gross income for federal income tax purposes.

5.18 Construction Schedule. If, based on any construction progress schedule or other materials submitted by Borrower, Lender in its reasonable judgment determines that the Project will not be completed by the Completion Date, Lender may request Borrower in writing to reschedule the work of construction to permit timely completion. In addition, if Lender in its reasonable judgment determines that any building constituting the Project will not be “placed in service” (within the meaning of Section 42 of the Code) by the Completion Date, Lender may request Borrower in writing to reschedule the work of construction. Within fifteen (15) days after receiving such a request from Lender, Borrower must deliver to Lender a revised construction progress schedule showing completion of the Project by the Completion Date. As a condition to any agreement to extend the Completion Date, Lender may require Borrower to confirm by evidence satisfactory to Lender that such extension will not have any adverse effect upon the availability of the Tax Credits for the Project.

5.19 Preservation of Rights. Borrower must obtain, preserve and maintain in good standing, as applicable, all rights, privileges and franchises necessary or desirable for the operation of the Property and the conduct of Borrower’s business thereon or therefrom.

5.20 Maintenance and Repair. Borrower must (i) maintain the Property, including the parking and landscaping portions thereof, in good condition and repair, (ii) promptly make all necessary structural and non-structural repairs to the Project (or cause tenants under any leases to perform such obligation), and (iii) not erect any new buildings, structures or building additions on the Property, without the prior written consent of Lender. Borrower must pay when due all claims for labor performed and materials furnished therefor in connection with any improvement or construction activities.

5.21 Permits, Licenses and Approvals. Borrower must obtain, comply with and keep in effect all building permits and similar permits, licenses, approvals, disposition and development agreements (with the appropriate public entity’s approval conditions) and other authorizations required from governmental bodies in connection with the development and construction of the Property and Project. Borrower must deliver copies of all such permits, licenses and approvals to Lender promptly, and in any event within twenty (20) days after receipt thereof. Borrower shall ensure that any and all disposition and development agreements, including, without limitation, all restrictive covenants contained therein, must be subordinate to the Deed of Trust.

5.22 Performance of Acts. Borrower must perform, upon Lender’s request, all acts necessary to perfect any lien or security interest provided for in the Loan Documents.

5.23 Management Agreement. Lender must review and approve any agreement providing for the management or operation of the Property, including any material modifications or amendments thereto, before Borrower can enter into such agreement, provided, however, the approval of Lender shall not be required for the renewal of any such agreement.

5.24 Tax Receipts. Throughout the term of the Loan, at Borrower's sole expense, Lender must be furnished with a tax services contract issued by a tax reporting agency satisfactory to it.

5.25 Bonds. Borrower shall deliver to Lender dual obligee performance and labor and material payment bonds in form, substance and amount acceptable to Lender. If requested by Lender, Borrower shall record said bond and file the Construction Agreement, if any, in the Office of the County Recorder of the County where the Property and Improvements are located.

ARTICLE 6 BORROWER'S COVENANTS

6.1 Fees. Borrower shall pay or cause to be paid to Lender in cash or by such other means as may be satisfactory to Lender in its sole discretion, on or before execution of this Loan Agreement, a loan fee in the amount of \$136,875.

6.2 Expenses. Borrower shall pay Lender on the closing of the Loan or otherwise upon demand of the Lender all costs and expenses incurred by Lender in connection with: (a) the preparation of this Loan Agreement, all other Loan Documents, Other Related Documents and Bond Documents; (b) the administration of this Loan Agreement, the other Loan Documents and Other Related Documents and Bond Documents for the term of the Loan; and (c) the enforcement or satisfaction by Lender of any of Borrower's obligations under this Loan Agreement, the other Loan Documents or the Other Related Documents or Bond Documents. For all purposes of this Loan Agreement, Lender's costs and expenses shall include, without limitation, all appraisal fees, escrow fees, cost engineering and inspection fees, legal fees and expenses (including, without limitation, those of Lender's in-house counsel), administration/documentation fees, accounting fees, environmental consultant fees, auditor fees, UCC filing fees and/or UCC vendor fees and the cost to Lender of any title insurance premiums, title surveys, reconveyance and notary fees. Borrower recognizes and agrees that formal written appraisals of the Property and Project by a licensed independent appraiser may be required by Lender's internal procedures and/or federal regulatory reporting requirements on an annual and/or specialized basis and that Lender may, at its option, require inspection of the Property and Project by an independent supervising architect and/or cost engineering specialist: (i) prior to each disbursement; (ii) at least once each month during the course of construction even though no disbursement is to be made for that month; (iii) upon completion of the Project; and (iv) at least semiannually thereafter. At its option, Lender may make disbursements from the Loan to cover any expenses or charges which are to be borne by Borrower, including, but not limited to, the cost of any required inspections and/or certifications. If any of the services described above are provided by an employee of Lender, Lender's costs and expenses for such services shall be calculated in accordance with Lender's standard charge for such services.

6.3 Taxes and Impositions. Borrower shall pay or cause to be paid, prior to delinquency, all of the following (collectively, the "Impositions"): (a) all general and specific real property taxes and assessments imposed on the Property; (b) all other taxes and assessments

and charges of every kind that are assessed upon the Property (or upon the owner and/or operator of the Property) and that create or may create a lien upon the Property (or upon any personal property or fixtures used in connection with the Property), including without limitation nongovernmental levies and assessments pursuant to applicable covenants, conditions or restrictions; and (c) all license fees, taxes and assessments imposed on Lender (other than Lender's income or franchise taxes) which are measured by or based upon (in whole or in part) the amount of the obligations secured by the Property. If permitted by law, Borrower may pay or cause to be paid any Imposition in installments (together with any accrued interest). Borrower shall not be required to pay or cause to be paid any Imposition so long as (d) its validity is being actively contested in good faith and by appropriate proceedings, (e) Borrower has demonstrated to Lender's reasonable satisfaction that leaving such Imposition unpaid pending the outcome of such proceedings could not result in conveyance of the Property in satisfaction of such Imposition or otherwise impair Lender's interests under the Loan Documents and (f) if Lender shall so request, Borrower has furnished Lender with a bond or other security satisfactory to Lender in an amount not less than 100% of the applicable claim. Upon demand by Lender from time to time, Borrower shall (g) deliver to Lender, within thirty (30) days following the due date of Imposition, evidence of payment or other satisfaction of such Imposition reasonably satisfactory to Lender and (h) furnish to Lender a tax reporting service for the Property of a type and duration, and with a company, reasonably satisfactory to Lender. Notwithstanding the foregoing, Borrower shall comply with any provisions of the Bond Issuance and Pledge Agreement which require impounding of Impositions and if such provisions are inconsistent with the requirements of this Loan Agreement, the provisions of the Bond Issuance and Pledge Agreement shall control.

6.4 Compliance with Laws. Borrower shall comply with all laws and requirements of Governmental Authorities and all rights of third parties, relating to the Property or Borrower's business or other properties, and deliver to Lender from time to time, within ten (10) days of Lender's request therefor, evidence satisfactory to Lender that Borrower has complied with any such law, requirement or right.

6.5 Maintenance and Security for Project. Borrower shall maintain the Project in good condition and repair (such condition and repair to be consistent with that of competing properties), take all measures reasonably required by Lender to protect the physical security of the Project, and not permit any waste or damage with respect to the Project.

6.6 Notice of Certain Matters. Borrower shall give notice to Lender, within seven (7) days of Borrower's knowledge thereof, of each of the following:

(a) any litigation or claim of any kind affecting or relating to Borrower and involving an amount in excess of \$50,000.00, and any litigation or claim of any kind that might subject Borrower to liability in excess of \$50,000.00, whether covered by insurance or not;

(b) any aspect of the Project that is not in conformity with the Plans and Specifications in a material respect;

(c) the creation or imposition of any mechanic's lien, materialmen's lien or other lien against the Project unless Borrower shall post statutory bonds or other security satisfactory to Lender sufficient to cause the removal of such lien;

(d) the occurrence of any default that remains uncured beyond any applicable notice and cure period by Borrower or any other party under any Project Agreement, or the receipt by Borrower of any notice of default under any Project Agreement;

(e) the occurrence of any dispute between Borrower and any Governmental Authority relating to the Project, the adverse determination of which might materially affect the Project;

(f) the occurrence of any threat or commencement of proceedings in condemnation or eminent domain relating to Borrower's ownership of the Project;

(g) the use of any trade name hereafter used by Borrower in connection with the Project, other than the use of the trade name "Valley Vista Senior Apartments";

(h) any change in Borrower's principal place of business;

(i) the occurrence of any Event of Default or event which, with the giving of notice or the passage of time or both, would constitute an Event of Default; and

(j) the occurrence of any other event or condition causing a material adverse change in the financial condition of Borrower.

6.7 Liens on Property. Borrower shall not cause or suffer to become effective any lien, restriction or other title limitation affecting any part of the Property other than mechanics' liens permitted pursuant to Section 4.3(g), the Regulatory Agreement, the Deed of Trust, the liens of the deeds of trust securing the Subordinate Loans and any other liens or encumbrances previously approved by Lender in writing and the inchoate liens securing the payment of taxes and assessments not delinquent. Borrower acknowledges that, with any project of the magnitude of the Project, modifications of the Plans and Specifications and Loan Documents may be necessary from time to time and that the existence of junior lienholder, who would be required to consent to such modifications in order to protect the priority of the lien of the Deed of Trust, could impair the expeditious completion of the Project, to the detriment of all parties.

6.8 Prohibition of Transfer.

(a) Borrower represents, agrees and acknowledges that:

(i) Development of real property is a highly complex activity which requires substantial knowledge of law and business conditions and practices, and an ability to control, coordinate and schedule the many factors affecting such development. Experience, financial stability, managerial ability and a good reputation in the business community enhance a developer's ability to obtain market rents and/or sales prices and to induce cooperation in scheduling and are taken into account by Lender in approving loan applications.

(ii) Borrower has represented to Lender, not only in the representations and warranties contained in the Loan Documents, but also in its initial credit application and in all of the negotiations connected with the Loan,

certain facts concerning Borrower's financial stability, managerial and operational ability, reputation, skill, and credit worthiness. Lender has relied upon these representations and warranties as a substantial and material consideration in its decision to enter into this Loan Agreement.

(iii) The conditions and terms provided in this Loan Agreement were induced by these representations and warranties and would not have been made available by Lender in the absence of these representations and warranties.

(iv) Borrower's financial stability and managerial and operational ability and that of those persons or entities having a direct or beneficial interest in Borrower are a substantial and material consideration to any third parties who have entered or will enter into agreements with Borrower.

(v) Lender has relied upon the skills and services offered by such third parties and the provision of such skills and services is jeopardized if Borrower breaches its covenants contained below regarding transfers.

(vi) Except as otherwise permitted under Section 6.8(b), a transfer of possession of or title to the Property, or a change in the person or entity operating, developing, constructing or managing the Property would substantially increase the risk of Default under the Loan Documents and significantly and materially impair and reduce Lender's security for the obligations under this Loan Agreement.

(b) In consideration of Lender's induced reliance on such representations, warranties and agreements, Borrower shall not make any transfer prohibited by Section 5.12 of the Deed of Trust. Lender acknowledges that Borrower has granted or may grant an option to purchase or right of first refusal with respect to transfers of the Project to the General Partner. The grant of such option or right of first refusal shall not constitute a violation of this Section 6.8, provided that such option or right of first refusal shall be subject and subordinate to the Deed of Trust.

(c) Without the prior written consent of Lender, Borrower shall not assign Borrower's interest under any of the Bond Documents or Loan Documents, or in any monies due or to become due thereunder, and any assignment without such consent shall be void.

6.9 Management of Property. In accordance with the Management Agreement, the Project Manager shall provide management, leasing and operation services for the Project. Borrower shall not substitute the Project Manager or amend the Management Agreement, without the prior written consent of Lender.

6.10 Income to be Applied to Debt Service. Prior to distributing any portion of the same to any partner of Borrower, Borrower shall apply all Gross Operating Income from the Property and the Project to the payment of (a) amounts currently payable under this Loan Agreement and the other Loan Documents, (b) amounts currently payable under the Subordinate Loans, and (c) expenses of construction and operation of the Property (including any development fee to the extent payment of such development fee is allowed pursuant to the Disbursement Plan attached to this Loan Agreement).

6.11 Proceeds of the Capital Contributions. Until all sums owing under the Loan Documents and Other Related Documents have been paid in full, none of the proceeds of the Capital Contributions shall be used for any purpose other than payment of (a) amounts payable under this Loan Agreement and the other Loan Documents, (b) amounts payable under the Subordinate Loans, and (c) expenses of construction and operation of the Property (including any development fee to the extent payment of such development fee is allowed pursuant to the Disbursement Plan attached to this Loan Agreement), unless Lender consents in writing to such other use. Further, Borrower covenants and agrees that Borrower will comply and cause General Partner to comply with all obligations and requirements under the Partnership Documents necessary to cause the Investor Limited Partner to timely fund all Capital Contributions.

6.12 Regulatory Agreement Compliance. Borrower shall provide to Lender an annual certification of compliance with all applicable provisions of the Regulatory Agreement and Section 42 of the Code.

6.13 HUD Commitment and Subordinate Loans. Borrower shall keep the HUD Commitment in full force and effect, and shall timely perform all obligations of Borrower and shall satisfy all conditions, and shall cause General Partner to timely perform its obligations and satisfy all conditions, contained in such commitments, contracts and agreements on or before the Maturity Date. Borrower shall deliver to Lender copies, certified by Borrower to be true and correct, of the documents that evidence and secure the Subordinate Loans and the HUD Commitment, the form and content of which shall be subject to Lender's reasonable approval. Borrower shall at all times fully and timely comply and cause General Partner (with respect to the HUD Commitment), the Property and Improvements to comply with all applicable terms and conditions of the documents that evidence and secure the Subordinate Loans and the HUD Commitment, and shall provide Lender with such verification of that compliance from time to time as reasonably requested by Lender.

6.14 Americans With Disabilities Act Compliance. Borrower shall comply with all of the requirements of the ADA, as amended from time to time, which are applicable to the Project. Borrower shall be responsible for all ADA compliance costs.

6.15 ERISA Compliance. Borrower shall at all times comply with the provisions with respect to any retirement or other employee benefit plan to which it is a party as employer, and as soon as possible after Borrower knows, or has reason to know, that any "reportable event" (as defined in ERISA) with respect to any such plan of Borrower has occurred, it shall furnish to Lender a written statement setting forth details as to such reportable event and the action, if any, which Borrower proposes to take with respect thereto, together with a copy of the notice of such reportable event furnished to the Pension Benefit Guaranty Corporation.

6.16 Leasing. Borrower shall comply at all times with all requirements of the Regulatory Agreement; and all leases of all or any part of the Project shall be on a form of lease approved by Lender prior to Borrower's execution of any such lease. All standard lease forms and any material deviation from any form, shall be approved by Lender prior to execution of any lease using such form. Borrower also agrees that Lender shall have the right to review and approve all existing leases of all or any part of the Project. Borrower agrees not to deviate from the rental schedule presented in Borrower's application for the Loan and the Tax Credits without the prior written approval of Lender. Borrower also agrees not to enter into any residential lease agreements on the Property until Borrower has executed the Investor Commitment and entered

into a Partnership Agreement with the Investor Limited Partner, pursuant to Section 4.1(I) hereof.

6.17 Further Assurances. Upon Lender's request and at Borrower's sole cost and expense, Borrower shall execute, acknowledge and deliver any other instruments and perform any other acts necessary, desirable or proper, as determined by Lender, to carry out the purposes of this Loan Agreement and the other Loan Documents and Bond Documents or to perfect and preserve any liens created by the Loan Documents; provided, however, that no such instruments or acts shall change the economic terms of the transactions described herein or expand the liability of the parties hereunder. In addition, upon any modification of any Loan Document or Bond Document, Borrower shall, at Borrower's sole cost and expense, deliver to Lender, in form and content reasonably satisfactory to Lender, a written confirmation of any subordination agreement described on Exhibit B attached hereto.

6.18 Books and Records. Borrower shall maintain complete books of account and other records for the Project and for disbursement and use of the proceeds of the Bonds and Borrower's Funds, and the same shall be available for inspection and copying by Lender upon reasonable prior notice.

6.19 Reservation Letter; Tax Credits. Borrower shall take all action necessary to maintain the Reservation Letter in full force and effect and to obtain the Tax Credits reserved in the Reservation Letter. Borrower shall not amend, modify or terminate, or allow to lapse or expire, the Reservation Letter. Borrower shall satisfy all conditions precedent to the issuance of the Tax Credits as soon as reasonably possible and in any event prior to the date upon which the Reservation Letter (or the reservation of Tax Credits described therein) would expire or lapse. Borrower shall comply, and cause the Project to comply, with all requirements imposed by the Code or by Governmental Authorities in order to preserve the Tax Credits in the full amount provided in the Reservation Letter. Without limitation upon the foregoing, Borrower shall timely file all certifications and reports required in connection with the Tax Credits, and shall deliver copies of such certifications and reports to the Lender concurrently with the filing of the same.

6.20 Covenant for the Benefit of Owner and Lender. Borrower recognizes the authority of the Issuer to assign its interest in and pledge moneys receivable under this Loan Agreement (other than certain rights of the Issuer reserved pursuant to the Bond Issuance and Pledge Agreement) to the Lender as security for the payment of the principal of and interest and redemption premiums, if any, on the Bonds, and the payment of all other amounts as set forth in Sections 3.3 and 3.4 of this Loan Agreement. Borrower hereby (i) agrees to be bound by the Issuer's grant of such assignment and pledge, (ii) grants to the Lender a security interest in any right and interest Borrower may have in sums held by Lender pursuant to this Loan Agreement or the Bond Issuance and Pledge Agreement, to secure the obligations of Borrower under this Loan Agreement and the other Loan Documents and (iii) agrees that the Lender shall have all of the rights of a secured party under the California Uniform Commercial Code in connection with such security interest. Each of the terms and provisions of this Loan Agreement is a covenant for the use and benefit of the Owner and the Lender, so long as the Bonds shall remain Outstanding; but upon payment in full of the Bonds in accordance with the Bond Issuance and Pledge Agreement and of all fees and charges requested under Sections 3.3 and 3.4 of this Loan Agreement, all references in this Loan Agreement to the Lender, the Bonds and the Owner shall be ineffective, and the Owner and the Lender shall thereafter have no rights hereunder, save and except those that shall have theretofore vested or that arise from provisions hereunder which survive termination of this Loan Agreement.

6.21 Inspection and Access. Borrower agrees that the Issuer, the Lender and their duly authorized agents, shall have the right to examine and inspect during normal business hours, and for that purpose to enter upon, the Property, and shall also have such right of access thereto at reasonable times and under reasonable conditions and subject to the rights of tenants in possession as may be reasonably necessary to cause the Project to be properly maintained in accordance with Article 5 of this Loan Agreement and in accordance with the applicable provisions of the other Loan Documents. In each instance, the Issuer, the Lender and their duly authorized agents will give Borrower reasonable notice before entering the Project premises and make reasonable efforts to avoid interfering with Borrower's use of the Property when exercising any of the rights granted in this Section.

(a) Subject to the restrictions of all applicable laws, Borrower hereby covenants to execute, acknowledge and deliver all such further documents, and do all such other acts and things as may be necessary in order to grant to the Issuer and the Lender the rights of access and entry described herein and agrees that such rights of access and entry shall not be terminated, curtailed or otherwise limited by any assignment, lease or other transfer of the Property by Borrower to any other person and subject to the rights of tenants in possession at reasonable times and under reasonable conditions.

6.22 Annual Statement; Continuing Disclosure.

(a) Borrower covenants that as long as any amount owed by Borrower under this Loan Agreement remains unpaid, at Borrower's sole cost and expense, to furnish the Lender with annual audited operating statements and balance sheets, which shall be prepared by an independent accounting firm with respect to Borrower, and with annual unaudited financial statements for the General Partner certified by its chief financial officer. The Lender shall have no responsibility to review such statements.

(b) Borrower covenants and agrees to take all actions required in order to comply with Rule 15c2 12 adopted under the Securities Exchange Act of 1934, as the same may be amended from time to time, if such compliance is required at any time while amounts outstanding under this Loan Agreement remain unpaid to effect such compliance.

6.23 Indemnity.

(a) To the fullest extent permitted by law, the Borrower agrees to indemnify, hold harmless and defend the Issuer, the Lender, and each of their respective officers, governing members, directors, officials, employees, attorneys and agents (collectively, the "Indemnified Parties"), against any and all losses, damages, claims, actions, liabilities, costs and expenses of any conceivable nature, kind or character (including, without limitation, reasonable attorneys' fees, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) (collectively, "Liabilities") to which the Indemnified Parties, or any of them, may become subject under or any statutory law (including federal or state securities laws) or at common law or otherwise, arising out of or based upon or in any way relating to:

(i) the Bonds, the Bond Issuance and Pledge Agreement, this Loan Agreement or any other document to which the Issuer is a party, or the

execution or amendment hereof or thereof or in connection with transactions contemplated hereby or thereby, including the issuance, sale or resale of the Bonds;

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

(iii) any lien or charge upon payments by the Borrower to the Issuer and the Lender hereunder, or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges imposed on the Issuer or the Lender in respect of any portion of the Project;

(iv) any violation of any environmental regulations with respect to, or the release of any hazardous substances from, the Project or any part thereof;

(v) the defeasance and/or redemption, in whole or in part, of the Bonds;

(vi) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact contained in any offering statement or disclosure or continuing disclosure document for the Bonds or any of the documents relating to the Bonds, or any omission or alleged omission from any offering statement or disclosure or continuing disclosure document for the Bonds of any material fact necessary to be stated therein in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

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

(viii) the Lender's administration or servicing of the Loan pursuant to the Bond Issuance and Pledge Agreement, or the exercise or performance of any of its powers or duties thereunder or under any of the documents relating to the Bonds to which it is a party;

except (a) in the case of the foregoing indemnification of the Lender or any of its respective officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the negligence or willful misconduct of such Indemnified Party; or (b) in the case of the foregoing indemnification of the Issuer or any of its officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the willful misconduct of such Indemnified Party. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, the Borrower, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise

or settle the same in its sole discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the Borrower shall pay the reasonable fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of the Borrower if in the judgment of such Indemnified Party a conflict of interest exists by reason of common representation or if all parties commonly represented do not agree as to the action (or inaction) of counsel.

(b) The rights of any persons to indemnity hereunder and rights to payment of fees and reimbursement of expenses hereunder shall survive the final payment or defeasance of the Bonds and in the case of the Lender any resignation or removal. The provisions of this Section shall survive the termination of this Loan Agreement.

6.24 Keeping Guarantor and Investor Limited Partner Informed. Borrower must keep each of the Guarantor and Investor Limited Partner informed of Borrower's financial condition and business operations, the condition and all uses of the Property, including all changes in condition or use, and any and all other circumstances that might affect Borrower's ability to pay or perform its obligations under this Loan Agreement.

6.25 Status of Borrower.

(a) Throughout the term of this Loan Agreement, Borrower will maintain its existence as a limited partnership under the laws of the State of California in good standing and qualified to transact business in the State and will not wind up or otherwise dispose of all or substantially all of its assets.

(b) Notwithstanding the provisions of the Deed of Trust, Borrower shall not effect a merger, consolidation or transfer if the result thereof would cause the interest on the Bonds (in the hands of any person who is not a "substantial user" of the Project or a "related person") to become includable in gross income for federal income tax purposes.

(c) Upon any change in the status of Borrower, by way of substitution, sale or otherwise of Borrower, the Issuer and Lender shall be promptly informed and, if requested, Borrower as newly constituted shall deliver to the Issuer and the Lender an instrument in form satisfactory to each of them affirming the liability of Borrower hereunder.

6.26 Filing of Financing Statements. Borrower agrees that it will, at its sole expense, file or cause to be filed or authorize the filing of, on or before November 1 of each fifth calendar year in which the Loan remains outstanding, commencing November 1, 2014, any financing statements or continuation statements required or requested by the Lender to perfect and preserve the security interest of the Issuer and the Lender in this Loan Agreement and the payments to be made hereunder, as granted in the Bond Issuance and Pledge Agreement. Borrower agrees to provide a copy of each such filing to the Lender.

6.27 Negative Covenants. Without Lender's prior written consent, Borrower may not:

- (a) engage in any business activities substantially different from Borrower's present business;
- (b) liquidate or dissolve Borrower's business;
- (c) lease (other than to tenants at the Project) or dispose of all or a substantial part of Borrower's business or Borrower's assets;
- (d) enter into any consolidation, merger, pool, joint venture, syndicate or other combination, except as permitted by Section 5.12 of the Deed of Trust.

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

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

6.30 Loss of Tax Exclusion. Borrower understands that the interest rates provided under the Note and this Loan Agreement have been established on the assumption that interest paid on the Bonds will be excludable from the Owner's gross income under Section 103 of the Code and applicable State law. In the event that (i) Borrower receives notice from Lender that Lender has discovered any facts or circumstances that would cause interest paid on the Bonds not to be tax-exempt; or (ii) any Owner receives notice from the Internal Revenue Service or other Governmental Authority that interest payable on the Bonds is not tax-exempt, or that the Internal Revenue Service is challenging the tax-exempt status of the Bonds, then the interest rate shall be increased, both prospectively and retroactively, to a variable rate equal to three and one-half percent (3.50%) in excess of the One Month Rate, with the rate hereunder changing concurrently with each change in the One Month Rate, but in no event less than 5.50%, and Borrower shall pay to the Owner promptly upon demand an amount sufficient to adjust previous payments of interest to the increased rate. Borrower shall also indemnify, defend and hold Issuer and Lender harmless from any penalties, interest expense or other costs, including reasonable attorneys' fees (including all charges of Issuer's and Lender's internal and tax counsel) and accountants' costs, resulting from any dispute with the Internal Revenue Service concerning the exclusion from gross income for federal income tax purposes of interest on the Bonds and the interest payable to any Owner on the Bonds, and upon receipt by Lender of the amounts set forth in the foregoing indemnity, Lender shall assign to Borrower

any claims it may have against third parties for negligent acts or omissions in connection with the failure of interest on the Bonds to be excludable from gross income for federal income tax purposes. The Issuer shall have the right to enter into closing agreements with the Internal Revenue Service in the Issuer's sole discretion, and any liability arising under such closing agreements shall be paid by Borrower. If, following any increase in interest rates pursuant to this Section 6.30, a final determination is made, to the satisfaction of Owner, that interest paid on the Bonds is excludable from Owner's gross income under Section 103 of the Code and applicable State law, Owner shall promptly refund to Borrower any additional interest paid by the Borrower pursuant to this Section 6.30. The obligations of Borrower under this paragraph shall survive termination of this Loan Agreement and repayment of the Loan.

6.31 Taxes, Regulatory Costs and Reserve Percentages. Upon Lender's demand, Borrower shall pay to Lender, in addition to all other amounts which may be, or become, due and payable under this Loan Agreement and the other Loan Documents, any and all Taxes and Regulatory Costs, to the extent they are not internalized by calculation of a Variable Rate. Further, at Lender's option, the Variable Rate shall be automatically adjusted by adjusting the Reserve Percentage, as determined by Lender in its prudent banking judgment, from the date of imposition (or subsequent date selected by Lender) of any such Regulatory Costs. Lender shall give Borrower notice of any Taxes and Regulatory Costs as soon as practicable after their occurrence, but Borrower shall be liable for any Taxes and Regulatory Costs regardless of whether or when notice is so given.

6.32 Amendment of Regulatory Agreement. Borrower shall not suffer or permit to become effective any restrictions which impose requirements with respect to the occupancy, leasing or operation of the Project which are materially more burdensome than those contained in the Regulatory Agreement as of the date of this Loan Agreement, without first obtaining the consent of Lender to the imposition of such restriction.

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

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

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

(c) the Borrower shall compute, or cause to be computed, and will pay to the United States, any amount required to be paid by the Issuer or the Borrower pursuant to Section 148(f) of the Code, at the times, in the amounts and at the places required in order to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes, until the earlier of (i) November 1, 2014, or (ii) the date on which no Bonds remain outstanding;

(d) the use of not less than ninety five percent (95%) of the net proceeds of the Bonds (within the meaning of Section 142(a) of the Code) shall be used to pay Qualified Project Costs;

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

(f) no changes will be made to the Project, no actions will be taken by the Borrower, and the Borrower will not omit to take any actions, which will in any way adversely affect the tax exempt status of the interest on the Bonds;

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

(h) the full amount of each disbursement from the Loan will be applied to pay or to reimburse the Borrower for the payment of Project Costs and, after taking into account any proposed disbursement, (i) at least ninety five percent (95%) of the net proceeds of the Bonds (as defined in Section 150 of the Code) will be used to pay Qualified Project Costs to provide a qualified residential rental project (as defined in Section 142(d) of the Code), (ii) not more than two percent (2%) of the proceeds of the Bonds will have been used for Costs of Issuance (as defined in the Regulatory Agreement), and (iii) none of the proceeds of the Bonds (as defined for purposes of Section 147(g) of the Code) will be disbursed to provide working capital;

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

(j) all leases for the Project will comply with all applicable laws and the Regulatory Agreement;

(k) in connection with any lease or grant by the Borrower of the use of the Project, the Borrower will require that the lessee or user of any portion of the Project not use that portion of the Project in any manner which would violate the covenants set forth in this Loan Agreement or the Regulatory Agreement;

(l) no portion of the proceeds of the portion of the Loan shall be used to provide any airplane, skybox or other private luxury box, health club facility, facility primarily used for gambling, or store the principal business of which is the sale of alcoholic beverages for consumption off premises, and no portion of the proceeds of the Loan shall be used for an office unless (i) the office is located on the premises of the facilities constituting the Project and (ii) not more than a de minimus amount of the functions to be performed at such office is not related to the day-to-day operations of the Project; and

(m) no proceeds of the Bonds will be used, for the acquisition of any tangible property or an interest therein, other than land or an interest in land, unless the first use of such property was pursuant to such acquisition; provided, however, that this limitation shall not apply with respect to any building (and the equipment therefor) if rehabilitation expenditures (as defined in the Code) with respect to such building equal or exceed fifteen percent (15%) of the portion of the cost of acquiring such building (and equipment) financed with proceeds of the Bonds; and provided, further, that this limitation shall not apply with respect to any structure other than a building if rehabilitation expenditures with respect to such structure equal or exceed one hundred percent (100%) of the portion of the cost of acquiring such structure financed with the proceeds of the Bonds.

6.34 Restrictions on Use. All existing and future restrictions on use of the Real Property and Improvements, including without limitation any restrictions which limit development or operation of the Real Property and Improvements such as income or affordability restrictions, shall be subject to the approval of Lender and shall at all times remain subordinate to the Deed of Trust. Borrower agrees to deliver to Lender such evidence as Lender may require from time to time of compliance with all governmental regulations or restrictions on the lawful construction, use, occupation and operation of the Real Property and Improvements.

6.35 Affordability Restrictions. Borrower shall maintain the Project in the following manner: of the 105 units, 6 shall be affordable to households earning no more than 30% of the Area Median Income; 98 units shall be affordable to households earning no more than 50% of the Area Median Income; and one (1) unit shall be designated as a manager's unit for which no rent shall be paid.

6.36 Assignment of Partnership Interests in Borrower. Lender reserves the right to require an assignment of all partnership interests in the Borrower if Lender shall deem such assignment necessary, in its sole and absolute discretion, to provide adequate security for the Loan.

6.37 No Amendments. Borrower shall not amend, modify or terminate without Lender's prior written consent and shall keep in full force and effect the Subordinate Loan Documents, and the HUD Commitment. Borrower shall cause General Partner not to amend, modify or terminate without Lender's prior written consent and shall cause General Partner to keep in full force and effect the HUD Commitment.

6.38 Partnership Documents. Borrower agrees as follows with respect to the Partnership Documents:

(a) Borrower shall fully comply with and perform all of the obligations of Borrower under the Partnership Documents. Borrower agrees not to materially amend, materially modify or terminate the Partnership Documents without Lender's prior written consent which shall not be unreasonably withheld or delayed; provided, however, the Partnership Documents may be amended or modified without Lender's prior written consent to (i) to effectuate a Permitted Transfer, (ii) to correct scrivener's errors in the Partnership Documents, or (iii) to conform the Partnership Documents to the requirements of Section 42 of the Code and the regulations promulgated thereunder, or (iv) to conform the Partnership Documents to the requirements of TCAC or the requirements of the welfare exemption. Borrower shall notify Lender and promptly deliver to Lender copies of all written notices by any party under the Partnership

Agreement. All funds received by Borrower from the Capital Contributions of Investor Limited Partner pursuant to the Partnership Documents are to be paid promptly to Lender for application to costs of construction of the Improvements or repayment of the Loan as set forth in this Loan Agreement.

(b) Borrower shall not (i) issue any partnership interests or equity interests other than as set forth in the Partnership Agreement or as required in order to effect Permitted Transfers; (ii) dissolve; (iii) cause the removal or replacement of the General Partner other than as provided in Section 16.40; or (iv) except as otherwise permitted under the terms of the Partnership Documents materially reduce the amount of the Capital Contributions or alter the time for payment or impair or alter the obligations of the Investor Limited Partner or a Permitted Transferee to make or fully fund Capital Contributions in the amounts set forth in Section 1.1 of this Loan Agreement, provided however that this Section 6.38(b) shall not prevent the Borrower from accepting any Capital Contributions under the Partnership Agreement; and the Partnership Documents shall remain in full force and effect until all sums owing with respect to the Loan have been paid.

ARTICLE 7 INSURANCE

Borrower shall, while any obligation of Borrower or any of the Guarantors under any Loan Document remains outstanding, maintain at Borrower's sole expense, with licensed insurers approved by Lender, the following policies of insurance in form and substance satisfactory and with deductible amounts satisfactory to Lender:

7.1 Title Insurance. Delivery of the Title Policy is required pursuant to Section 4.1(d). During the term of the Loan, Borrower shall deliver to Lender, within five (5) days of Lender's written request, such endorsements to the Title Policy as Lender may require. Without limiting the foregoing, upon request of Lender after completion of the Improvements, Borrower shall provide a valid Notice of Completion evidencing that the Improvements are 100% complete and shall cause the Title Company to issue to Lender a lien-free endorsement to the Title Policy in form and content satisfactory to Lender.

7.2 Property Insurance. During the course of construction of the Project, a builder's risk completed value hazard insurance policy in the full replacement cost of the improvements, including, without limitation, such endorsements as Lender may require, insuring Lender against damage to the Property and Project in an amount accepted to Lender. With respect to all completed improvements, a policy of "all risk" comprehensive fire and casualty insurance in the full replacement cost of the improvements, with agreed value and such other endorsements as Lender may require, and policy of rental interruption insurance covering a period of not less than twelve (12) months. Policies required pursuant to this Section 7.2 shall insure against loss from such risks, losses or hazards as Lender may from time to time require, including riot, civil commotion, vandalism, malicious mischief, terrorism, earthquake and earth movement.

7.3 Flood Hazard Insurance. A policy of flood insurance, as required by applicable governmental regulations, or as deemed necessary by Lender if the Property is located in a flood zone pursuant to those certain NFIP maps issued by the Federal Emergency Management Agency covering the Property, in an amount required by Lender, but in no event

less than the amount sufficient to meet the requirements of applicable law and governmental regulations.

7.4 Liability Insurance. A policy of comprehensive general liability insurance with limits as required by Lender, insuring against liability for injury and/or death to any person and/or damage to any property occurring on the Property and/or in the Project from any cause whatsoever naming Lender as an additional insured party.

7.5 Other Insurance. Borrower shall procure and maintain worker's compensation and such other insurance as required by applicable law, which insurance shall be in form, substance, amount and issued by an insurance company, all subject to the approval of the Lender.

7.6 General. Borrower shall provide to Lender the originals of all required insurance policies, or other evidence of insurance acceptable to Lender. All insurance policies shall provide that the insurance shall not be cancelable or materially changed without ten (10) days prior written notice to Lender. Issuer and Lender shall be named under a Mortgagee's Loss Payable Endorsement (Form #438BFU or equivalent) on all casualty insurance policies which Borrower actually maintains with respect to the Property and Project. Borrower shall provide to Lender evidence of any other hazard insurance Lender may deem necessary at any time during the term of the Loan.

ARTICLE 8 REPRESENTATIONS AND WARRANTIES OF BORROWER

8.1 Intentionally Deleted.

8.2 Representations and Warranties of Borrower. Borrower makes the following representations and warranties:

(a) Authority/Enforceability. Borrower is in compliance with all laws and regulations applicable to its organization, existence and transaction of business and has all necessary rights and powers to own and develop the Project as contemplated by the Loan Documents.

(b) Binding Obligations. Borrower is authorized to execute, deliver and perform its obligations under the Loan Documents, and such obligations shall be valid and binding obligations of Borrower.

(c) Formation and Organizational Documents. Borrower has delivered to Lender all formation and organizational documents of Borrower (including, without limitation, the Partnership Agreement and the Partnership Documents), of the partners, joint venturers or members of Borrower, if any, and all of the Guarantors of the Loan, if any, including all exhibits to such documents and all related filings or recorded documents, and all such formation and organizational documents remain in full force and effect and have not been amended or modified since they were delivered to Lender. Borrower shall immediately provide Lender with copies of any amendments or modifications of the formation or organizational documents.

(d) No Violation. Borrower's execution, delivery, and performance under the Loan Documents do not: (a) require any consent or approval not heretofore

obtained under any partnership agreement, operating agreement, articles of incorporation, bylaws or other document; (b) violate any governmental requirement applicable to the Project or any other statute, law, regulation or ordinance or any order or ruling of any court or Governmental Authority; (c) conflict with, or constitute a breach or default or permit the acceleration of obligations under any agreement, contract, lease, or other document by which Borrower is or the Project are bound or regulated; or (d) violate any statute, law, regulation or ordinance, or any order of any court or Governmental Authority.

(e) Compliance With Laws. Borrower has, and at all times shall have obtained, all permits, licenses, exemptions, and approvals necessary to construct, occupy, operate and lease the Project, and shall maintain compliance with all governmental requirements applicable to the Project and all other applicable statutes, laws, regulations and ordinances necessary for the transaction of its business.

(f) Litigation. Except as disclosed to Lender and Issuer in writing, there are no claims, actions, investigations, suits, or proceedings pending, or to Borrower's knowledge threatened, against Borrower or affecting the Project or affecting Borrower's execution, delivery, validity and performance under this Loan Agreement, the other Loan Documents, the Bond Issuance and Pledge Agreement or the Regulatory Agreement or challenging the validity of the Bonds.

(g) Financial Condition. All financial statements and information heretofore delivered to Lender by Borrower, including, without limitation, information relating to the financial condition of Borrower, the Project, the partners, joint venturers or members of Borrower, and/or any Guarantor, fairly and accurately represent the financial condition of the subject thereof and have been prepared (except as noted therein) in accordance with generally accepted accounting principles consistently applied. Borrower acknowledges and agrees that Lender may request and obtain additional information from third parties regarding any of the above, including, without limitation, credit reports.

(h) No Material Adverse Change. There has been no material adverse change in the financial condition of Borrower and/or any of the Guarantor or the General Partner since the dates of the latest financial statements furnished to Lender and, except as otherwise disclosed to Lender in writing, Borrower has not entered into any material transaction which is not disclosed in such financial statements.

(i) Proceeds of the Bonds and Adequacy. The aggregate proceeds of the Loan, the General Partner's equity contribution (to be deposited with the Title Company or the Borrower's Funds Account pursuant to Section 4.1(a)(a) hereof), the Subordinate Loans, and the initial Capital Contributions in the amount of \$644,000.00, are sufficient to acquire and construct the Project in accordance with the terms and conditions of this Loan Agreement and the other Loan Documents.

(j) Accuracy. All reports, documents, instruments, information and forms of evidence delivered to Lender by Borrower concerning the Loan or security for the Loan or required by the Loan Documents are accurate, correct and complete and give Lender true, accurate and complete knowledge of their subject matter and do not contain any material misrepresentation or omission.

(k) Tax Liability. Borrower has filed all required federal, state, county and municipal tax returns and has paid all taxes and assessments owed and payable, and Borrower has no knowledge of any basis for any additional payment with respect to any such taxes and assessments.

(l) Utilities. All utility services, including, without limitation, gas, water, sewage, electrical and telephone, necessary for the development and occupancy of the Project are available at or within the boundaries of the Property, or Borrower has taken all steps necessary to assure that all such services will be available upon completion of the Project.

(m) Compliance. Borrower is familiar with and in compliance with all governmental requirements for the development of the Property and will conform to and comply with all governmental requirements and the Plans and Specifications.

(n) Americans With Disabilities Act Compliance. To the extent required by applicable law, the Project has been designed and shall be constructed and completed, and thereafter maintained, in strict accordance and full compliance with all of the requirements of the ADA, as amended from time to time.

(o) Tax Credits. Borrower has received a Tax Exempt Reservation Letter ("Reservation Letter") dated July 8, 2009, for, and Borrower is entitled to, an allocation of Tax Credits for the Project from TCAC. The Tax Credit allocation to be granted pursuant to the Reservation Letter are for Federal Tax Credits in the amount of \$1,190,802 annually for each of ten (10) years. Borrower shall completely and in a timely manner perform all actions and meet all requirements to maintain and perfect the reservation and Tax Credit allocation, including submitting to TCAC a cost certification prepared by a certified public accountant using generally accepted accounting principles. Borrower agrees to provide Lender with evidence satisfactory to Lender that Borrower can and will meet the required "placed in service" date, including, but not limited to, a detailed construction schedule, a leasing schedule, and a Tax Credit processing timetable that is in accordance with the terms of the Reservation Letter. If Lender determines, in its sole and absolute discretion, that Borrower will not meet the TCAC requirement to place the project "in service" as set forth in the Reservation Letter, Borrower hereby agrees to reapply for the next available allocation of Tax Credits within all time limits and requirements as established by TCAC. Failure to do so is an Event of Default pursuant to Article 15 of this Loan Agreement.

(p) Bond-Related Representations.

(i) In addition to the Bonds, no other obligations have been or are expected to be issued under Section 103 of the Code for sale at substantially the same time as the Bonds are sold pursuant to a common plan of marketing and at substantially the same rate of interest as the Bonds and which are payable in whole or part by Borrower or otherwise have with the Bonds any common or pooled security for the payment of debt service thereon, or which are otherwise treated as the same "issue of obligations" as the Bonds as described in Revenue Ruling No. 81 216.

(ii) Borrower is not in the trade or business of selling properties such as the Project and has acquired the Project for investment

purposes only or otherwise for use by Borrower in its trade or business, and therefore Borrower has no present intention to voluntarily sell, surrender or otherwise transfer, in whole or part, its interest in the Project in the foreseeable future.

(iii) Borrower has reviewed and approved the provisions of the Bond Issuance and Pledge Agreement.

(iv) To the best of Borrower's knowledge, no member of the governing body of the Issuer or any other officer of the Issuer has any significant or conflicting interest, financial, employment or otherwise, in Borrower, the Project or the transactions contemplated hereby.

(v) The covenants, representations and warranties of Borrower in the Regulatory Agreement are true and correct as of the date hereof and are incorporated herein by reference and made a part of this Loan Agreement.

(vi) Borrower has not entered into the transaction evidenced hereby with the actual intent to hinder, delay or defraud any creditor and Borrower has received reasonably equivalent value in exchange for its obligations hereunder and under the Deed of Trust and the Regulatory Agreement.

(vii) Borrower has no known material contingent liabilities.

(viii) Borrower has no material financial obligation under any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which Borrower is a party or by which Borrower or the Project are otherwise bound, other than (a) obligations under this Loan Agreement and the other Loan Documents to which Borrower is a party; (b) the Subordinate Loans; and (c) obligations which may be incurred by Borrower from time to time in the ordinary course of business.

(ix) Borrower has not borrowed or received other debt financing that has not been heretofore repaid in full, except for (a) the Subordinate Loans and (b) equipment financing relating to laundry facilities on the Property.

(x) Borrower is not (a) an "investment company" or a company "controlled by an investment company" within the meaning of the Investment Company Act of 1940, as amended; (b) a "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" of either a "holding company" or a "subsidiary company" within the meaning of the Public Utility Holding Company Act of 1935, as amended; or (c) subject to any other federal or state law or regulation which purports to restrict its ability to borrow money other than Article 15 of the California State Constitution.

(xi) Except as disclosed in the Title Policy, there are no pending or, to the knowledge of Borrower, proposed special or other assessments for public improvements affecting the Project, nor, to the knowledge

of Borrower, are there any contemplated improvements to the Property that may result in such special or other assessments.

(xii) No statement of fact made by Borrower herein or in the Loan Documents to which Borrower is a party contains any untrue statement of a material fact or omits to state any material fact necessary to make statements made by Borrower herein or therein not misleading. There is no fact presently known to Borrower which has not been disclosed which adversely affects or, to the best of Borrower's knowledge, would adversely affect the business, operations or conditions (financial or otherwise) of Borrower.

(xiii) All reports, documents, instruments, information and forms of evidence delivered to Lender by Borrower concerning the Loan or required by the Loan Documents are (or, in the case of materials prepared by persons other than Borrower or its partners or Investor Limited Partner, are to the best of Borrower's knowledge) accurate, correct and sufficiently complete to give Lender true and accurate knowledge of their subject matter.

(xiv) Borrower owns directly, and not through any affiliated entity, all of the personal property and fixtures necessary for the operation of the Property for the uses presently being conducted thereon.

(xv) Borrower is not a "foreign person" within the meaning of Section 1445(f)(3) of the Code.

(xvi) Before any Guarantor became obligated in connection with the Loan, Borrower made full disclosure to such Guarantor and Investor Limited Partner regarding Borrower's financial condition and business operations, the present and former condition, uses and ownership of the Property and all other circumstances bearing upon Borrower's ability to pay and perform its obligations under the Loan Documents.

(q) Tax Shelter Regulations. Neither the Borrower, any guarantor, any non-borrower trustor, nor any subsidiary of any of the foregoing intends to treat the Loan or the transactions contemplated by this Loan Agreement and the other Loan Documents as being a "reportable transaction" (within the meaning of Treasury Regulation Section 1.6011-4). If the Borrower, or any other party to the Loan determines to take any action inconsistent with such intention, the Borrower will promptly notify the Lender thereof. If the Borrower so notifies the Lender, the Borrower acknowledges that Lender may treat the Loan as part of a transaction that is subject to Treasury Regulation Section 301.6112-1, and Lender will maintain the lists and other records, including the identity of the applicable party to the Loan as required by such Treasury Regulation.

(r) Fee Title. Fee ownership of the Property is vested in the Borrower.

(s) HUD Commitment. As of the Closing Date, the HUD Commitment is in full force and effect.

(t) Derivative Documents. If Borrower purchases from Lender any swap, derivative, foreign exchange or hedge transaction or arrangement (or other similar

transaction or arrangement howsoever described or defined) in connection with the Loan, Borrower shall, upon receipt from Lender, execute promptly all documents evidencing such transaction, including without limitation, the ISDA Master Agreement, the Schedule to the ISDA Master Agreement and the ISDA Confirmation.

8.3 Representations and Warranties of the Borrower Related to Certain Tax Matters. Borrower further represents and warrants that:

(a) as of the Closing Date, the Borrower is in compliance with all requirements of the Tax Certificate, and the representations set forth in the Tax Certificate pertaining to the Borrower and the Project are true and accurate;

(b) the Bonds are not “federally guaranteed” as defined in Section 149(b) of the Code;

(c) in accordance with Section 147(b) of the Code, the weighted average maturity of the Bonds does not exceed one hundred twenty percent (120%) of the weighted average reasonably expected economic life of the facilities (comprising the Project) financed with the proceeds of the Bonds, determined as of the later of the date the Bonds are issued or the date the facilities are expected to be placed in service;

(d) neither the Borrower nor, to the best knowledge of the Borrower, any “related person” to the Borrower (within the meaning of Section 147(a)(2) of the Code), will purchase Bonds pursuant to any arrangement, formal or informal;

(e) the information furnished by the Borrower and used by the Issuer in preparing the certificate pursuant to Section 148 of the Code and information statement pursuant to Section 149(e) of the Code is accurate and complete as of the date of the issuance of the Bonds;

(f) the acquisition of the Property and construction and equipping of the Project were not commenced prior to the sixtieth (60th) day preceding the adoption of the resolution of the Issuer with respect to the Project on June 23, 2009, and no obligation for which reimbursement will be sought from proceeds of the Bonds relating to the construction or equipping of the Project was paid or incurred prior to sixty (60) days prior to such date;

(g) the Project is located entirely within the City of San Ramon and the County of Contra Costa, California;

(h) the Project is, as of the Closing Date, in compliance with all requirements of the Regulatory Agreement to the extent such requirements are applicable on the Closing Date and the representations and warranties of the Borrower in Sections 2 and 3 of the Regulatory Agreement are true and correct;

(i) the Borrower intends to cause the residential units in the Project to be rented or available for rental on a basis which satisfies the requirements of the Regulatory Agreement, including all applicable requirements of the Act and the Code, and pursuant to leases which comply with all applicable laws; and

(j) no money on deposit in any fund or account in connection with the Bonds, whether or not such money was derived from other sources, will be used by or under the direction of the Borrower in a manner which would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code.

8.4 Tax Exemption; Regulatory Agreement. Borrower (and with respect to Section 8.4(a), (b) and (c) the Issuer) hereby covenants, represents and agrees as follows:

(a) not to take or omit to take any action with respect to this Loan Agreement or the Project (solely with respect to Borrower) that would adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds (so long as the Bonds are not owned by a person or entity which is a “substantial user” of the Property);

(b) to take such action or actions, including amendment of the Regulatory Agreement, as may be necessary in the opinion of Bond Counsel, to preserve or perfect the exclusion of interest on the Bonds from gross income for federal income tax purposes;

(c) to file of record such documents and take such other steps as are necessary in order to insure that the requirements and restrictions of the Regulatory Agreement will be binding upon all owners of the Project, including, but not limited to, the execution and recordation of the Regulatory Agreement in the real property records of Contra Costa County, California;

(d) to include the requirements and restrictions contained in the Regulatory Agreement in any deed or other document transferring any interest in the Project to another person to the end that such transferee has notice of, and is bound by, such restrictions, and to obtain the agreement from any transferee so to abide; and

(e) to provide to the Issuer notice of any action (other than actions in its ordinary course of business) which impacts the Issuer’s rights hereunder or under the Regulatory Agreement.

8.5 Representations of Borrower as Single Purpose Entity.

(a) Borrower covenants and agrees that it shall not:

(i) (1) except for the Subordinate Loans, incur, create or assume any indebtedness for borrowed money except indebtedness represented by an invoice, statement of account, check, work request, purchase order or other similar document representing expenses relating to activities of Borrower undertaken in accordance with its formation documents or (2) transfer or lease the Project or any interest therein, except as permitted under Section 6.8 hereof;

(ii) engage, directly or indirectly, in any business other than that arising out of or entering into this Loan Agreement and the other Loan Documents to which Borrower is a party and the ownership, management, leasing, construction, development, operation and maintenance of the Project;

(iii) commingle its assets with the assets of any other entity;

(iv) partition the Property except as expressly permitted under the Deed of Trust; or

(v) voluntarily file or consent to the filing of a petition for bankruptcy, reorganization, assignment for the benefit of creditors or similar proceeding under any federal or state bankruptcy, insolvency, reorganization or other similar law, without the unanimous consent of its partners.

Borrower represents and warrants that as the date hereof it does not have any indebtedness or obligations which would cause it to be in violation of the foregoing covenants.

Further, Borrower covenants that it will do or cause to be done all things necessary to preserve and keep in full force and effect its existence, will not engage in, seek or consent to any dissolution, winding up, liquidation, consolidation, merger or asset sale; will not materially modify its agreement of limited partnership without the prior written consent of Lender (it being understood that Lender's consent may be granted or withheld as to transfers of partnership interests in a manner consistent with Section 5.12 of the Deed of Trust, may be withheld as to any amendment which reduces the obligations of the partners to contribute funds to Borrower below amounts necessary to maintain the Financial Requirements Analysis "in balance", and shall not otherwise be unreasonably withheld, will pay all expenses of the Project from assets of Borrower; will maintain separate books and records and bank accounts; will at all times hold itself out to the public as a separate and distinct legal entity (including in its leasing activities, in entering into any contract and in preparing its financial statements); will file its own tax returns; and will cause its management to meet regularly to carry on its business.

(b) Borrower shall do all things necessary to preserve and keep in full force and effect its existence, rights and privileges under the laws of the State and its right to own property or transact business in the State. Borrower further represents and warrants that it is, and, so long as any portion of the Loan shall remain unpaid, shall do all things necessary to continue to be, an entity which is formed or organized solely for the purpose of holding, directly, an ownership interest in the Project, does not engage in any business unrelated to such Property and the financing thereof, does not have any assets other than those related to its interest in the properties or the financing thereof or any indebtedness other than as permitted by the Deed of Trust or the other Loan Documents, has its own separate books and records and its own accounts, in each case which are separate and apart from the books and records and accounts of any other entity and will maintain the same as official records, holds itself out as being an entity, separate and apart from any other entity and will conduct its business in its own name.

(c) Borrower will not fail to correct any known misunderstanding regarding the separate identity of Borrower.

(d) Borrower will not assume or guarantee or become obligated for the debts of any other entity or hold out its credit as being available to satisfy the obligations of any other entity; will allocate fairly and reasonably any overhead for shared office space; will not pledge its assets for the benefit of any other person or entity; will not make loans to any person or entity; will not enter into or be a party to any transaction with its partners or affiliates except (a) pursuant to its Partnership Documents as they exist as of the date of this Loan Agreement or (b) in the ordinary course of business and on terms which are no less favorable to it than would be obtained in a comparable arm's-length transaction with an unrelated third party.

Any firm, corporation or partnership which can make the representations and warranties and satisfy the covenants set forth in this Section 8.5 shall constitute a "Single Purpose Entity".

ARTICLE 9 HAZARDOUS MATERIALS

9.1 Special Representations and Warranties. Without in any way limiting the other representations and warranties set forth in this Loan Agreement, and after reasonable investigation and inquiry, Borrower hereby specially represents and warrants to the best of Borrower's knowledge as of the date of this Loan Agreement as follows:

(a) Hazardous Materials. Except as previously disclosed to Lender in that certain Phase I Environmental Site Assessment by Fugro West, Inc. dated February 2007 and Phase I Environmental Site Assessment Update dated March 27, 2009, the Property and Project are not and have not been a site for the use, generation, manufacture, storage, treatment, release, threatened release, discharge, disposal, transportation or presence of any oil, flammable explosives, asbestos, urea formaldehyde insulation, radioactive materials, hazardous wastes, toxic or contaminated substances or similar materials, including, without limitation, any substances which are "hazardous substances," "hazardous wastes," "hazardous materials" or "toxic substances" under the Hazardous Materials Laws, as described below, and/or other applicable environmental laws, ordinances and regulations (collectively, the "Hazardous Materials"). "Hazardous Materials" shall not include materials used in the ordinary course of construction and/or operation of the Property and Project which are used and stored in accordance with all applicable environmental laws, ordinances and regulations.

(b) Hazardous Materials Laws. The Property and Project are in compliance with all laws, ordinances and regulations relating to Hazardous Materials ("Hazardous Materials Laws"), including, without limitation: the Clean Air Act, as amended, 42 U.S.C. Section 7401 et seq.; the Federal Water Pollution Control Act, as amended, 33 U.S.C. Section 1251 et seq.; the Resource Conservation and Recovery Act of 1976, as amended, 42 U.S.C. Section 6901 et seq.; the Comprehensive Environment Response, Compensation and Liability Act of 1980, as amended (including the Superfund Amendments and Reauthorization Act of 1986, "CERCLA"), 42 U.S.C. Section 9601 et seq.; the Toxic Substances Control Act, as amended, 15 U.S.C. Section 2601 et seq.; the Occupational Safety and Health Act, as amended, 29 U.S.C. Section 651, the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. Section 11001 et seq.; the Mine Safety and Health Act of 1977, as amended, 30 U.S.C. Section 801 et seq.; the Safe Drinking Water Act, as amended, 42 U.S.C. Section 300f et seq.; and all comparable state and local laws, laws of other jurisdictions or orders and regulations.

(c) Hazardous Materials Claims. There are no claims or actions ("Hazardous Materials Claims") pending or threatened against Borrower, the Property or Project by any governmental entity or agency or by any other person or entity relating to Hazardous Materials or pursuant to the Hazardous Materials Laws.

(d) Border Zone Property. The Property has not been designated as Border Zone Property under the provisions of California Health and Safety Code, Sections 25220 et seq. and there has been no occurrence or condition on any real

property adjoining or in the vicinity of the Property that could cause the Property or any part thereof to be designated as Border Zone Property.

9.2 Hazardous Materials Covenants. Borrower agrees as follows:

(a) No Hazardous Activities. Borrower shall not cause or permit the Project to be used as a site for the use, generation, manufacture, storage, treatment, release, discharge, disposal, transportation or presence of any Hazardous Materials.

(b) Compliance. Borrower shall comply and cause the Project to comply with all Hazardous Materials Laws.

(c) Notices. Borrower shall immediately notify Lender in writing of: (i) the discovery of any Hazardous Materials on, under or about the Project; (ii) any knowledge by Borrower that the Project do not comply with any Hazardous Materials Laws; (iii) any Hazardous Materials Claims; and (iv) the discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Property that could cause the Property or any part thereof to be designated as Border Zone Property.

(d) Remedial Action. In response to the presence of any Hazardous Materials on, under or about the Project, Borrower shall immediately take, at Borrower's sole expense, all remedial action required by any Hazardous Materials Laws or any judgment, consent decree, settlement or compromise in respect to any Hazardous Materials Claims.

9.3 Inspection by Lender. Upon reasonable prior notice to Borrower, Lender, its employees and agents, may from time to time (whether before or after the commencement of a nonjudicial or judicial foreclosure proceeding) enter and inspect the Project for the purpose of determining the existence, location, nature and magnitude of any past or present release or threatened release of an hazardous substance into, onto, beneath or from the Project.

9.4 Hazardous Materials Indemnity. Borrower hereby agrees to defend, indemnify and hold harmless Issuer and Lender, their governing bodies, directors, officers, employees, agents, successors and assigns from and against any and all losses, damages, liabilities, claims, actions, judgments, court costs and legal or other expenses (including, without limitation, attorneys' fees and expenses) which Issuer and Lender may incur as a direct or indirect consequence of the use, generation, manufacture, storage, disposal, threatened disposal, transportation or presence of Hazardous Materials in, on, under or about the Project. Borrower shall immediately pay to Issuer and Lender upon demand any amounts owing under this indemnity, together with interest from the date the indebtedness arises until paid at the rate of interest applicable to the principal balance of the Note. BORROWER'S DUTY AND OBLIGATIONS TO DEFEND, INDEMNIFY AND HOLD HARMLESS LENDER SHALL SURVIVE THE CANCELLATION OF THE NOTE AND THE RELEASE, RECONVEYANCE OR PARTIAL RECONVEYANCE OF THE DEED OF TRUST.

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

purposes of California Code of Civil Procedure § 736, and as such it is expressly understood that Borrower's duty to indemnify Lender hereunder shall survive: (i) any judicial or non-judicial foreclosure under the Deed of Trust, or transfer of the Property in lieu thereof; (ii) the release and reconveyance or cancellation of the Deed of Trust; and (iii) the satisfaction of all of Borrower's obligations under the Loan Documents.

ARTICLE 10 SET ASIDE LETTERS

10.1 Set Aside Letters. Lender shall have no obligation to issue any letter or letters ("Set Aside Letter") to any governmental agency or bonding company whereby Lender agrees to allocate proceeds of the Bonds under the Loan Documents for the construction of off-site, common area, or other Project required by any governmental agency or for which bonds may be required in connection with the development of the Property. If Lender agrees, in its sole discretion, to issue a Set Aside Letter, Lender may condition the issuance of such Set Aside Letter upon payment of such fee and delivery of such indemnification as Lender shall require.

ARTICLE 11 REPORTING COVENANTS

11.1 Financial Information. Borrower shall deliver to Lender, as soon as available, but in no event later than ninety (90) days after Borrower's fiscal year end, a current financial statement (including, without limitation, an income and expense statement, a balance sheet and a statement of all changes in financial position) signed by authorized representative of Borrower together with any other financial information including, without limitation, annual financial statements, cash flow projections and operating statements requested by Lender for the following persons and entities: Borrower and the General Partner. Within thirty (30) days of Lender's request, Borrower shall also deliver to Lender such quarterly and other financial information regarding any persons or entities in any way obligated on the Loan as Lender may specify. If audited financial information is prepared, Borrower shall deliver to Lender copies of that information within fifteen (15) days of its final preparation. Except as otherwise agreed to by Lender, all such financial information shall be prepared in accordance with generally accepted accounting principles consistently applied. After completion of construction of the Project, Borrower shall also deliver to Lender a rent roll for the Project, in form and level of detail reasonably acceptable to Lender. Such rent roll shall be delivered monthly, within fifteen (15) days after the end of each month, until such time as ninety five percent (95%) of the units in the Project are occupied, and quarterly, within fifteen (15) days after the end of each calendar quarter thereafter. For the duration of the Loan and until the Maturity Date, Borrower shall also deliver to Lender quarterly leasing and operating statements with respect to the Real Property and Improvements with fifteen (15) days after the end of each calendar quarter. Prior to the Closing Date and until the Maturity Date, Borrower and General Partner shall deliver to Lender such additional financial information as may be requested by Lender.

11.2 Books and Records. Borrower shall maintain complete books of account and other records for the Project and for disbursement and use of the proceeds of the Bonds and Borrower's Funds, and the same shall be available for inspection and copying by Lender upon reasonable prior notice.

11.3 Leasing Reports. Within ten (10) days after the end of each calendar month, Borrower shall deliver to Lender a rent roll for the Project as of the end of the previous

month in form and substance acceptable to Lender. Within ten (10) days of Lender's request, Borrower shall deliver such other information with respect to the Project or the leasing thereof as Lender shall reasonably request.

11.4 Operating Statements For Property and Project. After completion of construction of the Project and until such time as the Note is paid in full, Borrower shall deliver to Lender on the fifteenth (15th) day of each month an "Operating Statement" which shows in detail the amounts and sources of Gross Operating income received by or on behalf of Borrower and the amounts and purposes of Permitted Operating Expenses paid by or on behalf of Borrower with respect to the Property and Project for the previous month.

(a) "Gross Operating Income" for this purpose shall mean the sum of any and all amounts, payments, fees, rentals, additional rentals, expense reimbursements (including, without limitation, all reimbursements by tenants, lessees, licensees and other users of the Project), discounts or credits to Borrower, amounts actually disbursed to the Project from the PRAC Reserve, as such term is defined in the Partnership Agreement, income, interest and other monies directly or indirectly received by or on behalf of or credited to Borrower from any person with respect to Borrower's ownership, use, development, operations, leasing, franchising, marketing or licensing of the Project. Gross Operating Income shall be computed on a cash basis and shall include for each monthly statement all amounts actually received in such month whether or not such amounts are attributable to a charge arising in such month.

(b) "Permitted Operating Expenses" shall mean the following expenses to the extent that such expenses are reasonable in amount and customary for properties of this type: (i) taxes and assessments imposed upon the Project to the extent that such taxes and assessments are required to be paid by Borrower and are actually paid or reserved for by Borrower; (ii) bond assessments; (iii) insurance premiums for casualty insurance (including, without limitation, earthquake, if applicable law requires the Project to be insured by earthquake insurance) and liability insurance carried in connection with the Project, provided, however, if any, insurance is maintained as part of a blanket policy covering the Project and other properties, the insurance premium included in this subparagraph shall be the premium fairly allocable to the Project; (iv) operating expenses incurred by Borrower for the management, operation, cleaning, leasing, maintenance and repair of the Project. Permitted Operating Expenses shall not include any interest or principal payments on the Loan or any allowance for depreciation.

ARTICLE 12 LEASES

12.1 Use of the Project; Leases.

(a) Borrower shall operate the Project in accordance with the requirements of the Regulatory Agreement.

(b) Borrower shall lease units within the Project only pursuant to a form of lease which has been approved by Lender.

ARTICLE 13
DAMAGE, DESTRUCTION AND CONDEMNATION

13.1 Damage and Destruction. If the Bonds are Outstanding when the Project is damaged or destroyed by fire or other casualty, Borrower shall restore the Project if the conditions contained in Section 5.6 of the Deed of Trust are satisfied; otherwise, Borrower shall use any proceeds received in respect of such casualty to prepay the Loan in whole or in part.

13.2 Condemnation. If the Bonds are outstanding when the Project or any part thereof is taken by condemnation or eminent domain or by grant of the Property in lieu thereof ("Condemnation"), Borrower shall restore the Project if the conditions contained in Section 5.6 of the Deed of Trust are satisfied; otherwise Borrower shall use any proceeds received in respect of such Condemnation to prepay the Loan in whole or in part or take such other action, as is required or permitted by the Deed of Trust and the other Loan Documents.

13.3 Parties To Give Notice. In the case of material damage to or destruction of all or any part of the Project, Borrower shall give prompt notice thereof to the Issuer and the Lender in the manner prescribed by Section 16.4. In the case of a taking or proposed taking of all or any part of the Project by Condemnation, the party hereto upon which notice of such taking or proposed taking is served shall give prompt notice thereof to the Issuer and the Lender in the manner prescribed by Section 16.4. Any such notice shall describe generally the nature and extent of such damage, destruction, taking or proposed taking.

13.4 Conditions to Disbursement of Proceeds. If all of the conditions contained in Section 5.6 of the Deed of Trust are satisfied proceeds held by Lender and funds in Borrower's Funds Account shall be disbursed subject to the consent of Lender, in the same manner and subject to the same conditions (subject to adjustment to reflect the different nature of construction) as applied with respect to the initial disbursement of the Loan.

ARTICLE 14
TERMINATION

14.1 Termination of Loan Agreement; Required Prepayment.

(a) Except during the continuance of an Event of Default, Borrower shall have the option of terminating this Loan Agreement if (i) the Bonds have been paid in full or if provision is otherwise made for payment of the Bonds in such manner that the Bond Issuance and Pledge Agreement will be discharged under Section 10.5 thereof on or before the date of termination, (ii) such prepayment and termination is allowed by the Note and Deed of Trust, (iii) Borrower provides the Lender and the Issuer with an opinion of Bond Counsel to the effect that all such conditions have been satisfied; and provided that this Loan Agreement may not be terminated unless and until (x) all of Borrower's obligations under the Loan Documents have been satisfied and (y) all of Borrower's obligations with respect to the Issuer's fees and any rebate obligation have been satisfied and Borrower has so certified to the Issuer and the Lender. All obligations of Borrower under Sections 3.3(b) (acceleration of Note in Event of Default), 3.4 (Borrower's obligation to pay Additional Charges), 6.23 (Borrower's covenant to indemnify Issuer and Lender for certain losses), 6.30 (Borrower's obligations in the event of a loss of tax exclusion on the Bonds), 9.4 (Hazardous Materials Indemnity), 15.5 (Borrower's obligation to pay attorneys' fees and expenses of Issuer and Lender) and

16.30 (Borrower's indemnity regarding construction and other risks) shall survive termination of this Loan Agreement.

(b) Notwithstanding the foregoing, Borrower may not terminate this Loan Agreement unless and until the Lender has on deposit an amount equal to the sum of the following:

(i) Funds on deposit in any of the Funds established under Section 2.9 of the Bond Issuance and Pledge Agreement and available for that purpose which are sufficient to discharge the Bond Issuance and Pledge Agreement in accordance with Section 10.5 thereof; plus

(ii) to the extent not paid under subsection (a) above, an amount equal to the Lender's and Issuer's fees and expenses under the Bond Issuance and Pledge Agreement and any other amounts due under Sections 6.23, 6.30, 9.4, 15.5, and 16.30 hereof, accrued and to accrue until the Bonds are fully paid and redeemed and all other advances, fees, costs and expenses reasonably incurred and to be incurred on or before the termination date by the Lender under the Bond Issuance and Pledge Agreement and by the Issuer and the Lender under this Loan Agreement and/or the other Loan Documents.

(c) On the termination date, a closing shall be held at any office mutually agreed upon among the Issuer, Borrower and the Lender (which closing may be conducted by first-class mail or recognized overnight delivery service). At the closing the Issuer and the Lender shall, upon acknowledgment of receipt of the sum set forth in subsection (2) above, execute and deliver to Borrower such release and other instruments as Borrower reasonably determines is necessary to terminate this Loan Agreement. All further obligations of Borrower hereunder (except as specifically provided in Sections 3.3(b), 3.4, 6.23, 6.30, 9.4, 15.5, and 16.30) shall thereupon terminate, provided, however, that Borrower shall also remain obligated to pay or reimburse the Issuer and the Lender for the payment of all other fees, costs and expenses unaccounted for in the sum paid in accordance with subsection (b)(ii) above and reasonably incurred before or subsequent to such closing in connection with the Bonds.

ARTICLE 15 DEFAULT AND REMEDIES

15.1 Default. The occurrence of any one or more of the following shall constitute a default (hereinafter, "Event of Default") under this Loan Agreement and the other Loan Documents:

(a) Monetary. Borrower's failure to pay when due any sums payable under the Note or any of the other Loan Documents or Borrower's failure to deposit any Borrower's Funds as and when required under this Loan Agreement; or

(b) Performance of Obligations. Borrower's failure to perform any obligation in addition to those in Section 15.1(a) above under any of the Loan Documents; provided, however, that if a cure period is provided for the remedy of such

failure, Borrower's failure to perform will not constitute an Event of Default until such date as the specified cure period expires; or

(c) Construction; Use. (i) There is any material deviation in the work of Construction from the Plans and Specifications or governmental requirements or the appearance or use of defective workmanship or materials in constructing the Project, and Borrower fails to remedy the same to Lender's satisfaction within ten (10) days of Lender's written demand to do so; or (ii) there is a cessation of construction of the Project prior to completion for a continuous period of more than fifteen (15) days (except as caused by an event of force majeure for which a longer delay may be permitted under Article V); or (iii) the construction, sale or leasing of any of the Project in accordance with the Loan Documents is prohibited, enjoined or delayed for a continuous period of more than thirty (30) days; or (iv) utilities or other public services necessary for the full occupancy and utilization of the Project are curtailed for a continuous period of more than thirty (30) days; or

(d) Liens, Attachment; Condemnation. (i) The recording of any claim of lien against the Property or Project or the service on Lender of any bonded stop notice relating to the Loan and the continuance of such claim of lien or bonded stop notice for twenty (20) days without discharge, satisfaction or provision for payment being made by Borrower in a manner satisfactory to Lender; or (ii) the condemnation, seizure or appropriation of, or occurrence of an uninsured casualty with respect to any material portion of the Property or the Project; or (iii) the sequestration or attachment of, or any levy or execution upon any portion of the Property or the Project, any other collateral provided by Borrower under any of the Loan Documents, any monies in Borrower's Funds Account, or any substantial portion of the other assets of Borrower, which sequestration, attachment, levy or execution is not released, expunged or dismissed prior to the earlier of thirty (30) days or the sale of the assets affected thereby; or

(e) Representations and Warranties. (i) The failure of any representation or warranty of Borrower in any of the Loan Documents and the continuation of such failure for more than ten (10) days after written notice to Borrower from Lender requesting that Borrower cure such failure; or (ii) any material adverse change in the financial condition of Borrower, Guarantor, General Partner or any other person or entity in any manner obligated to Lender under the Loan Documents from the financial condition represented to Lender as of the Effective Date; or

(f) Voluntary Bankruptcy; Insolvency; Dissolution. (i) The filing of a petition by Borrower for relief under the Bankruptcy Code, or under any other present or future state or federal law regarding bankruptcy, reorganization or other debtor relief law; (ii) the filing of any pleading or an answer by Borrower in any involuntary proceeding under the Bankruptcy Code or other debtor relief law which admits the jurisdiction of the court or the petition's material allegations regarding Borrower's insolvency; (iii) a general assignment by Borrower for the benefit of creditors; or (iv) Borrower applying for, or the appointment of, a receiver, Lender, custodian or liquidator of Borrower or any of its property; or

(g) Involuntary Bankruptcy. The failure of Borrower to effect a full dismissal of any involuntary petition under the Bankruptcy Code or under any other debtor relief law that is filed against Borrower or in any way restrains or limits Borrower or Lender regarding the Loan, the Property or the Project, prior to the earlier of the entry

of any court order granting relief sought in such involuntary petition, or thirty (30) days after the date of filing of such involuntary petition; or

(h) Partners; Guarantors. The occurrence of any of the events specified in Section 15.1(f) or 15.1(g) as to the General Partner or any Guarantor (but with respect to Guarantor, only for so long as the applicable guaranty has not terminated by its own terms), provided, however, that any such default with respect to the General Partner or Guarantor shall be deemed cured if the General Partner or Guarantor is replaced with a replacement not subject to any of the events specified in Sections 15.1(f) or 15.1(g) which is approved by Lender in the exercise of its sole and absolute discretion; or

(i) Change In Management or Control. Except as otherwise permitted in the Loan Documents or a Permitted Transfer, and except for (i) the admission of Investor Limited Partner as investor limited partner of Borrower, and (ii) the transfer by Investor Limited Partner of its limited partnership interest in Borrower to an entity (an "Affiliate") which controls, is controlled by or is under common control with Investor Limited Partner (subsections (i) and (ii) being subject to Lender's right to approve the related amendment to the partnership agreement), the occurrence of any material management or organizational change in Borrower or in the partners, venturers or members of Borrower, including, without limitation, any partnership, joint venture or member dispute which Lender determines, in its sole and absolute discretion, shall have a material adverse effect on the Loan, on the Project, or on the ability of Borrower or its partners, venturers or members to perform their obligations under the Loan Documents; or

(j) Loss of Priority. The failure at any time of the Deed of Trust to be a valid first lien upon the Project or any portion thereof, other than as a result of any release or reconveyance of the Deed of Trust with respect to all or any portion of the Project pursuant to the terms and conditions of this Loan Agreement; or

(k) Hazardous Materials. The discovery of any significant Hazardous Materials in, on or about the Property or Project subsequent to the Effective Date. Any such Hazardous Materials shall be "significant" for this purpose if said Hazardous Materials, in Lender's sole discretion, have a materially adverse impact on the value of the Property or the Project; or

(l) Investor Limited Partner Bankruptcy. Until Investor Limited Partner has made each and every Capital Contribution to Borrower contemplated under this Loan Agreement and the Partnership Agreement subject to the terms thereof, the occurrence of any of the events specified in Sections 15.1(f) or 15.1(g) of this Loan Agreement with respect to Investor Limited Partner, on whose financial resources Lender has relied; or

(m) Other Bankruptcy. The occurrence of any of the events specified in Sections 15.1(f) or 15.1(g) of this Loan Agreement with respect to Contractor (unless Contractor is replaced by a contractor satisfactory to Lender within thirty (30) days of such occurrence and such thirty (30) day period does not materially adversely impact the Tax Credits); or

(n) Adverse Financial Condition – Other Than Borrower. (i) Any material adverse change in the financial condition of any Guarantor(s) from the condition shown on the financial statements submitted to Lender and relied upon by Lender in making the Loan, the materiality and adverse effect of such change in financial condition to be reasonably determined by Lender in accordance with its credit standards and underwriting practices in effect at the time of making such determination; or (ii) a violation by Guarantor of any covenant set forth under the Guaranty, after the expiration of any notice and cure period set forth therein; or

(o) Partnership Documents. The occurrence of a breach or default under the Partnership Documents, or failure to satisfy any of the terms, covenants or conditions of or under the Partnership Documents, including, without limitation, the failure of Investor Limited Partner to make the Capital Contributions in accordance with the terms of the Partnership Documents following the expiration of any cure period provided for in the Partnership Documents; or

(p) Unsecured Indemnity Agreement. The occurrence of a default (and the expiration of all applicable cure periods) under that certain Hazardous Materials Indemnity Agreement (Unsecured) executed by Guarantor, as Indemnitor, in favor of Lender, and dated of even date herewith; or

(q) Tax Credits. The loss of the Tax Credits for the Project or the failure to promptly reapply for the Tax Credits upon Lender's request or expiration of the Tax Credits;

(r) Subordinate Loan Documents; HUD Commitment. The expiration or termination or occurrence of a breach or default under the documents governing any of the Subordinate Loans or the HUD Commitment, or any documents in connection therewith, or failure to satisfy any of the terms or covenants or conditions of or under any of the Subordinate Loans or the HUD Commitment, or any documents in connection therewith, in either case following expiration of any applicable cure periods provided therein; or

(s) Transfer of Assets. The sale, assignment, pledge, hypothecation, mortgage or transfer of assets of Borrower other than as otherwise permitted herein or in the ordinary course of business of said entity; or

(t) Revocation of Guaranty. Any revocation, termination or anticipated revocation or termination of either of the Guaranties.

(u) Project Documents. Any breach of or default under the Project Agreements by Borrower which is not within any applicable cure period.

(v) Removal or Withdrawal of Satellite Housing, Inc. as Development Management Consultant. The removal or withdrawal of Satellite Housing, Inc. as Development Management Consultant under the Development Management Agreement, without the prior written consent of Lender.

(w) Default Under Swap. The occurrence of a default by Borrower or a termination event with respect to Borrower under any swap, derivative, foreign exchange or hedge transaction or arrangement (or similar transaction or arrangement

howsoever described or defined) at any time entered into between Borrower and Lender in connection with the Loan.

15.2 Remedies.

(a) Whenever any Event of Default shall have occurred and be continuing, the Lender, as assignee of the Issuer, may declare all the payments under the Loan payable for the remainder of its term (in an amount equal to that necessary to pay in full the Bonds and the interest thereon, assuming acceleration of the Bonds under the Bond Issuance and Pledge Agreement and to pay all other indebtedness due under the Loan Documents and under this Loan Agreement and the Loan Documents) to be immediately due and payable, whereupon the same shall become immediately due and payable by Borrower.

(b) Whenever any Event of Default shall have occurred and be continuing, any one or more of the following remedial steps may also be taken to the extent permitted by law:

(i) the Lender, as assignee of the Issuer, shall take whatever action at law or in equity as it is directed to take by the Lender to collect all sums then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement, covenant, representation or warranty of Borrower, under this Loan Agreement or any other Related Document, or to foreclose the real property and/or personal property security for such obligations, or to otherwise compensate the Issuer, the Lender and the Owner for any damages on account of such Event of Default; and

(ii) the Issuer (without the prior written consent of the Lender if the Lender is not enforcing the Issuer's rights in a manner to protect the Issuer or is otherwise taking action that brings adverse consequences to the Issuer), may take whatever action at law or in equity may appear necessary or appropriate to enforce its rights to indemnification under Section 6.23, 6.30, 9.4, 15.5, and 16.30 and to collect all sums then due and thereafter to become due to the Issuer under Sections 3.3(b) and 3.4 of this Loan Agreement; provided that the Issuer will not take any action which would prejudice the rights of the Lender.

(c) All of Lender's and Issuer's rights and remedies are cumulative. If any Event of Default occurs, Issuer's obligation to lend and Lender's obligation to consent to disbursements of proceeds of the Bonds under the Loan Documents automatically terminate, and Lender in its sole discretion may withhold any one or more disbursements. Lender may also withhold any one or more disbursements after an event occurs that, with notice or the passage of time, could become an Event of Default. No disbursement of proceeds of the Bonds by Lender will cure any default of Borrower, unless Lender agrees otherwise in writing in each instance.

(d) If Borrower becomes the subject of any Insolvency Proceeding, all of Borrower's obligations under the Loan Documents automatically become immediately due and payable upon the filing of the petition commencing such proceeding, all without notice of default, presentment or demand for payment, protest or notice of nonpayment or dishonor, or other notices or demands of any kind or character. Upon the occurrence of any other Default, all of Borrower's obligations under the Loan Documents may

become due and payable immediately without notice of default, presentment or demand for payment, protest or notice of nonpayment or dishonor or other notices or demands of any kind or character, all at Lender's option, exercisable in its sole discretion. If such acceleration occurs, Lender may apply any undisbursed Loan funds to Borrower's obligations under the Loan Documents, in any order and proportions in Lender's sole discretion.

(e) Also upon any Default that occurs during the course of construction of the Project, Lender or Lender in its sole discretion may enter and take possession of the Property, whether in person, by agent or by court-appointed receiver, and take any and all actions that Lender in its sole discretion may consider necessary to complete construction of the Project, including making changes in plans, specifications, work or materials and entering into, modifying or terminating any contractual arrangements, all subject to Lender's right at any time to discontinue any work without liability. By choosing to complete the construction of the Project, Lender does not assume any liability to Borrower or any other person for completing them or for the manner or quality of their construction, and Borrower expressly waives any such liability. If Lender exercises any of the rights or remedies provided in this clause (e), that exercise will not make Lender, or cause Lender to be deemed, a partner or joint venturer of Borrower. Lender in its sole discretion may choose to complete construction in its own name. All sums expended by Lender or Lender in completing construction will be considered to have been disbursed to Borrower and will be secured by the Deed of Trust and any other collateral held by Lender in connection with the Loan; any sums of principal will be considered to be an additional loan to Borrower bearing interest at the Default Rate, and be secured by the Deed of Trust and any other collateral held by Lender in connection with the Loan. For these purposes Lender, in its sole discretion, may reallocate any line item or cost category of the cost breakdown.

15.3 Disposition of Funds. Any amounts collected pursuant to action taken under Section 15.2 (other than sums collected for the Issuer on account of its rights to indemnification and certain direct payments to be made under Sections 3.3(b), 3.4, 6.23, 6.30, 9.4, 15.5, and 16.30 which sums shall be paid directly to the Issuer) shall be applied in accordance with the provisions of the Bond Issuance and Pledge Agreement.

15.4 Nonexclusive Remedies. No remedy herein conferred upon or reserved to the Issuer or the Lender is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Loan Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Issuer or the Lender to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be herein expressly required or as may be required by law.

15.5 Attorneys' Fees and Expenses. If an Event of Default shall exist under this Loan Agreement and the Issuer or the Lender employ attorneys or incur other expenses for the collection of any amounts due hereunder, or for the enforcement of performance of any obligation or agreement on the part of Borrower, Borrower shall upon demand pay to the Issuer or the Lender, as the case may be, the reasonable fees of such attorneys and such other expenses so incurred.

15.6 Effect of Waiver. In the event any agreement contained in this Loan Agreement is breached by either party and thereafter such breach is waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

15.7 Issuer and Lender May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to Borrower or the property of Borrower, the Lender or the Issuer (with the prior consent of the Lender), shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Issuer and the Lender (including any claim for the reasonable compensation, expenses, disbursements and advances of the Issuer and Lender, their agents and counsel) allowed in such judicial proceeding; and

(b) to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same.

15.8 Restoration of Positions. If the Issuer or the Lender has instituted any proceeding to enforce any right or remedy under this Loan Agreement, and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Issuer or the Lender, then and in every such case Borrower, the Lender and the Issuer shall, subject to any determination in the proceeding, be restored to the positions they held prior to commencement of such proceedings, and thereafter all rights and remedies of the Issuer and the Lender shall continue as though no such proceeding had been instituted.

15.9 Suits To Protect the Project. If Borrower shall fail to do so after 30 days prior written notice from the Issuer or the Lender, the Issuer or the Lender shall have power to institute and to maintain such proceedings as either of them may deem expedient to prevent any impairment of the Project or any portion thereof, by any acts which may be unlawful or in violation of this Loan Agreement, and such suits and proceedings as the Issuer or the Lender may deem expedient to protect its interests in the Project or any portion thereof, including power to institute and maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of, or compliance with, such enactment, rule or order would impair or adversely affect the Project or be prejudicial to the interests of the Lender.

15.10 Performance by Third Parties. The Lender or the Issuer, with the consent of the Lender, may permit third parties to perform any and all acts or take such action as may be necessary for and on behalf of Borrower to cure any Default hereunder. The acceptance by the Issuer or the Lender of any such performance by third parties shall not in any way diminish or absolve Borrower of primary liability hereunder.

15.11 Exercise of the Issuer's Remedies by Lender. Whenever any Default shall have happened and be existing, the Lender may, but except as otherwise provided in the Bond Issuance and Pledge Agreement shall not be obligated to, exercise any or all of the rights of the Issuer under this Article 15, with notice to the Issuer.

ARTICLE 16
MISCELLANEOUS PROVISIONS

16.1 Indemnity. Borrower hereby agrees to defend, indemnify and hold harmless Lender, its directors, officers, employees, agents, successors and assigns, and the Owner, from and against any and all Liabilities which Lender may incur as a direct or indirect consequence of: (a) the purpose to which Borrower applies the proceeds of the Bonds; (b) the failure of Borrower to perform any obligations as and when required by this Loan Agreement or any of the other Loan Documents; (c) any failure at any time of any of Borrower's representations or warranties to be true and correct; or (d) any act or omission by Borrower, constituent partner or member of Borrower, any contractor, subcontractor or material supplier, engineer, architect or other person or entity with respect to any of the Property or Project provided, however, that Borrower shall not be required to indemnify Lender for any Liabilities arising due to the gross negligence or willful misconduct of Lender. Borrower shall immediately pay to Lender upon demand any amounts owing under this indemnity, together with interest from the date the indebtedness arises until paid at the rate of interest applicable to the principal balance of the Note. BORROWER'S DUTY AND OBLIGATIONS TO DEFEND, INDEMNIFY AND HOLD HARMLESS LENDER SHALL SURVIVE CANCELLATION OF THE NOTE AND THE RELEASE, RECONVEYANCE OR PARTIAL RECONVEYANCE OF THE DEED OF TRUST. Notwithstanding the foregoing, neither Borrower nor any of its partners shall be personally liable for any indemnification obligation under the Loan Documents which would result in the repayment of principal and/or interest under the Loan.

16.2 Form of Documents. The form and substance of all documents, instruments, and forms of evidence to be delivered to Lender under the terms of this Loan Agreement and any of the Loan Documents shall be subject to Lender's approval.

16.3 No Third Parties Benefited. No person other than the Issuer, the Lender and Borrower and their permitted successors and assigns shall have any right of action under any of the Loan Documents.

16.4 Notices. All notices, demands, or other communications under this Loan Agreement and the other Loan Documents shall be in writing and shall be delivered to the appropriate party at the address set forth in the Bond Issuance and Pledge Agreement (subject to change from time to time by written notice to all other parties to this Loan Agreement). All communications shall be deemed served upon delivery of, or if mailed, upon the first to occur of receipt or the expiration of three (3) days after the deposit in the United States Postal Service mail, postage prepaid and addressed to the address of Borrower or Lender at the address specified; provided, however, that non-receipt of any communication as the result of any change of address of which the sending party was not notified or as the result of a refusal to accept delivery shall be deemed receipt of such communication.

16.5 Attorney-in-Fact. Borrower hereby irrevocably appoints and authorizes Lender, as Borrower's attorney-in-fact, which agency is coupled with an interest, to execute and/or record in Lender's or Borrower's name any notices, instruments or documents that Lender deems appropriate to protect Lender's interest under any of the Loan Documents.

16.6 Actions. Borrower agrees that Lender, in exercising the rights, duties or liabilities of Lender or Borrower under the Loan Documents, may commence, appear in or defend any action or proceeding purporting to affect the Property, the Project, or the Loan Documents and Borrower shall immediately reimburse Lender upon demand for all such

expenses so incurred or paid by Lender, including, without limitation, attorneys' fees and expenses and court costs.

16.7 Right of Contest. Borrower may contest in good faith any claim, demand, levy or assessment (other than liens and stop notices) by any person other than Lender which would constitute an Event of Default if: (a) Borrower pursues the contest diligently, in a manner which Lender determines is not prejudicial to Lender, and does not impair the rights of Lender under any of the Loan Documents; and (b) Borrower deposits with Lender any funds or other forms of assurance which Lender in good faith determines from time to time appropriate to protect Lender from the consequences of the contest being unsuccessful. Borrower's compliance with this Section shall operate to prevent such claim, demand, levy or assessment from becoming an Event of Default.

16.8 Relationship of Parties. The relationship of Borrower and Lender under the Loan Documents is, and shall at all times remain, solely that of Borrower and Lender, and Lender neither undertakes nor assumes any responsibility or duty to Borrower or to any third party with respect to the Property or Project, except as expressly provided in this Loan Agreement and the other Loan Documents.

16.9 Delay Outside Lender's Control. Lender shall not be liable in any way to Borrower or any third party for Lender's failure to perform or delay in performing under the Loan Documents (and Lender may suspend or terminate all or any portion of Lender's obligations under the Loan Documents) if such failure to perform or delay in performing results directly or indirectly from, or is based upon, the action, inaction, or purported action, of any governmental or local authority, or because of war, rebellion, insurrection, strike, lock-out, boycott or blockade (whether presently in effect, announced or in the sole judgment of Lender deemed probable), or from any Act of God or other cause or event beyond Lender's control.

16.10 Attorneys' Fees and Expenses; Enforcement. If any attorney is engaged by any party to this Loan Agreement to enforce or defend any provision of this Loan Agreement, any of the other Loan Documents or Other Related Documents, or as a consequence of any Default under the Loan Documents, with or without the filing of any legal action or proceeding, Borrower shall immediately pay, upon demand, the amount of all attorneys' fees and expenses and all costs incurred by any party in connection therewith, together with interest thereon from the date of such demand until paid at the Default Rate.

16.11 Immediately Available Funds. Unless otherwise expressly provided for in this Loan Agreement, all amounts payable by Borrower to Lender shall be payable only in United States currency, immediately available funds.

16.12 Lender's Consent. Wherever in this Loan Agreement there is a requirement for Lender's consent and/or a document to be provided or an action taken "to the satisfaction of Lender", it is understood by such phrase that Lender shall exercise its consent, right or judgment in a reasonable manner given the specific facts and circumstances applicable at the time.

16.13 Signs; Publicity. Lender may place on the Property reasonable signs standard to construction loan transactions stating that construction financing is being provided by the Bonds which have been purchased by Lender. Borrower hereby agrees that Lender, at its expense, may publicize the financing of the Property and, in connection therewith, may use the address, description and a photograph or other illustrative drawing of the Property. All signs

erected by Borrower with respect to the construction of the Improvements shall indicate that the construction financing was provided by Lender.

16.14 Lender's Agents. Lender may designate an agent or independent contractor to exercise any of Lender's rights under this Loan Agreement and any of the other Loan Documents. Any reference to Lender in any of the Loan Documents shall include Lender's agents, employees or independent contractors.

16.15 Tax Service. Lender is authorized to secure, at Borrower's expense, a tax service contract with a third party vendor which shall provide tax information on the Property and Project satisfactory to Lender.

16.16 Severability. If any provision or obligation under this Loan Agreement and the other Loan Documents shall be determined by a court of competent jurisdiction to be invalid, illegal or unenforceable, that provision shall be deemed severed from the Loan Documents and the validity, legality and enforceability of the remaining provisions or obligations shall remain in full force as though the invalid, illegal, or unenforceable provision had never been a part of the Loan Documents, provided, however, that if the rate of interest or any other amount payable under the Note or this Loan Agreement or any other Loan Document, or the right of collectability therefor, are declared to be or become invalid, illegal or unenforceable, Lender's obligations to make advances under the Loan Documents shall not be enforceable by Borrower.

16.17 Time. Time is of the essence of each and every term of this Loan Agreement.

16.18 Headings. All Article, Section or other headings appearing in this Loan Agreement and any of the other Loan Documents are for convenience of reference only and shall be disregarded in construing this Loan Agreement and any of the other Loan Documents.

16.19 Governing Law. This Loan Agreement shall be governed by, and construed and enforced in accordance with the laws of the State of California, except to the extent preempted by federal laws. Borrower and all persons and entities in any manner obligated to Lender under the Loan Documents consent to the jurisdiction of any federal or State court within the State having proper venue and also consent to service of process by any means authorized by State or federal law.

16.20 Integration; Interpretation. The Loan Documents contain or expressly incorporate by reference the entire agreement of the parties with respect to the matters contemplated therein and supersede all prior negotiations or agreements, written or oral. The Loan Documents shall not be modified except by written instrument executed by all parties. Any reference in any of the Loan Documents to the Property or Project shall include all or any part of the Property or Project. Any reference to the Loan Documents includes any amendments, renewals or extensions now or hereafter approved by Lender in writing.

16.21 Joint and Several Liability. The liability of all persons and entities obligated in any manner under this Loan Agreement and any of the Loan Documents shall be joint and several.

16.22 Counterparts. This Loan Agreement, any of the other Loan Documents (except for the Note), any other Related Documents and any subsequent modifications,

amendments, waivers, consents or supplements thereof, if any, may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original and all such counterparts together, shall constitute one and the same instrument.

16.23 Binding Effect. This Loan Agreement shall inure to the benefit of and shall be binding upon the Issuer and Borrower and their respective successors and assigns. Insofar as this Loan Agreement provides for rights of the Lender, this Loan Agreement shall also inure to the benefit of the Lender.

16.24 Amendments, Changes and Modifications. Except as otherwise provided in this Loan Agreement or in the Bond Issuance and Pledge Agreement, subsequent to the issuance of the Bonds and before the lien of the Bond Issuance and Pledge Agreement is satisfied and discharged in accordance with its terms, this Loan Agreement may not be effectively amended, changed, modified, altered or terminated without the written consent of the Bondowner Representative as provided in Article 8 of the Bond Issuance and Pledge Agreement (and the Issuer to the extent any proposed amendment, change or modification relates to any rights reserved by the Issuer under the Bond Issuance and Pledge Agreement). Furthermore, no document delivered to Lender pursuant to this Loan Agreement shall be amended or modified without the prior written consent of the Lender.

16.25 Required Approvals. Consents and approvals required by this Loan Agreement to be obtained from Borrower, the Issuer or the Lender shall be in writing and shall not be unreasonably withheld or delayed.

16.26 Limitation on Liability. No member, officer, agent or employee of the Lender or the Issuer or any limited partner, director, officer, agent or employee of the Borrower shall be individually or personally liable for the payment of any principal (or redemption price) or interest on the Bonds or any other sum hereunder or be subject to any personal liability or accountability by reason of the execution and delivery of this Loan Agreement; but nothing herein contained shall relieve any such limited partner, member, director, officer, agent or employee from the performance of any official duty provided by law or by this Loan Agreement.

16.27 No Waiver; Consents. No alleged waiver by Lender or Issuer will be effective unless in writing, and no waiver will be construed as a continuing waiver. No waiver may be implied from any delay or failure by Lender or Issuer to take action on account of any default of Borrower or to exercise any right or remedy against Borrower or any security. Consent by Lender or Issuer to any act or omission by Borrower may not be construed as a consent to any other or subsequent act or omission or as a waiver of the requirement for Lender's consent to be obtained in any future or other instance. All Lender's rights and remedies are cumulative.

16.28 Purpose and Effect of Lender Approval. Lender's approval of any matter in connection with the Loan is for the sole purpose of protecting the Issuer's security and rights of Lender and the Owner. No such approval will result in a waiver of any default of Borrower. In no event may Lender's approval be a representation of any kind with regard to the matter being approved.

16.29 No Commitment to Increase Loan. From time to time, Lender may approve changes to the Plans and Specifications at Borrower's request and also require Borrower to make corrections to the work of construction, all on and subject to the terms and

conditions of this Loan Agreement. Borrower acknowledges that no such action or other action by Lender will in any manner commit or obligate the Issuer to increase the amount of the Loan.

16.30 Indemnity Regarding Construction and Other Risks. Borrower indemnifies, defends and holds the Indemnified Parties harmless from and against any and all Liabilities directly or indirectly arising out of or resulting from construction of any Project on the Property, including any defective workmanship or materials; or any failure to satisfy any requirements of any laws, regulations, ordinances, governmental policies or standards, reports, subdivision maps or development agreements that apply or pertain to the Property; or breach of any representation or warranty made or given by Borrower to any of the Indemnified Parties or to any prospective or actual buyer of all or any portion of the Property; or any claim or cause of action of any kind by any party that any Indemnified Party is liable for any act or omission of Borrower or any other person or entity in connection with the ownership, sale, operation or development of the Property. The provisions of this Section 16.30 shall survive termination of this Loan Agreement.

16.31 Relationships With Other Lender Customers. From time to time, Lender may have business relationships with Borrower's customers, suppliers, contractors, tenants, partners, shareholder, officers or directors, or with businesses offering products or services similar to those of Borrower, or with persons seeking to invest in, borrow from or lend to Borrower. Borrower agrees that Lender may extend credit to such parties and take any action it deems necessary to collect the credit, regardless of the effect that such extension or collection of credit may have on Borrower's financial condition or operations. Borrower further agrees that in no event will Lender be obligated to disclose to Borrower any information concerning any other Lender customer.

16.32 Disclosure to Title Company. Without notice to or the consent of Borrower, Lender may disclose to any title insurance company insuring any interest of Lender under the Deed of Trust (whether as primary insurer, coinsurer or reinsurer) any information, data or material in Lender's possession relating to Borrower, the Loan, the Project or the Property.

16.33 Restriction on Personal Property. Except for the replacement of personal property made in the ordinary course of Borrower's business with items of equal or greater value, Borrower may not sell, convey or otherwise transfer or dispose of its interest in any personal property in which Lender has a security interest or contract to do any of the foregoing, without the prior written consent of Lender in each instance.

16.34 Interpretation. The language of this Loan Agreement must be construed as a whole according to its fair meaning, and not strictly for or against any party. Whenever the context requires, all words used in the singular will be construed to have been used in the plural, and vice versa, and each gender will include any other gender. The captions of the sections of this Loan Agreement are for convenience only and do not define or limit any terms or provisions. The word "include(s)" means "include(s), without limitation," and the word "including" means "including, but not limited to." No listing of specific instances, items or matters in any way limits the scope or generality of any language of this Loan Agreement.

16.35 USA Patriot Act Notice Compliance. The USA Patriot Act of 2001 (Public Law 107.56) ("Patriot Act") and federal regulations issued with respect thereto require all financial institutions to obtain, verify and record certain information that identifies individuals or business entities which open an "account" with such financial institution. Consequently, Lender

may from time to time request, and Borrower shall provide to Lender, Borrower's name, address, tax identification number and/or such other identification information as shall be necessary for Lender to comply with federal law. An "account" for this purpose may include, without limitation, a deposit account, cash management service, a transaction or asset account, a credit account, a loan or other extension of credit and/or other financial services product. Additionally, in the event of a prospective transfer of general partner or limited partner interests in Borrower for any reason, Borrower shall provide to Lender the information required pursuant to this section at least thirty (30) days in advance of such transfer; provided, however, if notice is provided of a prospective transfer less than thirty (30) days prior to the scheduled transfer date, Lender shall endeavor to obtain Patriot Act clearance within such shorter time period, but hereby offers no assurances that such clearance will be timely available.

16.36 Loan Sales and Participations; Disclosure of Information. Borrower acknowledges the intention of the parties to facilitate the marketability of the Loan to purchasers in the secondary market and agrees that Lender may elect, at any time, to sell, assign or grant participations in all or any portion of its rights and obligations under the Loan Documents, and that any such sale, assignment or participation may be to one or more financial institutions, private investors, and/or other entities, at Lender's sole discretion ("Participant"). Borrower further agrees that Lender may disseminate to any such actual or potential purchaser(s), assignee(s) or participant(s) all documents and information (including, without limitation, all financial information) which has been or is hereafter provided to or known to Lender with respect to: (a) the Property and Improvements and its operation; (b) any party connected with the Loan (including, without limitation, the Borrower, any partner of Borrower, any constituent partner or member of Borrower, any Guarantor); and/or (c) any lending relationship other than the Loan which Lender may have with any party connected with the Loan. In the event of any such sale, assignment or participation, Lender and the parties to such transaction shall share in the rights and obligations of Lender as set forth in the Loan Documents only as and to the extent they agree among themselves. In connection with any such sale, assignment or participation, Borrower further agrees that the Loan Documents shall be sufficient evidence of the obligations of Borrower to each purchaser, assignee, or participant, and upon written request by Lender, Borrower shall enter into such amendments or modifications to the Loan Documents as may be reasonably required in order to evidence any such sale, assignment or participation. The indemnity obligations of Borrower under the Loan Documents shall also apply with respect to any purchaser, assignee or participant. Notwithstanding the foregoing, nothing herein shall be construed to limit the restrictions on transfer of the Bonds set forth in the Bond Issuance and Pledge Agreement.

16.37 Loan Commission. Lender is not obligated to pay any brokerage commission or fee in connection with or arising out of the Loan. Borrower must pay any and all brokerage commissions or fees arising out of or in connection with the Loan.

16.38 Compliance with Usury Laws. Notwithstanding any other provision of this Loan Agreement, it is agreed and understood that in no event shall this Loan Agreement, with respect to the Note or other instrument of indebtedness, be construed as requiring Borrower or any other person to pay interest and other costs or considerations that constitute interest under any applicable law which are contracted for, charged or received pursuant to this Loan Agreement in an amount in excess of the maximum amount of interest allowed under any applicable law. In the event of any acceleration of the payment of the principal amount of the Note or other evidence of indebtedness, that portion of any interest payment in excess of the maximum legal rate of interest, if any, provided for in this Loan Agreement or related documents shall be canceled automatically as of the date of such acceleration, or if theretofore paid,

credited to the principal amount. The provisions of this Section 16.37 prevail over any other provision of this Loan Agreement.

16.39 General Partner. The General Partner agrees that it is liable for performance of Borrower's obligations under the Loan Documents.

16.40 Removal of General Partner. The Investor Limited Partner shall be permitted to remove the General Partner of Borrower for cause in accordance with the terms and conditions of the Partnership Documents; provided, however, (i) Investor Limited Partner shall give Lender at least thirty (30) days prior written notice of the proposed transfer and shall obtain the prior written consent of Lender to such substitute general partner, which consent shall not be unreasonably withheld, (ii) Investor Limited Partner shall have obtained the written consent of Agency, County, AHP Lender and HUD to such substitute general partner if such consent is required by such parties, and (iii) such acceptable substitute general partner is selected not later than thirty (30) days after the date of removal of the General Partner. It shall be deemed reasonable for Lender to withhold consent to a substitute general partner that does not meet with the approval of Agency, County, AHP Lender and HUD if such consent is required by such parties. Notwithstanding the foregoing, the substitute general partner shall assume all of the rights and obligations of the removed General Partner under all the Loan Documents pursuant to an assumption agreement in the form provided by Lender.

16.41 Intentionally Deleted.

16.42 Monetary Default. Notwithstanding anything to the contrary contained in the Loan Agreement, if a monetary event of default occurs under the terms of any of the Loan Documents, prior to exercising any remedies thereunder, Lender shall give Borrower and Investor Limited Partner written notice of such default. Borrower and Investor Limited Partner shall have such period of time as may be set forth in the Loan Agreement to cure such default prior to exercise of remedies by Lender under the Loan Agreement.

16.43 Non-Monetary Default. Notwithstanding anything to the contrary contained in the Loan Agreement, if a non-monetary event of default occurs under the terms of any of the Loan Agreement, prior to exercising any remedies thereunder, Lender shall give Borrower and the Investor Limited Partner written notice of such default. Borrower shall have thirty (30) days to effect a cure of such default prior to exercise of remedies by Lender under the Loan Agreement. If the default is such that it is not reasonably capable of being cured within thirty (30) days, Borrower may request additional time from Lender to cure such default, which shall not be unreasonably withheld, so long as Borrower diligently, continually, and in good faith works to effect a cure as soon as possible.

16.44 Investor's Notice and Cure Rights. Notwithstanding anything to the contrary contained herein, Lender hereby agrees that any cure of any default made or tendered by one or more of Borrower's limited partners within the time for cure required herein shall be deemed to be a cure by Borrower and shall be accepted or rejected on the same basis as if made or tendered by Borrower. Copies of all notices which are sent to Borrower under the terms of the Loan Documents shall also be sent to Investor Limited Partner at the following address:

MCCC, LLC
c/o Merritt Community Capital Corporation
1970 Broadway, Suite 250
Oakland, California 94612
Attention: Bernard T. Deasy

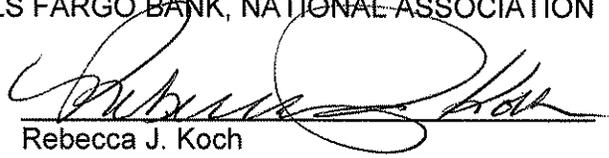
[Remainder of page left intentionally blank.]

IN WITNESS WHEREOF, the Lender and Borrower have caused this Loan Agreement to be executed by their duly authorized officers, all as of the date first above written.

"Lender"

WELLS FARGO BANK, NATIONAL ASSOCIATION

By:

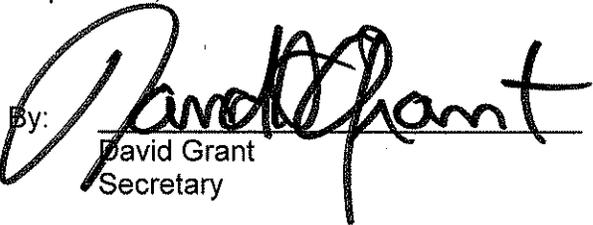


Rebecca J. Koch
Vice President

"Borrower"

VALLEY VISTA SENIOR HOUSING, L.P.,
a California limited partnership

By: Carmel Senior Housing, Inc.,
a California nonprofit public benefit
corporation, its General Partner

By: 

David Grant
Secretary

EXHIBIT A

DESCRIPTION OF PROJECT PREMISES

All that certain real property located in the County of Contra Costa, City of San Ramon, State of California, and is described as follows:

PARCEL ONE:

Parcel B1 of that certain Certificate of Compliance for Lot Line Adjustment recorded April 6, 2007, Instrument No. 2007-100441, Official Records of Contra Costa County, further described as follows:

Beginning at a Point "A" as defined in Parcel A1 of the above referenced Certificate of Compliance for Lot Line Adjustment; thence leaving the last said Southeasterly line (97-0230318), South 56° 57' 47" East, 244.52 feet; thence South 29° 41' 21" West, 263.74 feet; thence South 28° 07' 06" East, 10.39 feet; thence South 61° 52' 24" West, 84.34 feet; thence South 32° 03' 20" East, 41.53 feet; thence South 03° 55' 46" East, 99.77 feet; thence South 19° 31' 01" East, 92.53 feet; thence South 68° 53' 02" West, 221.08 feet to a point on the Easterly line of Subdivision 8013 Filed July 27, 1999 in Book 412 of Maps at Page 42 of Official Records of Contra Costa County; thence along the last said Easterly line, North 25° 10' 38" West, 475.00 feet to the Southeasterly line of last said parcel of land described in the Grant Deed to the City of San Ramon (97-0230318); thence leaving the last said Easterly line (Book 412 of Maps, Page 42) and along the last said Southeasterly line, North 50° 31' 23" East, 445.21 feet to the point of beginning.

PARCEL TWO:

An Easement for the purposes of access and utilities, 20.00 feet in width, the sidelines of which being 10.090 feet as measured at right angles on each side of the following described center line:

Commencing at the Northwesterly terminus of the course described as "North 30° 46' 06" West, 257.32 feet" in the hereinbefore described Parcel A1; thence North 30° 46' 06" West, 0.44 feet to the True Point of Beginning; said point being on a non-tangent curve, concave to the Southeast having a radial which bears North 27° 12' 33" West, a radius of 65.00 feet and a central angle of 42° 52' 24"; thence from said True Point of Beginning, Southwesterly along the arc of said curve, 48.64 feet to a reverse curve, concave to the Northwest having a radius of 210.00 feet and a central angle of 33° 08' 51"; thence Southwesterly along the arc of said curve, 121.49 feet; thence South 53° 03' 54" West, 48.55 feet to a point on the Northeasterly line of the hereinbefore described Parcel B1 and from which the Northwesterly terminus of the course described as "South 56° 57' 47" East, 244.52 feet" in the hereinbefore described Parcel B1, bears along said course, North 56° 57' 47" West, 35.69 feet.

EXCEPTING THEREFROM all that portion of the above described Easement lying Northerly of the Northwesterly line of the hereinbefore described Parcel A1.

APN: 211-030-029

EXHIBIT B
DOCUMENTS

(a) Loan Documents. The documents listed below, numbered (i) through (xviii), inclusive, and amendments, modifications and supplements thereto which have received the prior written consent of Lender, together with any documents executed in the future that are approved by Lender and that recite that they are "Loan Documents" for purposes of this Loan Agreement are collectively referred to herein as the Loan Documents.

(i) This Loan Agreement.

(ii) The Promissory Note of even date herewith in the original principal amount of the Loan made by Borrower payable to the order of Issuer.

(iii) The Construction Deed of Trust with Absolute Assignment of Leases and Payments, Security Agreement and Fixture Filing of even date herewith executed by Borrower, as trustor, to American Securities Company, as trustee, for the benefit of Lender, as beneficiary.

(iv) Security Agreement to be executed by Borrower and General Partner.

(v) Uniform Commercial Code - National Financing Statement - Form UCC 1, dated even date herewith, naming Borrower as Debtor, in favor of Lender as Secured Party, perfecting security interests granted in the Deed of Trust.

(vi) Uniform Commercial Code - National Financing Statement - Form UCC 1, dated as of even date herewith, naming Borrower and General Partner as Debtors, in favor of Lender as Secured Party, perfecting security interests granted in the Security Agreement.

(vii) Uniform Commercial Code - National Financing Statement - Form UCC 1, dated as of even date herewith, giving notice of the pledge by the Issuer and the Fiscal Agent of the collateral pledged to the Owner under the Bond Issuance and Pledge Agreement.

(viii) Partnership Borrowing Certificate dated as of even date herewith.

(ix) Corporate Resolution of General Partner Authorizing Formation of Partnership, Partnership Activity, and Pledge of Partnership Interests dated as of even date herewith.

(x) Corporate Resolution of Guarantor Authorizing Guaranties and Hazardous Materials Indemnity.

(xi) Assignment of Architectural Agreements and Plans and Specifications of even date herewith executed by Borrower, together with the Consent thereto executed by Architect, in favor of Lender.

(xii) Assignment of Construction Contracts of even date herewith executed by Borrower, together with the Consent thereto executed by Contractor, in favor of Lender.

(xiii) Assignment of Management Agreement executed by Borrower and Project Manager in favor of Lender.

(xiv) Assignment of Development Management Agreement executed by Borrower and Satellite Housing, Inc. in favor of Lender.

(xv) County Subordination Agreement.

(xvi) Agency Subordination Agreement.

(xvii) AHP Subordination Agreement.

(b) Other Related Documents (Which Are Not Loan Documents):

(i) Completion Guaranty dated as of even date herewith, executed by Guarantor in favor of Lender.

(ii) Repayment Guaranty dated as of even date herewith, executed by Guarantor in favor of Lender.

(iii) Hazardous Materials Indemnity Agreement (Unsecured) dated as of even date herewith, executed by Guarantor as Indemnitor in favor of Lender.

(iv) The HUD Commitment.

(v) Partnership Agreement.

(vi) Opinion of Borrower's legal counsel addressed to the Issuer and the Lender.

(vii) Payment and Performance Bond with Dual Obligee Rider with respect to the Construction Contract in recordable form, naming Borrower and Lender as obligees, issued in an amount, in form and content, and by a surety approved by Lender.

(viii) Opinion of Bond Counsel

(ix) Transfer Authorizer Designation of even date herewith executed by Borrower.

(x) Agreement for Disbursement Prior to Recording and Amendment of Note of even date herewith executed by Borrower.

EXHIBIT C - FINANCIAL REQUIREMENT ANALYSIS

Exhibit C to Loan Agreement by and between WELLS FARGO BANK, NATIONAL ASSOCIATION, as fiscal agent for the COUNTY OF CONTRA COSTA, a political subdivision of the State of California (“Issuer”), pursuant to that certain Bond Issuance and Pledge Agreement dated as of even date herewith (the “Lender”) and VALLEY VISTA SENIOR HOUSING, L.P. a California limited partnership, (the “Borrower”) dated as of November 1, 2009.

The Financial Requirement Analysis set forth herein represents an analysis of the total costs necessary in Borrower’s estimation to perform Borrower’s obligations under the Loan Documents. Column A, “Total Costs,” sets forth Borrower’s representation of the maximum costs for each Item specified in Column A. Column B, “GP Contingency & Land Loan” sets forth Borrower’s representation of costs that Borrower has paid or has caused to be paid from other sources of funds for each Item specified in Column B. Column C, “Deferred Costs” sets forth Borrower’s representation of costs that Borrower has paid or has caused to be paid from other sources of funds for each Item specified in Column C. Column D, “Disbursement Budget” sets forth the portion of the Loan and Borrower’s Funds which has been allocated for each Item specified in Column D and will be disbursed pursuant to the terms, covenants, conditions and provisions of Exhibit D of this Loan Agreement and the Loan Documents. Unless specified otherwise, all reference to Columns or Items in this Loan Agreement refer to Columns or Items in this Exhibit C.

FINANCIAL REQUIREMENT ANALYSIS

BORROWER: Valley Vista Senior Housing, L.P.

LOAN #: 1001469

CONTRACTOR: Roberts-Obayashi

	(A) Total Costs	(B) GP Cont. & Land Loan	(C) Deferred Costs	(D) Disbursement Budget
1 Land Cost	\$5,283,500			\$5,283,500
2 TOTAL ACQ. COSTS	\$5,283,500	\$0	\$0	\$5,283,500
3 Offsites	\$ 966,423			\$966,423
4 Construction Costs	\$ 14,969,162			\$14,969,162
5 Hard Cost Contingency	\$ 813,527			\$813,527
6 Construction Management Oversight	\$ -			\$0
7 TOTAL HARD COSTS	\$16,749,112	\$0	\$0	\$16,749,112
8 Permits & Fees	\$ 3,075,604			\$3,075,604
9 Architecture & Engineering	\$ 1,527,769			\$1,527,769
10 Survey & Testing	\$ -			\$0
11 Construction Loan Interest Reserve	\$ 1,098,802			\$1,098,802
12 Construction Loan Fee	\$ 136,875			\$136,875
13 WFB Expenses	\$ 65,000			\$65,000
14 Cost of Issuance	\$ 155,580			\$155,580
15 Taxes and Insurance	\$ 634,958			\$634,958
16 Title and Recording	\$ 35,000			\$35,000
17 Legal Costs	\$ 55,000			\$55,000
18 Tax Credit App./Alloc./Monitoring fees	\$ 55,815			\$55,815
19 Market Study/ appraisal /environmental	\$ 48,950			\$48,950
20 Marketing	\$ 44,500			\$44,500
21 Furnishings	\$ 80,896			\$80,896
22 Soft Cost Contingency	\$ 173,562			\$173,562
23 Consultant - Syndication	\$ 90,000			\$90,000
24 Developer Fee	\$ 444,890			\$444,890

Exhibit C to Loan Agreement

25	Predevelopment interest & costs	\$ 32,000			\$32,000
26	Lease up reserve to cover prac payments	\$ 144,000			\$144,000
27	HUD minimum captial investment reserve	\$ 10,000			\$10,000
28	Audit & accounting	\$ 30,000			\$30,000
29	TOTAL SOFT COSTS	\$ 7,939,201	\$0	\$0	\$7,939,201
30	GRAND TOTAL	\$29,971,813	\$0	\$0	\$29,971,813

Disbursement Budget

Sources of Funds:

Wells Fargo Bank	\$18,250,000
AHP	\$945,000
City of San Ramon	\$5,500,000
LP Contribution (Close of Partnership)	\$500,000
LP Contribution (coo)	\$144,000
Contra Costa County loan	\$2,500,000
GP equity	\$1,407,813
TCAP loan	\$725,000
Total	\$29,971,813

During Construction

EXHIBIT D - DISBURSEMENT PLAN

Exhibit D to Loan Agreement by and between WELLS FARGO BANK, NATIONAL ASSOCIATION, as fiscal agent for the COUNTY OF CONTRA COSTA, a political subdivision of the State of California ("Issuer"), pursuant to that certain Bond Issuance and Pledge Agreement dated as of even date herewith (the "Lender") and VALLEY VISTA SENIOR HOUSING, L.P. a California limited partnership, (the "Borrower") dated as of November 1, 2009.

1. Timing of Disbursement. Unless another provision of this Loan Agreement specifies otherwise, on or about the last day of each month, or at such other times as Lender may approve or determine more appropriate, Borrower shall submit to:

Wells Fargo Bank, National Association
Los Angeles Loan Center
2120 East Park Place, Suite 100
MAC #E2148-015
El Segundo, CA 90245
Attention: Vivian Lee

a written itemized statement, signed by Borrower ("Application for Payment") setting forth:

- 1.1 a description of the work performed, material supplied and/or costs incurred or due for which disbursement is requested with respect to any line item ("Item") shown in Column D ("Disbursement Budget") of the Financial Requirement Analysis attached as Exhibit C to this Loan Agreement; and
 - 1.2 the total amount incurred, expended and/or due for each requested Item less prior disbursements.
 - 1.3 Each Application for Payment by Borrower shall constitute a representation and warranty by Borrower that Borrower is in compliance with all the conditions precedent to a disbursement specified in this Loan Agreement.
 - 1.4 Lender shall have the right to require that Disbursements shall be made, after satisfaction of the conditions contained in this Exhibit D and the Disbursement Plan. Disbursements shall be made into Borrower's demand deposit account at Wells Fargo Bank, National Association, account number **4121988430**.
 - 1.5 Each Application for Payment by Borrower shall constitute a representation and warranty by Borrower that Borrower is in compliance with the Issuer's prevailing wage requirements as set forth in the Regulatory Agreement.
2. Lender's Right to Condition Disbursements. Lender shall have the right to condition any disbursement upon Lender's receipt and approval of the following:

Exhibit D to Loan Agreement

- 2.1 the Application for Payment and an itemized requisition for payment of line items shown in the Disbursement Budget as hard costs ("Hard Costs");
- 2.2 bills, invoices, documents of title, vouchers, statements, payroll records, receipts and any other documents evidencing the total amount expended, incurred or due for any requested Items;
- 2.3 evidence of Borrower's use of a lien release, joint check and voucher system acceptable to Lender for payments or disbursements to any contractor, subcontractor, materialman, supplier or lien claimant;
- 2.4 architect's, inspector's and/or engineer's periodic certifications of the percentage and/or stage of construction that has been completed and its conformance to the Plans and Specifications and governmental requirements based upon any such architect's, inspector's and/or engineer's periodic physical inspections of the Property and Improvements;
- 2.5 waivers and releases of any mechanics' lien, stop notice claim, equitable lien claim or other lien claim rights;
- 2.6 evidence of Borrower's compliance with the provisions of the Articles and Sections of this Loan Agreement entitled Construction and Authority/Enforceability;
- 2.7 a written release executed by any surety to whom Lender has issued or will issue a set-aside letter and/or any public entity or agency which is a beneficiary under any instrument of credit or standby letter of credit which Lender has issued or will issue with respect to the Loan;
- 2.8 valid, recorded Notice(s) of Completion for the Improvements or any portions of the Improvements for which Notice(s) of Completion may be recorded under applicable law;
- 2.9 Certificate of Substantial Completion from the Architect and Engineer, if any, prior to the final retention disbursement or the final stage disbursement of Hard Costs, as applicable;
- 2.10 evidence satisfactory to Lender that the Permanent Lender, if any, has approved the completed Improvements and that all conditions precedent to the initial funding of the permanent financing, if any, have been satisfied prior to the final retention disbursement or the final stage disbursement of Hard Costs, as applicable;
- 2.11 any other document, requirement, evidence or information that Lender may request under any provision of the Loan Documents;
- 2.12 evidence that any goods, materials, supplies, fixtures or other work in process for which disbursement is requested have been incorporated into the Improvements;

- 2.13 in the event that any Application for Payment includes the cost of materials stored on the Property ("Onsite Materials"), such Application for Payment shall include each of the following: (a) evidence that the Onsite Materials have been purchased by Borrower; (b) evidence that the Onsite Materials are insured as required hereunder; and (c) evidence that the Onsite Materials are stored in an area on the Property for which adequate security is provided against theft and vandalism;
- 2.14 in the event any Application for Payment includes the cost of materials stored at a location other than the Property ("Offsite Materials"), such Application for Payment shall include each of the following: (a) evidence that the Offsite Materials have been purchased by Borrower, have been segregated from other materials in the facility and have been appropriately marked to indicate Borrower's ownership thereof and Lender's security interest therein; and (b) evidence that the Offsite Materials are insured as required by this Loan Agreement; and (c) at Lender's request, a security agreement, financing statement and/or subordination agreement in form and substance satisfactory to Lender executed by the supplier of the Offsite Materials, and/or such other persons as Lender determines may have an interest in or claim to the Offsite Materials, together with such other additional documentation and evidence as Lender may reasonably require to assure itself that it has a perfected first priority lien on the Offsite Materials.

Borrower acknowledges that this approval process may result in disbursement delays and Borrower hereby consents to all such delays.

3. Disbursement of Land Costs. The portion of the Disbursement Budget totaling \$5,283,500.00 has been disbursed to or for the benefit or account of Borrower for the payment of Borrower's Land Costs.
4. Disbursement of Offsites Costs. As construction progresses, the portion of the Disbursement Budget totaling \$966,423.00 shall be periodically disbursed into the Account or to or for the benefit or account of Borrower for the payment of Borrower's Offsites Costs up to ninety percent (90%) of the maximum amount allocated for such Item less prior disbursements. The remaining ten percent (10%) ("Retention") shall be disbursed into the Account or to or for the benefit or account of Borrower upon completion of the Improvements in accordance with the Plans and Specifications, governmental requirements, the statutory lien period has expired and Lender has received a mechanic's lien-free endorsement for the Title Policy.
5. Disbursement of Construction Costs. As construction progresses, the portion of the Disbursement Budget totaling \$14,969,162.00 shall be periodically disbursed into the Account or to or for the benefit or account of Borrower for the payment of Borrower's Construction Costs up to ninety percent (90%) of the maximum amount allocated for such Item less prior disbursements. The remaining ten percent (10%) ("Retention") shall be disbursed into the Account or to or for the benefit or account of Borrower upon completion of the Improvements in accordance with the Plans and Specifications, governmental requirements, the

statutory lien period has expired and Lender has received a mechanic's lien-free endorsement to the Title Policy.

6. Hard Costs Contingency. The portion of the Disbursement Budget totaling \$813,527.00 has been disbursed to or for the benefit or account of Borrower for the payment of Borrower's Hard Costs Contingency Reserve, shall be reallocated to such other Items as Borrower shall, from time to time, request in writing and Lender shall approve. After any such reallocation, the portion of the Hard Costs Contingency Reserve that has been reallocated will be disbursed in accordance with the provisions governing the disbursement of the Item(s) to which such portion of the Hard Costs Contingency Reserve has been allocated. The reallocation, depletion, refusal of Lender to reallocate or deplete the Hard Costs Contingency Reserve shall not release Borrower from any of Borrower's obligations under the Loan Documents.

Borrower shall obtain and deliver to Lender final lien releases for Items 4 and 5, promptly after release of the retention.

7. Periodic Disbursement of Permits & Fees. The portion of the Disbursement Budget initially totaling \$3,075,604.00, shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the payment of Permits & Fees.
8. Periodic Disbursement of Architecture & Engineering Fees. The portion of the Disbursement Budget initially totaling \$1,527,769.00, shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the payment of Architecture & Engineering Fees.
9. Periodic Disbursement of Lender Interest. The portion of the Disbursement Budget initially totaling \$1,098,802.00, allocated as an interest reserve ("Interest Reserve"), shall be periodically disbursed directly to Lender for the payment of interest which accrues and becomes due under the Note. Lender is hereby authorized to charge the Loan and Borrower's Funds Account directly for such interest payments when due. Lender shall provide borrower with a monthly interest statement. Depletion of the Interest Reserve shall not release Borrower from any of Borrower's obligations under the Loan Documents including, without limitation, payment of all accrued and due interest and the deposit of Borrower's Funds with Lender pursuant to Section 4.3(c) of this Agreement.
10. Disbursement of Lender Loan Fee. The portion of the Disbursement Budget initially totaling \$136,875.00, shall be disbursed directly to Lender for Borrower's credit on the Effective Date.
11. Periodic Disbursement of Lender Expenses. The portion of the Disbursement Budget initially totaling \$65,000.00, shall be periodically disbursed directly to Lender for the payment of Lender expenses (Legal, Appraisal, Costing, Inspection, Flood Certification and UCC Fees) incurred in connection with the Loan. Lender is hereby authorized to charge the Loan and Borrower's Funds Account directly for such fees as they become due. Lender shall provide Borrower with statements for all fees incurred. Depletion of funds in this category shall not release Borrower from any of Borrower's obligations under the Loan

Documents, including but not limited to paying fees incurred in connection with the Loan pursuant to that certain Section of this Agreement entitled Expenses and depositing Borrower's Funds with Lender pursuant to Section 4.3(c) of this Agreement.

12. Periodic Disbursement of Issuance Costs. The portion of the Disbursement Budget initially totaling \$155,580.00, shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the payment of Issuance Costs.
13. Periodic Disbursement of Taxes and Insurance. The portion of the Disbursement Budget initially totaling \$634,958.00, shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the payment of Taxes and Insurance.
14. Periodic Disbursement of Title and Recording Costs. The portion of the Disbursement Budget initially totaling \$35,000.00, shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the payment of Title and Recording Costs.
15. Periodic Disbursement of Legal Costs. The portion of the Disbursement Budget initially totaling \$55,000.00, shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the payment of Legal Costs.
16. Periodic Disbursement of Tax Credit Application/Allocation/Monitoring Fees. The portion of the Disbursement Budget initially totaling \$55,815.00, shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the payment of Tax Credit Application/Allocation/Monitoring Fees.
17. Periodic Disbursement of Market Study/Appraisal/Environmental Costs. The portion of the Disbursement Budget initially totaling \$48,950.00, shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the payment of Market Study/Appraisal/Environmental Costs.
18. Periodic Disbursement of Marketing Costs. The portion of the Disbursement Budget initially totaling \$44,500.00, shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the payment of Marketing Costs.
19. Periodic Disbursement of Furnishings Costs. The portion of the Disbursement Budget initially totaling \$80,896.00, shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the payment of Furnishings Costs.
20. Soft Costs Contingency Reserve. The portion of the Disbursement Budget allocated for the payment of Soft Cost Contingencies initially totaling \$173,562.00 shall be periodically reallocated within the Disbursement Budget or disbursed into the Account or to or for the benefit or account of the Borrower for cost overruns that have been approved by Lender for Soft Costs Items and disbursed in accordance with Exhibit D hereof, depending upon the intended use of any such funds.

21. Periodic Disbursement of Consultant-Syndication Fees. The portion of the Disbursement Budget initially totaling \$90,000.00, shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the payment of Consultant-Syndication Fees.
22. Periodic Disbursement of Developer Fee. The portion of the Disbursement Budget initially totaling \$444,890.00, shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the payment of Borrower's Developer fee.
23. Periodic Disbursement of Predevelopment Interest & Costs. The portion of the Disbursement Budget initially totaling \$32,000.00, shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the payment of Borrower's Predevelopment Interest & Costs.
24. Periodic Disbursement of Lease-Up Reserve to cover Prac Payments. The portion of the Disbursement Budget initially totaling \$144,000.00, shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the payment of Lease-Up Reserve to cover Prac Payments.
25. Periodic Disbursement of HUD Minimum Capital Investment Reserve. The portion of the Disbursement Budget initially totaling \$10,000.00, shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the payment of HUD Minimum Capital Investment Reserve.
26. Periodic Disbursement of Audit & Accounting Fees. The portion of the Disbursement Budget initially totaling \$30,000.00, shall be periodically disbursed into the Account or to or for the benefit or account of the Borrower for the payment of Audit & Accounting Fees.

EXHIBIT E
FORM OF PROMISSORY NOTE

PROMISSORY NOTE SECURED BY DEED OF TRUST

(One-Month LIBO Rate; Adjusted Monthly)

\$18,250,000

SAN FRANCISCO, CA
December 9, 2009

FOR VALUE RECEIVED, the undersigned VALLEY VISTA SENIOR HOUSING, L.P., a California limited partnership ("Borrower") promise(s) to pay to the order of WELLS FARGO BANK, NATIONAL ASSOCIATION ("Lender"), as fiscal agent for the COUNTY OF CONTRA COSTA, a political subdivision of the State of California ("Issuer"), pursuant to that certain Bond Issuance and Pledge Agreement dated as of November 1, 2009, at the Los Angeles Loan Center, 2120 East Park Place, Suite 100, MAC # E2148-015, El Segundo, California, 90245, or at such other place as may be designated in writing by Lender, the principal sum of EIGHTEEN MILLION TWO HUNDRED FIFTY THOUSAND AND NO/100THS DOLLARS (\$18,250,000.00) or so much thereof as may from time to time be owing hereunder by reason of advances by Lender to or for the benefit or account of Borrower, with interest thereon, per annum, at one or more of the Effective Rates (as hereinafter defined) calculated in accordance with the terms and provisions of the Fixed Rate Agreement attached to this note ("Note") as **Exhibit A** (based on a 360-day year and charged on the basis of actual days elapsed). All sums owing hereunder are payable in lawful money of the United States of America, in immediately available funds without offset, deduction or counterclaim of any kind.

In no event shall the interest rate on the outstanding principal balance of this Note be less than four and one quarter percent (4.25)% per annum based on a 360-day year and charged on the basis of actual days elapsed ("Interest Rate Floor"). Notwithstanding the foregoing, if Borrower and Lender now or hereafter enter into an interest rate swap transaction in connection with this Note, **THEN**, for the duration of such interest rate swap transaction, the Interest Rate Floor shall not apply to so much of the principal balance of this Note as is equal to the notional amount of such interest rate swap transaction.

Interest accrued on this Note shall be due and payable on the first (1st) Business Day of each month commencing with the first month after the date of this Note.

The outstanding principal balance of this Note, together with all accrued and unpaid interest, shall be due and payable in full on December 1, 2011 ("Maturity Date"), as such date may be extended pursuant to the Building Loan Agreement between Borrower and Lender dated as of November 1, 2009. Principal amounts outstanding hereunder, upon which repayment obligations exist and interest accrues, shall be determined by the records of the Lender, which shall be deemed to be conclusive in the absence of clear and convincing evidence to the contrary presented by Borrower.

This Note is secured by, among other things, that certain Construction Deed of Trust with Absolute Assignment of Leases and Payments, Security Agreement and Fixture Filing ("Deed of Trust") dated as of November 1, 2009, executed by Borrower, as trustor, to a trustee for the benefit of Lender.

In order to assure timely payment to Lender of accrued interest, principal, fees and late charges due and owing under the loan evidenced by this Note, Borrower hereby irrevocably authorizes Lender to directly debit Borrower's demand deposit account, account no. 4121988430, with Lender for payment when due of all such amounts payable to Lender. Borrower represents and warrants to Lender that Borrower is the legal owner of said account. Written confirmation of the amount and purpose of any such direct debit shall be given to Borrower by Lender not less frequently than monthly. In the event any direct debit hereunder

is returned for insufficient funds, Borrower shall pay Lender upon demand, in immediately available funds, all amounts and expenses due and owing to Lender.

If any interest or principal payment required hereunder is not received by Lender (whether by direct debit or otherwise) on or before the fifteenth (15th) calendar day of the month (regardless of whether the fifteenth (15th) day falls on a Saturday, Sunday or legal holiday) in which it becomes due, Borrower shall pay, at Lender's option, a late or collection charge equal to four percent (4%) of the amount of such unpaid payment ("Late Charge").

If: (a) Borrower shall fail to pay when due any sums payable hereunder; or (b) a "Default" (as defined in the Deed of Trust) occurs under the Deed of Trust or under any obligation secured thereby; THEN Lender may, at its sole option, declare all sums owing under this Note immediately due and payable; provided, however, that if any document related to this Note provides for automatic acceleration of payment of sums owing hereunder, all sums owing hereunder shall be automatically due and payable in accordance with the terms of that document.

From and after the Maturity Date, or such earlier date on which a Default exists under the Loan Agreement or under any other Loan Document (as defined in Exhibit A), then at the option of Lender, all sums owing on this Note shall bear interest at a rate per annum equal to five percent (5%) in excess of the interest rate otherwise accruing under this Note ("Default Rate").

If any attorney is engaged by Lender to enforce or defend any provision of this Note or the Deed of Trust, or as a consequence of any Default, with or without the filing of any legal action or proceeding, then Borrower shall pay to Lender immediately upon demand all attorneys' fees and all costs incurred by Lender in connection therewith, together with interest thereon from the date of such demand until paid at the rate of interest applicable to the principal balance owing hereunder as if such unpaid attorneys' fees and costs had been added to the principal.

No previous waiver and no failure or delay by Lender in acting with respect to the terms of this Note or the Deed of Trust shall constitute a waiver of any breach, default, or failure of condition under this Note, the Deed of Trust or the obligations secured thereby. A waiver of any term of this Note, the Deed of Trust or of any of the obligations secured thereby must be made in writing and shall be limited to the express written terms of such waiver. In the event of any inconsistencies between the terms of this Note and the terms of any other document related to the loan evidenced by this Note, the terms of this Note shall prevail.

If this Note is executed by more than one person or entity as Borrower, the obligations of each such person or entity shall be joint and several. No person or entity shall be a mere accommodation maker, but each shall be primarily and directly liable hereunder. Borrower waives: presentment; demand; notice of dishonor; notice of default or delinquency; notice of acceleration; notice of protest and nonpayment; notice of costs, expenses or losses and interest thereon; notice of late charges; and diligence in taking any action to collect any sums owing under this Note or in proceeding against any of the rights or interests in or to properties securing payment of this Note.

Time is of the essence with respect to every provision hereof. This Note shall be governed by, and construed and enforced in accordance with the laws of State of California, except to the extent preempted by federal laws preempt the laws of the State of California, and all persons and entities in any manner obligated under this Note consent to the jurisdiction of any federal or state court within the State of California having proper venue and also consent to service of process by any means authorized by California or federal law.

Borrower recognizes that its default in making any payment as provided herein or in any other Loan Document as agreed to be paid when due, or the occurrence of any other Default hereunder or under any other Loan Document, will require Lender to incur additional expense in servicing and administering the Loan, in loss to Lender of the use of the money due and in frustration to Lender in meeting its other financial and loan commitments and that the damages caused thereby would be extremely difficult and impractical to ascertain. Borrower agrees (a) that an amount equal to the Late Charge plus the accrual of

interest at the Default Rate is a reasonable estimate of the damage to Lender in the event of a late payment, and (b) that the accrual of interest at the Default Rate following any other Default, plus any Fixed Rate Price Adjustment (as defined in **Exhibit A**), is a reasonable estimate of the damage to Lender in the event of such other Default, regardless of whether there has been an acceleration of the loan evidenced hereby. Nothing in this Note shall be construed as an obligation on the part of Lender to accept, at any time, less than the full amount then due hereunder, or as a waiver or limitation of Lender's right to compel prompt performance.

All notices or other communications required or permitted to be given pursuant to this Note shall be given to the Borrower or Lender at the address and in the manner provided for in the Loan Agreement, except as otherwise provided herein.

The Loan Documents contain or expressly incorporate by reference the entire agreement of the parties with respect to the matters contemplated therein and supersede all prior negotiations or agreements, written or oral. The Loan Documents shall not be modified except by written instrument executed by all parties. Any reference to the Loan Documents includes any amendments, renewals or extensions now or hereafter approved by Lender in writing.

All exhibits, schedules or other items attached hereto are incorporated into this Note by such attachment for all purposes.

"BORROWER"

VALLEY VISTA SENIOR HOUSING, L.P.,
a California limited partnership

By: Carmel Senior Housing, Inc., a California nonprofit
public benefit corporation, its General Partner

By: _____
David Grant
Secretary

EXHIBIT A

Exhibit A to Promissory Note Secured by Deed of Trust ("**Note**"), dated December 9, 2009, made by VALLEY VISTA SENIOR HOUSING, L.P., a California limited partnership, as Borrower, to the order of WELLS FARGO BANK, NATIONAL ASSOCIATION, as Lender, as Fiscal Agent for the COUNTY OF CONTRA COSTA, a political subdivision of the State of California, pursuant to that certain Bond Issuance and Pledge Agreement dated as of November 1, 2009.

RECITALS

Borrower has requested and Lender has agreed to provide the option to fix the rate of interest for specified periods on specified portions of the outstanding principal balance as a basis for calculating the Effective Rate on such portions of the principal amounts owing under this Note (the "**One-Month LIBO Rate Option**"). Borrower understands: (i) the process of exercising the One-Month LIBO Rate Option as provided herein; (ii) that amounts owing under this Note may bear interest at different rates and for different time periods; and (iii) that absent the terms and conditions hereof, it would be extremely difficult to calculate Lender's additional costs, expenses, and damages in the event of a Default or prepayment by Borrower hereunder. Given the above, Borrower agrees that the provisions herein (including, without limitation, the One-Month LIBO Rate Price Adjustment defined below) provide for a reasonable and fair method for Lender to recover its additional costs, expenses and damages in the event of a Default or prepayment by Borrower.

1. **RATES AND TERMS DEFINED.** Various rates and terms not otherwise defined herein are defined and described as follows:

"**Business Day**" is a day of the week (but not a Saturday, Sunday or holiday) on which the offices of Lender are open to the public for carrying on substantially all of Lender's business functions.

"**Default Rate**" is a rate of interest per annum five percent (5%) in excess of the applicable Effective Rate in effect from time to time.

"**Effective Rate**" is the rate of interest calculated in accordance with Section 2 below.

"**Federal Funds Rate**" is, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal Funds transactions with members of the Federal Reserve System arranged by Federal Funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by Lender from three (3) Federal Funds brokers of recognized standing selected by Lender.

"**Loan Agreement**" is that certain Building Loan Agreement dated as of November 1, 2009 between Borrower and Lender.

"**Loan Documents**" are the documents defined as such in the Loan Agreement.

"**One-Month LIBO Rate**" is the rate of interest, rounded upward to the nearest whole multiple of one hundredth of one percent (.01%), equal to the sum of: (a) two and three quarters percent (2.75%), plus (b) the rate of interest, rounded upward to the nearest whole multiple of one-sixteenth of one percent (.0625%), that is quoted by Lender from time to time as the London InterBank Offered Rate for deposits in U.S. Dollars, at approximately 9:00 a.m. (California time), for a period of one (1) month ("**One-Month Rate**"), which rate is divided by one (1.00) minus the Reserve Percentage. Any change in an Effective Rate due to a change in the One-Month LIBO Rate shall become effective on the day each such change occurs.

$$\text{One-Month LIBO Rate} = 2.75 \% + \frac{\text{One-Month Rate}}{(1 - \text{Reserve Percentage})}$$

“One-Month LIBO Rate Period” is the period of one (1) month from the first (1st) Business Day of a calendar month to, but not including, the first (1st) Business Day of the next calendar month; provided, however, no One-Month LIBO Rate Period shall extend beyond the Maturity Date.

“One-Month LIBO Rate Portion” is the then outstanding principal balance of this Note which is subject to a One-Month LIBO Rate. In the event Borrower is subject to a principal amortization schedule under the terms and conditions of the Loan Documents, the One-Month LIBO Rate Portion shall in no event exceed the maximum outstanding principal balance which will be permissible on the last day of the One-Month LIBO Rate Period.

“One-Month Rate” is the rate of interest defined above in the definition of “One-Month LIBO Rate”.

“Regulatory Costs” are, collectively, future, supplemental, emergency or other changes in Reserve Percentages, assessment rates imposed by the FDIC, or similar requirements or costs imposed by any domestic or foreign governmental authority and related in any manner to a One-Month LIBO Rate.

“Replacement Rate” is, for any day, a fluctuating rate of interest equal to two and three quarters percent (2.75%), plus the Federal Funds Rate plus one and one-half percent (1.50%).

“Reserve Percentage” is at any time the percentage announced within Lender as the reserve percentage under Regulation D for loans and obligations making reference to a One-Month LIBO Rate. The Reserve Percentage shall be based on Regulation D or other regulations from time to time in effect concerning reserves for Eurocurrency Liabilities as defined in Regulation D from related institutions as though Lender were in a net borrowing position, as promulgated by the Board of Governors of the Federal Reserve System, or its successor.

“Taxes” are, collectively, all withholdings, interest equalization taxes, stamp taxes or other taxes (except income and franchise taxes) imposed by any domestic or foreign governmental authority and related in any manner to a One-Month LIBO Rate.

2. **EFFECTIVE RATE.** The “Effective Rate” upon which interest shall be calculated for this Note shall be one or more of the following:

2.1 **Pre-Maturity; No Default.** Provided no Default exists under this Note or under any of the other Loan Documents:

(a) **Initial Disbursement; Subsequent Disbursements During Any Calendar Month.** For the initial disbursement of principal under this Note, and for any subsequent disbursement of principal during any calendar month, the Effective Rate on such principal amount shall be the One-Month LIBO Rate on the date of disbursement as determined by Lender. Such Effective Rate shall apply to such principal amount from the date of disbursement through and including the date immediately preceding the first (1st) Business Day of the next calendar month. On the first (1st) Business Day of the next calendar month, any principal disbursed during the prior calendar month shall be added to (or become) the One-Month LIBO Rate Portion for purposes of calculation of the Effective Rate under Section 2.2 below.

(b) **Monthly Reset of One-Month LIBO Rate.** Commencing with the first (1st) Business Day of the first calendar month after the initial disbursement of principal under this Note, and continuing thereafter on the first (1st) Business Day of each succeeding calendar month, the Effective Rate on the outstanding One-Month

LIBO Rate Portion under this Note (i.e., all outstanding principal on such first (1st) Business Day) shall be reset to the One-Month LIBO Rate, as determined by Lender on each such first (1st) Business Day.

Notwithstanding the above, Borrower, by written notice to Lender not less than three (3) Business Days prior to the first (1st) Business Day of any calendar month, may elect that the Effective Rate for all or any part of the outstanding principal balance on this Note for the One-Month LIBO Rate Period commencing on such first (1st) Business Day shall be the One-Month LIBO Rate, as determined by Lender, reset daily. Each such election shall apply only to a single One-Month LIBO Rate Period. Any written request by Borrower to Lender shall be delivered to Lender at the Los Angeles Loan Center, 2120 East Park Place, Suite 100, MAC # E2148-015, El Segundo, CA 90245, with a copy to: 420 Montgomery Street, 11th Floor, MAC # A0101-11B, San Francisco, CA 94104 Attention: Rebecca J. Koch, or at such other place as may be designated in writing by Lender.

- (c) **If One-Month LIBO Rate Becomes Unavailable.** In the event the One-Month LIBO Rate, for any reason, should become prohibited or unavailable to Lender, or, if in Lender's good faith judgment, it is not possible or practical for Lender to set a One-Month LIBO Rate, THEN, the Effective Rate shall be the Replacement Rate.

- 2.2. **Post Maturity; Default Rate.** From and after the Maturity Date, or such earlier date on which a Default exists under the Loan Agreement or any other Loan Document, THEN at the option of Lender, all sums owing on this Note shall bear interest at a rate per annum equal to the Default Rate.

3. **TAXES, REGULATORY COSTS AND RESERVE PERCENTAGES.** Upon Lender's demand, Borrower shall pay to Lender, in addition to all other amounts which may be, or become, due and payable under this Note and Loan Documents, any and all Taxes and Regulatory Costs, to the extent they are not internalized by calculation of an Effective Rate. Further, at Lender's option, each Effective Rate shall be automatically adjusted by adjusting the Reserve Percentage, as determined by Lender in its prudent banking judgment, from the date of imposition (or subsequent date selected by Lender) of any such Regulatory Costs. Lender shall give Borrower notice of any Taxes and Regulatory Costs as soon as practicable after their occurrence, but Borrower shall be liable for any Taxes and Regulatory Costs regardless of whether or when notice is so given.
4. **ONE-MONTH LIBO RATE PRICE ADJUSTMENT.** Borrower acknowledges that prepayment or acceleration of a One-Month LIBO Rate Portion during a One-Month LIBO Rate Period shall result in Lender's incurring additional costs, expenses and/or liabilities and that it is extremely difficult and impractical to ascertain the extent of such costs, expenses and/or liabilities. Therefore, on the date a One-Month LIBO Rate Portion is prepaid or the date all sums payable hereunder become due and payable, by acceleration or otherwise ("Price Adjustment Date"), Borrower will pay Lender (in addition to all other sums then owing to Lender) an amount ("One-Month LIBO Rate Price Adjustment") equal to the then present value of (a) the amount of interest that would have accrued on the One-Month LIBO Rate Portion for the remainder of the One-Month LIBO Rate Period at the One-Month LIBO Rate set on the 1st Business Day of the month in which such amount is prepaid or becomes due, less (b) the amount of interest that would accrue on the same One-Month LIBO Rate Portion for the same period if the One-Month LIBO Rate were set on the Price Adjustment Date at the One-Month LIBO Rate in effect on the Price Adjustment Date. The present value shall be calculated by using as a discount rate the One-Month Rate quoted on the Price Adjustment Date.

By initialing this provision where indicated below, Borrower confirms that Lender's agreement to make the loan evidenced by this Note at the interest rates and on the other terms set forth herein

and in the other Loan Documents constitutes adequate and valuable consideration, given individual weight by Borrower, for this agreement.

BORROWER INITIALS:_____

5. **PURCHASE, SALE AND MATCHING OF FUNDS.** Borrower understands, agrees and acknowledges the following: (a) Lender has no obligation to purchase, sell and/or match funds in connection with the use of a One-Month Rate as a basis for calculating an Effective Rate or a One-Month LIBO Rate Price Adjustment; (b) a One-Month Rate is used merely as a reference in determining an Effective Rate or a One-Month LIBO Rate Price Adjustment; and (c) Borrower has accepted a One-Month Rate as a reasonable and fair basis for calculating an Effective Rate or a One-Month LIBO Rate Price Adjustment. Borrower further agrees to pay the One-Month LIBO Rate Price Adjustment, Taxes and Regulatory Costs, if any, whether or not Lender elects to purchase, sell and/or match funds.
6. **MISCELLANEOUS.** As used in this **Exhibit A**, the plural shall mean the singular and the singular shall mean the plural as the context requires.

This Exhibit is executed under seal concurrently with and as part of the Note referred to and described first above.

"BORROWER"

VALLEY VISTA SENIOR HOUSING, L.P.,
a California limited partnership

By: Carmel Senior Housing, Inc., a California
nonprofit public benefit corporation, its
General Partner

By: _____
David Grant
Secretary

EXHIBIT F

TRANSFER AUTHORIZER DESIGNATION
(For Disbursement of Loan Proceeds by Funds Transfer)

NEW REPLACE PREVIOUS DESIGNATION ADD CHANGE DELETE
 LINE NUMBER _____

The following representatives of Valley Vista Senior Housing, L.P., a California limited partnership ("Borrower"), are authorized to request the disbursement of Loan Proceeds and initiate funds transfers for Loan Number 1001469 dated _____, 2009, between Wells Fargo Bank, National Association ("Lender") and Borrower. Lender is authorized to rely on this Transfer Authorizer Designation until it has received a new Transfer Authorizer Designation signed by Borrower, even in the event that any or all of the foregoing information may have changed.

	Name	Title	Maximum Wire Amount ¹
1.			
2.			
3.			
4.			
5.			
6.			

Beneficiary Bank and Account Holder Information

1.

Transfer Funds to (Receiving Party Account Name): Old Republic Title Company in trust for Valley Vista Senior Housing, L.P.	
Receiving Party Account Number: [_____]	
Receiving Bank Name, City and State: [_____]	Receiving Bank Routing (ABA) Number [_____]
Maximum Transfer Amount:	
Further Credit Information/Instructions:	

2.

Transfer Funds to (Receiving Party Account Name): Valley Vista Senior Housing, L.P.

¹ Maximum Wire Amount may not exceed the Loan Amount.

Receiving Party Account Number: 793-5038054	
Receiving Bank Name, City and State: Wells Fargo Bank, Denver, CO	Receiving Bank Routing (ABA) Number 121000248
Maximum Transfer Amount:	
Further Credit Information/Instructions:	

3.

Transfer Funds to (Receiving Party Account Name):	
Receiving Party Account Number:	
Receiving Bank Name, City and State:	Receiving Bank Routing (ABA) Number
Maximum Transfer Amount:	
Further Credit Information/Instructions:	

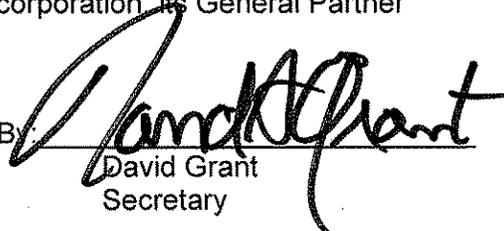
1 *Maximum Wire Amount may not exceed the Loan Amount.*

Date: _____, 2009

"BORROWER"

VALLEY VISTA SENIOR HOUSING, L.P.,
a California limited partnership

By: Carmel Senior Housing, Inc.,
a California nonprofit public benefit
corporation, its General Partner

By: 
David Grant
Secretary

THE FISCAL AGENT IS PROHIBITED FROM REGISTERING THE OWNERSHIP OR TRANSFER OF OWNERSHIP OF THIS BOND TO ANY PERSON WITHOUT RECEIPT OF AN EXECUTED INVESTOR LETTER AS DEFINED IN AND ATTACHED TO THE PLEDGE AGREEMENT DESCRIBED HEREIN.

COUNTY OF CONTRA COSTA
MULTIFAMILY HOUSING REVENUE BOND
(Valley Vista Senior Housing),
2009 Series B

Number: R-1
Dated Date: December 9, 2009
Maturity Date: December 1, 2012
Registered Owner: Wells Fargo Bank, National Association
Principal Amount: \$18,250,000
Interest Rate: as provided in the Note

The County of Contra Costa (the "Issuer"), a political subdivision of the State of California (the "State"), created and existing under and by virtue of the laws of the State, hereby acknowledges itself indebted for, and for value received promises to pay to the registered owner hereof stated above, or registered assigns, at the maturity date stated above, but only from the sources and as hereinafter provided, upon presentation and surrender of this Bond at the principal office of Wells Fargo Bank, National Association in San Francisco, California or its successor as Fiscal Agent (the "Fiscal Agent"), under the Pledge Agreement (described below), the principal amount stated above, and to pay interest on said principal amount at the interest rate set forth above, from and including the dated date stated above (the "Dated Date"), until the principal amount shall have been paid in accordance with the terms of this Bond and the Pledge Agreement, as and when set forth below, but only from the sources and as hereinafter provided, by wire transfer upon request of the Bondowner Representative or otherwise by check or draft mailed to the record Owners of Bonds as the same appear upon the books of registry to be maintained by the Fiscal Agent, as registrar.

This Bond is one of a series of bonds (the "Bonds") issued pursuant to, and is subject to, the Bond Issuance and Pledge Agreement dated as of November 1, 2009 between the Issuer and the Fiscal Agent (as amended and supplemented from time to time, the "Pledge Agreement"), and the provisions of Chapter 7 of Part 5 of Division 31 of the California Health and Safety Code (the "Housing Law"). Reference is made to the Pledge Agreement and the Housing Law for a full statement of their respective terms. Capitalized terms used herein and not otherwise defined herein have the respective meanings accorded such terms in the Pledge Agreement, which are hereby incorporated herein by reference. The Bonds issued under the Pledge Agreement are expressly limited to \$18,250,000 in aggregate principal amount at any time Outstanding and are all of like tenor, except as to numbers and denominations, and are issued for the purposes of providing construction financing for qualified multifamily rental housing units in the State and of paying certain expenses incidental thereto.

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 received by the Fiscal Agent, on behalf of the Issuer, as

installment payments of the purchase price of the Bonds, less (ii) any payment of principal on the Bonds made by the Fiscal Agent to the Owners thereof. Payments of principal on the Bonds shall be recorded by the Fiscal Agent with periodic statements provided, upon request, to the Issuer.

Pursuant to a Loan Agreement dated as of November 1, 2009, and a Promissory Note (the "Note") dated as of November 1, 2009, Valley Vista Senior Housing, L.P., a California limited partnership (the "Borrower"), has agreed to make payments to the Issuer in amounts equal to amounts of principal of and premium, if any, and interest on the Bonds.

NEITHER THE ISSUER (NOR ANY OFFICER OR MEMBER OF THE BOARD OF SUPERVISORS THEREOF) NOR ANY PERSON EXECUTING THE BONDS, IS LIABLE PERSONALLY ON THE BONDS OR SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THEIR ISSUANCE. THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER AND ARE NOT A DEBT, NOR A PLEDGE OF THE FAITH AND CREDIT, OF THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NONE OF SUCH ENTITIES IS LIABLE ON THE BONDS, NOR ARE THE BONDS PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE ISSUER PLEDGED FOR THE PAYMENT THEREOF. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION. THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATSOEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT.

Interest on the Bonds. The Bonds (including this Bond) shall bear interest on the outstanding principal amount thereof from and including the Dated Date at an interest rate equal to the interest rate that is from time to time applicable to principal of the Loan (as provided in the Note and the Loan Agreement, including Exhibit B thereto) until paid at maturity or upon earlier redemption or acceleration. Interest on the Bonds shall be calculated on the basis of a 360-day year and actual days elapsed. The interest payable on the Bonds as provided above shall be payable on the first day of each month commencing January 4, 2010, and on each Bond Payment Date.

Registration and Transfer. This Bond is transferable by the registered owner hereof in person or by his attorney duly authorized in writing at the office of the Fiscal Agent as registrar, but only in the manner, subject to the limitations and upon payment of the charges provided in the Pledge Agreement, and upon surrender and cancellation of this Bond. Upon such transfer a new registered Bond or Bonds, of any Authorized Denomination or denominations, of the same maturity and for the same aggregate principal amount will be issued to the transferee in exchange herefor. The Bonds are issuable as fully registered Bonds in Authorized Denominations as provided in the Pledge Agreement. The Issuer, the Fiscal Agent, and any other person may treat the person in whose name this Bond is registered on the books of registry as the Owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Bond be overdue, and no person shall be affected by notice to the contrary.

Redemption of Bonds. The Bonds are subject to optional and mandatory redemption by the Issuer and purchase in lieu of redemption by the Borrower prior to maturity as a whole or in part at such time or times, under such circumstances, at such redemption prices and in such manner as is set forth in the Pledge Agreement.

Enforcement. Only the Bondowner Representative shall have the right to direct the Fiscal Agent to enforce the provisions of this Bond or the Pledge Agreement or to institute any action to enforce the covenants herein or therein, or to take any action with respect to any Event of Default under the Pledge Agreement, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Pledge Agreement. If an Event of Default occurs and is continuing, the principal of all Bonds then outstanding may be declared due and payable by the Bondowner Representative upon the conditions and in the manner and with the effect provided in the Pledge Agreement. As provided in the Pledge Agreement, and to the extent permitted by law, interest and an alternative rate of interest shall be payable on unpaid amounts due hereon.

Discharge. The Pledge Agreement prescribes the manner in which it may be discharged and after which the Bonds shall be deemed to be paid and no longer be secured by or entitled to the benefits of the Pledge Agreement, except for the purposes of registration and exchange of Bonds and of such payment.

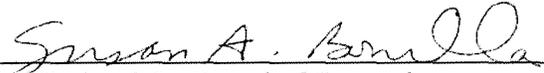
Modifications. Modifications or alterations of the Pledge Agreement, or of any supplements thereto, may be made only to the extent and in the circumstances permitted by the Pledge Agreement.

This Bond shall not be valid or obligatory for any purpose until it shall have been signed on behalf of the Issuer and such signature attested, by the officer, and in the manner, provided in the Pledge Agreement, and authenticated by a duly authorized officer of the Fiscal Agent.

It is hereby certified and recited that all conditions, acts and things required by the statutes of the State and by the Housing Law and the Pledge Agreement to exist, to have happened or to have been performed precedent to or in the issuance of this Bond exist, have happened and have been performed and that the issue of the Bonds, together with all other indebtedness of the Issuer, is within every debt and other limit prescribed by said statutes.

IN WITNESS WHEREOF, the Issuer has caused this County of Contra Costa Multifamily Housing Revenue Bonds (Valley Vista Senior Housing), 2009 Series B Bond to be executed as of the Dated Date stated above.

COUNTY OF CONTRA COSTA

By: 
Chair of the Board of Supervisors

Attest: 
Clerk of the Board of Supervisors

SPECIMEN

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the within mentioned Pledge Agreement and is one of the Multifamily Housing Revenue Bonds (Valley Vista Senior Housing), 2009 Series B of the County of Contra Costa.

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Fiscal Agent

By: 
Authorized Signatory

Date of Authentication: December 9, 2009

SPECIMEN

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto the within and hereby authorizes the transfer of this Bond on the registration books of the Fiscal Agent.

Dated: _____
Authorized Signature

Name of Transferee

Signature Guaranteed by

Name of Bank

By: _____
Title: _____

SPECIMEN

MATURITY SCHEDULE

County of Contra Costa
Multifamily Housing Revenue Bonds
(Valley Vista Senior Housing), 2009 Series B

\$18,250,000 of the above bonds due December 1, 2012