Viewing Instructions

This file has been indexed or bookmarked to simplify navigation between documents. If you are unable to view the document index, download the file to your local drive and open it using your PDF reader (e.g. Adobe Reader).

EXECUTION VERSION

2011-0943

BORROWER LOAN AGREEMENT

Between

ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS,

as Governmental Lender,

and

PRESIDIO EL CAMINO, L.P.,

as Borrower

Dated as of September 1, 2011

Relating to:

$7,700,000

Funding Loan originated by CITIBANK, N.A., as Funding Lender

The interest of the Governmental Lender in this Borrower Loan Agreement (except for certain rights described herein) has been pledged and assigned to Citibank, N.A., as funding lender (the "Funding Lender"), under that certain Funding Loan Agreement, of even date herewith, by and between the ABAG Finance Authority for Nonprofit Corporations (the "Governmental Lender") and the Funding Lender, under which the Funding Lender is originating a loan to the Governmental Lender to fund the Borrower Loan made under this Borrower Loan Agreement.

TABLE OF CONTENTS

Page

ARTICLE I DEFINITIONS; PRINCIPLES OF CONSTRUCTION 2

Section 1.1 Specific Definitions 2

Section 1.2 Definitions 2

ARTICLE II GENERAL 17

Section 2.1 Origination of Borrower Loan 17

Section 2.2 Security for the Funding Loan 18

Section 2.3 Loan; Borrower Note; Conditions to Closing 19

Section 2.4 Borrower Loan Payments 20

Section 2.5 Additional Borrower Payments 21

Section 2.6 Overdue Payments; Payments if Default 22

Section 2.7 Calculation of Interest Payments and Deposits to Real Estate Related Reserve Funds 22

Section 2.8 Grant of Security Interest; Application of Funds 22

Section 2.9 Marshalling; Payments Set Aside 22

Section 2.10 Borrower Loan Disbursements 23

ARTICLE III CONVERSION 23

Section 3.1 Conversion Date and Extension of Outside Conversion Date 23

Section 3.2 Notice From Funding Lender; Funding Lender's Calculation Final 23

Section 3.3 Mandatory Prepayment of the Borrower Loan 23

Section 3.4 Release of Remaining Loan Proceeds 24

Section 3.5 No Amendment 24

Section 3.6 Determinations by Funding Lender 24

ARTICLE IV REPRESENTATIONS AND WARRANTIES 24

Section 4.1 Borrower Representations 24

Section 4.2 Survival of Representations and Covenants 36

Section 4.3 Governmental Lender Representations 36

ARTICLE V AFFIRMATIVE COVENANTS 37

Section 5.1 Existence 37

Section 5.2 Taxes and Other Charges 37

Section 5.3 Repairs; Maintenance and Compliance; Physical Condition 37

Section 5.4 [Reserved.] 38

TABLE OF CONTENTS
(Continued)

Page

Section 5.5 [Reserved.] 38
Section 5.6 [Reserved.] 38
Section 5.7 [Reserved.] 38
Section 5.8 [Reserved.] 38
Section 5.9 [Reserved.] 38
Section 5.10 [Reserved.] 38
Section 5.11 [Reserved.] 38
Section 5.12 [Reserved.] 38
Section 5.13 [Reserved.] 38
Section 5.14 Expenses 38
Section 5.15 Indemnity 39
Section 5.16 No Warranty of Condition or Suitability by the Governmental Funding Lender 41
Section 5.17 [Reserved.] 41
Section 5.18 Notice of Default 41
Section 5.19 Covenant With Lender and Funding Lender 41
Section 5.20 [Reserved.] 41
Section 5.21 [Reserved.] 41
Section 5.22 [Reserved.] 41
Section 5.23 [Reserved.] 41
Section 5.24 [Reserved.] 41
Section 5.25 [Reserved.] 41
Section 5.26 [Reserved.] 42
Section 5.27 [Reserved.] 42
Section 5.28 [Reserved.] 42
Section 5.29 [Reserved.] 42
Section 5.30 [Reserved.] 42
Section 5.31 [Reserved.] 42
Section 5.32 [Reserved.] 42
Section 5.33 [Reserved.] 42
Section 5.34 Tax Covenants 42

TABLE OF CONTENTS
(Continued)

Page

Section 5.35 Payment of Rebate 43
Section 5.36 Covenants Under Funding Loan Agreement 43
Section 5.37 Notice of Default 44
ARTICLE VI NEGATIVE COVENANTS 44
Section 6.1 [Reserved.] 44
Section 6.2 Dissolution 44
Section 6.3 Change in Business or Operation of Property 44
ARTICLE VII [RESERVED] 44
ARTICLE VIII DEFAULTS 44
Section 8.1 Events of Default 44
Section 8.2 Remedies 49
ARTICLE IX SPECIAL PROVISIONS 53
Section 9.1 Sale of Note and Secondary Market Transaction 53
ARTICLE X MISCELLANEOUS 56
Section 10.1 Notices 56
Section 10.2 Brokers and Financial Advisors 56
Section 10.3 Survival 56
Section 10.4 Preferences 56
Section 10.5 Waiver of Notice 57
Section 10.6 Offsets, Counterclaims and Defenses 57
Section 10.7 Publicity 57
Section 10.8 Construction of Documents 57
Section 10.9 No Third Party Beneficiaries 58
Section 10.10 Assignment 58
Section 10.11 Assignment 58
Section 10.12 Governmental Lender, Funding Lender and Servicer Not in Control; No Partnership 58
Section 10.13 Release 59
Section 10.14 Term of Borrower Loan Agreement 59
Section 10.15 Reimbursement of Expenses 59
Section 10.16 Permitted Contests 60

TABLE OF CONTENTS
(Continued)

Page

Section 10.17 Funding Lender Approval of Instruments and Parties 60
Section 10.18 Funding Lender Determination of Facts 60
Section 10.19 Calendar Months 61
Section 10.20 Determinations by Lender 61
Section 10.21 Governing Law 61
Section 10.22 Consent to Jurisdiction and Venue 61
Section 10.23 Successors and Assigns 61
Section 10.24 Severability 61
Section 10.25 Entire Agreement; Amendment and Waiver 61
Section 10.26 Counterparts 62
Section 10.27 Captions 62
Section 10.28 Servicer 62
Section 10.29 Beneficiary Parties as Third Party Beneficiary 62
Section 10.30 Waiver of Trial by Jury 62
Section 10.31 Time of the Essence 63
Section 10.32 Modifications 63
Section 10.33 Reference Date 63
ARTICLE XI LIMITATIONS ON LIABILITY 63
Section 11.1 Limitation on Liability 63
Section 11.2 Limitation on Liability of Governmental Lender 63
Section 11.3 Waiver of Personal Liability 64
Section 11.4 Limitation on Liability of Funding Lender's Officers, Employees, Etc 64
Section 11.5 Delivery of Reports, Etc 65

BORROWER LOAN AGREEMENT

THIS BORROWER LOAN AGREEMENT (this "Borrower Loan Agreement") is entered into as of the first day of September 1, 2011, between the ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS, a joint exercise of powers agency, organized and existing under the laws of the state of California (the "State") (together with its successors and assigns, the "Governmental Lender") and PRESIDIO EL CAMINO, L.P., a California limited partnership (together with its successors and assigns, the "Borrower").

WITNESSETH:

RECITALS

WHEREAS, the Governmental Lender has been duly created and organized pursuant to and in accordance with the provisions of the laws of the State, and

WHEREAS, pursuant to the Act, the Governmental Lender is authorized (a) to make loans to any person to provide financing for residential rental developments, and intended to be occupied in part or in whole by persons of low and moderate income; (b) to borrow funds for the purpose of obtaining moneys to make such loans and provide such financing, to establish necessary reserve funds and to pay administrative costs and other costs incurred in connection with any such borrowing by the Governmental Lender; and (c) to pledge all or any part of the revenues, receipts or resources of the Governmental Lender, including the revenues and receipts to be received by the Governmental Lender from or in connection with such loans, and to mortgage, pledge or grant security interests in such loans or other property of the Governmental Lender in order to secure the repayment of any such borrowing by the Governmental Lender; and

WHEREAS, the Borrower has applied to the Governmental Lender for a loan (the "Borrower Loan"), for the acquisition, construction and development of a 40-unit multifamily residential project located in Santa Clara, Santa Clara County, California, known or to be known as Presidio El Camino Apartments (the "Project"); and

WHEREAS, the Borrower's repayment obligations under this Borrower Loan Agreement are evidenced by the Borrower Note, as defined herein; and

WHEREAS, the Borrower has requested the Governmental Lender to enter into that certain Funding Loan Agreement, of even date herewith (the "Funding Loan Agreement"), between the Governmental Lender and Citibank, N.A. (the "Funding Lender"), under which the Funding Lender will make a loan (the "Funding Loan") to the Governmental Lender, the proceeds of which will be loaned under this Borrower Loan Agreement to the Borrower to finance the acquisition, construction and development of the Project; and;

WHEREAS, the Borrower Loan is secured by, among other things, that certain Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (as amended, restated and/or supplemented from time to time, the "Security Instrument"), dated as of the date hereof for the benefit of the Funding Lender to secure the Funding Loan,

encumbering the Project, and will be advanced to Borrower pursuant to this Borrower Loan Agreement and the Construction Funding Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual representations, covenants and agreements herein contained, the parties hereto do hereby agree as follows:

ARTICLE I

DEFINITIONS; PRINCIPLES OF CONSTRUCTION

Section 1.1 Specific Definitions. For all purposes of this Borrower Loan Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(a) Unless specifically defined herein, all capitalized terms shall have the meanings ascribed thereto in the Security Instrument or, if not defined in the Security Instrument, in the Funding Loan Agreement.

(b) All accounting terms not otherwise defined herein shall have the meanings assigned to them, and all computations herein provided for shall be made, in accordance with GAAP.

(c) All references in this instrument to designated "Articles," "Sections" and other subdivisions are to the designated Articles, Sections and subdivisions of this instrument as originally executed.

(d) All references in this instrument to a separate instrument are to such separate instrument as the same may be amended or supplemented from time to time pursuant to the applicable provisions thereof.

(e) Unless otherwise specified, (i) all references to sections and schedules are to those in this Borrower Loan Agreement, (ii) the words "hereof," "herein" and "hereunder" and words of similar import refer to this Borrower Loan Agreement as a whole and not to any particular provision, (iii) all definitions are equally applicable to the singular and plural forms of the terms defined and (iv) the word "including" means "including but not limited to."

Section 1.2 Definitions. The following terms, when used in this Borrower Loan Agreement (including when used in the above recitals), shall have the following meanings:

"Act" means Chapter 5 of Division 7 of Title 1 of the California Government Code together with the provisions of Chapter 7 of Part 5 of Division 31 of the California Health and Safety Code as now in effect and as it may from time to time hereafter be amended and supplemented.

"Act of Bankruptcy" shall mean the filing of a petition in bankruptcy (or any other commencement of a bankruptcy or similar proceeding) under any applicable bankruptcy, insolvency, reorganization, or similar law, now or hereafter in effect; provided that, in the case of an involuntary proceeding, such proceeding is not dismissed within ninety (90) days after the commencement thereof.

"ADA" shall have the meaning set forth in Section 4.1.38 hereof.

"Additional Borrower Payments" shall mean the payments payable pursuant to Section 2.5 (Additional Borrower Payments), Section 2.6 (Overdue Payments; Payments in Default), Section 3.3.3 of the Construction Funding Agreement (Borrower Loan in Balance), Section 5.14 (Expenses) and Section 10 of the Borrower Note (Voluntary and Involuntary Prepayments).

"Agreement of Environmental Indemnification" shall mean the Agreement of Environmental Indemnification, dated as of the date thereof, executed by the Borrower for the benefit of the Funding Lender and any lawful holder, owner or pledgee of the Borrower Note from time to time.

"Appraisal" shall mean an appraisal of the Project and Improvements, which appraisal shall be (i) performed by a qualified appraiser licensed in the State selected by Funding Lender, and (ii) satisfactory to Funding Lender (including, without limitation, as adjusted pursuant to any internal review thereof by Funding Lender) in all respects.

"Architect" shall mean any licensed architect, space planner or design professional that Borrower may engage from time to time, with the approval of Funding Lender, to design any portion of the Improvements, including the preparation of the Plans and Specifications.

"Architect's Agreement" means any agreement that Borrower and any Architect from time to time may execute pursuant to which Borrower engages such Architect to design any portion of the Improvements, including the preparation of the Plans and Specifications, as approved by Funding Lender.

"Authorized Borrower Representative" shall mean a person at the time designated and authorized to act on behalf of the Borrower by a written certificate furnished to the Governmental Lender, the Funding Lender and the Servicer and containing the specimen signature of such person and signed on behalf of the Borrower by its Borrower Controlling Entity which certificate may designate one or more alternates.

"Bankruptcy Code" shall mean the United State Bankruptcy Reform Act of 1978, as amended from time to time, or any substitute or replacement legislation.

"Bankruptcy Event" shall have the meaning given to that term in the Security Instrument.

"Bankruptcy Proceeding" shall have the meaning set forth in Section 4.1.8 hereof.

"Beneficiary Parties" shall mean, collectively, the Funding Lender and the Governmental Lender.

"Borrower" shall have the meaning set forth in the recitals to this Borrower Loan Agreement.

"Borrower Affiliate" means, as to the Borrower, its general partners or its Guarantor, (i) any entity that directly or indirectly owns, controls, or holds with power to vote, 20 percent or

more of the outstanding voting securities of Borrower, its general partner or its Guarantor, (ii) any corporation 20 percent or more of whose outstanding voting securities are directly or indirectly owned, controlled or held with power to vote by the Borrower, its general partners or its Guarantor, (iii) any partner, shareholder or, if a limited liability company, member of Borrower, its general partners or its Guarantor, or (iv) any other person that is related (to the third degree of consanguinity) by blood or marriage to the Borrower, its general partners or its Guarantor (to the extent any of the Borrower, its general partners or its Guarantor is a natural person).

"Borrower Controlling Entity" shall mean, if the Borrower is a partnership, any general partner or managing partner of the Borrower, or if the Borrower is a limited liability company, the manager or managing member of the Borrower, or if the Borrower is a not for profit corporation, the shareholders thereof.

"Borrower Deferred Equity" shall mean the Equity Contributions made to Borrower by the Equity Investor pursuant to the Partnership Agreement other than Borrower Initial Equity, in accordance with the following schedule (subject to adjustment as described in the Partnership Agreement):

Installment	**Amount**
Second Installment (in accordance with Section 5.1A(ii) of the Partnership Agreement)	$200,000
Third Installment (in accordance with Section 5.1A(iii) of the Partnership Agreement)	1,768,000
Fourth Installment (in accordance with Section 5.1A(iv) of the Partnership Agreement)	1,769,000
Fifth Installment (in accordance with Section 5.1A(v) of the Partnership Agreement)	$266,000

"Borrower Initial Equity" shall mean an initial installment of the Equity Contributions made to Borrower by the Equity Investor in an amount of at least $435,000 to be made on or prior to the Closing Date.

"Borrower Loan" shall mean the mortgage loan made by the Governmental Lender to the Borrower pursuant to this Borrower Loan Agreement, in the maximum principal amount of the Borrower Loan Amount, as evidenced by the Borrower Note.

"Borrower Loan Agreement" shall mean this Borrower Loan Agreement.

"Borrower Loan Amount" shall mean the original maximum principal amount of the Borrower Note.

"Borrower Loan Documents" shall mean this Borrower Loan Agreement, the Borrower Note, the Security Instrument, the Contingency Draw-Down Agreement, the Construction Funding Agreement, the Agreement of Environmental Indemnification, the Guaranty, the Replacement Reserve Agreement and all other documents or agreements evidencing or relating to the Borrower Loan.

"Borrower Loan Payment Date" shall mean (i) the date upon which regularly scheduled Borrower Loan Payments are due pursuant to the Borrower Note, or (ii) any other date on which the Borrower Note is prepaid or paid, whether at the scheduled maturity or upon the acceleration of the maturity thereof.

"Borrower Loan Payments" shall mean the monthly loan payments payable pursuant to the Borrower Note.

"Borrower Loan Proceeds" shall mean proceeds of the Borrower Loan, to be disbursed in accordance with Section 2.11 of this Borrower Loan Agreement and the Construction Funding Agreement.

"Borrower Note" shall mean that certain Multifamily Construction Note dated as of the Closing Date hereof in the original maximum principal amount of the Borrower Loan Amount made by Borrower and payable to Governmental Lender, as endorsed and assigned to the Funding Lender, as it may be amended, supplemented or replaced from time to time.

"Borrower Payment Obligations" shall mean all payment obligations of the Borrower under the Borrower Loan Documents, including, but not limited to, the Borrower Loan Payments and the Additional Borrower Payments.

"Business Day" shall mean any day other than (i) a Saturday or Sunday, or (ii) a day on which federally insured depository institutions in New York, New York are authorized or obligated by law, regulation, governmental decree or executive order to be closed.

"Calculation Period" shall mean three (3) consecutive full Calendar Months occurring prior to the Conversion Date, as the same may be extended in accordance with Section 3.1 hereof.

"Calendar Month" shall mean each of the twelve (12) calendar months of the year.

"CC&R's" shall mean any covenants, conditions, restrictions, maintenance agreements or reciprocal easement agreements affecting the Project or the Project.

"City" shall mean the City of Santa Clara, California.

"Closing Date" means September 15, 2011, the date that the initial Borrower Loan Proceeds are disbursed hereunder.

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

"Co-General Partner" means CORE Presidio, LLC, a California limited liability company, and its successors and assigns.

"Collateral" shall mean all collateral described in (i) this Borrower Loan Agreement (including, without limitation, all property in which the Governmental Lender is granted a security interest pursuant to any provision of this Borrower Loan Agreement), (ii) the Security

Instrument, or (iii) any other Security Document, which Collateral shall include the Project, all of which collateral is pledged and assigned to Funding Lender under the Funding Loan Agreement to secure the Funding Loan.

"Completion" shall mean the construction or rehabilitation, as the case may be, of the Improvements, to be prosecuted with diligence and continuity and completed substantially in accordance with the Plans and Specifications, and in accordance with the Construction Funding Agreement, free and clear of any liens or claims for liens (but without prejudice to Borrower's rights of context under Section 10.16 hereof).

"Completion Date" shall mean March 1, 2013.

"Computation Date" shall have the meaning ascribed thereto in Section 1.148-3(e) of the Regulations.

"Condemnation" shall mean any action or proceeding or notice relating to any proposed or actual condemnation or other taking, or conveyance in lieu thereof, of all or any part of the Project, whether direct or indirect.

"Construction Consultant" shall mean a third-party architect or engineer selected and retained by Funding Lender, at the cost and expense of Borrower, to monitor the progress of construction and/or rehabilitation of the Project and to inspect the Improvements to confirm compliance with this Borrower Loan Agreement.

"Construction Contract" shall mean any agreement that Borrower and any Contractor from time to time may execute pursuant to which Borrower engages the Contractor to construct any portion of the Improvements, as approved by Funding Lender.

"Construction Funding Agreement" means that certain Construction Funding Agreement dated as of September 1, 2011, between the Funding Lender, as agent for the Governmental Lender, and Borrower, pursuant to which the Borrower Loan will be advanced by the Funding Lender (or the Servicer on its behalf), as agent of the Governmental Lender, to the Borrower and setting forth certain provisions relating to disbursement of the Borrower Loan during construction, insurance and other matters, as such agreement may be amended, modified, supplemented and replaced from time to time.

"Construction Schedule" shall mean a schedule of construction or rehabilitation progress with the anticipated commencement and completion dates of each phase of construction or rehabilitation, as the case may be, and the anticipated date and amounts of each Disbursement for the same, as approved by Funding Lender, as assignee of the Governmental Lender.

"Continuing Disclosure Agreement" shall mean that certain Continuing Disclosure Agreement dated as of September 1, 2011, between the Borrower and the Dissemination Agent, pursuant to which the Borrower agrees to provide certain information with respect to the Project, the Borrower and the Funding Loan subsequent to the Closing Date, as amended, supplemented or restated from time to time.

"Contractor" shall mean any licensed general contractor or subcontractor that Borrower may directly engage from time to time, with the approval of Funding Lender, to construct and/or rehabilitate any portion of the Improvements.

"Contractual Obligation" shall mean, for any Person, any debt or equity security issued by that Person, and any indenture, mortgage, deed of trust, contract, undertaking, instrument or agreement (written or oral) to which such Person is a party or by which it is bound, or to which it or any of its assets is subject.

"Conversion" shall mean Funding Lender's determination that the Conditions to Conversion have been satisfied in accordance with the provisions of this Borrower Loan Agreement and the Construction Funding Agreement.

"Conversion Date" shall mean the date to be designated by Funding Lender once the Conditions to Conversion have been satisfied, the determination of the Permanent Period Amount has been made and any loan balancing payments in accordance with Section 3.3 hereof and the Construction Funding Agreement (as the same may be extended in accordance with the Construction Funding Agreement) have been made. The Conversion Date must occur no later than the Outside Conversion Date.

"Cost Breakdown" shall mean the schedule of costs for the Improvements, as set forth in the Construction Funding Agreement and as the same may be amended from time to time with Funding Lender's consent.

"Costs of Funding" shall mean the Governmental Lender's Closing Fee and the fees, costs, expenses and other charges incurred in connection with the funding of the Borrower Loan and the Funding Loan, the negotiation and preparation of this Borrower Loan Agreement and each of the other Borrower Loan Documents and Funding Loan Documents and shall include, but shall not be limited to, the following: (i) counsel fees (including but not limited to Tax Counsel, counsel to the Governmental Lender, Borrower's counsel, and Funding Lender's counsel); (ii) financial advisor fees incurred in connection with the closing of the Borrower Loan and the Funding Loan; (iii) certifying and authenticating agent fees and expenses related to funding of the Funding Loan; (iv) printing costs (for any preliminary and final offering materials relating to the Funding Loan); (v) any recording fees; (vi) any additional fees charged by the Governmental Lender; and (vii) costs incurred in connection with the required public notices generally and costs of the public hearing.

"Costs of Funding Deposit" shall mean the amount required to be deposited by the Borrower with the Title Company to pay Costs of Funding in connection with the closing of the Borrower Loan and the Funding Loan on the Closing Date.

"Cost of Improvements" shall mean the costs for the Improvements, as set forth on the Cost Breakdown.

"County" shall mean the county of Santa Clara, California.

"Date of Disbursement" shall mean the date of a Disbursement.

"Day" or "Days" shall mean calendar days unless expressly stated to be Business Days.

"Debt" shall mean, as to any Person, any of such Person's liabilities, including all indebtedness (whether recourse and nonrecourse, short term and long term, direct and contingent), all committed and unfunded liabilities, and all unfunded liabilities, that would appear upon a balance sheet of such Person prepared in accordance with GAAP.

"Default" shall mean the occurrence of an event, which, under any Borrower Loan Document, would, but for the giving of notice or passage of time, or both, be an Event of Default under the applicable Borrower Loan Document or an Event of Default.

"Default Rate" shall have the meaning given to that term in the Borrower Note.

"Determination of Taxability" shall mean (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 in which Lender and Borrower were afforded the opportunity to participate, (iii) a determination by any court of competent jurisdiction, (iv) the enactment of legislation or (v) receipt by the Funding Lender, at the request of the Governmental Lender, the Borrower or the Funding Lender, of an opinion of Tax Counsel, in each case to the effect that the interest on the Funding Loan is includable in gross income for federal income tax purposes of any holder or any former holder of all or a portion of the Funding Loan, other than a holder who is a "substantial user" of the Project or a "related person" (as such terms are defined in Section 147(a) of the Code); provided, however, that no such Determination of Taxability under clause (i) or (iii) shall be deemed to have occurred if the Governmental Lender (at the sole expense of the Borrower) or the Borrower is contesting such determination, has elected to contest such determination in good faith and is proceeding with all applicable dispatch to prosecute such contest until the earliest of (a) a final determination from which no appeal may be taken with respect to such determination, (b) abandonment of such appeal by the Governmental Lender or the Borrower, as the case may be, or (c) one year from the date of initial determination.

"Developer Fee" shall mean the fees and/or compensation payable to CORE Affordable Housing, LLC, a California limited liability company, pursuant to the Development Agreement dated as of September 1, 2011, between Borrower and such developer in an amount not to exceed $1,478,000, which fees and/or compensation shall not be paid prior to the Conversion Date other than $90,000 at Closing and an additional $180,000 prior to Conversion unless otherwise permitted by the Funding Lender in its sole and absolute discretion.

"Disbursement" means a disbursement of Borrower Loan Proceeds and Other Borrower Moneys pursuant to this Borrower Loan Agreement.

"Dissemination Agent" shall mean the Dissemination Agent, in its capacity as dissemination agent pursuant to the Continuing Disclosure Agreement.

"Engineer" shall mean any licensed civic, structural, mechanical, electrical, soils, environmental or other engineer that Borrower may engage from time to time, with the approval of Funding Lender, to perform any engineering services with respect to any portion of the Improvements.

"Engineer's Contract" shall mean any agreement that Borrower and any Engineer from time to time may execute pursuant to which Borrower engages such Engineer to perform any engineering services with respect to any portion of the Improvements, as approved by Funding Lender.

"Equipment" shall have the meaning given to the term "Personalty" in the Security Instrument.

"Equity Contributions" shall mean the equity to be contributed by the Equity Investor to Borrower, in accordance with and subject to the terms of the Partnership Agreement.

"Equity Investor" shall mean Boston Financial Institutional Tax Credits XXXVII, a Limited Partnership, a Massachusetts limited partnership, together with its successors and assigns.

"ERISA" shall mean the Employment Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated hereunder.

"ERISA Affiliate" shall mean all members of a controlled group of corporations and all trades and business (whether or not incorporated) under common control and all other entities which, together with the Borrower, are treated as a single employer under any or all of Section 414(b), (c), (m) or (o) of the Code.

"Event of Default" shall mean any Event of Default set forth in Section 8.1 of this Borrower Loan Agreement. An Event of Default shall "exist" if a Potential Default shall have occurred and be continuing beyond any applicable cure period.

"Excess Revenues" shall have the meaning ascribed thereto in Section 2.2(e) hereof.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Expenses of the Project" shall mean, for any period, the current expenses, paid or accrued, for the operation, maintenance and current repair of the Project, as calculated in accordance with GAAP, and shall include, without limiting the generality of the foregoing, salaries, wages, employee benefits, cost of materials and supplies, costs of routine repairs, renewals, replacements and alterations occurring in the usual course of business, costs and expenses properly designated as capital expenditures (e.g. repairs which would not be payable from amounts on deposit in a repair and replacement fund held pursuant to the Borrower Loan Documents), a management fee (however characterized) not to exceed 5.0% of Gross Income, costs of billings and collections, costs of insurance, and costs of audits. Expenses of the Project shall not include any payments, however characterized, on account of any subordinate financing in respect of the Project or other indebtedness, allowance for depreciation, amortization or other non-cash items, gains and losses or prepaid expenses not customarily prepaid.

"Extended Outside Conversion Date" shall have the meaning set forth in the Construction Funding Agreement.

"Fair Market Value" shall mean the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (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 Governmental Lender and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of investment.

"Fitch" shall mean Fitch, Inc.

"Funding Lender" shall mean Citibank, N.A., in its capacity as lender under the Funding Loan.

"Funding Loan" means the Funding Loan in the original maximum principal amount of $7,700,000 made by Funding Lender to Governmental Lender under the Funding Loan Agreement, the proceeds of which are used by the Governmental Lender to make the Borrower Loan.

"Funding Loan Agreement" means the Funding Loan Agreement, of even date herewith, between the Governmental Lender and the Funding Lender, as it may from time to time be supplemented, modified or amended by one or more amendments or other instruments supplemental thereto entered into pursuant to the applicable provisions thereof.

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

"GAAP" shall mean generally accepted accounting principles as in effect on the date of the application thereof and consistently applied throughout the periods covered by the applicable financial statements.

"General Partner" shall mean, collectively, (i) the Managing General Partner, (ii) the Co-General Partner, (iii) any other Person that the partners of the Borrower, with the prior written approval of the Funding Lender (or as otherwise permitted pursuant to the Borrower Loan Documents), selected to be a general partner of the Borrower.

"Governmental Authority" shall mean (i) any governmental municipality or political subdivision thereof, (ii) any governmental or quasi-governmental agency, authority, board, bureau, commission, department, instrumentality or public body, or (iii) any court, administrative tribunal or public utility, agency, commission, office or authority of any nature whatsoever for

any governmental unit (federal, state, county, district, municipal, city or otherwise), now or hereafter in existence.

"Governmental Lender" shall have the meaning set forth in the recitals to this Borrower Loan Agreement.

"Governmental Lender Note" shall mean that certain Multifamily Note dated as of the date hereof in the original maximum principal amount of the Funding Loan Amount, made by the Governmental Lender and payable to Funding Lender, as it may be amended, supplemented or replaced from time to time.

"Governmental Lender's Closing Fee" shall mean $11,550.00 (of which $5,000.00 has previously been paid) payable to the Governmental Lender on the Closing Date pursuant to Section 2.3(c)(iii) hereof.

"Gross Income" shall mean all receipts, revenues, income and other moneys received or collected by or on behalf of Borrower and derived from the ownership or operation of the Project, if any, and all rights to receive the same, whether in the form of accounts, accounts receivable, contract rights or other rights, and the proceeds of such rights, and whether now owned or held or hereafter coming into existence and proceeds received upon the foreclosure sale of the Project. Gross Income shall not include loan proceeds, equity or capital contributions, or tenant security deposits being held by Borrower in accordance with applicable law.

"Gross Proceeds" shall mean, without duplication, the aggregate of:

(a) the net amount (after payment of all expenses of originating the Funding Loan) of Funding Loan proceeds received by the Governmental Lender as a result of the origination of the Funding Loan;

(b) all amounts received by the Governmental Lender as a result of the investment of the Funding Loan proceeds;

(c) any amounts held in any fund or account to the extent that the Governmental Lender reasonably expects to use the amounts in such fund to pay any portion of the Funding Loan; and

(d) any securities or obligations pledged by the Governmental Lender or by the Borrower as security for the payment of any portion of the Funding Loan.

"Guarantor" shall mean CORE Affordable Housing, LLC, Core Development, Inc., and David Neale, or any other person or entity which may hereafter become a guarantor of any of the Borrower's obligations under the Borrower Loan.

"Guaranty" shall mean the Completion and Repayment Guaranty, dated as of the date of this Borrower Loan Agreement, by Guarantor for the benefit of the Beneficiary Parties.

"Improvements" shall mean the 40-unit multifamily residential project to be constructed upon the Land and known or to be known as Presidio El Camino Apartments, and all other

buildings, structures, fixtures, wiring, systems, equipment and other improvements and personal property to be constructed, rehabilitated and/or installed at or on the Land in accordance with the Cost Breakdown and the Plans and Specifications.

"Indemnified Party" shall have the meaning set forth in Section 5.15 hereof.

"Installment Computation Date" shall mean any Computation Date other than the first Computation Date or the final Computation Date.

"Interest Rate" shall mean the rate of interest accruing on the Borrower Loan pursuant to the Borrower Note.

"Interim Phase Amount" shall mean $7,700,000.

"Land" means the real property described on EXHIBIT A to the Security Instrument.

"Late Charge" shall mean the amount due and payable as a late charge on overdue payments under the Borrower Note, as provided in Section 7 of the Borrower Note and Section 2.5 hereof.

"Legal Action" shall mean an action, suit, investigation, inquiry, proceeding or arbitration at law or in equity or before or by any foreign or domestic court, arbitrator or other Governmental Authority.

"Legal Requirements" shall mean statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions of Governmental Authorities affecting all or part of the Project or any property (including the Project) or the construction, rehabilitation, use, alteration or operation thereof, whether now or hereafter enacted and in force, and all permits, licenses and authorizations and regulations relating thereto, and all covenants, agreements, restrictions and encumbrances contained in any instrument, either of record or known to the Borrower, at any time in force affecting all or part of the Project, including any that may (i) require repairs, modifications or alterations in or to all or part of the Project, or (ii) in any way limit the use and enjoyment thereof.

"Liabilities" shall have the meaning set forth in Section 5.15 hereof.

"Licenses" shall have the meaning set forth in Section 4.1.22 hereof.

"Lien" shall mean any interest, or claim thereof, in the Project securing an obligation owed to, or a claim by, any Person other than the owner of the Project, whether such interest is based on common law, statute or contract, including the lien or security interest arising from a deed of trust, mortgage, deed to secure debt, assignment, encumbrance, pledge, security agreement, conditional sale or trust receipt or a lease, consignment or bailment for security purposes. The term "Lien" shall include reservations, exceptions, encroachments, easements, rights of way, covenants, conditions, restrictions, leases and other title exceptions and encumbrances affecting the Project.

"Management Agreement" shall mean the Management Agreement between the Borrower and the Manager, pursuant to which the Manager is to manage the Project, as same may be amended, restated, replaced, supplemented or otherwise modified from time to time.

"Manager" shall mean EAH, Inc., or such other management company to be employed by the Borrower and approved by the Funding Lender in accordance with the terms of the Security Instrument, this Borrower Loan Agreement or any of the other Borrower Loan Documents.

"Managing General Partner" means Central Valley Coalition for Affordable Housing.

"Material Adverse Change" means any set of circumstances or events which (a) has or could reasonably be expected to have any material adverse effect whatsoever upon the validity or enforceability of this Borrower Loan Agreement or any other Borrower Loan Document; (b) is or could reasonably be expected to be material and adverse to the business, properties, assets, financial condition, results of operations or prospects of the Borrower, Co-General Partner, Guarantor (prior to Conversion) or the Mortgaged Property; (c) could reasonably be expected to impair materially the ability of the Borrower, Co-General Partner or Guarantor (prior to Conversion) to duly and punctually pay or perform any of their respective obligations under any of the Borrower Loan Documents to which they are a party; or (d) impairs materially or could reasonably be expected to impair materially any rights of or benefits available to the Governmental Lender under this Borrower Loan Agreement or any other Borrower Loan Document, including, without limitation, the ability of Governmental Lender or, upon the assignment of the Borrower Loan to it, of the Funding Lender, to the extent permitted, to enforce its legal remedies pursuant to this Borrower Loan Agreement or any other Borrower Loan Document.

"Moody's" shall mean Moody's Investors Service, Inc., or its successor.

"Mortgaged Property" shall have the meaning given to that term in the Security Instrument.

"Net Operating Income" shall mean: (i) the Gross Income, less (ii) the Expenses of the Project.

"Nonpurpose Investment" shall mean any investment property (as defined in Section 148(b) of the Code) that is acquired with the Gross Proceeds of the Funding Loan and which is not acquired to carry out the governmental purpose of the Funding Loan.

"Notice Prepayment Date" shall have the meaning ascribed thereto in Section 11 of the Borrower Note.

"Ongoing Governmental Lender Fee" has the meaning set forth in the Funding Loan Agreement.

"Other Borrower Moneys" shall mean monies of Borrower other than Loan Proceeds and includes, but is not limited to, the Subordinate Debt, Borrower's Equity Contributions and any other equity contributed by Borrower to the Project.

"Other Charges" shall mean all maintenance charges, impositions other than Taxes, and any other charges, including vault charges and license fees for the use of vaults, chutes and similar areas adjoining the Project, now or hereafter levied or assessed or imposed against the Project or any part thereof.

"Outside Conversion Date" shall have the meaning set forth in the Construction Funding Agreement.

"Partnership Agreement" shall mean that certain Amended and Restated Agreement of Limited Partnership of the Borrower dated as of September 1, 2011, as the same may be amended, restated or modified in accordance with its terms.

"Patriot Act" shall mean the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (USA PATRIOT ACT) of 2001, as the same may be amended from time to time, and corresponding provisions of future laws.

"Patriot Act Offense" shall have the meaning set forth in Section 4.1.48 hereof.

"Payment Obligations" shall mean all obligations of Borrower for the payment of money to the Governmental Lender or to any other person under the Borrower Note, this Borrower Loan Agreement or under any other Borrower Loan Document.

"Permanent Period" shall mean the period of time from the Conversion Date to the Maturity Date (as defined in the Borrower Note) of the Borrower Note.

"Permanent Period Amount" shall mean $1,946,000, the principal amount of the Borrower Loan following the calculation provided for in the Construction Funding Agreement.

"Permitted Encumbrances" shall have the meaning given to that term in the Security Instrument.

"Permitted Lease" shall mean a lease and occupancy agreement pursuant to the form approved by Funding Lender, to a residential tenant in compliance with the Legal Requirements, providing for an initial term of not less than six (6) months nor more than two (2) years.

"Person" shall mean a natural person, a partnership, a joint venture, an unincorporated association, a limited liability company, a corporation, a trust, any other legal entity, or any Governmental Authority.

"Plan" shall mean (i) an employee benefit or other plan established or maintained by the Borrower or any ERISA Affiliate or to which the Borrower or any ERISA Affiliate makes or is obligated to make contributions and (ii) which is covered by Title IV of ERISA or Section 302 of ERISA or Section 412 of the Code.

"Plans and Specifications" shall mean the plans and specifications and/or the scope of work for the construction and/or rehabilitation, as the case may be, of the Project approved by Funding Lender.

"Potential Default" shall mean the occurrence of an event which, under this Borrower Loan Agreement or any other Borrower Loan Document, would, but for the giving of notice of passage of time, be an Event of Default.

"Prepayment Premium" shall mean any premium payable by the Borrower pursuant to the Borrower Loan Documents in connection with a prepayment of the Borrower Note (including any prepayment premium as set forth in the Borrower Note).

"Project" shall mean the Mortgaged Property (as defined in the Security Instrument) and Improvements thereon owned by the Borrower and encumbered by the Security Instrument, together with all rights pertaining to such real property and Improvements, as more particularly described in the Granting Clauses of the Security Instrument and referred to therein as the "Mortgaged Property."

"Project Agreements and Licenses" shall mean any and all Construction Contracts, Engineer's Contracts and Management Agreements, and all other rights, licenses, permits, franchises, authorizations, approvals and agreements relating to use, occupancy, operation or leasing of the Project or the Mortgaged Property.

"Provided Information" shall have the meaning set forth in Section 9.1.1(a) hereof.

"Qualified Project Costs" means "Good Costs" as defined in the Tax Certificate.

"Rebate Amount" shall mean, for any given period, the amount determined by the Rebate Analyst as required to be rebated or paid as a yield reduction payment to the United States of America with respect to the Funding Loan.

"Rebate Analyst" shall mean the rebate analyst selected by the Borrower within 30 days of the Closing Date and acceptable to the Governmental Lender and the Funding Lender.

"Rebate Analyst's Fee" shall mean the annual fee of the Rebate Analyst payable by the Borrower.

"Rebate Fund" shall mean the Rebate Fund created pursuant to Section 5.35 hereof.

"Related Documents" shall mean, collectively, any agreement or other document (other than the Borrower Loan Documents) granting a security interest (including each agreement that is the subject of any Borrower Loan Document), the Partnership Agreement, and any other agreement, instrument or other document (not constituting a Borrower Loan Document) relating to or executed in connection with the transactions contemplated by this Borrower Loan Agreement.

"Replacement Reserve Agreement" shall mean any Replacement Reserve Agreement between the Borrower and the Funding Lender, as the same may be amended, restated or supplemented from time to time.

"Replacement Reserve Fund Requirement" means Borrower's funding obligations from time to time under the Replacement Reserve Agreement.

"Retainage" shall have the meaning given in the Construction Funding Agreement.

"Secondary Market Disclosure Document" shall have the meaning set forth in Section 10.1.2 hereof.

"Secondary Market Transaction" shall have the meaning set forth in Section 9.1.1 hereof.

"Securities" shall have the meaning set forth in Section 9.1.1 hereof.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Security Documents" shall mean the Security Instrument, the Replacement Reserve Agreement, the Collateral Agreements, the Collateral Assignments, this Borrower Loan Agreement, the Environmental Agreement, and such other security instruments that Funding Lender may reasonably request.

"Security Instrument" shall have the meaning set forth in the recitals to this Borrower Loan Agreement.

"Servicer" shall mean the Servicer contracting with or appointed by the Funding Lender to service the Borrower Loan.

"Servicer's Fee" shall mean the fee due to the Servicer for services rendered pursuant to the Borrower Loan Documents and the Servicing Agreement in an amount equal to one twelfth of 0.05% of outstanding principal amount of the Borrower Loan payable monthly in arrears.

"Servicing Agreement" shall mean any servicing agreement or master servicing agreement, among the Servicer and the Funding Lender relating to the servicing of the Borrower Loan and any amendments thereto or any replacement thereof.

"Standard & Poor's" or "S&P" shall mean Standard & Poor's Rating Services, a Division of the McGraw Hill Companies, Inc., or its successors.

"State" shall mean the State in which the Project is located.

"Subordinate Debt" shall mean the subordinate loans to Borrower, comprised of (i) a loan in the amount of $8,203,316 being made by the Housing Authority of the City of Santa Clara and of (ii) a loan in the amount of $500,000 being made by the Opportunity Fund Northern California, each as of the Closing Date, pursuant to the applicable Subordinate Loan Documents.

"Subordinate Lenders" shall mean and refer to (i) the Housing Authority of the City of Santa Clara and (ii) the Opportunity Fund Northern California.

"Subordinate Loan Documents" shall mean, collectively, all instruments, agreements and other documents evidencing, securing or otherwise relating to the Subordinate Debt or executed and delivered by Borrower and/or Subordinate Lender in connection with the Subordinate Debt.

"Substantial Completion Date" means the date that is three (3) months prior to the Outside Conversion Date.

"Substantially Complete" or "Substantially Completed" means the Funding Lender has determined that construction or rehabilitation, as the case may be, of the Improvements is sufficiently complete such that the Improvements can be occupied by tenants as a multifamily residential rental project.

"Tax Counsel" shall have the meaning set forth in the Funding Loan Agreement.

"Taxes" shall mean all real estate and personal property taxes, assessments, water rates or sewer rents, now or hereafter levied or assessed or imposed against all or part of the Project.

"Term" shall mean the term of this Borrower Loan Agreement pursuant to Section 10.14.

"Title Company" means Chicago Title Company.

"Title Insurance Policy" shall mean the mortgagee title insurance policy, in form acceptable to the Funding Lender, issued with respect to the Mortgaged Property and insuring the lien of the Security Instrument.

"Transfer" shall have the meaning given to that term in the Security Instrument.

"UCC" shall mean the Uniform Commercial Code as in effect in the State.

"Unit" shall mean a residential apartment unit within the Improvements.

"Written Consent" and "Written Notice" shall mean a written consent or notice signed by an Authorized Borrower Representative or an authorized representative of the Governmental Lender or the Funding Lender, as appropriate.

ARTICLE II

GENERAL

Section 2.1 Origination of Borrower Loan. In order to provide funds for the purposes provided herein, the Governmental Lender agrees that it will, in accordance with the Act, enter into the Funding Loan Agreement and accept the Funding Loan from the Funding Lender. The proceeds of the Funding Loan shall be advanced by the Funding Lender to the Borrower in accordance with the terms of the Construction Funding Agreement and this Borrower Loan Agreement.

The Governmental Lender hereby appoints the Funding Lender as its agent with full authority and power to act on its behalf to disburse the Borrower Loan for the account of the Governmental Lender, to take certain actions and exercise certain remedies with respect to the Borrower Loan, and for the other purposes set forth in this Borrower Loan Agreement and to do all other acts necessary or incidental to the performance and execution thereof. This appointment is coupled with an interest and is irrevocable except as expressly set forth herein.

Accordingly, references to the rights of the Funding Lender to take actions under this Borrower Loan Agreement shall refer to Funding Lender in its role as agent of the Governmental Lender. The Funding Lender may designate Servicer to fulfill the rights and responsibilities granted by Governmental Lender to Funding Lender pursuant to this Section 2.1.

Section 2.2 Security for the Funding Loan.

(a) As security for the Funding Loan, the Governmental Lender has pledged and assigned to the Funding Lender under and pursuant to the Funding Loan Agreement (a) the Borrower Note and all of its right, title and interest in and to this Borrower Loan Agreement and the Borrower Loan Documents (except for the Unassigned Rights) and all revenues and receipts therefrom and the security therefor (including the Security Instrument) and (b) the amounts on deposit from time to time in any and all funds established under the Funding Loan Agreement. All revenues and assets pledged and assigned thereby shall immediately be subject to the lien of such pledge without any physical delivery thereof or any further act, except in the case of the Borrower Note, which shall be delivered to the Funding Lender. The Borrower hereby acknowledges and consents to such assignment to the Funding Lender.

(b) With respect to the Unassigned Rights, subject to the limitations set forth in this Section 2.2, the Governmental Lender may:

(i) Tax Covenants. Seek specific performance of, and enforce, the tax covenants of the Funding Loan Agreement, the Regulatory Agreement, the Tax Certificate and the Borrower Loan Agreement, injunctive relief against acts which may be in violation of any of the tax covenants, and enforce the Borrower's obligation to pay amounts for credit to the Rebate Fund;

(ii) Regulatory Agreement. Seek specific performance of the obligations of the Borrower or any other owner of the Project under the Regulatory Agreement and injunctive relief against acts which may be in violation of the Regulatory Agreement or otherwise in accordance with the provisions of the Regulatory Agreement; provided, however, that the Governmental Lender may enforce any right it may have under the Regulatory Agreement for monetary damages only against Excess Revenues (defined below), if any, of the Borrower, unless Funding Lender otherwise specifically consents in writing to the use of other funds; and

(iii) Reserved Rights. Take whatever action at law or in equity which appears necessary or desirable to enforce the other Unassigned Rights, provided, however, that the Governmental Lender or any person under its control may only enforce any right it may have for monetary damages against Excess Revenues, if any, of the Borrower, unless Funding Lender otherwise specifically consents in writing to the enforcement against other funds of the Borrower.

(c) In no event shall the Governmental Lender, except at the express written direction of the Funding Lender:

(i) prosecute its action to a lien on the Project; or

(ii) take any action which may have the effect, directly or indirectly, of impairing the ability of the Borrower to timely pay the principal of, interest on, or other amounts due under, the Borrower Loan or of causing the Borrower to file a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Borrower under any applicable liquidation, insolvency, bankruptcy, rehabilitation, composition, reorganization, conservation or other similar law in effect now or in the future; or

(iii) interfere with the exercise by Funding Lender or Servicer of any of their rights under the Borrower Loan Documents upon the occurrence of an event of default by the Borrower under the Borrower Loan Documents or the Funding Loan Document; or

(iv) take any action to accelerate or otherwise enforce payment or seek other remedies with respect to the Borrower Loan or the Funding Loan.

(d) The Governmental Lender shall provide Written Notice to the Funding Lender and the Servicer immediately upon taking any action at law or in equity to exercise any remedy or direct any proceeding under the Borrower Loan Documents or the Funding Loan Documents.

(e) As used in this Section 2.2, the term "Excess Revenues" means, for any period, the net cash flow of the Borrower available for distribution to shareholders, members or partners (as the case may be) for such period, after the payment of all interest expense, the amortization of all principal of all indebtedness coming due during such period (whether by maturity, mandatory sinking fund payment, acceleration or otherwise), the payment of all fees, costs and expenses on an occasional or recurring basis in connection with the Borrower Loan or the Funding Loan, the payment of all operating, overhead, ownership and other expenditures of the Borrower directly or indirectly in connection with the Project (whether any such expenditures are current, capital or extraordinary expenditures), and the setting aside of all reserves for taxes, insurance, water and sewer charges or other similar impositions, capital expenditures, repairs and replacements and all other amounts which the Borrower is required to set aside pursuant to agreement, but excluding depreciation and amortization of intangibles.

Section 2.3 Loan; Borrower Note; Conditions to Closing.

(a) The Funding Loan shall be funded directly to the Borrower by the Funding Lender through the Construction Funding Agreement, in one or more installments not to exceed the Borrower Loan Amount in accordance with the disbursement procedures set forth in the Construction Funding Agreement. Upon funding of each installment of the Funding Loan, the Governmental Lender shall be deemed to have made the Borrower Loan to the Borrower in a like principal amount. The Borrower Loan shall mature and be payable at the times and in the amounts required under the terms hereof and of the Borrower Note. The proceeds of the Borrower Loan shall be used by the Borrower to pay costs of the acquisition, construction, rehabilitation, development, equipping and/or operation of the Project. The Borrower hereby accepts the Borrower Loan and acknowledges that the Governmental Lender shall cause the Funding Lender to fund the Borrower Loan in the manner set forth herein. The Governmental Lender acknowledges that the Borrower Loan shall be funded by the Funding Lender for the account of the Governmental Lender.

(b) The Borrower hereby accepts the Borrower Loan. As evidence of its obligation to repay the Borrower Loan, simultaneously with the delivery of this Borrower Loan Agreement to the Governmental Lender, the Borrower hereby agrees to execute and deliver the Borrower Note. The Borrower Loan shall mature and be payable at the times and in the amounts required under the terms hereof and of the Borrower Note. The Governmental Lender shall assign the Borrower Note to the Funding Lender on the Closing Date as a condition to the closing of the Borrower Loan and the Funding Loan.

(c) Closing of the Borrower Loan on the Closing Date shall be conditioned upon satisfaction or waiver by the Governmental Lender and the Funding Lender in their sole discretion of each of the conditions precedent to closing set forth in the Funding Loan Agreement and this Borrower Loan Agreement, including but not limited to the following:

(i) evidence of proper recordation of the Security Instrument, the Regulatory Agreement, and each of the other documents specified for recording in instructions delivered to the Title Company by counsel to the Funding Lender (or that such documents have been delivered to an authorized agent of the Title Company for recordation under binding recording instructions from Funding Lender's counsel or such other counsel as may be acceptable to the Funding Lender); and

(ii) delivery into escrow with the Title Company (or separate escrow company, if applicable) of all amounts required to be paid in connection with the origination of the Borrower Loan and the Funding Loan and any underlying real estate transfers or transactions, including the Costs of Funding Deposit and the Borrower Initial Equity Funds, all as specified in written instructions delivered to the Title Company by counsel to the Funding Lender (or such other counsel as may be acceptable to the Funding Lender) and/or as specified in a closing memorandum of the Funding Lender;

(iii) payment of all fees payable in connection with the closing of the Borrower Loan including the Governmental Lender's Closing Fee.

Section 2.4 Borrower Loan Payments.

(a) The Borrower shall make Borrower Loan Payments in accordance with the Borrower Note. Each Borrower Loan Payment made by the Borrower shall be made in funds immediately available to the Funding Lender or the Servicer by 11:00 a.m., New York City time, on the Borrower Loan Payment Date. Each such payment shall be made to the Funding Lender or the Servicer by deposit to such account as the Funding Lender or Servicer, as applicable, may designate by Written Notice to the Borrower. Whenever any Borrower Loan Payment shall be stated to be due on a day that is not a Business Day, such payment shall be due on the first Business Day immediately thereafter. In addition, the Borrower shall make Borrower Loan Payments in accordance with the Borrower Note in the amounts and at the times necessary to make all payments due and payable on the Funding Loan. All payments made by the Borrower hereunder or by the Borrower under the other Borrower Loan Documents, shall be made irrespective of, and without any deduction for, any set-offs or counterclaims, but such payment shall not constitute a waiver of any such set offs or counterclaims.

(b) Unless there is no Servicer, payments of principal and interest on the Borrower Note shall be paid to the Servicer. If there is no Servicer, payments of principal and interest on the Borrower Note shall be paid directly to Funding Lender.

Section 2.5 Additional Borrower Payments.

(a) The Borrower shall pay on demand the following amounts:

(i) to the Servicer or the Funding Lender, the Rebate Amount then due, if any, to be deposited in the Rebate Fund as specified in Section 5.35 hereof and the Rebate Analysts' Fee and any other costs incurred to calculate such Rebate Amount (to the extent such costs are not included in the Borrower Loan Payment);

(ii) to the Governmental Lender, the Ongoing Governmental Lender Fee and all fees, charges, costs, advances, indemnities and expenses, including agent and counsel fees, of the Governmental Lender incurred under the Borrower Loan Documents or the Funding Loan Documents, and any taxes and assessments with respect to the Project, as and when the same become due;

(iii) to the Servicer, the Servicer's Fee;

(iv) all Costs of Funding and fees, charges and expenses, including agent and counsel fees incurred in connection with the origination of the Borrower Loan and the Funding Loan, as and when the same become due;

(v) to the Funding Lender, all charges, costs, advances, indemnities and expenses, including agent and counsel fees, of the Funding Lender incurred by the Funding Lender at any time in connection with the Borrower Loan, the Funding Loan or the Project, including, without limitation, reasonable counsel fees and expenses incurred in connection with the interpretation, performance, or amendment and all counsel fees and expenses relating to the enforcement of the Borrower Loan Documents or the Funding Loan Documents or any other documents relating to the Project or the Borrower Loan or in connection with questions or other matters arising under such documents or in connection with any federal or state tax audit; and

(vi) any Late Charge due and payable under the terms of the Borrower Note and Section 2.6 hereof; provided, however, that all payments made pursuant to this subsection (a) shall be made to the Servicer, if there is no Servicer, such payments shall be made to the Governmental Lender.

(b) The Borrower shall pay to the party entitled thereto as expressly set forth in this Borrower Loan Agreement or the other Borrower Loan Documents or Funding Loan Documents:

(i) all expenses incurred in connection with the enforcement of any rights under this Borrower Loan Agreement or any other Borrower Loan Document, the Regulatory Agreement, or any Funding Loan Document by the Governmental Lender, Funding Lender or the Servicer;

(ii) all other payments of whatever nature that the Borrower has agreed to pay or assume under the provisions of this Borrower Loan Agreement or any other Borrower Loan Document or Funding Loan Document; and

(iii) all expenses, costs and fees relating to inspections of the Project required by the Governmental Lender, the Funding Lender, the Servicer or the Construction Consultant, in accordance with the Borrower Loan Documents or the Funding Loan Documents or to reimburse such parties for such expenses, costs and fees.

Section 2.6 Overdue Payments; Payments if Default. If any Borrower Payment Obligation is not paid by or on behalf of the Borrower when due, the Borrower shall pay to the Servicer, a Late Charge in the amount and to the extent set forth in the Borrower Note, if any.

Section 2.7 Calculation of Interest Payments and Deposits to Real Estate Related Reserve Funds. The Borrower acknowledges as follows: (a) calculation of all interest payments shall be made by the Funding Lender; (b) deposits with respect to the Taxes and Other Charges shall be calculated by the Servicer or if there is no Servicer, the Funding Lender in accordance with the Security Instrument; and (c) deposits with respect to any replacement reserve funds required by the Funding Lender shall be calculated by the Servicer in accordance with the Replacement Reserve Agreement. In the event and to the extent that the Servicer or the Funding Lender, pursuant to the terms hereof, shall determine at any time that there exists a deficiency in amounts previously owed but not paid with respect to deposits to such replacement reserve fund, such deficiency shall be immediately due and payable hereunder following Written Notice to the Borrower.

Section 2.8 Grant of Security Interest; Application of Funds. To the extent not inconsistent with the Security Instrument and as security for payment of the Borrower Payment Obligations and the performance by the Borrower of all other terms, conditions and provisions of the Borrower Loan Documents, the Borrower hereby pledges and assigns to the Funding Lender, and grants to the Funding Lender, a security interest in, all the Borrower's right, title and interest in and all payments to or moneys held in the funds and accounts created and held by the Funding Lender or the Servicer for the Project. This Borrower Loan Agreement is, among other things, intended by the parties to be a security agreement for purposes of the UCC. Upon the occurrence and during the continuance of an Event of Default hereunder, the Funding Lender and the Servicer shall apply or cause to be applied any sums held by the Funding Lender and the Servicer with respect to the Project in any manner and in any order determined by Funding Lender, in Funding Lender's sole and absolute discretion.

Section 2.9 Marshalling; Payments Set Aside. The Governmental Lender and Funding Lender shall be under no obligation to marshal any assets in favor of Borrower or any other Person or against or in payment of any or all of the proceeds. To the extent that Borrower makes a payment or payments or transfers any assets to the Governmental Lender or Funding Lender, or the Governmental Lender or Funding Lender enforces its liens, and such payment or payments or transfers, or the proceeds of such enforcement or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party in connection with any insolvency proceeding, or otherwise, then: (i) any and all obligations owed to the Governmental Lender or Funding Lender and any

and all remedies available to the Governmental Lender or Funding Lender under the terms of the Borrower Loan Documents and the Funding Loan Documents or in law or equity against Borrower, Guarantor or General Partner and/or any of their properties shall be automatically revived and reinstated to the extent (and only to the extent) of any recovery permitted under clause (ii) below; and (ii) the Governmental Lender and Funding Lender shall be entitled to recover (and shall be entitled to file a proof of claim to obtain such recovery in any applicable bankruptcy, insolvency, receivership or fraudulent conveyance or fraudulent transfer proceeding) either: (x) the amount of payments or the value of the transfer or (y) if the transfer has been undone and the assets returned in whole or in part, the value of the consideration paid to or received by Borrower for the initial asset transfer, plus in each case any deferred interest from the date of the disgorgement to the date of distribution to the Governmental Lender in any bankruptcy, insolvency, receivership or fraudulent conveyance or fraudulent transfer proceeding, and any costs and expenses due and owing, including, without limitation, any reasonable attorneys' fees incurred by the Governmental Lender or Funding Lender in connection with the exercise by the Governmental Lender or Funding Lender of its rights under this Section 2.9.

Section 2.10 Borrower Loan Disbursements. The Borrower Loan shall be disbursed by the Funding Lender, as agent for the Governmental Lender, pursuant to the Construction Funding Agreement.

ARTICLE III

CONVERSION

Section 3.1 Conversion Date and Extension of Outside Conversion Date. Borrower shall satisfy each of the Conditions to Conversion to occur and cause the Conversion Date to occur on or before the Outside Conversion Date (including the Extended Outside Conversion Date, if any), as further provided in the Construction Funding Agreement. The failure to satisfy each of the Conditions to Conversion on or before the Outside Conversion Date (or such later time as may be permitted in the Construction Funding Agreement) shall constitute an Event of Default under the Borrower Loan Documents.

Section 3.2 Notice From Funding Lender; Funding Lender's Calculation Final. Following satisfaction of all of the Conditions to Conversion, Funding Lender shall deliver Written Notice to Borrower of: (i) the Conversion Date, (ii) the amount of the Permanent Period Amount, (iii) any required prepayment of the Borrower Note (as described below in Section 3.3) and (iv) any amendments to the amortization schedule, as applicable.

Funding Lender's calculation of the Permanent Period Amount and any amendments to the amortization of the Borrower Loan shall be, in the absence of manifest error, conclusive and binding on all parties except that the Equity Investor, pursuant to the terms of the Partnership Agreement, shall have the right to approve the amount of the Loan after Conversion in excess of $1,946,000.

Section 3.3 Mandatory Prepayment of the Borrower Loan.

(a) As further provided in the Construction Funding Agreement, if and to the extent the Permanent Period Amount is less than the Interim Phase Amount, Funding Lender may in its sole discretion require Borrower to make a partial prepayment of the Borrower Loan in an amount equal to the difference between the Interim Phase Amount and the Permanent Period Amount (a "Pre-Conversion Loan Equalization Payment"), provided, however, that if the Permanent Period Amount is less than the Minimum Permanent Period Amount, then Funding Lender may in its sole discretion require Borrower to prepay the Borrower Loan in full.

(b) Any prepayment in full of the Borrower Loan required pursuant to Section 3.3(a) above shall be subject to a prepayment premium as more particularly set forth in the Borrower Note. Any prepayment in part of the Borrower Loan required pursuant to Section 3.3(a) above shall not be subject to a prepayment premium and shall not constitute a violation of the provisions of the Borrower Note prohibiting prepayment of the Borrower Loan prior to the end of the Lock-Out Period (as defined in the Borrower Note).

Section 3.4 Release of Remaining Loan Proceeds. If and to the extent that the Permanent Period Amount is greater than the principal amount of the Borrower Loan which has previously been disbursed to Borrower, Funding Lender shall deliver Written Notice thereof to Borrower on or before the Conversion Date. Within ten (10) business days after delivery of such notice, but in no event later than the Outside Conversion Date, Funding Lender shall disburse Borrower Loan proceeds to Borrower so that the aggregate principal amount of the Borrower Loan disbursed equals the Permanent Period Amount. Any Borrower Loan proceeds previously disbursed to the Borrower in excess of the Permanent Period Amount shall be paid by Borrower to Funding Lender.

Section 3.5 No Amendment. Nothing contained in this Article III shall be construed to amend, modify, alter, change or supersede the terms and provisions of the Borrower Note, Security Instrument, the Construction Funding Agreement or any other Borrower Loan Document and, if there shall exist a conflict between the terms and provisions of this Article III and those of the Borrower Note, Security Instrument, the Construction Funding Agreement or other Borrower Loan Documents, then the terms and provisions of the Borrower Note, Security Instrument, the Construction Funding Agreement and other Borrower Loan Documents shall control, provided, however, that in the event of a conflict between the terms and provisions of this Article III and those of the Borrower's loan application with the Funding Lender, the terms and provisions of this Article III shall control.

Section 3.6 Determinations by Funding Lender. In any instance where the consent or approval of Funding Lender may be given or is required, or where any determination, judgment or decision is to be rendered by Funding Lender under this Article III, including in connection with the Construction Funding Agreement, the granting, withholding or denial of such consent or approval and the rendering of such determination, judgment or decision shall be made or exercised by the Funding Lender (or its designated representative), at its sole and exclusive option and in its sole and absolute discretion.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Section 4.1 Borrower Representations. To induce the Governmental Lender and Funding Lender to execute this Borrower Loan Agreement and to induce Funding Lender to make Disbursements, Borrower represents and warrants for the benefit of the Governmental Lender, Funding Lender and the Servicer, that the representations and warranties set forth in this Section 4.1 are complete and accurate as of the Closing Date and will be complete and accurate, and deemed remade, as of the date of each Disbursement, as of the original Outside Conversion Date, as of the date of any extension thereof and as of the Conversion Date of the Maturity Date in accordance with the terms and conditions of the Borrower Note. Subject to Section 4.2 hereof, the representations, warranties and agreements set forth in this Section 4.1 shall survive the making of the Borrower Loan, and shall remain in effect and true and correct in all material respects until the Borrower Loan and all other Payment Obligations have been repaid in full:

Section 4.1.1 Organization; Special Purpose. The Borrower is in good standing under the laws of the State (and under the laws of the state in which the Borrower was formed if the Borrower was not formed under the laws of the State), has full legal right, power and authority to enter into the Borrower Loan Documents to which it is a party, and to carry out and consummate all transactions contemplated by the Borrower Loan Documents to which it is a party, and by limited partnership action, as appropriate has duly authorized the execution, delivery and performance of the Borrower Loan Documents to which it is a party. The Person(s) of the Borrower executing the Borrower Loan Documents and the Funding Loan Documents to which the Borrower is a party are fully authorized to execute the same. The Borrower Loan Documents and the Funding Loan Documents to which the Borrower is a party have been duly authorized, executed and delivered by the Borrower. The sole business of the Borrower is the ownership, management and operation of the Project.

Section 4.1.2 Proceedings; Enforceability. Assuming due execution and delivery by the other parties thereto, the Borrower Loan Documents and the Funding Loan Documents to which the Borrower is a party will constitute the legal, valid and binding agreements of the Borrower enforceable against the Borrower in accordance with their terms; except in each case as enforcement may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally, by the application of equitable principles regardless of whether enforcement is sought in a proceeding at law or in equity and by public policy.

Section 4.1.3 No Conflicts. The execution and delivery of the Borrower Loan Documents and the Funding Loan Documents to which the Borrower is a party, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof and thereof, will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under the Partnership Agreement of the Borrower, or to the best knowledge of the Borrower and with respect to the Borrower, any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any mortgage, deed of trust, loan agreement, lease, contract or other agreement or instrument to which the Borrower is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Borrower, which conflict, violation, breach, default, lien, charge or encumbrance might have consequences that would materially and adversely affect the consummation of the

transactions contemplated by the Borrower Loan Documents and the Funding Loan Documents, or the financial condition, assets, properties or operations of the Borrower.

Section 4.1.4 Litigation; Adverse Facts. There is no Legal Action, nor is there a basis known to Borrower for any Legal Action, before or by any court or federal, state, municipal or other governmental authority, pending, or to the knowledge of the Borrower, after reasonable investigation, threatened, against or affecting the Borrower, the Co-General Partner or the Guarantor, or their respective assets, properties or operations which, if determined adversely to the Borrower or its interests, would have a material adverse effect upon the consummation of the transactions contemplated by, or the validity of, the Borrower Loan Documents or the Funding Loan Documents, upon the ability of each of Borrower, Co-General Partner and Guarantor to perform their respective obligations under the Borrower Loan Documents, the Funding Loan Documents and the Related Documents to which it is a party, or upon the financial condition, assets (including the Project), properties or operations of the Borrower, the General Partner or the Guarantor. None of the Borrower, Co-General Partner or Guarantor is in default (and no event has occurred and is continuing which with the giving of notice or the passage of time or both could constitute a default) with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Borrower Loan Documents and the Funding Loan Documents, the ability of each of Borrower, Co-General Partner and Guarantor to perform their respective obligations under the Borrower Loan Documents, the Funding Loan Documents and the Related Documents to which it is a party, or the financial condition, assets, properties or operations of the Borrower, Co-General Partner or Guarantor. None of Borrower, Co-General Partner or Guarantor are (a) in violation of any applicable law, which violation materially and adversely affects or may materially and adversely affect the business, operations, assets (including the Project), condition (financial or otherwise) of Borrower, Co-General Partner or Guarantor, as applicable; (b) subject to, or in default with respect to, any other Legal Requirement that would have a material adverse effect on the business, operations, assets (including the Project), condition (financial or otherwise) of Borrower, Co-General Partner or Guarantor, as applicable; or (c) in default with respect to any agreement to which Borrower, Co-General Partner or Guarantor, as applicable, are a party or by which they are bound, which default would have a material adverse effect on the business, operations, assets (including the Project), condition (financial or otherwise) of Borrower, Co-General Partner or Guarantor, as applicable; and (iv) there is no Legal Action pending or, to the knowledge of Borrower, threatened against or affecting Borrower, Co-General Partner or Guarantor questioning the validity or the enforceability of this Borrower Loan Agreement or any of the other Borrower Loan Documents or the Funding Loan Documents or of any of the Related Documents. All tax returns (federal, state and local) required to be filed by or on behalf of the Borrower have been filed, and all taxes shown thereon to be due, including interest and penalties, except such, if any, as are being actively contested by the Borrower in good faith, have been paid or adequate reserves have been made for the payment thereof which reserves, if any, are reflected in the audited financial statements described therein. The Borrower enjoys the peaceful and undisturbed possession of all of the premises upon which it is operating its facilities.

Section 4.1.5 Agreements; Consents; Approvals. Except as contemplated by the Borrower Loan Documents and the Funding Loan Documents, the Borrower is not a party

to any agreement or instrument or subject to any restriction that would materially adversely affect the Borrower, the Project, or the Borrower's business, properties, operations or financial condition or business prospects, except the Permitted Encumbrances. The Borrower is not in default in any material respect in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any Permitted Encumbrance or any other agreement or instrument to which it is a party or by which it or the Project is bound.

No consent or approval of any trustee or holder of any indebtedness of the Borrower, and to the best knowledge of the Borrower and only with respect to the Borrower, no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority (except no representation is made with respect to any state securities or "blue sky" laws) is necessary in connection with the execution and delivery of the Borrower Loan Documents or the Funding Loan Documents, or the consummation of any transaction herein or therein contemplated, or the fulfillment of or compliance with the terms and conditions hereof or thereof, except as have been obtained or made and as are in full force and effect.

Section 4.1.6 Title. The Borrower shall have marketable title to the Project, free and clear of all Liens except the Permitted Encumbrances. The Security Instrument, when properly recorded in the appropriate records, together with any UCC financing statements required to be filed in connection therewith, will create (i) a valid, perfected first priority lien on the fee (or leasehold, if applicable) interest in the Project and (ii) perfected security interests in and to, and perfected collateral assignments of, all personalty included in the Project (including the Leases), all in accordance with the terms thereof, in each case subject only to any applicable Permitted Encumbrances. To the Borrower's knowledge, there are no delinquent real property taxes or assessments, including water and sewer charges, with respect to the Project, nor are there any claims for payment for work, labor or materials affecting the Project which are or may become a Lien prior to, or of equal priority with, the Liens created by the Borrower Loan Documents and the Funding Loan Documents.

Section 4.1.7 [RESERVED].

Section 4.1.8 No Bankruptcy Filing. The Borrower is not contemplating either the filing of a petition by it under any state or federal bankruptcy or insolvency law or the liquidation of all or a major portion of its property (a "Bankruptcy Proceeding"), and the Borrower has no knowledge of any Person contemplating the filing of any such petition against it. As of the Closing Date, the Borrower has the ability to pay its debts as they become due.

Section 4.1.9 Full and Accurate Disclosure. No statement of fact made by the Borrower in any Borrower Loan Document or any Funding Loan Document contains any untrue statement of a material fact or omits to state any material fact necessary to make statements contained therein in light of the circumstances in which they were made, not misleading. There is no material fact or circumstance presently known to the Borrower that has not been disclosed to the Governmental Lender and the Funding Lender which materially and adversely affects the Project or the business, operations or financial condition of the Borrower or the Borrower's ability to meet its obligations under this Borrower Loan Agreement and the other Borrower Loan Documents and Funding Loan Documents to which it is a party in a timely manner.

Section 4.1.10 No Plan Assets. The Borrower is not an "employee benefit plan," as defined in Section 3(3) of ERISA, subject to Title I of ERISA, and none of the assets of the Borrower constitutes or will constitute "plan assets" of one or more such plans within the meaning of 29 C.F.R. Section 2510.3 101.

Section 4.1.11 Compliance. The Borrower and the Project and the use thereof will comply, to the extent required, in all material respects with all applicable Legal Requirements. The Borrower is not in default or violation of any order, writ, injunction, decree or demand of any Governmental Authority, the violation of which would materially adversely affect the financial condition or the business of the Borrower. There has not been committed by the Borrower or any Affiliate involved with the operation or use of the Project any act or omission affording any Governmental Authority the right of forfeiture as against the Project or any part thereof or any moneys paid in performance of the Borrower's obligations under any Borrower Loan Document or any Funding Loan Documents.

Section 4.1.12 Contracts. All service, maintenance or repair contracts affecting the Project have been entered into at arm's length (except for such contracts between the Borrower and its affiliates or the affiliates of the Borrower Controlling Entity of the Borrower) in the ordinary course of the Borrower's business and provide for the payment of fees in amounts and upon terms comparable to existing market rates.

Section 4.1.13 Financial Information. All financial data, including any statements of cash flow and income and operating expense, that have been delivered to the Governmental Lender or the Funding Lender in respect of the Project by or on behalf of the Borrower, to the best knowledge of the Borrower, (i) are accurate and complete in all material respects, (ii) accurately represent the financial condition of the Project as of the date of such reports, and (iii) to the extent prepared by an independent certified public accounting firm, have been prepared in accordance with GAAP consistently applied throughout the periods covered, except as disclosed therein. Other than pursuant to or permitted by the Borrower Loan Documents or the Funding Loan Documents or the Borrower organizational documents, the Borrower has no contingent liabilities, unusual forward or long-term commitments or unrealized or anticipated losses from any unfavorable commitments. Since the date of such financial statements, there has been no materially adverse change in the financial condition, operations or business of the Borrower from that set forth in said financial statements.

Section 4.1.14 Condemnation. No Condemnation or other proceeding has been commenced or, to the Borrower's knowledge, is contemplated, threatened or pending with respect to all or part of the Project or for the relocation of roadways providing access to the Project.

Section 4.1.15 Federal Reserve Regulations. No part of the proceeds of the Borrower Loan will be used for the purpose of purchasing or acquiring any "margin stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System or for any other purpose that would be inconsistent with such Regulation U or any other regulation of such Board of Governors, or for any purpose prohibited by Legal Requirements or any Borrower Loan Document or Funding Loan Document.

Section 4.1.16 Utilities and Public Access. To the best of the Borrower's knowledge, the Project is or will be served by water, sewer, sanitary sewer and storm drain facilities adequate to service it for its intended uses. All public utilities necessary or convenient to the full use and enjoyment of the Project are or will be located in the public right-of-way abutting the Project, and all such utilities are or will be connected so as to serve the Project without passing over other property absent a valid easement. All roads necessary for the use of the Project for its current purpose have been or will be completed and dedicated to public use and accepted by all Governmental Authorities. Except for Permitted Encumbrances, the Project does not share ingress and egress through an easement or private road or share on-site or off-site recreational facilities and amenities that are not located on the Project and under the exclusive control of the Borrower, or where there is shared ingress and egress or amenities, there exists an easement or joint use and maintenance agreement under which (i) access to and use and enjoyment of the easement or private road and/or recreational facilities and amenities is perpetual, (ii) the number of parties sharing such easement and/or recreational facilities and amenities must be specified, (iii) the Borrower's responsibilities and share of expenses are specified, and (iv) the failure to pay any maintenance fee with respect to an easement will not result in a loss of usage of the easement.

Section 4.1.17 Not a Foreign Person. The Borrower is not a "foreign person" within the meaning of §1445(f)(3) of the Code.

Section 4.1.18 Separate Lots. Each parcel comprising the Land is a separate tax lot and is not a portion of any other tax lot that is not a part of the Land.

Section 4.1.19 Assessments. Except as disclosed in the Title Insurance Policy, there are no pending or, to the Borrower's best knowledge, proposed special or other assessments for public improvements or otherwise affecting the Project, or any contemplated improvements to the Project that may result in such special or other assessments.

Section 4.1.20 Enforceability. The Borrower Loan Documents and the Funding Loan Documents are not subject to, and the Borrower has not asserted, any right of rescission, set-off, counterclaim or defense, including the defense of usury with respect to the Borrower Loan Documents.

Section 4.1.21 Insurance. The Borrower has obtained the insurance required by Article VII hereof and has delivered to the Servicer copies of insurance policies or certificates of insurance reflecting the insurance coverages, amounts and other requirements set forth in this Borrower Loan Agreement and the Security Instrument.

Section 4.1.22 Use of Property; Licenses. The Project will be used exclusively as a multifamily residential rental project and other appurtenant and related uses, which use is consistent with the zoning classification for the Project. All certifications, permits, licenses and approvals, including certificates of completion and occupancy permits required for the legal use or legal, nonconforming use, as applicable, occupancy and operation of the Project (collectively, the "Licenses") required at this time for the construction or rehabilitation, as appropriate, and equipping of the Project have been obtained. To the Borrower's knowledge, all Licenses obtained by the Borrower have been validly issued and are in full force and effect. The

Borrower has no reason to believe that any of the Licenses required for the future use and occupancy of the Project and not heretofore obtained by the Borrower will not be obtained by the Borrower in the ordinary course following the Completion Date. No Licenses will terminate, or become void or voidable or terminable, upon any sale, transfer or other disposition of the Project, including any transfer pursuant to foreclosure sale under the Security Instrument or deed in lieu of foreclosure thereunder. The Project does not violate any density or building setback requirements of the applicable zoning law except to the extent, if any, shown on the survey. No proceedings are, to the best of the Borrower's knowledge, pending or threatened that would result in a change of the zoning of the Project.

Section 4.1.23 Flood Zone. Either all Improvements will be constructed above the flood grade or the Borrower will obtain appropriate flood insurance as directed by the Servicer.

Section 4.1.24 Physical Condition. The Project, including all Improvements, parking facilities, systems, fixtures, Equipment and landscaping, are or, after completion of the construction, rehabilitation and/or repairs, as appropriate, will be in good and habitable condition in all material respects and in good order and repair in all material respects (reasonable wear and tear excepted). The Borrower has not received notice from any insurance company or bonding company of any defect or inadequacy in the Project, or any part thereof, which would adversely affect its insurability or cause the imposition of extraordinary premiums or charges thereon or any termination of any policy of insurance or bond. The physical configuration of the Project is not in material violation of the ADA, if required under applicable law.

Section 4.1.25 Encroachments. All of the Improvements included in determining the appraised value of the Project will lie wholly within the boundaries and building restriction lines of the Project, and no improvement on an adjoining property encroaches upon the Project, and no easement or other encumbrance upon the Project encroaches upon any of the Improvements, so as to affect the value or marketability of the Project, except those insured against by the Title Insurance Policy or disclosed in the survey of the Project as approved by the Servicer.

Section 4.1.26 State Law Requirements. The Borrower hereby represents, covenants and agrees to comply with the provisions of all applicable state laws relating to the Borrower Loan, the Funding Loan and the Project.

Section 4.1.27 Filing and Recording Taxes. All transfer taxes, deed stamps, intangible taxes or other amounts in the nature of transfer taxes required to be paid by any Person under applicable Legal Requirements in connection with the transfer of the Project to the Borrower have been paid. All mortgage, mortgage recording, stamp, intangible or other similar taxes required to be paid by any Person under applicable Legal Requirements in connection with the execution, delivery, recordation, filing, registration, perfection or enforcement of any of the Borrower Loan Documents and the Funding Loan Documents have been or will be paid.

Section 4.1.28 Investment Company Act. The Borrower is not (i) an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended; or (ii) 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.

Section 4.1.29 Fraudulent Transfer. The Borrower has not accepted the Borrower Loan or entered into any Borrower Loan Document or Funding Loan Document with the actual intent to hinder, delay or defraud any creditor, and the Borrower has received reasonably equivalent value in exchange for its obligations under the Borrower Loan Documents and the Funding Loan Documents. Giving effect to the transactions contemplated by the Borrower Loan Documents, the Funding Loan Documents, the Subordinate Loan Documents and the Partnership Agreement, the fair saleable value of the Borrower's assets exceeds and will, immediately following the execution and delivery of the Borrower Loan Documents, the Funding Loan Documents and the Partnership Agreement, exceed the Borrower's total liabilities, including subordinated, unliquidated, disputed or contingent liabilities. The fair saleable value of the Borrower's assets is and will, immediately following the execution and delivery of the Borrower Loan Documents, the Funding Loan Documents and the Partnership Agreement, be greater than the Borrower's probable liabilities, including the maximum amount of its contingent liabilities or its debts as such debts become absolute and matured. The Borrower's assets do not and, immediately following the execution and delivery of the Borrower Loan Documents, the Funding Loan Documents and the Partnership Agreement will not, constitute unreasonably small capital to carry out its business as conducted or as proposed to be conducted. The Borrower does not intend to, and does not believe that it will, incur debts and liabilities (including contingent liabilities and other commitments) beyond its ability to pay such debts as they mature (taking into account the timing and amounts to be payable on or in respect of obligations of the Borrower).

Section 4.1.30 Ownership of the Borrower. Except as set forth in the Partnership Agreement of the Borrower, the Borrower has no obligation to any Person to purchase, repurchase or issue any ownership interest in it.

Section 4.1.31 Environmental Matters. To the best of Borrower's knowledge, the Project is not in violation of any Legal Requirement pertaining to or imposing liability or standards of conduct concerning environmental regulation, contamination or clean-up, and will comply with covenants and requirements relating to environmental hazards as set forth in the Security Instrument. The Borrower will execute and deliver the Agreement of Environmental Indemnification.

Section 4.1.32 Name; Principal Place of Business. Unless prior Written Notice is given to the Funding Lender, the Borrower does not use and will not use any trade name, and has not done and will not do business under any name other than its actual name set forth herein. The principal place of business of the Borrower is its primary address for notices as set forth in Section 10.1 hereof, and the Borrower has no other place of business, other than the Project and such principal place of business.

Section 4.1.33 Subordinated Debt. There is no secured or unsecured indebtedness with respect to the Project or any residual interest therein, other than the Subordinate Loans and the Permitted Encumbrances and permitted secured indebtedness

incurred pursuant to or permitted by the Borrower Loan Documents and the Funding Loan Documents, or otherwise expressly approved in writing by the Funding Lender, except an unsecured deferred developer fee not to exceed the amount permitted by Funding Lender as determined on the Closing Date.

Section 4.1.34 Filing of Taxes. The Borrower has filed (or has obtained effective extensions for filing) all federal, state and local tax returns required to be filed and has paid or made adequate provision for the payment of all federal, state and local taxes, charges and assessments, if any, payable by the Borrower.

Section 4.1.35 General Tax. All representations, warranties and certifications of the Borrower set forth in the Regulatory Agreement and the Tax Certificate are incorporated by reference herein and the Borrower will comply with such as if set forth herein.

Section 4.1.36 Approval of the Borrower Loan Documents and Funding Loan Documents. By its execution and delivery of this Borrower Loan Agreement, the Borrower approves the form and substance of the Borrower Loan Documents and the Funding Loan Documents, and agrees to carry out the responsibilities and duties specified in the Borrower Loan Documents and the Funding Loan Documents to be carried out by the Borrower. The Borrower acknowledges that (a) it understands the nature and structure of the transactions relating to the financing of the Project, (b) it is familiar with the provisions of all of the Borrower Loan Documents and the Funding Loan Documents and other documents and instruments relating to the financing, (c) it understands the risks inherent in such transactions, including without limitation the risk of loss of the Project, and (d) it has not relied on the Governmental Lender, the Funding Lender or the Servicer for any guidance or expertise in analyzing the financial or other consequences of the transactions contemplated by the Borrower Loan Documents and the Funding Loan Documents or otherwise relied on the Governmental Lender, the Funding Lender or the Servicer in any manner.

Section 4.1.37 Funding Loan Agreement. The Borrower has read and accepts and agrees that it is bound by the Funding Loan Agreement and the Funding Loan Documents.

Section 4.1.38 Americans With Disabilities Act. The Project, as designed, will conform in all material respects with all applicable zoning, planning, building and environmental laws, ordinances and regulations of governmental authorities having jurisdiction over the Project, including, but not limited to, the Americans with Disabilities Act of 1990 ("ADA"), to the extent required (as evidenced by an architect's certificate to such effect).

Section 4.1.39 Requirements of Act, Code and Regulations. The Project satisfies all requirements of the Act, the Code and the Regulations applicable to the Project.

Section 4.1.40 Regulatory Agreement. The Project is, as of the date of origination of the Funding Loan, in compliance with all requirements of the Regulatory Agreement to the extent such requirements are applicable; and 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 the Regulations, and pursuant to leases which comply with all applicable laws.

Section 4.1.41 Intention to Hold Project. The Borrower intends to hold the Project for its own account and has no current plans, and has not entered into any agreement, other than the Purchase Option Agreement, and the option under the Ground Lease and options pursuant to the Partnership Agreement and related documents to sell the Project or any part of it; and the Borrower intends to occupy the Project or cause the Project to be occupied and to operate it or cause it to be operated at all times during the term of this Borrower Loan Agreement in compliance with the terms of this Borrower Loan Agreement and the Regulatory Agreement and does not know of any reason why the Project will not be so used by it in the absence of circumstances not now anticipated by it or totally beyond its control.

Section 4.1.42 Concerning General Partner.

(a) The Managing General Partner of Borrower is a California nonprofit public benefit corporation duly organized and validly existing under the laws of the State of California. The Co-General Partner of Borrower is a California limited liability company, duly organized and validly existing under the laws of the State of California. Each General Partner has all requisite power and authority, rights and franchises to enter into and perform its obligations under the Borrower Loan Documents and the Funding Loan Documents to be executed by such General Partner for its own account and on behalf of Borrower, as general partner of Borrower, under this Borrower Loan Agreement and the other Borrower Loan Documents and the Funding Loan Documents.

(b) General Partner has made all filings (including, without limitation, all required filings related to the use of fictitious business names) and is in good standing in the State and in each other jurisdiction in which the character of the property it owns or the nature of the business it transacts makes such filings necessary or where the failure to make such filings could have a material adverse effect on the business, operations, assets, condition (financial or otherwise) or prospects of General Partner.

(c) General Partner is duly authorized to do business in the State.

(d) The execution, delivery and performance by Borrower of the Borrower Loan Documents and the Funding Loan Documents have been duly authorized by all necessary action of General Partner on behalf of Borrower, and by all necessary action on behalf of General Partner.

(e) The execution, delivery and performance by General Partner, on behalf of Borrower, of the Borrower Loan Documents and the Funding Loan Documents will not violate (i) General Partner's organizational documents; (ii) any other Legal Requirement affecting General Partner or any of its properties; or (iii) any agreement to which General Partner is bound or to which it is a party; and will not result in or require the creation (except as provided in or contemplated by this Borrower Loan Agreement) of any Lien upon any of such properties, any of the Collateral or any of the property or funds pledged or delivered to Funding Lender pursuant to the Security Documents.

Section 4.1.43 Government and Private Approvals. All governmental or regulatory orders, consents, permits, authorizations and approvals required for the construction, rehabilitation, use, occupancy and operation of the Improvements, that may be granted or denied in the discretion of any Governmental Authority, have been obtained and are in full force and effect (or, in the case of any of the foregoing that Borrower is not required to have as of the Closing Date, will be obtained), and will be maintained in full force and effect at all times during the construction or rehabilitation of the Improvements. All such orders, consents, permits, authorizations and approvals that may not be denied in the discretion of any Governmental Authority shall be obtained prior to the commencement of any work for which such orders, consents, permits, authorizations or approvals are required, and, once obtained, such orders, consents, permits, authorizations and approvals will be maintained in full force and effect at all times during the construction or rehabilitation of the Improvements. Except as set forth in the preceding two sentences, no additional governmental or regulatory actions, filings or registrations with respect to the Improvements, and no approvals, authorizations or consents of any trustee or holder of any indebtedness or obligation of Borrower, are required for the due execution, delivery and performance by Borrower or General Partner of any of the Borrower Loan Documents or the Funding Loan Documents or the Related Documents executed by Borrower or General Partner, as applicable. All required zoning approvals have been obtained, and the zoning of the Project for the Project is not conditional upon the happening of any further event.

Section 4.1.44 Concerning Guarantor. The Guaranty has been duly executed and delivered by Guarantor and is a legally valid and binding obligation of Guarantor, enforceable against Guarantor in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity.

Section 4.1.45 No Material Defaults. Except as previously disclosed to Funding Lender in writing, there exists no material violation of or material default by Borrower under, and, to the best knowledge of Borrower, no event has occurred which, upon the giving of notice or the passage of time, or both, would constitute a material default with respect to: (i) the terms of any instrument evidencing, securing or guaranteeing any indebtedness secured by the Project or any portion or interest thereof or therein; (ii) any lease or other agreement affecting the Project or to which Borrower is a party; (iii) any license, permit, statute, ordinance, law, judgment, order, writ, injunction, decree, rule or regulation of any Governmental Authority, or any determination or award of any arbitrator to which Borrower or the Project may be bound; or (iv) any mortgage, instrument, agreement or document by which Borrower or any of its respective properties is bound; in the case of any of the foregoing: (1) which involves any Borrower Loan Document or Funding Loan Document; (2) which involves the Project and is not adequately covered by insurance; (3) that might materially and adversely affect the ability of Borrower, Co-General Partner or Guarantor or to perform any of its respective obligations under any of the Borrower Loan Documents or the Funding Loan Documents or any other material instrument, agreement or document to which it is a party; or (4) which might adversely affect the priority of the Liens created by this Borrower Loan Agreement or any of the Borrower Loan Documents or the Funding Loan Documents.

Section 4.1.46 Payment of Taxes. Except as previously disclosed to Funding Lender in writing: (i) all tax returns and reports of Borrower, General Partner and Guarantor required to be filed have been timely filed, and all taxes, assessments, fees and other governmental charges upon Borrower, General Partner and Guarantor, and upon their respective properties, assets, income and franchises, which are due and payable have been paid when due and payable; and (ii) Borrower knows of no proposed tax assessment against it or against General Partner or Guarantor that would be material to the condition (financial or otherwise) of Borrower, General Partner or Guarantor, and neither Borrower nor General Partner have contracted with any Government Authority in connection with such taxes.

Section 4.1.47 Rights to Project Agreements and Licenses. Borrower is the legal and beneficial owner of all rights in and to the Plans and Specifications and all existing Project Agreements and Licenses, and will be the legal and beneficial owner of all rights in and to all future Project Agreements and Licenses. Borrower's interest in the Plans and Specifications and all Project Agreements and Licenses is not subject to any present claim (other than under the Borrower Loan Documents and the Funding Loan Documents or as otherwise approved by Funding Lender in its sole discretion), set-off or deduction other than in the ordinary course of business.

Section 4.1.48 Patriot Act Compliance. Borrower is not now, nor has ever been (i) listed on any Government Lists (as defined below), (ii) a person who has been determined by a Governmental Authority to be subject to the prohibitions contained in Presidential Executive Order No. 13224 (Sept. 23, 2001) or any other similar prohibitions contained in the rules and regulations of OFAC or in any enabling legislation or other Presidential Executive Orders in respect thereof, (iii) indicted for or convicted of any felony involving a crime or crimes of moral turpitude or for any Patriot Act Offense, or (iv) under investigation by any Governmental Authority for alleged criminal activity. For purposes hereof, the term "Patriot Act Offense" shall mean any violation of the criminal laws of the United States of America or of any of the several states, or that would be a criminal violation if committed within the jurisdiction of the United States of America or any of the several states, relating to terrorism or the laundering of monetary instruments, including any offense under (A) the criminal laws against terrorism; (B) the criminal laws against money laundering, (C) Bank Representative Secrecy Act, as amended, (D) the Money Laundering Control Act of 1986, as amended, or (E) the Patriot Act. "Patriot Act Offense" also includes the crimes of conspiracy to commit, or aiding and abetting another to commit, a Patriot Act Offense. For purposes hereof, the term "Government Lists" shall mean (1) the Specially Designated Nationals and Blocked Persons Lists maintained by the Office of Foreign Assets Control ("OFAC"), (2) any other list of terrorists, terrorist organizations or narcotics traffickers maintained pursuant to any of the Rules and Regulations of OFAC that Funding Lender notified Borrower in writing is now included in "Government Lists", or (3) any similar lists maintained by the United States Department of State, the United States Department of Commerce or any other Government Authority or pursuant to any Executive Order of the President of the United States of America that Funding Lender notified Borrower in writing is now included in "Government Lists".

Section 4.1.49 Rent Schedule. Borrower has prepared a prospective Unit absorption and rent collection schedule with respect to the Project substantially in the form attached as an exhibit to the Construction Funding Agreement, which schedule takes into

account, among other relevant factors (i) a schedule of minimum monthly rentals for the Units, and (ii) any and all concessions by shall mean of free rent periods, and on the basis of such schedule, Borrower believes it will collect rents with respect to the Project in amounts greater than or equal to debt service on the Borrower Loan.

Section 4.1.50 Other Documents. Each of the representations and warranties of Borrower or General Partner contained in any of the other Borrower Loan Documents or the Funding Loan Documents or Related Documents is true and correct in all material respects (or, in the case of representations or warranties contained in any of the other Borrower Loan Documents or Funding Loan Documents or Related Documents that speak as of a particular date, were true and correct in all material respects as of such date). All of such representations and warranties are incorporated herein for the benefit of Funding Lender.

Section 4.1.51 Subordinate Loan Documents. The Subordinate Loan Documents are in full force and effect and the Borrower has paid all commitment fees and other amounts due and payable to the Subordinate Lender(s) thereunder. There exists no material violation of or material default by the Borrower under, and no event has occurred which, upon the giving of notice or the passage of time, or both, would constitute a material default under the Subordinate Loan Documents.

Section 4.1.52 Ground Lease. The Ground Lease is in full force and effect and the Borrower has paid all rent and other amounts due and payable to the ground lessor thereunder. There exists no material violation of or material default by the Borrower under the Ground Lease, and no event has occurred which, upon the giving of notice or the passage of time, or both, would constitute a material default by any other party under the Ground Lease.

Section 4.2 Survival of Representations and Covenants. All of the representations and warranties in Section 4.1 hereof and elsewhere in the Borrower Loan Documents (i) shall survive for so long as any portion of the Borrower Payment Obligations remains due and owing and (ii) shall be deemed to have been relied upon by the Governmental Lender and the Servicer notwithstanding any investigation heretofore or hereafter made by the Governmental Lender or the Servicer or on its or their behalf, provided, however, that the representations, warranties and covenants set forth in Section 4.1.31 hereof shall survive in perpetuity and shall not be subject to the exculpation provisions of Section 11.1 hereof.

Section 4.3 Governmental Lender Representations. The Governmental Lender makes the following representations:

(a) The Governmental Lender is a joint exercise of powers agency, organized and existing under the laws of the State. The Governmental Lender has authorized the execution and delivery of this Borrower Loan Agreement and the Funding Loan Agreement.

(b) The Governmental Lender has full power and authority to consummate all transactions contemplated by this Borrower Loan Agreement and the Funding Loan Documents.

(c) The Governmental Lender will not knowingly take or permit to be taken any action that would adversely affect the excludability from gross income, for federal income tax purposes, of the interest payable on the Governmental Lender Note.

(d) To the best knowledge of the Governmental Lender, there is no action, suit, proceeding, inquiry or investigation or action pending or threatened against the Governmental Lender by or before any court, governmental agency or public board or body, which (i) questions the existence of the Governmental Lender or the title to office of any member of the Governmental Lender; (ii) seeks to prohibit, restrain or enjoin the execution and delivery of any of the Funding Loan Documents, or the execution and delivery of the Governmental Lender Note; (iii) questions the validity or enforceability of any of the Funding Loan Documents; (iv) questions the exclusion from gross income for federal income taxation of interest on the Governmental Lender Note; or (v) questions the power or authority of the Governmental Lender to perform its obligations under any of the Funding Loan Documents or the Governmental Lender Note or to carry out the transactions contemplated by any of the Funding Loan Documents.

ARTICLE V

AFFIRMATIVE COVENANTS

During the term of this Borrower Loan Agreement, the Borrower hereby covenants and agrees with the Governmental Lender, the Funding Lender and the Servicer that:

Section 5.1 Existence. The Borrower shall (i) do or cause to be done all things necessary to preserve, renew and keep in full force and effect its existence and its material rights, and franchises, (ii) continue to engage in the business presently conducted by it, (iii) obtain and maintain all material Licenses, and (iv) qualify to do business and remain in good standing under the laws of the State.

Section 5.2 Taxes and Other Charges. The Borrower shall pay all Taxes and Other Charges as the same become due and payable and prior to their becoming delinquent in accordance with the Security Instrument, except to the extent that the amount, validity or application thereof is being contested in good faith as permitted by the Security Instrument.

The Borrower covenants to pay all taxes and Other Charges of any type or character charged to the Funding Lender affecting the amount available to the Funding Lender from payments to be received hereunder or in any way arising due to the transactions contemplated hereby (including taxes and Other Charges assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments) but excluding franchise taxes based upon the capital and/or income of the Funding Lender and taxes based upon or measured by the net income of the Funding Lender; provided, however, that the Borrower shall have the right to protest any such taxes or Other Charges and to require the Funding Lender, at the Borrower's expense, to protest and contest any such taxes or Other Charges levied upon them and that the Borrower shall have the right to withhold payment of any such taxes or Other Charges pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Funding Lender. This obligation shall remain valid and in effect notwithstanding repayment of the Borrower Loan hereunder or termination of this Borrower Loan Agreement.

Section 5.3 Repairs; Maintenance and Compliance; Physical Condition. The Borrower shall cause the Project to be maintained in a good, habitable and safe (so as to not threaten the health or safety of the Project's tenants or their invited guests) condition and repair (reasonable wear and tear excepted) as set forth in the Security Instrument and shall not remove, demolish or materially alter the Improvements or Equipment (except for removal of aging or obsolete equipment or furnishings in the normal course of business), except as provided in the Security Instrument.

Section 5.4 [Reserved.]

Section 5.5 [Reserved.]

Section 5.6 [Reserved.]

Section 5.7 [Reserved.]

Section 5.8 [Reserved.]

Section 5.9 [Reserved.]

Section 5.10 [Reserved.]

Section 5.11 [Reserved.]

Section 5.12 [Reserved.]

Section 5.13 [Reserved.]

Section 5.14 Expenses. The Borrower shall pay all expenses incurred by the Governmental Lender, the Funding Lender and the Servicer (except as provided in Section 9.1 hereof) in connection with the Borrower Loan and the Funding Loan, including fees and expenses of the Governmental Lender's, the Funding Lender's and the Servicer's attorneys, environmental, engineering and other consultants, and fees, charges or taxes for the recording or filing of Borrower Loan Documents and the Funding Loan Documents. The Borrower shall pay or cause to be paid all expenses of the Governmental Lender, the Funding Lender and the Servicer (except as provided in Section 9.1 hereof) in connection with the issuance or administration of the Borrower Loan and the Funding Loan, including audit costs, inspection fees, settlement of condemnation and casualty awards, and premiums for title insurance and endorsements thereto. The Borrower shall, upon request, promptly reimburse the Governmental Lender, the Funding Lender and the Servicer for all amounts expended, advanced or incurred by the Governmental Lender, the Funding Lender and the Servicer to collect the Borrower Note, or to enforce the rights of the Governmental Lender, the Funding Lender and the Servicer under this Borrower Loan Agreement or any other Borrower Loan Document, or to defend or assert the rights and claims of the Governmental Lender, the Funding Lender and the Servicer under the Borrower Loan Documents and the Funding Loan Documents arising out of an Event of Default or with respect to the Project (by litigation or other proceedings) arising out of an Event of Default, which amounts will include all court costs, attorneys' fees and expenses, fees of auditors and accountants, and investigation expenses as may be incurred by the Governmental Lender, the

Funding Lender and the Servicer in connection with any such matters (whether or not litigation is instituted), together with interest at the Default Rate on each such amount from the Date of Disbursement until the date of reimbursement to the Governmental Lender, the Funding Lender and the Servicer, all of which shall constitute part of the Borrower Loan and the Funding Loan and shall be secured by the Borrower Loan Documents and the Funding Loan Documents. The obligations and liabilities of the Borrower under this Section 5.14 shall survive the Term of this Borrower Loan Agreement and the exercise by the Governmental Lender, the Funding Lender or the Servicer, as the case may be, of any of its rights or remedies under the Borrower Loan Documents and the Funding Loan Documents, including the acquisition of the Project by foreclosure or a conveyance in lieu of foreclosure. Notwithstanding the foregoing, the Borrower shall not be obligated to pay amounts incurred as a result of the willful misconduct of the Governmental Leader or the gross negligence or willful misconduct of any other party, and any obligations of the Borrower to pay for environmental inspections or audits will be governed by Section 18(i) and 44(i) of the Security Instrument.

Section 5.15 Indemnity. In addition to its other obligations hereunder, and in addition to any and all rights of reimbursement, indemnification, subrogation and other rights of Governmental Lender or Funding Lender pursuant hereto and under law or equity, to the fullest extent permitted by law, the Borrower agrees to indemnify, hold harmless and defend the Governmental Lender, the Association of Bay Area Governments ("ABAG"), the Funding Lender, the Servicer, the Beneficiary Parties, Citigroup, Inc., Citicorp Funding, Inc. and each of their respective officers, directors, employees, attorneys and agents (each an "Indemnified Party"), against any and all losses, damages, claims, actions, liabilities, costs and expenses of any nature, kind or character (including, without limitation, attorneys' fees, litigation and court costs, amounts paid in settlement (to the extent that the Borrower has consented to such settlement) and amounts paid to discharge judgments) (hereinafter, the "Liabilities") to which the Indemnified Parties, or any of them, may become subject under federal or state securities laws or any other statutory law or at common law or otherwise, to the extent arising out of or based upon or in any way relating to:

(a) The Borrower Loan Documents and the Funding Loan Documents or the execution or amendment thereof or in connection with transactions contemplated thereby, including the sale, transfer or resale of the Borrower Loan or the Funding Loan;

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

(c) Any lien (other than a Permitted Lien) or charge upon payments by the Borrower to the Governmental Lender or the Funding Lender hereunder, or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and Other Charges imposed on the Governmental Lender or the Funding Lender in respect of any portion of the Project;

(d) Any violation of any environmental law, rule or regulation with respect to, or the release of any toxic substance from, the Project or any part thereof during the period in which the Borrower is in possession or control of the Project;

(e) The enforcement of, or any action taken by the Governmental Lender or the Funding Lender related to remedies under, this Borrower Loan Agreement and the other Borrower Loan Documents and the Funding Loan Documents;

(f) The defeasance, in whole or in part, of the Borrower Loan or the Funding Loan;

(g) Any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact by the Borrower made in the course of Borrower applying for the Borrower Loan or the Funding Loan or contained in any of the Borrower Loan Documents or Funding Loan Documents to which the Borrower is a party;

(h) Any Determination of Taxability;

(i) Any breach (or alleged breach) by Borrower of any representation, warranty or covenant made in or pursuant to this Borrower Loan Agreement or in connection with any written or oral representation, presentation, report, appraisal or other information given or delivered by Borrower, General Partner, Guarantor or their Affiliates to Governmental Lender, the Funding Lender, Servicer or any other Person in connection with Borrower's application for the Borrower Loan and the Funding Loan (including, without limitation, any breach or alleged breach by Borrower of any agreement with respect to the provision of any substitute credit enhancement);

(j) any failure (or alleged failure) by Borrower, the Funding Lender or Lender to comply with applicable federal and state laws and regulations pertaining to the making of the Borrower Loan and the Funding Loan;

(k) the Project, or the condition, occupancy, use, possession, conduct or management of, or work done in or about, or from the planning, design, acquisition, installation, construction or rehabilitation of, the Project or any part thereof; or

(l) the use of the proceeds of the Borrower Loan and the Funding Loan,

except in the case of the foregoing indemnification of the Governmental Lender, the Funding Lender or the Servicer or any related Indemnified Party, to the extent such damages are caused by the gross negligence or willful misconduct of such Indemnified Party. Notwithstanding anything herein to the contrary, the Borrower's indemnification obligations to the parties specified in Section 9.1.4 hereof with respect to any securitization or Secondary Market Transaction described in Article IX hereof shall be limited to the indemnity set forth in Section 9.1.4 hereof. 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 (which notice shall be timely given so as not to materially impair the Borrower's right to defend), shall assume the investigation and defense thereof, including the employment of counsel reasonably approved by the Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise

or settle the same in its sole discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement, which approval shall not be unreasonably withheld. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and to participate in the investigation and defense thereof. The Borrower shall pay the 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 and only if in such Indemnified Party's good faith judgment (based on the advice of counsel) a conflict of interest exists or could arise by reason of common representation.

Notwithstanding any transfer of the Project to another owner in accordance with the provisions of this Borrower Loan Agreement or the Regulatory Agreement, the Borrower shall remain obligated to indemnify each Indemnified Party pursuant to this Section 5.15 if such subsequent owner fails to indemnify any party entitled to be indemnified hereunder, unless the Governmental Lender and the Funding Lender have consented to such transfer and to the assignment of the rights and obligations of the Borrower hereunder.

The rights of any persons to indemnity hereunder shall survive the final payment or defeasance of the Borrower Loan and the Funding Loan and in the case of the Servicer, any resignation or removal. The provisions of this Section 5.15 shall survive the termination of this Borrower Loan Agreement.

Section 5.16 No Warranty of Condition or Suitability by the Governmental Funding Lender. The Governmental Lender and the Funding Lender make no warranty, either express or implied, as to the condition of the Project or that it will be suitable for the Borrower's purposes or needs.

Section 5.17 [Reserved.]

Section 5.18 Notice of Default. The Borrower will advise the Governmental Lender, the Funding Lender and the Servicer promptly in writing of the occurrence of any Default or Loan Agreement 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.

Section 5.19 Covenant With Lender and Funding Lender. The Borrower agrees that this Borrower Loan Agreement is executed and delivered in part to induce the purchase by others of the Borrower Loan and, accordingly, all covenants and agreements of the Borrower contained in this Borrower Loan Agreement are hereby declared to be for the benefit of the Governmental Lender, the Funding Lender and any lawful owner, holder or pledgee of the Borrower Note or the Governmental Lender Note from time to time.

Section 5.20 [Reserved.]

Section 5.21 [Reserved.]

Section 5.22 [Reserved.]

Section 5.23 [Reserved.]

Section 5.24 [Reserved.]

Section 5.25 [Reserved.]

Section 5.26 [Reserved.]

Section 5.27 [Reserved.]

Section 5.28 [Reserved.]

Section 5.29 [Reserved.]

Section 5.30 [Reserved.]

Section 5.31 [Reserved.]

Section 5.32 [Reserved.]

Section 5.33 [Reserved.]

Section 5.34 Tax Covenants. The Borrower represents, warrants and covenants as follows:

(a) It will at all times comply with the terms of the Tax Certificate and the Regulatory Agreement;

(b) It will not take, or permit to be taken on its behalf, any action which would cause the interest payable on the Funding Loan to be included in gross income, for federal income tax purposes, and will take such action as may be necessary in the opinion of Tax Counsel to continue such exclusion from gross income, including, without limitation, the preparation and filing of all statements required to be filed by it in order to maintain the exclusion (including, but not limited to, the filing of all reports and certifications required by the Regulatory Agreement);

(c) No changes will be made to the Project, no actions will be taken by the Borrower and the Borrower will not omit to take any actions, which will in any way adversely affect the tax-exempt status of the Funding Loan;

(d) It will comply with the requirements of Section 148 of the Code and the Regulations issued thereunder throughout the term of the Funding Loan and will not make any use of the proceeds of the Funding Loan, or of any other funds which may be deemed to be proceeds of the Funding Loan under the Code and the related regulations of the United States Treasury, which would cause the Funding Loan to be "arbitrage bonds" within the meaning of Section 148 of the Code;

(e) If the Borrower becomes aware of any situation, event or condition which would, to the best of its knowledge, result in the interest on the Funding Loan becoming includable in gross income for purposes of federal income tax purposes, it will promptly give written notice of such circumstance, event or condition to the Governmental Lender.

(f) In the event of a conflict between the terms of this Section 5.34 and the Tax Certificate, the terms of the Tax Certificate shall control.

Section 5.35 Payment of Rebate. The Borrower agrees to comply with the Tax Certificate and to take all steps necessary to compute and pay any rebatable arbitrage in accordance with Section 148(f) of the Code, including but not limited to the following:

(a) Records. The Borrower shall retain all of its accounting records relating to the funds established under this Borrower Loan Agreement and all calculations made in preparing the statements described in this Section 5.35 for at least six years after the later of the final maturity of the Funding Loan or the date the Funding Loan is retired in full.

(b) Costs. The Borrower agrees to pay all of the fees and expenses of a nationally recognized Tax Counsel, the Rebate Analyst a certified public accountant and any other necessary consultant employed by the Borrower or the Funding Lender in connection with computing the Rebate Amount.

(c) No Diversion of Rebatable Arbitrage. The Borrower will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the Gross Proceeds of the Funding Loan which is not purchased at Fair Market Value or includes terms that the Borrower would not have included if the Funding Loan were not subject to Section 148(f) of the Code.

(d) Modification of Requirements. If at any time during the term of this Agreement, the Governmental Lender, the Funding Lender or the Borrower desires to take any action which would otherwise be prohibited by the terms of this Section 5.35, such Person shall be permitted to take such action if it shall first obtain and provide to the other Persons named herein a Tax Counsel No Adverse Affect Opinion with respect to such action.

(e) Appointment of Rebate Analyst. The Borrower covenants that it will, as soon as practicable, and in any event not later than 30 days after the Closing Date, engage a qualified person or firm acceptable to the Governmental Lender and the Funding Lender to perform any rebate calculations that may be required to be made from time to time with respect to the Governmental Lender Note. The Borrower hereby covenants that it will, within 30 days of the date of the Closing Date, provide evidence to the Governmental Lender and the Funding Lender of such appointment.

(f) Rebate Fund. The "Rebate Fund" shall established and held as a separate fund by the Servicer, which shall deposit or transfer to the credit of the Rebate Fund each amount delivered to the Servicer by the Borrower for deposit thereto and each amount directed by the Borrower to be transferred thereto. Moneys and securities held in the Rebate Fund shall not be deemed funds of the Funding Lender or of the Governmental Lender and are not pledged or otherwise subject to any security interest in favor of the Funding Lender to secure the Funding Loan or any other obligations.

Section 5.36 Covenants Under Funding Loan Agreement. The Borrower will fully and faithfully perform all the duties and obligations which the Governmental Lender has

covenanted and agreed in the Funding Loan Agreement to cause the Borrower to perform and any duties and obligations which the Borrower is required in the Funding Loan Agreement to perform. The foregoing will not apply to any duty or undertaking of the Governmental Lender which by its nature cannot be delegated or assigned.

Section 5.37 Notice of Default. The Borrower will advise the Governmental Lender, the Funding Lender and the Servicer promptly in writing of the occurrence of any Default or Loan Agreement 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.

ARTICLE VI

NEGATIVE COVENANTS

Borrower hereby covenants and agrees as follows, which covenants shall remain in effect so long as any Payment Obligation or other obligation of Borrower under any of the other Borrower Loan Documents or the Funding Loan Documents remains outstanding or unperformed. Borrower covenants and agrees that it will not, directly or indirectly:

Section 6.1 [Reserved.]

Section 6.2 Dissolution. Dissolve or liquidate, in whole or in part, merge with or consolidate into another Person.

Section 6.3 Change in Business or Operation of Property. Enter into any line of business other than the ownership and operation of the Project, or make any material change in the scope or nature of its business objectives, purposes or operations, or undertake or participate in activities other than the continuance of its present business and activities incidental or related thereto or otherwise cease to operate the Project as a multi-family property or terminate such business for any reason whatsoever (other than temporary cessation in connection with construction or rehabilitation, as appropriate, of the Project).

ARTICLE VII

[RESERVED]

ARTICLE VIII

DEFAULTS

Section 8.1 Events of Default. Each of the following events shall constitute an "Event of Default" under the Borrower Loan Agreement:

(a) failure by the Borrower to pay any Borrower Loan Payment in the manner and on the date such payment is due in accordance with the terms and provisions of the Borrower Note, or the failure by the Borrower to pay any Additional Payment on the date such payment is due in accordance with the terms and provisions of the Borrower Note, the Security Instrument, this Borrower Loan Agreement or any other Borrower Loan Document;

(b) failure by or on behalf of the Borrower to pay when due any amount (other than as provided in subsection (a) above or elsewhere in this Section 8.1) required to be paid by the Borrower under this Borrower Loan Agreement, the Borrower Note, the Security Instrument or any of the other Borrower Loan Documents or Funding Loan Documents, including a failure to repay any amounts that have been previously paid but are recovered, attached or enjoined pursuant to any insolvency, receivership, liquidation or similar proceedings, which default remains uncured for a period of five (5) days after Written Notice thereof shall have been given to the Borrower;

(c) an Event of Default, as defined by the Borrower Note, the Security Instrument or any other Borrower Loan Document, occurs (or to the extent an "Event of Default" is not defined in any other Loan Document, any default or breach by the Borrower or any Guarantor of its obligations, covenants, representations or warranties under such Borrower Loan Document occurs and any applicable notice and/or cure period has expired);

(d) any representation or warranty made by any of the Borrower, the Guarantor or the General Partner in any Borrower Loan Document or Funding Loan Document to which it is a party, or in any report, certificate, financial statement or other instrument, agreement or document furnished by the Borrower, the Guarantor or the General Partner in connection with any Borrower Loan Document or Funding Loan Document, shall be false or misleading in any material respect as of the Closing Date;

(e) the Borrower shall make a general assignment for the benefit of creditors, or shall generally not be paying its debts as they become due;

(f) the Borrower Controlling Entity shall make a general assignment for the benefit of creditors, shall generally not be paying its debts as they become due, or an Act or Bankruptcy with respect to the Borrower Controlling Entity shall occur, unless in all cases the Borrower Controlling Entity is replaced with a substitute Borrower Controlling Entity that satisfies the requirements of Section 21 of the Security Instrument; which, in the case of a non-profit Borrower Controlling Entity, may be replaced within sixty (60) days of such event with another non-profit Borrower Controlling Entity acceptable to the Lender, in which case no Event of Default shall be deemed to have occurred;

(g) any portion of Borrower Deferred Equity to be made by Equity Investor and required for (i) completion of the construction or rehabilitation, as the case may be, of the Improvements, (ii) the satisfaction of the Conditions of Conversion or (iii) the operation of the Improvements, is not received in accordance with the Partnership Agreement after the expiration of all applicable notice and cure periods;

(h) the failure by Borrower or any ERISA Affiliate of Borrower to comply in all respects with ERISA, or the occurrence of any other event (with respect to the failure of Borrower or any ERISA Affiliate to pay any amount required to be paid under ERISA or with respect to the termination of, or withdrawal of Borrower or any ERISA Affiliate from, any employee benefit or welfare plan subject to ERISA) the effect of which is to impose upon Borrower (after giving effect to the tax consequences thereof) for the payment of any amount in excess of Fifty Thousand Dollars ($50,000);

(i) a Bankruptcy Event shall occur with respect to Borrower or Guarantor, or there shall be a change in the assets, liabilities or financial position of any such Person which has a material adverse effect upon the ability of such Person to perform such Person's obligations under this Borrower Loan Agreement, any other Borrower Loan Document or any Related Document, provided that any such Bankruptcy Event with respect to a Guarantor shall not constitute an Event of Default: (i) if such Bankruptcy Event occurs on or after the date upon which the Guaranty terminates in accordance with its terms (or the date upon which all of the Guaranties have terminated in accordance with their terms, if more than one Guaranty was executed by such Guarantor), or (ii) if such Bankruptcy Event occurs prior to the date upon which the Guaranty terminates in accordance with its terms (or the date upon which all of the Guaranties have terminated in accordance with their terms, if more than one Guaranty was executed by such Guarantor) and the Borrower replaces such Guarantor with a person or entity satisfying the Funding Lender's mortgage credit standards for principals and acceptable to the Funding Lender in its sole and absolute discretion within thirty (30) days after notice thereof from the Funding Lender;

(j) all or any part of the property of Borrower is attached, levied upon or otherwise seized by legal process, and such attachment, levy or seizure is not quashed, stayed or released: (i) prior to completion of the construction or rehabilitation, as the case may be, of the Improvements, within ten (10) days of the date thereof or (ii) after completion of the construction or rehabilitation, as the case may be, of the Improvements, within thirty (30) days of the date thereof;

(k) subject to Section 10.24 hereof, Borrower fails to pay when due any monetary obligation (other than pursuant to this Borrower Loan Agreement) to any Person in excess of $100,000, and such failure continues beyond the expiration of any applicable cure or grace periods;

(l) any material litigation or proceeding is commenced before any Governmental Authority against or affecting Borrower, any General Partner or Guarantor, or property of Borrower, any General Partner or Guarantor, or any part thereof, and such litigation or proceeding is not defended diligently and in good faith by Borrower, any General Partner or Guarantor, as applicable, provided that any such material litigation or proceeding against a Guarantor shall not constitute an Event of Default: (i) if such material litigation is commenced on or after the date upon which the Completion Guaranty terminates in accordance with its terms (or the date upon which all of the Guaranties have terminated in accordance with their terms, if more than one Guaranty was executed by such Guarantor), or (ii) if such material litigation or proceeding is commenced (against Guarantor) prior to the date upon which the Completion Guaranty terminates in accordance with its terms (or the date upon which all of the Guaranties have terminated in accordance with their terms, if more than one Guaranty was executed by such Guarantor) (or against the Managing General Partner) and the Borrower replaces such Guarantor or Managing General Partner, as applicable, with a person or entity satisfying the Funding Lender's mortgage credit standards for principals and acceptable to the Funding Lender in its sole and absolute discretion within thirty (30) days after notice thereof from the Funding Lender;

(m) a final judgment or decree for monetary damages in excess of $50,000 or a monetary fine or penalty (not subject to appeal or as to which the time for appeal has expired) is

entered against Borrower, any General Partner or Guarantor by any Governmental Authority, and such judgment, decree, fine or penalty is not paid and discharged or stayed (i) prior to completion of the construction or rehabilitation, as the case may be, of the Improvements, within ten (10) days after entry thereof or (ii) after completion of the construction or rehabilitation, as the case may be, of the Improvements, within thirty (30) days after entry thereof (or such longer period as may be permitted for payment by the terms of such judgment, fine or penalty), provided that any such judgment, decree, fine or penalty against a Guarantor shall not constitute an Event of Default: (i) if such judgment, decree, fine or penalty is entered on or after the date upon which the Completion Guaranty terminates in accordance with its terms (or the date upon which all of the Guaranties have terminated in accordance with their terms, if more than one Guaranty was executed by such Guarantor), or (ii) if such judgment, decree, fine or penalty is entered prior to the date upon which the Guaranty terminates in accordance with its terms (or the date upon which all of the Guaranties have terminated in accordance with their terms, if more than one Guaranty was executed by such Guarantor) and the Borrower replaces such Guarantor or Managing General Partner with a person or entity satisfying the Funding Lender's mortgage credit standards for principals and acceptable to the Funding Lender in its sole and absolute discretion within thirty (30) days after notice thereof from the Funding Lender;

(n) a final, un-appealable and uninsured money judgment or judgments, in favor of any Person other than a Governmental Authority, in the aggregate sum of $50,000 or more shall be rendered against Borrower, any General Partner or Guarantor, or against any of their respective assets, that is not paid, superseded or stayed (i) prior to completion of the construction or rehabilitation, as the case may be, of the Improvements, within ten (10) days after entry thereof or (ii) after completion of the construction or rehabilitation, as the case may be, of the Improvements, within thirty (30) days after entry thereof (or such longer period as may be permitted for payment by the terms of such judgment); or any levy of execution, writ or warrant of attachment, or similar process, is entered or filed against Borrower, any General Partner or Guarantor, or against any of their respective assets (that is likely to have a material adverse effect upon the ability of Borrower, any General Partner or Guarantor to perform their respective obligations under this Borrower Loan Agreement, any other Borrower Loan Document or any Related Document), and such judgment, writ, warrant or process shall remain unsatisfied, unsettled, unvacated, unhanded and unstayed (i) prior to completion of the construction or rehabilitation, as the case may be, of the Improvements, for a period of ten (10) days or (ii) after completion of the construction or rehabilitation, as the case may be, of the Improvements, for a period of thirty (30) days, or in any event later than five (5) Business Days prior to the date of any proposed sale thereunder, provided that any such judgment, levy, writ, warrant, attachment or similar process against a Guarantor shall not constitute an Event of Default: (i) if such judgment, levy, writ, warrant, attachment or similar process is entered on or after the date upon which the Guaranty terminates in accordance with its terms (or the date upon which all of the Guaranties have terminated in accordance with their terms, if more than one Guaranty was executed by such Guarantor), or (ii) if such judgment, levy, writ, warrant, attachment or similar process is entered prior to the date upon which the Completion Guaranty terminates in accordance with its terms (or the date upon which all of the Guaranties have terminated in accordance with their terms, if more than one Guaranty was executed by such Guarantor) and the Borrower replaces such Guarantor with a person or entity satisfying the Funding Lender's mortgage credit standards for principals and acceptable to the Funding Lender in its sole and absolute discretion within thirty (30) days after notice thereof from the Funding Lender;

(o) the inability of Borrower to satisfy any condition for the receipt of a Disbursement hereunder (other than an Event of Default specifically addressed in this Section 8.1) and failure to resolve the situation to the satisfaction of Funding Lender for a period in excess of thirty (30) days after Written Notice from Funding Lender unless (i) such inability shall have been caused by conditions beyond the control of Borrower, including, without limitation, acts of God or the elements, fire, strikes and disruption of shipping; (ii) Borrower shall have made adequate provision, acceptable to Funding Lender, for the protection of materials stored on-site or off-site and for the protection of the Improvements to the extent then constructed against deterioration and against other loss or damage or theft; (iii) Borrower shall furnish to Funding Lender satisfactory evidence that such cessation of construction or rehabilitation will not adversely affect or interfere with the rights of Borrower under labor and materials contracts or subcontracts relating to the construction or operation of the Improvements; and (iv) Borrower shall furnish to Funding Lender satisfactory evidence that the completion of the construction or rehabilitation of the Improvements can be accomplished by the Completion Date;

(p) the construction or rehabilitation of the Improvements is abandoned or halted prior to completion for any period of forty-five (45) consecutive days;

(q) Borrower shall fail to keep in force and effect any material permit, license, consent or approval required under this Borrower Loan Agreement, or any Governmental Authority with jurisdiction over the Project or the Project orders or requires that construction or rehabilitation of the Improvements be stopped, in whole or in part, or that any required approval, license or permit be withdrawn or suspended, and the order, requirement, withdrawal or suspension remains in effect for a period of thirty (30) days;

(r) failure by the Borrower to Substantially Complete the construction or rehabilitation, as the case may be, of the Improvements in accordance with this Borrower Loan Agreement on or prior to the Substantial Completion Date;

(s) failure by Borrower to complete the construction or rehabilitation, as the case may be, of the Improvements in accordance with this Borrower Loan Agreement on or prior to the Completion Date;

(t) failure by Borrower to satisfy the Conditions to Conversion on or before the Outside Conversion Date (as the same may be extended in accordance by the Construction Funding Agreement);

(u) failure by any Subordinate Lender to disburse the proceeds of its Subordinate Loan in approximately such amounts and at approximately such times as set forth in the Cost Breakdown and in the Subordinate Loan Documents;

(v) an “Event of Default” or “Default” (as defined in the applicable agreement) shall occur under any of the Subordinate Loan Documents, after the expiration of all applicable notice and cure periods; or

(w) Borrower fails to obtain all grading, foundation, building and all other construction permits, licenses and authorizations from all applicable Government Authorities or

third parties necessary for the commencement of the construction or rehabilitation, as the case may be, of the Improvements, and the operation of, and access to, the Project, within 60 days after the Closing Date;

(x) any failure by the Borrower to perform or comply with any of its obligations under this Borrower Loan Agreement (other than those specified in this Section 9.1), as and when required, which continues for a period of thirty (30) days after written notice of such failure by Lender or the Servicer on its behalf to the Borrower; provided, however, if such failure is susceptible of cure but cannot reasonably be cured within such thirty (30) day period, and the Borrower shall have commenced to cure such failure within such thirty (30) day period and thereafter diligently and expeditiously proceeds to cure the same, such thirty (30) day period shall be extended for an additional period of time as is reasonably necessary for the Borrower in the exercise of due diligence to cure such failure, such additional period not to exceed sixty (60) additional days. However, no such notice or grace period shall apply to the extent such failure could, in the Funding Lender's judgment, absent immediate exercise by the Funding Lender of a right or remedy under this Borrower Loan Agreement, result in harm to the Funding Lender, impairment of the Borrower Note or this Borrower Loan Agreement or any security given under any other Borrower Loan Document.

Section 8.2 Remedies.

Section 8.2.1 Acceleration. Upon the occurrence of an Event of Default (other than an Event of Default described in paragraph (c), (e) or (j) of Section 8.1) and at any time and from time to time thereafter, as long as such Event of Default continues to exist, in addition to any other rights or remedies available to the Governmental Lender pursuant to the Borrower Loan Documents or at law or in equity, the Funding Lender may, take such action, without notice or demand, as the Funding Lender deems advisable to protect and enforce its rights against the Borrower and in and to the Project, including declaring the Borrower Payment Obligations to be immediately due and payable (including, without limitation, the principal of, Prepayment Premium, if any, and interest on and all other amounts due on the Borrower Note to be immediately due and payable), without notice or demand, and apply such payment of the Borrower Payment Obligations in any manner and in any order determined by Funding Lender, in Funding Lender's sole and absolute discretion; and upon any Event of Default described in paragraph (d), (c), (e) or (j) of Section 8.1, the Borrower Payment Obligations shall become immediately due and payable at the Funding Lender's election, in the Funding Lender's sole discretion (as the case may be), without notice or demand, and the Borrower hereby expressly waives any such notice or demand, anything contained in any Borrower Loan Document to the contrary notwithstanding. Notwithstanding anything herein to the contrary, enforcement of remedies hereunder and under the Funding Loan Agreement shall be controlled by the Funding Lender.

Section 8.2.2 Remedies Cumulative. Upon the occurrence of an Event of Default, all or any one or more of the rights, powers, privileges and other remedies available to the Funding Lender against the Borrower under the Borrower Loan Documents or at law or in equity may be exercised by the Funding Lender, at any time and from time to time, whether or not all or any of the Borrower Payment Obligations shall be declared due and payable, and whether or not the Funding Lender shall have commenced any foreclosure proceeding or other

action for the enforcement of its rights and remedies under any of the Borrower Loan Documents. Any such actions taken by the Funding Lender shall be cumulative and concurrent and may be pursued independently, singly, successively, together or otherwise, at such time and in such order as the Funding Lender may determine in its sole discretion, to the fullest extent permitted by law, without impairing or otherwise affecting the other rights and remedies of the Funding Lender permitted by law, equity or contract or as set forth in the Borrower Loan Documents. Without limiting the generality of the foregoing, the Borrower agrees that if an Event of Default is continuing, all Liens and other rights, remedies or privileges provided to the Funding Lender shall remain in full force and effect until they have exhausted all of its remedies, the Security Instrument has been foreclosed, the Project has been sold and/or otherwise realized upon satisfaction of the Borrower Payment Obligations or the Borrower Payment Obligations has been paid in full. To the extent permitted by applicable law, nothing contained in any Borrower Loan Document shall be construed as requiring the Funding Lender to resort to any portion of the Project for the satisfaction of any of the Borrower Payment Obligations in preference or priority to any other portion, and the Funding Lender may seek satisfaction out of the entire Project or any part thereof, in its absolute discretion.

Notwithstanding any provision herein to the contrary, the Governmental Lender and the Funding Lender agrees that any cure of any default made or tendered by the Equity Investor shall be deemed to be a cure by the Borrower and shall be accepted or rejected on the same basis as if made or tendered by the Borrower.

Section 8.2.3 Delay. No delay or omission to exercise any remedy, right, power accruing upon an Event of Default, or the granting of any indulgence or compromise by the Funding Lender shall impair any such remedy, right or power hereunder or be construed as a waiver thereof, but any such remedy, right or power may be exercised from time to time and as often as may be deemed expedient. A waiver of one Potential Default or Event of Default shall not be construed to be a waiver of any subsequent Potential Default or Event of Default or to impair any remedy, right or power consequent thereon. Notwithstanding any other provision of this Borrower Loan Agreement, the Funding Lender reserves the right to seek a deficiency judgment or preserve a deficiency claim, in connection with the foreclosure of the Security Instrument to the extent necessary to foreclose on other part of the Project, the Rents, the funds or any other collateral.

Section 8.2.4 Set Off; Waiver of Set Off. Upon the occurrence of an Event of Default, Funding Lender may, at any time and from time to time, without notice to Borrower or any other Person (any such notice being expressly waived), set off and appropriate and apply (against and on account of any obligations and liabilities of Borrower to Funding Lender arising under or connected with this Borrower Loan Agreement and the other Borrower Loan Documents and the Funding Loan Documents, irrespective of whether or not Funding Lender shall have made any demand therefor, and although such obligations and liabilities may be contingent or unmatured), and Borrower hereby grants to Funding Lender, as security for the Payment Obligations, a security interest in, any and all deposits (general or special, including but not limited to Debt evidenced by certificates of deposit, whether matured or unmatured, but not including trust accounts) and any other Debt at any time held or owing by Funding Lender to or for the credit or the account of Borrower.

Section 8.2.5 Assumption of Obligations. In the event that the Funding Lender or its assignee or designee shall become the legal or beneficial owner of the Project by foreclosure or deed in lieu of foreclosure, such party shall succeed to the rights and the obligations of the Borrower under this Borrower Loan Agreement, the Borrower Note, the Regulatory Agreement, and any other Borrower Loan Documents and Funding Loan Documents to which the Borrower is a party. Such assumption shall be effective from and after the effective date of such acquisition and shall be made with the benefit of the limitations of liability set forth therein and without any liability for the prior acts of the Borrower.

Section 8.2.6 Accounts Receivable. Upon the occurrence of an Event of Default, Funding Lender shall have the right, to the extent permitted by law, to impound and take possession of books, records, notes and other documents evidencing Borrower's accounts, accounts receivable and other claims for payment of money, arising in connection with the Project, and to make direct collections on such accounts, accounts receivable and claims for the benefit of Funding Lender.

Section 8.2.7 Defaults Under Other Documents. Funding Lender shall have the right to cure any default under any of the Related Documents, but shall have no obligation to do so.

Section 8.2.8 Abatement of Disbursements. Notwithstanding any provision to the contrary herein or any of the other Borrower Loan Documents or the Funding Loan Documents, Funding Lender's obligation to make further Disbursements shall abate (i) during the continuance of any Potential Default, (ii) after any disclosure to Funding Lender of any fact or circumstance that, absent such disclosure, would cause any representation or warranty of Borrower to fail to be true and correct in all material respects, unless and until Funding Lender elects to permit further Disbursements notwithstanding such event or circumstance; and (iii) upon the occurrence of any Event of Default.

Section 8.2.9 Completion of Improvements. Upon the occurrence of any Event of Default, Funding Lender shall have the right to cause an independent contractor selected by Funding Lender to enter into possession of the Project and to perform any and all work and labor necessary for the completion of the Project substantially in accordance with the Plans and Specifications, if any, and to perform Borrower's obligations under this Borrower Loan Agreement. All sums expended by Funding Lender for such purposes shall be deemed to have been disbursed to and borrowed by Borrower and shall be secured by the Security Documents.

Section 8.2.10 Right to Directly Enforce. Notwithstanding any other provision hereof to the contrary, the Funding Lender shall have the right to directly enforce all rights and remedies hereunder with or without involvement of the Governmental Lender, provided that only the Governmental Lender may enforce the Unassigned Rights. In the event that any of the provisions set forth in this Section 8.2.10 are inconsistent with the covenants, terms and conditions of the Security Instrument, the covenants, terms and conditions of the Security Instrument shall prevail.

Section 8.2.11 Power of Attorney. Effective upon the occurrence of an Event of Default, and continuing until and unless such Event of Default is cured or waived, Borrower hereby constitutes and appoints Funding Lender, or an independent contractor selected by Funding Lender, as its true and lawful attorney-in-fact with full power of substitution, for the purposes of completion of the Project and performance of Borrower's obligations under this Borrower Loan Agreement in the name of Borrower, and hereby empowers said attorney-in-fact to do any or all of the following upon the occurrence and continuation of an Event of Default (it being understood and agreed that said power of attorney shall be deemed to be a power coupled with an interest which cannot be revoked until full payment and performance of all obligations under this Borrower Loan Agreement and the other Borrower Loan Documents and the Funding Loan Documents):

(a) to use any of the funds of Borrower or General Partner, including any balance of the Borrower Loan, as applicable, and any funds which may be held by Funding Lender for Borrower (including all funds in all deposit accounts in which Borrower has granted to Funding Lender a security interest), for the purpose of effecting completion of the construction or rehabilitation, as the case may be, of the Improvements, in the manner called for by the Plans and Specifications;

(b) to make such additions, changes and corrections in the Plans and Specifications as shall be necessary or desirable to complete the Project in substantially the manner contemplated by the Plans and Specifications;

(c) to employ any contractors, subcontractors, agents, architects and inspectors required for said purposes;

(d) to employ attorneys to defend against attempts to interfere with the exercise of power granted hereby;

(e) to pay, settle or compromise all existing bills and claims which are or may be liens against the Project, the Improvements or the Project, or may be necessary or desirable for the completion of the construction or rehabilitation, as the case may be, of the Improvements, or clearance of objections to or encumbrances on title;

(f) to execute all applications and certificates in the name of Borrower, which may be required by any other construction contract;

(g) to prosecute and defend all actions or proceedings in connection with the Project and to take such action, require such performance and do any and every other act as is deemed necessary with respect to the completion of the construction or rehabilitation, as the case may be, of the Improvements, which Borrower might do on its own behalf;

(h) to let new or additional contracts to the extent not prohibited by their existing contracts;

(i) to employ watchmen and erect security fences to protect the Project from injury; and

(j) to take such action and require such performance as it deems necessary under any of the bonds or insurance policies to be furnished hereunder, to make settlements and compromises with the sureties or insurers thereunder, and in connection therewith to execute instruments of release and satisfaction.

It is the intention of the parties hereto that upon the occurrence and continuance of an Event of Default, rights and remedies may be pursued pursuant to the terms of the Borrower Loan Documents and the Funding Loan Documents. The parties hereto acknowledge that, among the possible outcomes to the pursuit of such remedies, is the situation where the Funding Lender assignees or designees becomes the owner of the Project and assumes the obligations identified above, and the Borrower Note, the Borrower Loan and the other Borrower Loan Documents and Funding Loan Documents remain outstanding.

ARTICLE IX

SPECIAL PROVISIONS

Section 9.1 Sale of Note and Secondary Market Transaction.

Section 9.1.1 Cooperation. Subject to the restrictions of Section 2.4 of the Funding Loan Agreement, at the Funding Lender's or the Servicer's request (to the extent not already required to be provided by the Borrower under this Borrower Loan Agreement), the Borrower shall use reasonable efforts to satisfy the market standards to which the Funding Lender or the Servicer customarily adheres or which may be reasonably required in the marketplace or by the Funding Lender or the Servicer in connection with one or more sales or assignments of all or a portion of the Borrower Loan or participations therein or securitizations of single or multi-class securities (the "Securities") secured by or evidencing ownership interests in all or a portion of the Borrower Loan (each such sale, assignment and/or securitization, a "Secondary Market Transaction"); provided that the Borrower shall not incur any third party or other out-of-pocket costs and expenses in connection with a Secondary Market Transaction, including the costs associated with the delivery of any Provided Information or any opinion required in connection therewith, and all such costs shall be paid by the Funding Lender or the Servicer, and shall not materially modify Borrower's rights or obligations. Without limiting the generality of the foregoing, the Borrower shall, so long as the Borrower Loan is still outstanding:

(a) (i) provide such financial and other information with respect to the Borrower Loan, and with respect to the Project, the Borrower, the Manager, the contractor of the Project or the Borrower Controlling Entity, (ii) provide financial statements, audited, if available, relating to the Project with customary disclaimers for any forward looking statements or lack of audit, and (iii), at the expense of the Funding Lender or the Servicer, perform or permit or cause to be performed or permitted such site inspection, appraisals, surveys, market studies, environmental reviews and reports (Phase I's and, if appropriate, Phase II's), engineering reports and other due diligence investigations of the Project, as may be reasonably requested from time to time by the Funding Lender or the Servicer or the Rating Agencies or as may be necessary or appropriate in connection with a Secondary Market Transaction or Exchange Act requirements (the items provided to the Funding Lender or the Servicer pursuant to this paragraph (a) being called the "Provided Information"), together, if customary, with appropriate verification of

and/or consents to the Provided Information through letters of auditors or opinions of counsel of independent attorneys acceptable to the Funding Lender or the Servicer and the Rating Agencies;

(b) make such representations and warranties as of the closing date of any Secondary Market Transaction with respect to the Project, the Borrower, the Borrower Loan Documents and the Funding Loan Documents reasonably acceptable to the Funding Lender or the Servicer, consistent with the facts covered by such representations and warranties as they exist on the date thereof; and

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

Section 9.1.2 Use of Information. The Borrower understands that certain of the Provided Information and the required records may be included in disclosure documents in connection with a Secondary Market Transaction, including a prospectus or private placement memorandum (each, a "Secondary Market Disclosure Document"), or provided or made available to investors or prospective investors in the Securities, the Rating Agencies and service providers or other parties relating to the Secondary Market Transaction. In the event that the Secondary Market Disclosure Document is required to be revised, the Borrower shall cooperate, subject to Section 9.1.1(c) hereof, with the Funding Lender and the Servicer in updating the Provided Information or required records for inclusion or summary in the Secondary Market Disclosure Document or for other use reasonably required in connection with a Secondary Market Transaction by providing all current information pertaining to the Borrower and the Project necessary to keep the Secondary Market Disclosure Document accurate and complete in all material respects with respect to such matters. The Borrower hereby consents to any and all such disclosures of such information.

Section 9.1.3 Borrower Obligations Regarding Secondary Market Disclosure Documents. In connection with a Secondary Market Disclosure Document, the Borrower shall provide, or in the case of a Borrower-engaged third party such as the Manager, cause it to provide, information reasonably requested by the Funding Lender pertaining to the Borrower, the Project or such third party (and portions of any other sections reasonably requested by the Funding Lender pertaining to the Borrower, the Project or the third party). The Borrower shall, if requested by the Funding Lender and the Servicer, certify in writing that the Borrower has carefully examined those portions of such Secondary Market Disclosure Document, pertaining to the Borrower, the Project or the Manager, and such portions (and portions of any other sections reasonably requested and pertaining to the Borrower, the Project or the Manager) do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading or the Borrower shall state whether such portions do contain any untrue statement or omit to state a material fact which causes such portions of the Secondary Market Disclosure Document to be misleading; provided that the Borrower shall not be required to make any representations or warranties regarding any Provided Information obtained from a third party except with respect to information it provided to such parties.

Furthermore, the Borrower hereby indemnifies the Funding Lender, the Servicer for any Liabilities to which any such parties may become subject to the extent such Liabilities arise out of or are based upon the use of the Provided Information in a Secondary Market Disclosure Document.

Section 9.1.4 Borrower Indemnity Regarding Filings. In connection with filings under the Exchange Act or the Securities Act, the Borrower shall (i) indemnify Funding Lender and the underwriter group for any securities (the "Underwriter Group") for any Liabilities to which Funding Lender, the Servicer or the Underwriter Group may become subject insofar as the Liabilities arise out of or are based upon the omission or alleged omission to state in the Provided Information of a material fact required to be stated in the Provided Information in order to make the statements in the Provided Information, in the light of the circumstances under which they were made not misleading and (ii) reimburse the Funding Lender, the Servicer, the Underwriter Group and other indemnified parties listed above for any legal or other expenses reasonably incurred by the Funding Lender, the Servicer or the Underwriter Group in connection with defending or investigating the Liabilities; provided that the Borrower shall not provide any indemnification regarding any Provided Information obtained from unrelated third parties except with respect to information it provided to such parties.

Section 9.1.5 Indemnification Procedure. Promptly after receipt by an indemnified party under Sections 9.1.3 and 9.1.4 hereof of notice of the commencement of any action for which a claim for indemnification is to be made against the Borrower, such indemnified party shall notify the Borrower in writing of such commencement, but the omission to so notify the Borrower will not relieve the Borrower from any liability that it may have to any indemnified party hereunder except to the extent that failure to notify causes prejudice to the Borrower. In the event that any action is brought against any indemnified party, and it notifies the Borrower of the commencement thereof, the Borrower will be entitled, jointly with any other indemnifying party, to participate therein and, to the extent that it (or they) may elect by Written Notice delivered to the indemnified party promptly after receiving the aforesaid notice of commencement, to assume the defense thereof with counsel selected by the Borrower and reasonably satisfactory to such indemnified party in its sole discretion. After notice from the Borrower to such indemnified party under this Section 9.1.5, the Borrower shall not be responsible for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation. No indemnified party shall settle or compromise any claim for which the Borrower may be liable hereunder without the prior Written Consent of the Borrower.

Section 9.1.6 Contribution. In order to provide for just and equitable contribution in circumstances in which the indemnity agreement provided for in Section 9.1.4 hereof is for any reason held to be unenforceable by an indemnified party in respect of any Liabilities (or action in respect thereof) referred to therein which would otherwise be indemnifiable under Section 9.1.4 hereof, the Borrower shall contribute to the amount paid or payable by the indemnified party as a result of such Liabilities (or action in respect thereof); provided, however, that no Person guilty of fraudulent misrepresentation (within the meaning of Section 10(f) of the Securities Act) shall be entitled to contribution from any Person not guilty of such fraudulent misrepresentation. In determining the amount of contribution to which the respective parties are entitled, the following factors shall be considered: (i) the indemnified

parties and the Borrower's relative knowledge and access to information concerning the matter with respect to which the claim was asserted; (ii) the opportunity to correct and prevent any statement or omission; and (iii) any other equitable considerations appropriate in the circumstances. The parties hereto hereby agree that it may not be equitable if the amount of such contribution were determined by pro rata or per capita allocation.

ARTICLE X

MISCELLANEOUS

Section 10.1 Notices. All notices, consents, approvals and requests required or permitted hereunder or under any other Borrower Loan Document or Funding Loan Document (a "notice") shall be deemed to be given and made when delivered by hand, by recognized overnight delivery service, confirmed facsimile transmission (provided any telecopy or other electronic transmission received by any party after 4:00 p.m., local time, as evidenced by the time shown on such transmission, shall be deemed to have been received the following Business Day), or five (5) calendar days after deposited in the United States mail, registered or certified, postage prepaid, with return receipt requested, addressed to the appropriate party at the addresses set forth in Section 11.1 of the Funding Loan Agreement. Any party may change such party's address for the notice or demands required under this Borrower Loan Agreement by providing written notice of such change of address to the other parties by written notice as provided herein.

Section 10.2 Brokers and Financial Advisors. The Borrower hereby represents that it has dealt with no financial advisors, brokers, underwriters, placement agents, agents or finders in connection with the Borrower Loan, other than those disclosed to the Funding Lender and whose fees shall be paid by the Borrower pursuant to separate agreements. The Borrower and the Funding Lender shall indemnify and hold the other harmless from and against any and all claims, liabilities, costs and expenses of any kind in any way relating to or arising from a claim by any Person that such Person acted on behalf of the indemnifying party in connection with the transactions contemplated herein. The provisions of this Section 10.2 shall survive the expiration and termination of this Borrower Loan Agreement and the repayment of the Borrower Payment Obligations.

Section 10.3 Survival. This Borrower Loan Agreement and all covenants, agreements, representations and warranties made herein and in the certificates delivered pursuant hereto shall survive the making by the Governmental Lender of the Borrower Loan and the execution and delivery to the Governmental Lender of the Borrower Note and the assignment of the Borrower Note to the Funding Lender, and shall continue in full force and effect so long as all or any of the Borrower Payment Obligations is unpaid. All the Borrower's covenants and agreements in this Borrower Loan Agreement shall inure to the benefit of the respective legal representatives, successors and assigns of the Governmental Lender, the Funding Lender and the Servicer.

Section 10.4 Preferences. The Governmental Lender shall have the continuing and exclusive right to apply or reverse and reapply any and all payments by the Borrower to any portion of the Borrower Payment Obligations. To the extent the Borrower makes a payment to the Governmental Lender or the Servicer, or the Lender or the Servicer receives proceeds of any

collateral, which is in whole or part subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then, to the extent of such payment or proceeds received, the Borrower Payment Obligations or part thereof intended to be satisfied shall be revived and continue in full force and effect, as if such payment or proceeds had not been received by the Governmental Lender or the Servicer.

Section 10.5 Waiver of Notice. The Borrower shall not be entitled to any notices of any nature whatsoever from the Funding Lender or the Servicer except with respect to matters for which this Borrower Loan Agreement or any other Borrower Loan Document specifically and expressly provides for the giving of notice by the Funding Lender or the Servicer, as the case may be, to the Borrower and except with respect to matters for which the Borrower is not, pursuant to applicable Legal Requirements, permitted to waive the giving of notice. The Borrower hereby expressly waives the right to receive any notice from the Funding Lender or the Servicer, as the case may be, with respect to any matter for which no Loan Document specifically and expressly provides for the giving of notice by the Funding Lender or the Servicer to the Borrower.

Section 10.6 Offsets, Counterclaims and Defenses. The Borrower hereby waives the right to assert a counterclaim, other than a compulsory counterclaim, in any action or proceeding brought against it by the Funding Lender or the Servicer with respect to a Borrower Loan Payment. Any assignee of Funding Lender's interest in and to the Borrower Loan Documents or the Funding Loan Documents shall take the same free and clear of all offsets, counterclaims or defenses that are unrelated to the Borrower Loan Documents or the Funding Loan Documents which the Borrower may otherwise have against any assignor of such documents, and no such unrelated offset, counterclaim or defense shall be interposed or asserted by the Borrower in any action or proceeding brought by any such assignee upon such documents, and any such right to interpose or assert any such unrelated offset, counterclaim or defense in any such action or proceeding is hereby expressly waived by the Borrower.

Section 10.7 Publicity. The Funding Lender and the Servicer (and any Affiliates of either party) shall have the right to issue press releases, advertisements and other promotional materials describing the Funding Lender's or the Servicer's participation in the making of the Borrower Loan or the Borrower Loan's inclusion in any Secondary Market Transaction effectuated by the Funding Lender or the Servicer or one of its or their Affiliates. All news releases, publicity or advertising by the Borrower or its Affiliates through any media intended to reach the general public, which refers to the Borrower Loan Documents or the Funding Loan Documents, the Borrower Loan, the Funding Lender or the Servicer in a Secondary Market Transaction, shall be subject to the prior Written Consent of the Funding Lender or the Servicer, as applicable.

Section 10.8 Construction of Documents. The parties hereto acknowledge that they were represented by counsel in connection with the negotiation and drafting of the Borrower Loan Documents and the Funding Loan Documents and that the Borrower Loan Documents and the Funding Loan Documents shall not be subject to the principle of construing their meaning against the party that drafted them.

Section 10.9 No Third Party Beneficiaries. The Borrower Loan Documents and the Funding Loan Documents are solely for the benefit of the Governmental Lender, the Funding Lender, the Servicer and the Borrower and, with respect to Sections 9.1.3 and 9.1.4 hereof, the Underwriter Group, and nothing contained in any Borrower Loan Document shall be deemed to confer upon anyone other than the Governmental Lender, the Funding Lender, the Servicer, and the Borrower any right to insist upon or to enforce the performance or observance of any of the obligations contained therein.

Section 10.10 Assignment. Subject to the restrictions of Section 2.4 of the Funding Loan Agreement, the Borrower Loan, the Security Instrument, the Borrower Loan Documents and the Funding Loan Documents and all Funding Lender's rights, title, obligations and interests therein may be assigned by the Funding Lender, at any time in its sole discretion, whether by operation of law (pursuant to a merger or other successor in interest) or otherwise. Upon such assignment, all references to Funding Lender in this Borrower Loan Agreement and in any Borrower Loan Document shall be deemed to refer to such assignee or successor in interest and such assignee or successor in interest shall thereafter stand in the place of the Funding Lender. Borrower shall accord full recognition to any such assignment, and all rights and remedies of Funding Lender in connection with the interest so assigned shall be as fully enforceable by such assignee as they were by Funding Lender before such assignment. In connection with any proposed assignment, Funding Lender may disclose to the proposed assignee any information that Borrower has delivered, or caused to be delivered, to Funding Lender with reference to Borrower, General Partner, Guarantor or any Affiliate, or the Project, including information that Borrower is required to deliver to Funding Lender pursuant to this Borrower Loan Agreement, provided that such proposed assignee agrees to treat such information as confidential. The Borrower may not assign its rights, interests or obligations under this Borrower Loan Agreement or under any of the Borrower Loan Documents or Funding Loan Documents, or Borrower's interest in any moneys to be disbursed or advanced hereunder, except only as may be expressly permitted hereby.

Section 10.11 Assignment. The Borrower Loan and all Funding Lender's rights, title, obligations and interests therein, as assigned by Governmental Lender to Funding Lender to secure the Funding Loan Agreement, shall be assigned by the Funding Lender to the Governmental Lender upon voluntary prepayment of the Funding Loan by the Governmental Lender in accordance with Section 3.1 of the Funding Loan Agreement. Upon such assignment, all references to Funding Lender in this Borrower Loan Agreement and in any Borrower Loan Document shall be deemed to refer to Governmental Lender and Governmental Lender shall thereafter stand in the place of the Funding Lender, including for purposes of exercising remedies under Article VIII of this Borrower Loan Agreement. Borrower shall accord full recognition to any such assignment, and all rights and remedies of Funding Lender in connection with the interest so assigned shall be as fully enforceable by Governmental Lender as they were by Funding Lender before such assignment.

Section 10.12 Governmental Lender, Funding Lender and Servicer Not in Control; No Partnership. None of the covenants or other provisions contained in this Borrower Loan Agreement shall, or shall be deemed to, give the Governmental Lender, the Funding Lender or the Servicer the right or power to exercise control over the affairs or management of the Borrower, the power of the Governmental Lender, the Funding Lender and the Servicer being

limited to the rights to exercise the remedies referred to in the Borrower Loan Documents and the Funding Loan Documents. The relationship between the Borrower and the Governmental Lender, the Funding Lender and the Servicer is, and at all times shall remain, solely that of debtor and creditor. No covenant or provision of the Borrower Loan Documents or the Funding Loan Documents is intended, nor shall it be deemed or construed, to create a partnership, joint venture, agency or common interest in profits or income between the Borrower and the Governmental Lender, the Funding Lender or the Servicer or to create an equity in the Project in the Governmental Lender, the Funding Lender or the Servicer. Neither the Governmental Lender, the Funding Lender nor the Servicer undertakes or assumes any responsibility or duty to the Borrower or to any other person with respect to the Project or the Borrower Loan, except as expressly provided in the Borrower Loan Documents or the Funding Loan Documents; and notwithstanding any other provision of the Borrower Loan Documents and the Funding Loan Documents: (1) the Governmental Lender, the Funding Lender and the Servicer are not, and shall not be construed as, a partner, joint venturer, alter ego, manager, controlling person or other business associate or participant of any kind of the Borrower or its stockholders, members, or partners and the Governmental Lender, the Funding Lender and the Servicer do not intend to ever assume such status; (2) the Governmental Lender, the Funding Lender and the Servicer shall in no event be liable for any the Borrower Payment Obligations, expenses or losses incurred or sustained by the Borrower; and (3) the Governmental Lender, the Funding Lender and the Servicer shall not be deemed responsible for or a participant in any acts, omissions or decisions of the Borrower, the Borrower Controlling Entities or its stockholders, members, or partners. The Governmental Lender, the Funding Lender and the Servicer and the Borrower disclaim any intention to create any partnership, joint venture, agency or common interest in profits or income between the Governmental Lender, the Funding Lender, the Servicer and the Borrower, or to create an equity in the Project in the Funding Lender or the Servicer, or any sharing of liabilities, losses, costs or expenses.

Section 10.13 Release. The Borrower hereby acknowledges that it is executing this Borrower Loan Agreement and each of the Borrower Loan Documents and the Funding Loan Documents to which it is a party as its own voluntary act free from duress and undue influence.

Section 10.14 Term of Borrower Loan Agreement. This Borrower Loan Agreement shall be in full force and effect until all payment obligations of the Borrower hereunder have been paid in full and the Borrower Loan and the Funding Loan have been retired or the payment thereof has been provided for; except that on and after payment in full of the Borrower Note, this Borrower Loan Agreement shall be terminated, without further action by the parties hereto; provided, however, that the obligations of the Borrower under Sections 5.14, 5.15, 9.1.3, 9.1.4, 9.1.5, 9.1.6 and 10.15 hereof shall survive the termination of this Borrower Loan Agreement.

Section 10.15 Reimbursement of Expenses. If, upon or after the occurrence of any Event of Default or Potential Default, the Governmental Lender, the Funding Lender or the Servicer shall employ attorneys or incur other expenses for the enforcement of performance or observance of any obligation or agreement on the part of the Borrower contained herein, the Borrower will on demand therefor reimburse the Governmental Lender, the Funding Lender and the Servicer for fees of such attorneys and such other expenses so incurred.

The Borrower's obligation to pay the amounts required to be paid hereunder shall be subordinate to its obligations to make payments under the Borrower Note, and the Borrower's obligations to pay the amounts under this Section 10.15.

Section 10.16 Permitted Contests. Notwithstanding anything to the contrary contained in this Borrower Loan Agreement, Borrower shall have the right to contest or object in good faith to any claim, demand, levy or assessment (other than in respect of Debt or Contractual Obligations of Borrower under any Borrower Loan Document or Related Document) by appropriate legal proceedings that are not prejudicial to Funding Lender's rights, but this shall not be deemed or construed as in any way relieving, modifying or providing any extension of time with respect to Borrower's covenant to pay and comply with any such claim, demand, levy or assessment, unless Borrower shall have given prior Written Notice to the Governmental Lender and the Funding Lender of Borrower's intent to so contest or object thereto, and unless (i) Borrower has, in the Governmental Lender's and the Funding Lender's judgment, a reasonable basis for such contest, (ii) Borrower pays when due any portion of the claim, demand, levy or assessment to which Borrower does not object, (iii) Borrower demonstrates to Funding Lender's satisfaction that such legal proceedings shall conclusively operate to prevent enforcement prior to final determination of such proceedings, (iv) Borrower furnishes such bond, surety, undertaking or other security in connection therewith as required by law, or as requested by and satisfactory to Funding Lender, to stay such proceeding, which bond, surety, undertaking or other security shall be issued by a bonding company, insurer or surety company reasonably satisfactory to Funding Lender and shall be sufficient to cause the claim, demand, levy or assessment to be insured against by the Title Company or removed as a lien against the Project, (v) Borrower at all times prosecutes the contest with due diligence, and (vi) Borrower pays, promptly following a determination of the amount of such claim, demand, levy or assessment due and owing by Borrower, the amount so determined to be due and owing by Borrower. In the event that Borrower does not make, promptly following a determination of the amount of such claim, demand, levy or assessment due and owing by Borrower, any payment required to be made pursuant to clause (vi) of the preceding sentence, an Event of Default shall have occurred, and Funding Lender may draw or realize upon any bond or other security delivered to Funding Lender in connection with the contest by Borrower, in order to make such payment.

Section 10.17 Funding Lender Approval of Instruments and Parties. All proceedings taken in accordance with transactions provided for herein, and all surveys, appraisals and documents required or contemplated by this Borrower Loan Agreement and the persons responsible for the execution and preparation thereof, shall be satisfactory to and subject to approval by Funding Lender. Funding Lender's approval of any matter in connection with the Project shall be for the sole purpose of protecting the security and rights of Funding Lender. No such approval shall result in a waiver of any default of Borrower. In no event shall Funding Lender's approval be a representation of any kind with regard to the matter being approved.

Section 10.18 Funding Lender Determination of Facts. Funding Lender shall at all times be free to establish independently, to its reasonable satisfaction, the existence or nonexistence of any fact or facts, the existence or nonexistence of which is a condition of this Borrower Loan Agreement.

Section 10.19 Calendar Months. With respect to any payment or obligation that is due or required to be performed within a specified number of Calendar Months after a specified date, such payment or obligation shall become due on the day in the last of such specified number of Calendar Months that corresponds numerically to the date so specified; provided, however, that with respect to any obligation as to which such specified date is the 29th, 30th or 31st day of any Calendar Month: if the Calendar Month in which such payment or obligation would otherwise become due does not have a numerically corresponding date, such obligation shall become due on the first day of the next succeeding Calendar Month.

Section 10.20 Determinations by Lender. Except to the extent expressly set forth in this Borrower Loan Agreement to the contrary, in any instance where the consent or approval of the Governmental Lender and the Funding Lender may be given or is required, or where any determination, judgment or decision is to be rendered by the Governmental Lender and the Funding Lender under this Borrower Loan Agreement, the granting, withholding or denial of such consent or approval and the rendering of such determination, judgment or decision shall be made or exercised by the Governmental Lender and the Funding Lender, as applicable (or its designated representative) at its sole and exclusive option and in its sole and absolute discretion.

Section 10.21 Governing Law. This Borrower Loan Agreement shall be governed by and enforced in accordance with the laws of the Property Jurisdiction, without giving effect to the choice of law principles of the Property Jurisdiction that would require the application of the laws of a jurisdiction other than the Property Jurisdiction.

Section 10.22 Consent to Jurisdiction and Venue. Borrower agrees that any controversy arising under or in relation to this Borrower Loan Agreement shall be litigated exclusively in the Property Jurisdiction. The state and federal courts and authorities with jurisdiction in the Property Jurisdiction shall have exclusive jurisdiction over all controversies which shall arise under or in relation to this Borrower Loan Agreement. Borrower irrevocably consents to service, jurisdiction, and venue of such courts for any such litigation and waives any other venue to which it might be entitled by virtue of domicile, habitual residence or otherwise. However, nothing herein is intended to limit Beneficiary Parties' right to bring any suit, action or proceeding relating to matters arising under this Borrower Loan Agreement against Borrower or any of Borrower's assets in any court of any other jurisdiction.

Section 10.23 Successors and Assigns. This Borrower Loan Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors, successors-in-interest and assigns, as appropriate. The terms used to designate any of the parties herein shall be deemed to include the heirs, legal representatives, successors, successors-in-interest and assigns, as appropriate, of such parties. References to a "person" or "persons" shall be deemed to include individuals and entities.

Section 10.24 Severability. The invalidity, illegality or unenforceability of any provision of this Borrower Loan Agreement shall not affect the validity, legality or enforceability of any other provision, and all other provisions shall remain in full force and effect.

Section 10.25 Entire Agreement; Amendment and Waiver. This Borrower Loan Agreement contains the complete and entire understanding of the parties with respect to the

matters covered. This Borrower Loan Agreement may not be amended, modified or changed, nor shall any waiver of any provision hereof be effective, except by a written instrument signed by the party against whom enforcement of the waiver, amendment, change, or modification is sought, and then only to the extent set forth in that instrument. No specific waiver of any of the terms of this Borrower Loan Agreement shall be considered as a general waiver. Without limiting the generality of the foregoing, no Disbursement shall constitute a waiver of any conditions to the Governmental Lender's or the Funding Lender's obligation to make further Disbursements nor, in the event Borrower is unable to satisfy any such conditions, shall any such waiver have the effect of precluding the Governmental Lender or the Funding Lender from thereafter declaring such inability to constitute a Potential Default or Event of Default under this Borrower Loan Agreement.

Section 10.26 Counterparts. This Borrower Loan Agreement may be executed in multiple counterparts, each of which shall constitute an original document and all of which together shall constitute one agreement.

Section 10.27 Captions. The captions of the sections of this Borrower Loan Agreement are for convenience only and shall be disregarded in construing this Borrower Loan Agreement.

Section 10.28 Servicer. Borrower hereby acknowledges and agrees that, pursuant to the terms of Section 39 of the Security Instrument: (a) from time to time, the Governmental Lender or the Funding Lender may appoint a servicer to collect payments, escrows and deposits, to give and to receive notices under the Borrower Note, this Borrower Loan Agreement or the other Borrower Loan Documents, and to otherwise service the Loan and (b) unless Borrower receives Written Notice from the Governmental Lender or the Funding Lender to the contrary, any action or right which shall or may be taken or exercised by the Governmental Lender or the Funding Lender may be taken or exercised by such servicer with the same force and effect.

Section 10.29 Beneficiary Parties as Third Party Beneficiary. Each of the Beneficiary Parties shall be a third party beneficiary of this Borrower Loan Agreement for all purposes.

Section 10.30 Waiver of Trial by Jury. TO THE MAXIMUM EXTENT PERMITTED UNDER APPLICABLE LAW, BORROWER (A) COVENANTS AND AGREES NOT TO ELECT A TRIAL BY JURY WITH RESPECT TO ANY ISSUE ARISING OUT OF THIS BORROWER LOAN AGREEMENT OR THE RELATIONSHIP BETWEEN THE PARTIES THAT IS TRIABLE OF RIGHT BY A JURY AND (B) WAIVES ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO SUCH ISSUE TO THE EXTENT THAT ANY SUCH RIGHT EXISTS NOW OR IN THE FUTURE. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS SEPARATELY GIVEN BY EACH PARTY, KNOWINGLY AND VOLUNTARILY WITH THE BENEFIT OF COMPETENT LEGAL COUNSEL.

IF FOR ANY REASON THIS WAIVER IS DETERMINED TO BE UNENFORCEABLE, ALL DISPUTES WILL BE RESOLVED BY JUDICIAL REFERENCE PURSUANT TO THE PROCEDURES SET FORTH IN THE SECURITY INSTRUMENT.

Section 10.31 Time of the Essence. Time is of the essence with respect to this Borrower Loan Agreement.

Section 10.32 Modifications. Modifications (if any) to this Borrower Loan Agreement ("Modifications") are set forth on EXHIBIT A attached to this Borrower Loan Agreement. In the event of a Transfer under the terms of the Security Instrument, some or all of the Modifications to this Borrower Loan Agreement may be modified or rendered void by the Governmental Lender or the Funding Lender at its option by notice to Borrower or such transferee.

Section 10.33 Reference Date. This Borrower Loan Agreement is dated for reference purposes only as of September 1, 2011, and will not be effective and binding on the parties hereto unless and until the Closing Date (as defined herein) occurs.

ARTICLE XI

LIMITATIONS ON LIABILITY

Section 11.1 Limitation on Liability. Notwithstanding anything to the contrary herein, the liability of the Borrower hereunder and under the other Borrower Loan Documents and the Funding Loan Documents shall be limited to the extent set forth in the Borrower Note.

Section 11.2 Limitation on Liability of Governmental Lender. None of the Governmental Lender, any of its members or the Association of Bay Area Governments shall be obligated to pay the principal (or prepayment price) of or interest on the Funding Loan, except from moneys and assets received by the Funding Lender on behalf of the Governmental Lender pursuant to this Borrower Loan Agreement. Neither the faith and credit nor the taxing power of the State or of any political subdivision thereof (including the Governmental Lender) is pledged to the payment of the principal (or prepayment price) of or interest on the Funding Loan. None of the Governmental Lender, any of its members or the Association of Bay Area Governments shall 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 Borrower Loan Agreement or the Funding Loan Agreement, except only to the extent amounts are received by the Funding Lender on behalf of the Governmental Lender for the payment thereof from the Borrower under this Borrower Loan Agreement.

The Borrower hereby acknowledges that the Governmental Lender's sole source of moneys to repay the Funding Loan will be provided by the payments made by the Borrower pursuant to this Borrower Loan Agreement, together with investment income on certain funds and accounts held by the Funding Lender under the Funding Loan Agreement, and hereby agrees that if the payments to be made hereunder shall ever prove insufficient to pay all principal (or prepayment price) of and interest on the Funding Loan as the same shall become due (whether by maturity, redemption, acceleration or otherwise), then upon notice from the Funding Lender or the Servicer, the Borrower shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal (or prepayment price) of or interest on the Funding Loan, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Funding Lender, the Borrower, the Governmental

Lender or any third party, subject to any right of reimbursement from the Funding Lender, the Governmental Lender or any such third party, as the case may be, therefor.

Section 11.3 Waiver of Personal Liability. No member, officer, agent or employee of the Governmental Lender or any director, officer, agent or employee of the Governmental Lender shall be individually or personally liable for the payment of any principal (or prepayment price) of or interest on the Funding Loan or any other sum hereunder or be subject to any personal liability or accountability by reason of the execution and delivery of this Borrower Loan Agreement; but nothing herein contained shall relieve any such member, director, officer, agent or employee from the performance of any official duty provided by law or by this Borrower Loan Agreement.

Section 11.4 Limitation on Liability of Funding Lender's Officers, Employees, Etc.

(a) Borrower assumes all risks of the acts or omissions of the Governmental Lender and the Funding Lender, provided, however, this assumption is not intended to, and shall not, preclude Borrower from pursuing such rights and remedies as it may have against the Governmental Lender and the Funding Lender at law or under any other agreement. None of Governmental Lender and the Funding Lender, nor the other Beneficiary Parties or their respective officers, directors, employees or agents shall be liable or responsible for (i) for any acts or omissions of the Governmental Lender and the Funding Lender; or (ii) the validity, sufficiency or genuineness of any documents, or endorsements, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged. In furtherance and not in limitation of the foregoing, the Governmental Lender and the Funding Lender may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary, unless acceptance in light of such notice or information constitutes gross negligence or willful misconduct on the part of the Governmental Lender and the Funding Lender.

(b) None of the Governmental Lender the Funding Lender, the other Beneficiary Parties or any of their respective officers, directors, employees or agents shall be liable to any contractor, subcontractor, supplier, laborer, architect, engineer or any other party for services performed or materials supplied in connection with the Project. The Governmental Lender and the Funding Lender shall not be liable for any debts or claims accruing in favor of any such parties against Borrower or others or against the Project or the Project. Borrower is not and shall not be an agent of the Governmental Lender and the Funding Lender for any purpose. The Governmental Lender and the Funding Lender is not a joint venture partner with Borrower in any manner whatsoever. Prior to default by Borrower under this Borrower Loan Agreement and the exercise of remedies granted herein, the Governmental Lender and the Funding Lender shall not be deemed to be in privity of contract with any contractor or provider of services to the Project, nor shall any payment of funds directly to a contractor, subcontractor or provider of services be deemed to create any third party beneficiary status or recognition of same by the Governmental Lender and the Funding Lender. Approvals granted by the Governmental Lender and the Funding Lender for any matters covered under this Borrower Loan Agreement shall be narrowly construed to cover only the parties and facts identified in any written approval or, if not in writing, such approvals shall be solely for the benefit of Borrower.

(c) Any obligation or liability whatsoever of the Governmental Lender and the Funding Lender that may arise at any time under this Borrower Loan Agreement or any other Borrower Loan Document shall be satisfied, if at all, out of the Funding Lender's assets only. No such obligation or liability shall be personally binding upon, nor shall resort for the enforcement thereof be had to, the Project or any of the Governmental Lender's or the Funding Lender's shareholders (if any), directors, officers, employees or agents, regardless of whether such obligation or liability is in the nature of contract, tort or otherwise.

Section 11.5 Delivery of Reports, Etc. The delivery of reports, information and documents to the Governmental Lender and the Funding Lender as provided herein is for informational purposes only and the Governmental Lender's and the Funding Lender's receipt of such shall not constitute constructive knowledge of any information contained therein or determinable from information contained therein. The Governmental Lender and the Funding Lender shall have no duties or responsibilities except those that are specifically set forth herein, and no other duties or obligations shall be implied in this Borrower Loan Agreement against the Governmental Lender and the Funding Lender.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the undersigned have duly executed and delivered this Borrower Loan Agreement or caused this Borrower Loan Agreement to be duly executed and delivered by their authorized representatives as of the date first set forth above.

BORROWER:

PRESIDIO EL CAMINO, L.P.,
a California limited partnership

By: Central Valley Coalition for Affordable Housing,
a California nonprofit public benefit corporation,
its Managing General Partner

By: _____
Christina Alley, Chief Executive Officer

By: CORE Presidio, LLC,
a California limited liability company,
its Co-General Partner

By: _____
Christopher Neale, Manager

(signatures follow on subsequent page)

Agreed to and Acknowledged by:

FUNDING LENDER:

CITIBANK, N.A.
a national banking association,
as Funding Lender

By:_____
Merle Malakoff
Vice President

GOVERNMENTAL LENDER:

ABAG FINANCE AUTHORITY FOR
NONPROFIT CORPORATIONS,
as Governmental Lender

By _____
Authorized Officer

[Signature page – Borrower Loan Agreement]

<u>EXHIBIT A</u>

MODIFICATIONS

[None]

ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
MULTIFAMILY HOUSING REVENUE NOTE
(PRESIDIO EL CAMINO APARTMENTS) 2011 SERIES A

CERTIFICATE OF THE GOVERNMENTAL LENDER

September 15, 2011

The undersigned, an Authorized Officer (as defined below) of the ABAG Finance Authority for Nonprofit Corporations (the "Governmental Lender"), hereby certifies as of September 15, 2011, as follows:

1. The Governmental Lender is a joint exercise of powers agency duly organized and validly existing under and by virtue of the laws of the State of California.

2. The following are now and, at all times from and after August 3, 2011, have been the duly elected, qualified and acting members of the Executive Committee of the Board of Directors of the Governmental Lender (the "Executive Committee"):

Charles Lomeli, *Chair*
Rodney Dole, *Vice Chair*
Vacant
Vacant
Vacant

3. Pursuant to a resolution of the Executive Committee of the Governmental Lender adopted on August 31, 2011 (the "Note Resolution"), the President, the Chief Financial Officer and the Secretary of the Governmental Lender (the "Authorized Officers") has been duly authorized by the Governmental Lender to execute, on behalf of the Governmental Lender, its Multifamily Housing Revenue Note (Presidio El Camino Apartments) 2011 Series A (the "Note"). Pursuant to such authority, the facsimile signature of the Secretary of the Government Lender has been affixed to the Bonds, and the true names and facsimile signatures of such officer and the Chief Financial Officer of the Governmental Lender are as set forth below opposite their respective offices, as follows:

Office	Name	Facsimile Signature
Herbert Pike	Chief Financial Officer	
Clarke Howatt	Secretary	

4. The undersigned hereby certifies that attached hereto as EXHIBIT A is a full, true and correct copy of the Note Resolution, duly introduced and adopted at a regular meeting of the Executive Committee duly held on August 31, 2011, at which meeting a quorum was present. The undersigned further certifies that said copy is a full, true and correct copy of the original resolution adopted at said meeting and entered in the respective proceedings thereof

and that said resolution has not been amended, modified or superseded in any manner since the date of its adoption, and the same is now in full force and effect; and all other actions requisite to the issuance of the Note have been taken.

5. The undersigned further certifies that the Authorized Officers were authorized by the Governmental Lender to execute, on behalf of the Governmental Lender various instruments, documents, and certificates, including, without limitation, the following documents (collectively, the "Note Documents"):

(a) the Funding Loan Agreement, dated as of September 1, 2011 (the "Funding Loan Agreement"), between the Governmental Lender and the Funding Lender;

(b) the Borrower Loan Agreement, dated as of September 1, 2011 (the "Borrower Loan Agreement"), by and between the Governmental Lender and Presidio El Camino, L.P., a California limited partnership (the "Borrower");

(c) the Regulatory Agreement and Declaration of Restrictive Covenants, dated as of September 1, 2011, by and between the Governmental Lender and the Borrower; and

(d) the Tax Certificate and Agreement of the Governmental Lender and the Borrower, dated as of the date hereof.

6. The Note and the Note Documents have been duly authorized, executed and delivered by the Governmental Lender and, assuming due authorization, execution and delivery by the other respective parties thereto, constitute legal, valid and binding obligations of the Governmental Lender.

7. The Note Documents and all official action of the Governmental Lender relating thereto, including the Note Resolution, are in full force and effect and have not been amended, modified, supplemented or rescinded, except as has been agreed to in writing by the Funding Lender.

8. To the best knowledge of the undersigned, no litigation is pending or threatened (a) to restrain or enjoin the execution and delivery of the Note; (b) in any way contesting or affecting the authority for the execution and delivery or validity of the Note, or the validity of the Note Documents; or (c) in any way contesting the existence or powers of the Governmental Lender.

9. The Governmental Lender has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to the date hereof under the Note Documents, and the representations and warranties of the Governmental Lender contained in the Note Documents are true, complete and correct in all material respects on and as of the date hereof.

Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Funding Loan Agreement.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of the Governmental Lender as of the date first above written.

ABAG FINANCE AUTHORITY FOR
NONPROFIT CORPORATIONS

By:_____
Authorized Officer

EXHIBIT A

NOTE RESOLUTION

ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
EXECUTIVE COMMITTEE OF THE BOARD OF DIRECTORS

RESOLUTION NO. 11-13

A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF A MULTIFAMILY HOUSING REVENUE NOTE FOR THE PURPOSE OF FINANCING THE CONSTRUCTION AND DEVELOPMENT OF A MULTIFAMILY HOUSING DEVELOPMENT TO BE KNOWN AS PRESIDIO EL CAMINO APARTMENTS AND PROVIDING FOR THE TERMS AND CONDITIONS FOR THE EXECUTION AND DELIVERY OF SAID NOTE, AUTHORIZING THE EXECUTION AND DELIVERY OF VARIOUS DOCUMENTS AND APPROVING OTHER ACTIONS AND MATTERS RELATING THERETO

RESOLVED, by the Executive Committee of the Board of Directors of the ABAG Finance Authority for Nonprofit Corporations (the "Authority") as follows:

WHEREAS, the Authority is authorized pursuant to Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California in accordance with Chapter 7 of Part 5 of Division 31 of the Health and Safety Code of the State of California (the "Act"), to issue revenue bonds and loan the proceeds thereof to qualified borrowers for the purpose of financing the acquisition and construction of multifamily housing projects for persons and families of low and very low income residing within the jurisdiction of the Authority; and

WHEREAS, Presidio El Camino, L.P., a California limited partnership (the "Borrower"), has requested the Authority to execute and deliver its ABAG Finance Authority for Nonprofit Corporations Multifamily Housing Revenue Note (Presidio El Camino Apartments) 2011 Series A (the "Note"), and to loan the proceeds thereof to the Borrower to finance the acquisition, construction and development of a 40-unit multifamily housing rental development to be located in the City of Santa Clara, County of Santa Clara, California, to be commonly known as "Presidio El Camino Apartments" (the "Project"); and

WHEREAS, the Note will be executed and delivered to Citibank, N.A. (the "Funding Lender"), as initial holder of the Note; and

WHEREAS, there has been filed with the Secretary of the Authority the following:

(1) A proposed form of funding loan agreement (the "Funding Loan Agreement") between the Authority and the Funding Lender;

(2) A proposed form of borrower loan agreement (the "Borrower Loan Agreement") between the Authority and the Borrower; and

(3) A proposed form of regulatory agreement and declaration of restrictive covenants (the "Regulatory Agreement") between the Authority and the Borrower; and

WHEREAS, the Board of Supervisors of the County of Santa Clara (the "County") held a public hearing on the proposed issuance of the Note, as required under the Internal Revenue

Code of 1986, following published notice of such hearing, and, as the "applicable elected representative" of the County (on behalf of which the Authority is being asked to issue the Note), and thereafter the County approved the issuance of the Note; and

WHEREAS, the California Debt Limit Allocation Committee ("CDLAC") adopted a resolution on May 18, 2011 allocating a portion of the state ceiling on private activity bonds (the "Allocation") to the Authority; and

WHEREAS, all conditions, things and acts required to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of the Note as contemplated by this resolution and the documents referred to herein will exist, have happened and have been performed in due time, form and manner as required by the laws of the State of California, including the Act;

NOW, THEREFORE, BE IT RESOLVED, by the Executive Committee of the Board of Directors of the ABAG Finance Authority for Nonprofit Corporations, as follows:

1. The Authority hereby finds and declares that the above recitals are true and correct.

2. Pursuant to the Act and the Funding Loan Agreement, the execution and delivery of the Note, in series and in an aggregate principal amount not to exceed $7,700,000, is hereby authorized. The President, the Secretary and the Chief Financial Officer of the Authority, or their designee (each, an "Authorized Officer"), each acting alone, are hereby authorized and directed to execute the Note for and in the name and on behalf of the Authority by manual or facsimile signature, in the form set forth in the Funding Loan Agreement, with such changes, deletions and insertions as may be approved by such Authorized Officer, with the advice of bond counsel or tax counsel ("Tax Counsel") and counsel to the Authority, such approval being conclusively evidenced by the execution and delivery thereof. The Note, when executed, shall be delivered to or upon the order of the purchasers of the Note.

3. The Funding Loan Agreement, in the form on file with the Secretary of the Authority, is hereby approved. The Authorized Officers, each acting alone, are hereby authorized for and in the name and on behalf of the Authority to execute and deliver the Funding Loan Agreement with such changes, additions or deletions as may be approved by such Authorized Officer, with the advice of Tax Counsel and counsel to the Authority, such approval to be conclusively evidenced by the execution and delivery thereof.

4. The Borrower Loan Agreement, in the form on file with the Secretary of the Authority, is hereby approved. The Authorized Officers, each acting alone, are hereby authorized for and in the name and on behalf of the Authority to execute and deliver the Borrower Loan Agreement with such changes, additions or deletions as may be approved by such Authorized Officer, with the advice of Tax Counsel and counsel to the Authority, such approval to be conclusively evidenced by the execution and delivery thereof.

5. The Regulatory Agreement, in the form on file with the Secretary of the Authority, is hereby approved. The Authorized Officers, each acting alone, are hereby authorized for and in the name and on behalf of the Authority to execute and deliver the Regulatory Agreement with such changes, additions or deletions as may be approved by such Authorized Officer with the advice of Tax Counsel and counsel to the Authority, such approval to be conclusively evidenced by the execution and delivery thereof.

6. All actions heretofore taken by the officers and agents of the Authority with respect to the execution and delivery of the Note are hereby approved, confirmed and ratified, and the proper officers of the Authority, including the Authorized Officers, are hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute any and all certificates, agreements and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Note in accordance with this Resolution, including but not limited to those certificates, agreements and other documents described in the Funding Loan Agreement, the Borrower Loan Agreement, the Regulatory Agreement and other documents herein approved.

7. This Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED this 31st day of August 2011.

ABAG FINANCE AUTHORITY FOR
NONPROFIT CORPORATIONS

Chuck Lomeli, Chair
ABAG Finance Authority
for Nonprofit Corporations

ATTEST:

Clarke J. Howatt, Secretary
ABAG Finance Authority
for Nonprofit Corporations

I, the undersigned, the duly appointed and qualified Secretary of the ABAG Finance Authority for Nonprofit Corporations, do hereby certify that the foregoing resolution was duly adopted by the Executive Committee of the Board of Directors of said Authority at a duly called meeting of the Executive Committee of the Board of Directors of said Authority held in accordance with law on August 31, 2011.

Clarke J. Howatt, Secretary
ABAG Finance Authority
for Nonprofit Corporations

2011-0943

FUNDING LOAN AGREEMENT

Between

CITIBANK, N.A.,
as Funding Lender

and

ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS,
as Governmental Lender

Dated as of September 1, 2011

TABLE OF CONTENTS

Page

ARTICLE I DEFINITIONS; PRINCIPLES OF CONSTRUCTION 2

Section 1.1 Definitions 2

Section 1.2 Effect of Headings and Table of Contents 13

Section 1.3 Date of Funding Loan Agreement 13

Section 1.4 Designation of Time for Performance 13

Section 1.5 Interpretation 13

ARTICLE II TERMS; GOVERNMENTAL LENDER NOTE 13

Section 2.1 Terms 13

Section 2.2 Form of Governmental Lender Note 15

Section 2.3 Execution and Delivery of Governmental Lender Note 15

Section 2.4 Investor Letter; Participations; Sale and Assignment 15

ARTICLE III PREPAYMENT 16

Section 3.1 Prepayment of the Governmental Lender Note From Prepayment Under the Borrower Note 16

Section 3.2 Notice of Prepayment 17

ARTICLE IV SECURITY 17

Section 4.1 Security for the Funding Loan 17

Section 4.2 Delivery of Security 18

ARTICLE V LIMITED LIABILITY 19

Section 5.1 Source of Payment of Funding Loan and Other Obligations 19

Section 5.2 Exempt From Individual Liability 20

ARTICLE VI CLOSING CONDITIONS; APPLICATION OF FUNDS 20

Section 6.1 Conditions Precedent to Closing 20

ARTICLE VII FUNDS AND ACCOUNTS 21

Section 7.1 Authorization to Create Funds and Accounts 21

Section 7.2 Investment of Funds 21

ARTICLE VIII REPRESENTATIONS AND COVENANTS 21

Section 8.1 General Representations 21

Section 8.2 No Encumbrance on Security 22

Section 8.3 Repayment of Funding Loan 22

Section 8.4 Servicer 22

Section 8.5 Borrower Loan Agreement Performance 23

TABLE OF CONTENTS
(continued)

Page

Section 8.6 Maintenance of Records; Inspection of Records 23
Section 8.7 Tax Covenants 23
Section 8.8 Performance by the Borrower 24
ARTICLE IX DEFAULT; REMEDIES 24
Section 9.1 Events of Default 24
Section 9.2 Acceleration of Maturity; Rescission and Annulment 25
Section 9.3 Additional Remedies; Funding Lender Enforcement 26
Section 9.4 Application of Money Collected 27
Section 9.5 Remedies Vested in Funding Lender 28
Section 9.6 Restoration of Positions 28
Section 9.7 Rights and Remedies Cumulative 28
Section 9.8 Delay or Omission Not Waiver 28
Section 9.9 Waiver of Past Defaults 29
Section 9.10 Remedies Under Borrower Loan Agreement or Borrower Note 29
Section 9.11 Waiver of Appraisement and Other Laws 29
Section 9.12 Suits to Protect the Security 29
Section 9.13 Remedies Subject to Applicable Law 30
Section 9.14 Assumption of Obligations 30
ARTICLE X AMENDMENT; AMENDMENT OF BORROWER LOAN AGREEMENT AND OTHER DOCUMENTS 30
Section 10.1 Amendment of Funding Loan Agreement 30
Section 10.2 Amendments Require Funding Lender Consent 30
Section 10.3 Consents and Opinions 30
Section 10.4 Holder Representative 31
ARTICLE XI MISCELLANEOUS 31
Section 11.1 Notices 32
Section 11.2 Term of Funding Loan Agreement 34
Section 11.3 Successors and Assigns 34
Section 11.4 Legal Holidays 34
Section 11.5 Governing Law 34
Section 11.6 Severability 34

TABLE OF CONTENTS
(continued)

Page

Section 11.7 Execution in Several Counterparts 34
Section 11.8 Nonrecourse Obligation of the Borrower 35
Section 11.9 Waiver of Trial by Jury 35
Section 11.10 Electronic Transactions 35
Section 11.11 Reference Date 35
EXHIBIT A FORM OF GOVERNMENTAL LENDER NOTE A-1
EXHIBIT B FORM OF INVESTOR LETTER B-1

FUNDING LOAN AGREEMENT

This Funding Loan Agreement, dated as of September 1, 2011 (this "Funding Loan Agreement"), is entered into by CITIBANK, N.A. (together with any successor hereunder, the "Funding Lender") and the ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS, a joint powers authority of cities and counties, organized and existing under the laws of the State of California (the "State") (together with its successors and assigns, the "Governmental Lender").

RECITALS

WHEREAS, the Governmental Lender has been duly created and organized pursuant to and in accordance with the laws of the State; and

WHEREAS, pursuant to the provisions of Chapter 5 of Division 7 of Title 1 of the California Government Code, together with the provisions of Chapter 7 of Part 5 of Division 31 of the California Health and Safety Code (the "Act"), the Governmental Lender is authorized: (a) to make loans to any person to provide financing for rental residential developments and intended to be occupied in part by persons of low and moderate income; (b) to incur indebtedness for the purpose of obtaining moneys to make such loans and provide such financing, to establish any required reserve funds and to pay administrative costs and other costs incurred in connection with the incurrence of such indebtedness of the Governmental Lender; and (c) to pledge all or any part of the revenues, receipts or resources of the Governmental Lender, including the revenues and receipts to be received by the Governmental Lender from or in connection with such loans, and to mortgage, pledge or grant security interests in such loans or other property of the Governmental Lender in order to secure the payment of the principal of, prepayment premium, if any, on and interest on such indebtedness of the Governmental Lender; and

WHEREAS, Presidio El Camino, L.P., a California limited partnership (the "Borrower"), has requested the Governmental Lender to enter into this Funding Loan Agreement under which the Funding Lender (i) will advance funds (the "Funding Loan") to or for the account of the Governmental Lender, and (ii) apply the proceeds of the Funding Loan to make a loan (the "Borrower Loan") to the Borrower to finance the acquisition, construction and development of a multifamily rental housing development to be located in the City of Santa Clara, County of Santa Clara, California, to be known as Presidio El Camino Apartments (the "Project"); and

WHEREAS, simultaneously with the delivery of this Funding Loan Agreement, the Governmental Lender and the Borrower will enter into a Borrower Loan Agreement dated as of September 1, 2011 (as it may be supplemented or amended, the "Borrower Loan Agreement"), whereby the Borrower agrees to make loan payments to the Governmental Lender in an amount which, when added to other funds available under this Funding Loan Agreement, will be sufficient to enable the Governmental Lender to repay the Funding Loan and to pay all costs and expenses related thereto when due; and

WHEREAS, to evidence its payment obligations under the Borrower Loan Agreement, the Borrower will execute and deliver to the Governmental Lender its Multifamily Note dated as

of September 1, 2011 (the "Borrower Note") and the obligations of the Borrower under the Borrower Note will be secured by a lien on and security interest in the Project pursuant to a Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing dated as of September 1, 2011 (the "Security Instrument"), made by the Borrower in favor of the Funding Lender to secure the performance by the Governmental Lender of its obligations under the Funding Loan; and

WHEREAS, the Governmental Lender has executed and delivered to the Funding Lender its ABAG Finance Authority for Nonprofit Corporations Multifamily Housing Revenue Note (Presidio El Camino Apartments) 2011 Series A, dated the Closing Date (the "Governmental Lender Note"), evidencing its obligation to make the payments due to the Funding Lender under the Funding Loan as provided in this Funding Loan Agreement, all things necessary to make the Funding Loan Agreement, the valid, binding and legal limited obligations of the Governmental Lender, have been done and performed and the execution and delivery of this Funding Loan Agreement and the execution and delivery of the Governmental Lender Note, subject to the terms hereof, have in all respects been duly authorized;

NOW, THEREFORE, in consideration of the premises and the mutual representations, covenants and agreements herein contained, the parties hereto do hereby agree as follows:

ARTICLE I

DEFINITIONS; PRINCIPLES OF CONSTRUCTION

Section 1.1 Definitions. For all purposes of this Funding Loan Agreement, except as otherwise expressly provided or unless the context otherwise clearly requires:

(a) Unless specifically defined herein, all capitalized terms shall have the meanings ascribed thereto in the Borrower Loan Agreement.

(b) The terms "herein, "hereof" and "hereunder" and other words of similar import refer to this Funding Loan Agreement as a whole and not to any particular Article, Section or other subdivision. The terms "agree" and "agreements" contained herein are intended to include and mean "covenant" and "covenants."

(c) All references made (i) in the neuter, masculine or feminine gender shall be deemed to have been made in all such genders, and (ii) in the singular or plural number shall be deemed to have been made, respectively, in the plural or singular number as well. Singular terms shall include the plural as well as the singular, and vice versa.

(d) All accounting terms not otherwise defined herein shall have the meanings assigned to them, and all computations herein provided for shall be made, in accordance with the Approved Accounting Method. All references herein to "Approved Accounting Method" refer to such principles as they exist at the date of application thereof.

(e) All references in this instrument to designated "Articles," "Sections" and other subdivisions are to the designated Articles, Sections and subdivisions of this instrument as originally executed.

(f) All references in this instrument to a separate instrument are to such separate instrument as the same may be amended or supplemented from time to time pursuant to the applicable provisions thereof.

(g) References to the Funding Loan as "tax exempt" or to the "tax exempt status" of the Funding Loan are to the exclusion of interest on the Funding Loan (other than any portion of the Funding Loan held by a "substantial user" of the Project or a "related person" within the meaning of Section 147 of the Code) from gross income for federal income tax purposes pursuant to Section 103(a) of the Code.

(h) The following terms have the meanings set forth below:

"Affiliate" shall mean, as to any Person, any other Person that, directly or indirectly, is in Control of, is Controlled by or is under common Control with such Person.

"Authorized Amount" shall mean $7,700,000, the maximum principal amount of the Funding Loan under this Funding Loan Agreement.

"Authorized Denomination" shall mean (a) $100,000 and any multiple of $5,000 in excess thereof, or (b) during any period in which the Funding Loan or the Governmental Lender Note is rated at least "A" or better by at least one Rating Agency, $5,000.

"Authorized Governmental Lender Representative" means the President, Chief Financial Officer and Secretary of the Governmental Lender and any other person as may be designated and authorized to sign for the Governmental Lender pursuant to a resolution adopted thereby, or such other person at the time designated to act on behalf of the Governmental Lender as evidenced by a written certificate furnished to the Funding Lender and the Borrower containing the specimen signature of such person and signed on behalf of the Governmental Lender by an Authorized Governmental Lender Representative. Such certificate may designate an alternate or alternates, each of whom shall be entitled to perform all duties of the Authorized Governmental Lender Representative.

"Borrower" shall mean Presidio El Camino, L.P., a California limited partnership.

"Borrower Controlling Entity" shall mean, if the Borrower is a partnership, any general partner or managing partner of the Borrower, or if the Borrower is a limited liability company, the manager or managing member of the Borrower.

"Borrower Loan" shall mean the mortgage loan made by the Governmental Lender to the Borrower pursuant to the Borrower Loan Agreement in the aggregate principal amount of the Borrower Loan Amount, as evidenced by the Borrower Note.

"Borrower Loan Agreement" shall mean the Borrower Loan Agreement, dated as of September 1, 2011, between the Governmental Lender and the Borrower, as supplemented, amended or replaced from time to time in accordance with its terms.

"Borrower Loan Agreement Default" shall mean any event of default set forth in 8.1 of the Borrower Loan Agreement. A Borrower Loan Agreement Default shall "exist" if a Borrower

Loan Agreement Default shall have occurred and be continuing beyond any applicable cure period.

"Borrower Loan Amount" shall mean the amount of $7,700,000.

"Borrower Loan Documents" shall mean (i) the Borrower Loan Agreement, (ii) the Borrower Note, (iii) the Security Instrument, (iv) Contingency Draw-Down Agreement, (v) UCC financing statements, (vi) such assignments of management agreements, contracts and other rights as may be reasonably required, (vii) all other documents or agreements evidencing or relating to the Borrower Loan, and (viii) all amendments, modifications, renewals and substitutions of any of the foregoing.

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

"Business Day" shall mean any day other than (i) a Saturday or a Sunday, or (ii) a day on which federally insured depository institutions in New York, New York are authorized or obligated by law, regulation, governmental decree or executive order to be closed.

"Closing Date" shall mean September 15, 2011, the date that initial Funding Loan proceeds are disbursed hereunder.

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

"Construction Funding Agreement" means that certain Construction Funding Agreement dated as of September 1, 2011, between the Funding Lender, as agent for the Governmental Lender, and Borrower, pursuant to which the Borrower Loan will be advanced by the Funding Lender (or the Servicer on its behalf), as agent of the Governmental Lender, to the Borrower and setting forth certain provisions relating to disbursement of the Borrower Loan during construction, insurance and other matters, as such agreement may be amended, modified, supplemented and replaced from time to time.

"Contingency Draw-Down Agreement" means the Contingency Draw-Down Agreement dated as of September 1, 2011 between the Funding Lender and the Borrower relating to possible conversion of the Funding Loan from a draw down loan to a fully funded loan.

"Control" shall mean, with respect to any Person, either (i) ownership directly or through other entities of more than 50% of all beneficial equity interest in such Person, or (ii) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, through the ownership of voting securities, by contract or otherwise.

"Default" shall mean the occurrence of an event, which, under any Funding Loan Document, would, but for the giving of notice or passage of time, or both, be an event of default under the applicable Funding Loan Document or a Borrower Loan Agreement Default.

"Draw-Down Notice" has the meaning set forth in the Contingency Draw-Down Agreement.

"Event of Default" shall have the meaning ascribed thereto in Section 9.1 hereof.

"Fitch" shall mean Fitch, Inc., or its successor.

"Funding Lender" shall have the meaning given in the introductory paragraph hereof.

"Funding Loan" shall have the meaning given in the recitals hereto.

"Funding Loan Agreement" shall mean this Funding Loan Agreement, dated as of September 1, 2011, by and between the Funding Lender and the Governmental Lender, as it may from time to time be supplemented, modified or amended by one or more instruments supplemental thereto entered into pursuant to the applicable provisions thereof.

"Funding Loan Documents" shall mean (i) this Funding Loan Agreement, (ii) the Borrower Loan Agreement, (iii) the Regulatory Agreement, (iv) the Tax Certificate, (v) the Borrower Loan Documents, (vi) all other documents evidencing, securing, governing or otherwise pertaining to the Funding Loan, and (vii) all amendments, modifications, renewals and substitutions of any of the foregoing.

"Government Obligations" shall mean noncallable, nonprepayable (i) direct, general obligations of the United States of America, or (ii) any obligations unconditionally guaranteed as to the full and timely payment of all amounts due thereunder by the full faith and credit of the United States of America (including obligations held in book entry form), but specifically excluding any mutual funds or unit investment trusts invested in such obligations.

"Governmental Lender" shall mean the ABAG Finance Authority for Nonprofit Corporations, a joint exercise of powers agency organized and existing under the laws of the State of California, and its successors and assigns.

"Governmental Lender Fee" means (i) the Governmental Lender's initial bond administration fee payable in accordance with the Governmental Lender's current fee schedule and (ii) the Ongoing Governmental Lender Fee.

"Governmental Lender Note" shall mean the Governmental Lender Note described in the recitals of this Funding Loan Agreement.

"Highest Rating Category" shall mean, with respect to a Permitted Investment, that the Permitted Investment is rated by each Rating Agency in the highest rating category given by that Rating Agency for that general category of security. If at any time the Funding Loan is not rated (and, consequently, there is no Rating Agency), then the term "Highest Rating Category" means, with respect to a Permitted Investment, that the Permitted Investment is rated by S&P or Moody's in the highest rating given by that rating agency for that general category of security. By way of example, the Highest Rating Category for tax exempt municipal debt established by S&P is "A-1+" for debt with a term of one year or less and "AAA" for a term greater than one year, with corresponding ratings by Moody's of "MIG-1" (for fixed rate) or "VMIG-1" (for variable rate) for three months or less and "Aaa" for greater than three months. If at any time (i) the Funding Loan is not rated, (ii) both S&P and Moody's rate a Permitted Investment and (iii) one of those ratings is below the Highest Rating Category, then such Permitted Investment

will, nevertheless, be deemed to be rated in the Highest Rating Category if the lower rating is no more than one rating category below the highest rating category of that rating agency. For example, a Permitted Investment rated "AAA" by S&P and "Aa3" by Moody's is rated in the Highest Rating Category. If, however, the lower rating is more than one full rating category below the Highest Rating Category of that rating agency, then the Permitted Investment will be deemed to be rated below the Highest Rating Category. For example, a Permitted Investment rated "AAA" by S&P and "A1" by Moody's is not rated in the Highest Rating Category.

"Holder Representative" shall mean (i) initially the Funding Lender, as sole holder of the Governmental Lender Note and all interests therein, and (ii) at any time that there is more than one holder of the Governmental Lender Note and interests therein, the person designated by the Majority Holders to act as provided in Section 10.4 hereof, provided that notice of such designation shall be provided by the Majority Holders to the Funding Lender, the Borrower and the Governmental Lender. During any period when there is more than one holder of the Governmental Lender Note, there shall at all times be a Holder Representative.

"Investor Letter" shall mean a letter in substantially the form attached to this Funding Loan Agreement as Exhibit B, duly executed by the holder of the Governmental Lender Note and delivered to the Governmental Lender.

"Majority Holders" shall mean, as of the date of calculation, the holder(s), purchaser(s) or beneficial owner(s), as applicable, of interests in the Funding Loan representing more than 50 percent of the then-Outstanding principal balance of the Governmental Lender Note.

"Maturity Date" shall mean March 1, 2044.

"Maximum Rate" shall mean the lesser of (i) 12% per annum and (ii) the maximum interest rate that may be paid on the Funding Loan under State law.

"Moody's" shall mean Moody's Investors Service, Inc., or its successor.

"Negative Arbitrage Deposit" has the meaning set forth in the Contingency Draw-Down Agreement.

"Project" shall have the meaning given to that term in the Security Instrument.

"Ongoing Governmental Lender Fee" shall mean the Governmental Lender's annual bond administration fee with respect to the Governmental Lender Note in the amount as set forth in and in accordance with and pursuant to the provisions of the Borrower Loan Agreement and Section 20 of the Regulatory Agreement.

"Opinion of Counsel" shall mean a written opinion from an attorney or firm of attorneys, acceptable to the Funding Lender and the Governmental Lender with experience in the matters to be covered in the opinion; provided that whenever an Opinion of Counsel is required to address the exclusion of interest on the Funding Loan from gross income for purposes of federal income taxation, such opinion shall be provided by Tax Counsel.

"Permitted Investments" shall mean, to the extent authorized by law for investment of any moneys held under this Funding Loan Agreement:

(a) Government Obligations.

(b) Direct obligations of, and obligations on which the full and timely payment of principal and interest is unconditionally guaranteed by, any agency or instrumentality of the United States of America (other than the Federal Home Loan Mortgage Corporation) or direct obligations of the World Bank, which obligations are rated in the Highest Rating Category.

(c) Obligations, in each case rated in the Highest Rating Category, of (i) any state or territory of the United States of America, (ii) any agency, instrumentality, authority or political subdivision of a state or territory or (iii) any public benefit or municipal corporation the principal of and interest on which are guaranteed by such state or political subdivision.

(d) Any written repurchase agreement entered into with a Qualified Financial Institution whose unsecured short term obligations are rated in the Highest Rating Category.

(e) Commercial paper rated in the Highest Rating Category.

(f) Interest bearing negotiable certificates of deposit, interest bearing time deposits, interest bearing savings accounts and bankers' acceptances, issued by a Qualified Financial Institution if either (i) the Qualified Financial Institution's unsecured short term obligations are rated in the Highest Rating Category or (ii) such deposits, accounts or acceptances are fully collateralized by investments described in clauses (a) or (b) of this definition or fully insured by the Federal Deposit Insurance Corporation.

(g) An agreement held by the Funding Lender for the investment of moneys at a guaranteed rate with a Qualified Financial Institution whose unsecured long term obligations are rated in the Highest Rating Category or the Second Highest Rating Category, or whose obligations are unconditionally guaranteed or insured by a Qualified Financial Institution whose unsecured long term obligations are rated in the Highest Rating Category or Second Highest Rating Category; provided that such agreement is in a form acceptable to the Funding Lender; and provided further that such agreement includes the following restrictions:

(1) the invested funds will be available for withdrawal without penalty or premium, at any time that (A) the Funding Lender is required to pay moneys from the Fund(s) established under this Funding Loan Agreement to which the agreement is applicable, or (B) any Rating Agency indicates that it will lower or actually lowers, suspends or withdraws the rating on the Funding Loan on account of the rating of the Qualified Financial Institution providing, guaranteeing or insuring, as applicable, the agreement;

(2) the agreement, and if applicable the guarantee or insurance, is an unconditional and general obligation of the provider and, if applicable, the guarantor or insurer of the agreement, and ranks pari passu with all other unsecured unsubordinated obligations of the provider, and if applicable, the guarantor or insurer of the agreement;

(3) the Funding Lender receives an Opinion of Counsel, which may be subject to customary qualifications, that such agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and, if applicable, an Opinion of Counsel that any guaranty or insurance policy provided by a guarantor or insurer is legal, valid, binding and enforceable upon the guarantor or insurer in accordance with its terms; and

(4) the agreement provides that if during its term the rating of the Qualified Financial Institution providing, guaranteeing or insuring, as applicable, the agreement, is withdrawn, suspended by any Rating Agency or falls below the Second Highest Rating Category, the provider must, within ten days, either: (A) collateralize the agreement (if the agreement is not already collateralized) with Permitted Investments described in paragraph (a) or (b) by depositing collateral with the Funding Lender or a third party custodian, such collateralization to be effected in a manner and in an amount reasonably satisfactory to the Funding Lender, or, if the agreement is already collateralized, increase the collateral with Permitted Investments described in paragraph (a) or (b) by depositing collateral with the Funding Lender or a third party custodian, in an amount reasonably satisfactory to the Funding Lender, (B) at the request of the Funding Lender, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium unless required by law or (C) transfer the agreement, guarantee or insurance, as applicable, to a replacement provider, guarantor or insurer, as applicable, then meeting the requirements of a Qualified Financial Institution and whose unsecured long term obligations are then rated in the Highest Rating Category or the Second Highest Rating Category. The agreement may provide that the down graded provider may elect which of the remedies to the down grade (other than the remedy set out in (B)) to perform.

Notwithstanding anything else in this Paragraph (g) to the contrary and with respect only to any agreement described in this Paragraph (g) or any guarantee or insurance for any such agreement which is to be in effect for any period after the Conversion Date, any reference in this Paragraph to the "Second Highest Rating Category" will be deemed deleted so that the only acceptable rating category for such an agreement, guarantee or insurance will be the Highest Rating Category.

(h) Subject to the ratings requirements set forth in this definition, shares in any money market mutual fund (including those of the Funding Lender or any of its affiliates) registered under the Investment Company Act of 1940, as amended, that have been rated "AAAm G" or "AAAm" by S&P or "Aaa" by Moody's so long as the portfolio of such money market mutual fund is limited to Government Obligations and agreements to repurchase Government Obligations. If approved in writing by the Funding Lender, a money market mutual fund portfolio may also contain obligations and agreements to repurchase obligations described in paragraphs (b) or (c). If the Funding Loan is rated by a Rating Agency, the money market mutual fund must be rated "AAAm G" or "AAAm" by S&P, if S&P is a Rating Agency, or "Aaa" by Moody's, if Moody's is a Rating Agency. If at any time the Funding Loan is not rated (and, consequently, there is no Rating Agency), then the money market mutual fund must be rated "AAAm G" or "AAAm" by S&P or Aaa by Moody's. If at any time (i) the Funding Loan is not rated, (ii) both S&P and Moody's rate a money market mutual fund and (iii) one of those ratings is below the level required by this paragraph, then such money market mutual fund will,

nevertheless, be deemed to be rated in the Highest Rating Category if the lower rating is no more than one rating category below the highest rating category of that rating agency.

(i) Any other investment authorized by the laws of the State, if such investment is approved in writing by the Funding Lender.

Permitted Investments shall not include any of the following:

(1) Except for any investment described in the next sentence, any investment with a final maturity or any agreement with a term greater than one year from the date of the investment. This exception (1) shall not apply to Permitted Investments listed in paragraphs (g) and (i).

(2) Except for any obligation described in paragraph (a) or (b), any obligation with a purchase price greater or less than the par value of such obligation.

(3) Any asset backed security, including mortgage backed securities, real estate mortgage investment conduits, collateralized mortgage obligations, credit card receivable asset backed securities and auto loan asset backed securities.

(4) Any interest only or principal only stripped security.

(5) Any obligation bearing interest at an inverse floating rate.

(6) Any investment which may be prepaid or called at a price less than its purchase price prior to stated maturity.

(7) Any investment the interest rate on which is variable and is established other than by reference to a single index plus a fixed spread, if any, and which interest rate moves proportionately with that index.

(8) Any investment described in paragraph (d) or (g) with, or guaranteed or insured by, a Qualified Financial Institution described in clause (iv) of the definition of Qualified Financial Institution if such institution does not agree to submit to jurisdiction, venue and service of process in the United States of America in the agreement relating to the investment.

(9) Any investment to which S&P has added an “r” or “t” highlighter.

“Person” shall mean any individual, corporation, limited liability company, partnership, joint venture, estate, trust, unincorporated association, any federal, state, county or municipal government or any bureau, department or agency thereof and any fiduciary acting in such capacity on behalf of any of the foregoing.

“Pledged Revenues” shall mean the amounts pledged under this Funding Loan Agreement to the payment of the principal of, prepayment premium, if any, and interest on the Funding Loan and the Governmental Lender Note, consisting of the following: (i) all income, revenues, proceeds and other amounts to which the Governmental Lender is entitled (other than

amounts received by the Governmental Lender with respect to the Unassigned Rights) derived from or in connection with the Project and the Funding Loan Documents, including all Borrower Loan Payments due under the Borrower Loan Agreement and the Borrower Note, payments with respect to the Borrower Loan Payments and all amounts obtained through the exercise of the remedies provided in the Funding Loan Documents and all receipts credited under the provisions of this Funding Loan Agreement against said amounts payable, and (ii) moneys held in the funds and accounts established under this Funding Loan Agreement, together with investment earnings thereon.

"Prepayment Premium" shall mean (i) any premium payable by the Borrower pursuant to the Borrower Loan Documents in connection with a prepayment of the Borrower Note (including any Prepayment Premium as set forth in the Borrower Note) and (ii) any premium payable on the Governmental Lender Note pursuant to this Funding Loan Agreement.

"Project" shall have the meaning given to that term in the Borrower Loan Agreement.

"Qualified Financial Institution" shall mean any (i) bank or trust company organized under the laws of any state of the United States of America, (ii) national banking association, (iii) savings bank, savings and loan association, or insurance company or association chartered or organized under the laws of any state of the United States of America, (iv) federal branch or agency pursuant to the International Banking Act of 1978 or any successor provisions of law or a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, (v) government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, (vi) securities dealer approved in writing by the Funding Lender the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation and (vii) other entity which is acceptable to the Funding Lender. With respect to an entity which provides an agreement held by the Funding Lender for the investment of moneys at a guaranteed rate as set out in paragraph (g) of the definition of the term "Permitted Investments" or an entity which guarantees or insures, as applicable, the agreement, a "Qualified Financial Institution" may also be a corporation or limited liability company organized under the laws of any state of the United States of America.

"Qualified Institutional Buyer" shall mean and refer to a "qualified institutional buyer" as defined in Rule 144A promulgated under the Securities Act of 1933, as amended, and which is described as set forth in Exhibit A to the Form of Investor Letter set forth as EXHIBIT B hereof.

"Rating Agency" shall mean any one and each of S&P, Moody's and Fitch then rating the Funding Loan or any other nationally recognized statistical rating agency then rating the Funding Loan or the Securities, which has been approved by the Funding Lender.

"Regulations" shall mean with respect to the Code, the relevant U.S. Treasury regulations and proposed regulations thereunder or any relevant successor provision to such regulations and proposed regulations.

"Regulatory Agreement" shall mean that certain Regulatory Agreement and Declaration of Restrictive Covenants, dated as of the date hereof, by and between the Governmental Lender

and the Borrower, and acknowledged and accepted by the Ground Lessor (as defined therein), as hereafter amended or modified.

"Remaining Funding Loan Proceeds Account" has the meaning set forth in the Contingency Draw-Down Agreement.

"Remaining Funding Loan Proceeds Account Earnings Subaccount" has the meaning set forth in the Contingency Draw-Down Agreement.

"Resolution" shall mean the resolution of the Governmental Lender authorizing the Funding Loan and the execution and delivery of the Funding Loan Documents to which the Governmental Lender is a party.

"Second Highest Rating Category" shall mean, with respect to a Permitted Investment, that the Permitted Investment is rated by each Rating Agency in the second highest rating category given by that Rating Agency for that general category of security. If at any time the Funding Loan is not rated (and, consequently, there is no Rating Agency), then the term "Second Highest Rating Category" means, with respect to a Permitted Investment, that the Permitted Investment is rated by S&P or Moody's in the second highest rating category given by that rating agency for that general category of security. By way of example, the Second Highest Rating Category for tax exempt municipal debt established by S&P is "AA" for a term greater than one year, with corresponding ratings by Moody's of "Aa." If at any time (i) the Funding Loan is not rated, (ii) both S&P and Moody's rate a Permitted Investment and (iii) one of those ratings is below the Second Highest Rating Category, then such Permitted Investment will not be deemed to be rated in the Second Highest Rating Category. For example, an Investment rated "AA" by S&P and "A" by Moody's is not rated in the Second Highest Rating Category.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Security" shall mean the security for the performance by the Governmental Lender of its obligations under the Governmental Lender Note and this Funding Loan Agreement as more fully set forth in Article IV hereof.

"Security Instrument" shall mean the Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (as amended, restated and/or supplemented from time to time) dated as of September 1, 2011, made by the Borrower in favor of the Funding Lender to secure the performance by the Governmental Lender of its obligations under the Funding Loan.

"Servicer" shall mean any Servicer appointed by the Funding Lender to perform certain servicing functions with respect to the Funding Loan and on the Borrower Loan pursuant to a separate servicing agreement to be entered into between the Funding Lender and the Servicer.

"Servicing Agreement" shall mean any servicing agreement entered into between the Funding Lender and a Servicer with respect to the servicing of the Funding Loan and/or the Borrower Loan.

"S&P" shall mean Standard & Poor's Ratings Services, a Division of the McGraw Hill Companies, Inc., or its successor.

"State" shall mean the State of California.

"Tax Certificate" shall mean the Tax Certificate and Agreement, dated the Closing Date, executed and delivered by the Governmental Lender and the Borrower.

"Tax Counsel" shall mean Orrick, Herrington & Sutcliffe LLP or any other attorney or firm of attorneys designated by the Governmental Lender and approved by the Funding Lender having a national reputation for skill in connection with the authorization and issuance of municipal obligations under Sections 103 and 141 through 150 (or any successor provisions) of the Code.

"Tax Counsel Approving Opinion" shall mean an opinion of Tax Counsel substantially to the effect that the Funding Loan constitutes a valid and binding obligation of the Governmental Lender and that, under existing statutes, regulations published rulings and judicial decisions, the interest on the Funding Loan is excludable from gross income for federal income tax purposes (subject to the inclusion of such customary exceptions as are acceptable to the recipient thereof).

"Tax Counsel No Adverse Affect Opinion" shall mean an opinion of Tax Counsel to the effect that the taking of the action specified therein in accordance with the provisions hereof will not, in and of itself, adversely affect any exclusion of interest on the Funding Loan from gross income for purposes of federal income taxation (subject to the inclusion of such customary exceptions as are acceptable to the recipient thereof).

"UCC" shall mean the Uniform Commercial Code as in effect in the State.

"Unassigned Rights" shall mean the Governmental Lender's rights to reimbursement and payment of its fees, costs and expenses and the Rebate Amount under Section 2.5 of the Borrower Loan Agreement, its rights of access under Section 5.18 thereof, its rights to indemnification under Section 5.16 thereof, its rights to attorneys' fees under Sections 5.12 and 5.15 thereof, its rights to receive notices, reports and other statements and its rights to consent to certain matters, as provided in this Funding Loan Agreement and the Borrower Loan Agreement, and the Governmental Lender's rights under the Regulatory Agreement.

"Written Certificate," "Written Certification," "Written Consent," "Written Direction," "Written Notice," "Written Order," "Written Registration," "Written Request," and "Written Requisition" shall mean a written certificate, direction, notice, order or requisition signed by an Authorized Borrower Representative, an Authorized Governmental Lender Representative or an authorized representative of the Funding Lender and delivered to the Funding Lender, the Servicer or such other Person as required under the Funding Loan Documents.

"Yield" shall mean yield as defined in Section 148(h) of the Code and any regulations promulgated thereunder.

Section 1.2 Effect of Headings and Table of Contents. The Article and Section headings herein and in the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 1.3 Date of Funding Loan Agreement. The date of this Funding Loan Agreement is intended as and for a date for the convenient identification of this Funding Loan Agreement and is not intended to indicate that this Funding Loan Agreement was executed and delivered on said date.

Section 1.4 Designation of Time for Performance. Except as otherwise expressly provided herein, any reference in this Funding Loan Agreement to the time of day shall mean the time of day in the city where the Funding Lender maintains its place of business for the performance of its obligations under this Funding Loan Agreement.

Section 1.5 Interpretation. The parties hereto acknowledge that each of them and the Funding Lender and their respective counsel have participated in the drafting and revision of this Funding Loan Agreement. Accordingly, the parties agree that any rule of construction that disfavors the drafting party shall not apply in the interpretation of this Funding Loan Agreement or any amendment or supplement or exhibit hereto or thereto.

ARTICLE II

TERMS; GOVERNMENTAL LENDER NOTE

Section 2.1 Terms.

(a) Principal Amount. The total principal amount of the Funding Loan is hereby expressly limited to the Authorized Amount.

(b) Draw-Down Funding. The Funding Loan is originated on a draw-down basis. The proceeds of the Funding Loan shall be advanced by the Funding Lender directly to the Borrower for the account of the Governmental Lender as and when needed to make each advance in accordance with the disbursement provisions of the Borrower Loan Agreement and the Construction Funding Agreement. Upon each advance of principal under the Borrower Loan Agreement and the Construction Funding Agreement, a like amount of the Funding Loan shall be deemed concurrently and simultaneously advanced under this Funding Loan Agreement, including the initial advance of $55,000.00. Subject to the terms and conditions of the Borrower Loan Agreement, the Funding Lender agrees to advance, on behalf of the Governmental Lender, to the Borrower under the Borrower Loan Agreement at least $55,000.00 on the Closing Date, and the Funding Lender agrees to correspondingly and simultaneously advance this amount for the account of the Governmental Lender under this Funding Loan Agreement as an advance on the Funding Loan.

The Governmental Lender acknowledges the Contingency Draw-Down Agreement and agrees to take all actions reasonably required of the Governmental Lender in connection with the conversion of the Funding Loan to a fully drawn loan pursuant to the provisions of the Contingency Draw-Down Agreement in the event that a Draw-Down Notice is filed by the Funding Lender or the Borrower, subject to the provisions of Article XI of the Borrower Loan Agreement, and provided that payment of any costs incurred by the Governmental Lender in connection therewith shall be the responsibility of the Borrower.

(c) Origination Date; Maturity. The Funding Loan shall be originated on the Closing Date and shall mature on the Maturity Date at which time the entire principal amount, to the extent not previously paid, and all accrued and unpaid interest, shall be due and payable.

(d) Principal. The outstanding principal amount of the Governmental Lender Note and of the Funding Loan as of any given date shall be the total amount advanced by the Funding Lender to or for the account of the Governmental Lender to fund corresponding advances under the Borrower Loan Agreement and the Construction Funding Agreement as proceeds of the Borrower Loan, less any payments of principal of the Governmental Lender Note previously received from payments of corresponding principal amounts under the Borrower Note, including regularly scheduled principal payments and voluntary and mandatory prepayments. The principal amount of the Governmental Lender Note and interest thereon shall be payable on the basis specified in this paragraph (d) and in paragraphs (e) and (f) of this Section 2.1.

The Funding Lender shall keep a record of all principal advances and principal repayments made under the Governmental Lender Note and shall upon written request provide the Governmental Lender with a statement of the outstanding principal balance of the Governmental Lender Note and the Funding Loan.

(e) Interest. Interest shall be paid on the outstanding principal amount of the Governmental Lender Note at the rate or rates set forth in the Borrower Note and otherwise as set forth in the Borrower Loan Agreement.

(f) Corresponding Payments. The payment or prepayment of principal, interest and premium, if any, due on the Funding Loan and the Governmental Lender Note shall be identical with and shall be made on the same dates, terms and conditions, as the principal, interest, premiums, late payment fees and other amounts due on the Borrower Note. Any payment or prepayment made by the Borrower of principal, interest, premium, if any, due on the Borrower Note shall be deemed to be like payments or prepayments of principal, interest and premium, if any, due on the Funding Loan and the Governmental Lender Note.

(g) Usury. The Governmental Lender intends to conform strictly to the usury laws applicable to this Funding Loan Agreement and the Governmental Lender Note and all agreements made in the Governmental Lender Note, this Funding Loan Agreement and the Funding Loan Documents are expressly limited so that in no event whatsoever shall the amount paid or agreed to be paid as interest or the amounts paid for the use of money advanced or to be advanced hereunder exceed the highest lawful rate prescribed under any law which a court of competent jurisdiction may deem applicable hereto. If, from any circumstances whatsoever, the fulfillment of any provision of the Governmental Lender Note, this Funding Loan Agreement or the other Funding Loan Documents shall involve the payment of interest in excess of the limit prescribed by any law which a court of competent jurisdiction may deem applicable hereto, then the obligation to pay interest hereunder shall be reduced to the maximum limit prescribed by law. If from any circumstances whatsoever, the Funding Lender shall ever receive anything of value deemed interest, the amount of which would exceed the highest lawful rate, such amount as would be excessive interest shall be deemed to have been applied, as of the date of receipt by the Funding Lender, to the reduction of the principal remaining unpaid hereunder and not to the payment of interest, or if such excessive interest exceeds the unpaid principal balance, such

excess shall be refunded to the Borrower. This paragraph shall control every other provision of the Governmental Lender Note, this Funding Loan Agreement and all other Funding Loan Documents.

In determining whether the amount of interest charged and paid might otherwise exceed the limit prescribed by law, the Governmental Lender intends and agrees that (i) interest shall be computed upon the assumption that payments under the Borrower Loan Agreement and other Funding Loan Documents will be paid according to the agreed terms, and (ii) any sums of money that are taken into account in the calculation of interest, even though paid at one time, shall be spread over the actual term of the Funding Loan.

Section 2.2 Form of Governmental Lender Note. As evidence of its obligation to repay the Funding Loan, simultaneously with the delivery of this Funding Loan Agreement to the Funding Lender, the Governmental Lender hereby agrees to execute and deliver the Governmental Lender Note. The Governmental Lender Note shall be substantially in the respective form set forth in Exhibit A attached hereto, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Funding Loan Agreement.

Section 2.3 Execution and Delivery of Governmental Lender Note. The Governmental Lender Note shall be executed on behalf of the Governmental Lender by the manual or facsimile signature of an Authorized Governmental Lender Representative. The signatures of individuals who were the proper officers of the Governmental Lender at the time of execution shall bind the Governmental Lender, notwithstanding that such individuals or any of them shall have ceased to hold such offices prior to the delivery of the Governmental Lender Note or shall not have held such offices at the date of the Governmental Lender Note. Any facsimile signatures shall have the same force and effect as if said officers had manually signed the Governmental Lender Note.

Section 2.4 Investor Letter; Participations; Sale and Assignment.

(a) The Funding Lender shall deliver to the Governmental Lender a signed Investor Letter in substantially the form attached hereto as Exhibit B on the Closing Date.

(b) The Funding Lender shall have the right to sell, assign or otherwise transfer participation interests in the Funding Loan and the Governmental Lender Note in Authorized Denominations, and except during any period in which the Funding Loan or the Governmental Lender Note is rated at least "A" or better by at least one Rating Agency, such interests shall be sold, assigned or otherwise transferred only to purchasers that are Qualified Institutional Buyers, each of which has executed and delivered to the Funding Lender, with a copy to the Governmental Lender, an Investor Letter in the form attached hereto as EXHIBIT B.

In connection with any such transfer to a special purpose entity, a trust or a custodial arrangement, from which beneficial ownership interests in the Funding Loan or portions thereof may be sold, the transferee must further represent that each beneficial owner will be a QIB at the time of its purchase and that all of the interests in such special purpose entity, trust or arrangement (other than residual interests retained by QIBs) are rated in the "A" category or

higher by a Rating Agency and that the governing special purpose entity, trust or custodial documents require that the foregoing requirements be satisfied for the duration of the special purpose entity, trust or custodial arrangement.

(c) No service charge shall be made for any sale or assignment of any portion of the Funding Loan, but the Governmental Lender may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any such sale or assignment. Such sums shall be paid in every instance by the purchaser or assignee of the Funding Loan or portion thereof.

(d) The Governmental Lender Note, or any interest therein, shall be in fully registered form transferable to subsequent holders only on the registration books which shall be maintained by the Funding Lender for such purpose and which shall be open to inspection by the Governmental Lender.

ARTICLE III

PREPAYMENT

Section 3.1 Prepayment of the Governmental Lender Note From Prepayment Under the Borrower Note. The Governmental Lender Note is subject to voluntary and mandatory prepayment as follows:

(a) The Governmental Lender Note shall be subject to voluntary prepayment in full (but not in part) by the Governmental Lender, from funds of the Governmental Lender received by the Governmental Lender to the extent and in the manner and on any date that the Borrower Note is subject to voluntary prepayment as set forth therein, at a prepayment price equal to the outstanding principal balance of the Borrower Note, plus interest on the Borrower Note to the date of prepayment and the amount of any Prepayment Premium payable under the Borrower Note, plus any Additional Borrower Payments due and payable under the Borrower Loan Agreement through the date of prepayment.

The Borrower shall not have the right to voluntarily prepay all or any portion of the Borrower Note, thereby causing the Governmental Lender Note to be prepaid, except as specifically permitted in the Borrower Note, without the prior written consent of Funding Lender, which may be withheld in Funding Lender's sole and absolute discretion.

(b) The Governmental Lender Note shall be subject to mandatory prepayment in whole or in part upon prepayment of the Borrower Note at the direction of the Funding Lender in accordance with the terms of the Borrower Note and Section 2.7 of the Borrower Loan Agreement, at a prepayment price equal to the outstanding principal balance of the Borrower Note prepaid, plus accrued interest plus any other amounts payable under the Borrower Note or the Borrower Loan Agreement.

Section 3.2 Notice of Prepayment. Notice of prepayment of the Governmental Lender Note shall be deemed given to the extent that notice of prepayment of the Borrower Note is timely and properly given to Funding Lender in accordance with the terms of the Borrower

Note and the Borrower Loan Agreement, and no separate notice of prepayment of the Governmental Lender Note is required to be given.

ARTICLE IV

SECURITY

Section 4.1 Security for the Funding Loan. To secure the payment of the Funding Loan and the Governmental Lender Note, to declare the terms and conditions on which the Funding Loan and the Governmental Lender Note are secured, and in consideration of the premises and of the funding of the Funding Loan by the Funding Lender, the Governmental Lender by these presents does grant, bargain, sell, remise, release, convey, assign, transfer, mortgage, hypothecate, pledge, set over and confirm to the Funding Lender for the benefit of the holder from time to time of the Governmental Lender Note or any interest therein (except as limited herein), a lien on and security interest in the following described property (excepting, however, in each case, the Unassigned Rights) (said property, rights and privileges being herein collectively called, the "Security"):

(a) All right, title and interest of the Governmental Lender in, to and under the Borrower Loan Agreement and the Borrower Note, including, without limitation, all rents, revenues and receipts derived by the Governmental Lender from the Borrower relating to the Project and including, without limitation, all Pledged Revenues, Borrower Loan Payments and Additional Borrower Payments derived by the Governmental Lender under and pursuant to, and subject to the provisions of, the Borrower Loan Agreement; provided that the pledge and assignment made under this Funding Loan Agreement shall not impair or diminish the obligations of the Governmental Lender under the provisions of the Borrower Loan Agreement;

(b) All right, title and interest of the Governmental Lender in, to and under, together with all rights, remedies, privileges and options pertaining to, the Funding Loan Documents, and all other payments, revenues and receipts derived by the Governmental Lender under and pursuant to, and subject to the provisions of, the Funding Loan Documents;

(c) Any and all moneys and investments from time to time on deposit in, or forming a part of, all funds and accounts created and held under this Funding Loan Agreement and any amounts held at any time in the Remaining Funding Loan Proceeds Account and the Remaining Funding Loan Proceeds Account Earnings Subaccount, any Negative Arbitrage Deposit and any other amounts held under the Contingency Draw-Down Agreement, subject to the provisions of this Funding Loan Agreement permitting the application thereof for the purposes and on the terms and conditions set forth herein; and

(d) Any and all other real or personal property of every kind and nature or description, which may from time to time hereafter, by delivery or by writing of any kind, be subjected to the lien of this Funding Loan Agreement as additional security by the Governmental Lender or anyone on its part or with its consent, or which pursuant to any of the provisions hereof or of the Borrower Loan Agreement may come into the possession or control of the Funding Lender or a receiver appointed pursuant to this Funding Loan Agreement; and the Funding Lender is hereby authorized to receive any and all such property as and for additional

security for the Funding Loan and the Governmental Lender Note and to hold and apply all such property subject to the terms hereof;

The pledge and assignment of and the security interest granted in the Security pursuant to this Section 4.1 for the payment of the principal of, premium, if any, and interest on the Governmental Lender Note, in accordance with its terms and provisions, and for the payment of all other amounts due hereunder, shall attach and be valid and binding from and after the time of the delivery of the Governmental Lender Note by the Governmental Lender. The Security so pledged and then or thereafter received by the Funding Lender shall immediately be subject to the lien of such pledge and security interest without any physical delivery or recording thereof or further act, and the lien of such pledge and security interest shall be valid and binding and prior to the claims of any and all parties having claims of any kind in tort, contract or otherwise against the Governmental Lender irrespective of whether such parties have notice thereof.

Section 4.2 Delivery of Security. To provide security for the payment of the Funding Loan and the Governmental Lender Note, the Governmental Lender has pledged and assigned to secure payment of the Funding Loan and the Governmental Lender Note its right, title and interest in the Security to the Funding Lender. In connection with such pledge, assignment, transfer and conveyance, the Governmental Lender shall deliver to the Funding Lender the following documents or instruments promptly following their execution and, to the extent applicable, their recording or filing:

(a) The Borrower Note endorsed without recourse to the Funding Lender by the Governmental Lender;

(b) The originally executed Borrower Loan Agreement and Regulatory Agreement;

(c) All other Borrower Loan Documents existing at the time of delivery of the Borrower Note;

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

(e) Uniform Commercial Code financing statements giving notice of the pledge by the Governmental Lender of the Security pledged under this Funding Loan Agreement.

The Governmental Lender shall deliver and deposit with the Funding Lender such additional documents, financing statements, and instruments as the Funding Lender may reasonably require from time to time, including without limitation with respect to any amounts held under the Contingency Draw-Down Agreement, for the better perfecting and assuring to the Funding Lender of its lien and security interest in and to the Security, at the expense of the Borrower.

ARTICLE V

LIMITED LIABILITY

Section 5.1 Source of Payment of Funding Loan and Other Obligations. The Funding Loan and the Governmental Lender Note are limited obligations of the Governmental Lender, payable solely from the Pledged Revenues and other funds and moneys and Security pledged and assigned hereunder. None of the Governmental Lender, any of its members, the Association of Bay Area Governments, the State, or any political subdivision thereof (except the Governmental Lender, to the limited extent set forth herein) nor any public agency shall in any event be liable for the payment of the principal of, premium (if any) or interest on the Funding Loan or the Governmental Lender Note or for the performance of any pledge, obligation or agreement of any kind whatsoever with respect thereto except as set forth herein, and none of the Funding Loan or the Governmental Lender Note or any of the Governmental Lender's agreements or obligations with respect to the Funding Loan, the Governmental Lender Note, or hereunder, shall be construed to constitute an indebtedness of or a pledge of the faith and credit of or a loan of the credit of or a moral obligation of any of the foregoing within the meaning of any constitutional or statutory provision whatsoever. The Governmental Lender has no taxing power.

(a) The Funding Loan and the Governmental Lender Note, together with the interest and premium, if any, thereon and the purchase price thereof, shall not be deemed to constitute a debt or liability of the Governmental Lender, any of its members, the Association of Bay Area Governments, the State or of any public agency or a pledge of the faith and credit of the Governmental Lender, the State or any political subdivision or public agency thereof, but shall be payable solely from the funds provided therefor pursuant to this Funding Loan Agreement. The Funding Loan and the Governmental Lender Note are only limited obligations of the Governmental Lender as provided by the Act, and neither the Governmental Lender nor any public agency shall under any circumstances be obligated to pay the Funding Loan or the Governmental Lender Note except from the Security.

(b) Neither the faith and credit nor the taxing power of the State, any public agency or any political subdivision of the State is pledged to the payment of the principal of, premium, if any, purchase price of or interest on the Funding Loan or the Governmental Lender Note, nor is the State, any public agency or any political subdivision of the State, in any manner obligated to make any appropriation for such payment.

(c) No recourse shall be had for the payment of the principal of, premium, if any, or interest on the Funding Loan or the Governmental Lender Note or for any claim based thereon or upon any obligation, covenant or agreement in this Funding Loan Agreement contained (except from the Security), against the Governmental Lender, any of its members, the Association of Bay Area Governments, any past, present or future member of its governing body, its officers, attorneys, accountants, financial advisors, agents or staff, or the officers, attorneys, accountants, financial advisors, agents or staff of any successor public entity, as such, either directly or through the Governmental Lender or any successor public entity, under any rule of law or penalty or otherwise, and all such liability of the Governmental Lender, any member of its governing body and its officers, attorneys, accountants, financial advisors, agents and staff is hereby expressly waived and released as a condition of, and in consideration for, the execution of this Funding Loan Agreement.

Section 5.2 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 Governmental Lender in his individual capacity, and neither the officers, directors, employees or agents of the Governmental Lender executing the Governmental Lender Note or this Funding Loan Agreement shall be liable personally on the Governmental Lender Note or under this Funding Loan Agreement or be subject to any personal liability or accountability by reason of the issuance of the Governmental Lender Note or the execution of this Funding Loan Agreement.

ARTICLE VI

CLOSING CONDITIONS; APPLICATION OF FUNDS

Section 6.1 Conditions Precedent to Closing. Closing of the Funding Loan on the Closing Date shall be conditioned upon satisfaction or waiver by the Funding Lender in its sole discretion of each of the conditions precedent to closing set forth in this Funding Loan Agreement, including but not limited to the following:

(a) Receipt by the Funding Lender of the original Governmental Lender Note;

(b) Receipt by the Funding Lender of the original executed Borrower Note, endorsed to the Funding Lender by the Governmental Lender;

(c) Receipt by the Funding Lender of executed counterparts of this Funding Loan Agreement, the Borrower Loan Agreement, the Construction Funding Agreement, the Regulatory Agreement and the Tax Certificate;

(d) A certified copy of the Resolution;

(e) An executed Investor Letter from the Funding Lender;

(f) Delivery into escrow of all amounts required to be paid in connection with the origination of the Borrower Loan and the Funding Loan and any underlying real estate transfers or transactions, including the Costs of Funding Deposit, in accordance with Section 2.3(c)(ii) of the Borrower Loan Agreement;

(g) Receipt by the Funding Lender of a Tax Counsel Approving Opinion;

(h) Receipt by the Funding Lender of an Opinion of Counsel from Tax Counsel to the effect that the Funding Loan is exempt from registration under the Securities Act of 1933, and this Funding Loan Agreement is exempt from qualification under the Trust Indenture Act of 1939, as amended;

(i) Receipt by the Funding Lender of any other documents or opinions that the Funding Lender or Tax Counsel may require.

ARTICLE VII

FUNDS AND ACCOUNTS

Section 7.1 Authorization to Create Funds and Accounts. No funds or accounts shall be established in connection with the Funding Loan at the time of closing and origination of the Funding Loan. The Funding Lender and the Servicer, if any, are authorized to establish and create from time to time such other funds and accounts or subaccounts as may be necessary for the deposit of moneys (including, without limitation, insurance proceeds and/or condemnation awards), if any, received by the Governmental Lender, the Funding Lender or the Servicer pursuant to the terms hereof or any of the other Funding Loan Documents and not immediately transferred or disbursed pursuant to the terms of the Funding Loan Documents and/or the Borrower Loan Documents.

Section 7.2 Investment of Funds. Amounts held in any funds or accounts created under this Funding Loan Agreement shall be invested in Permitted Investments at the direction of the Borrower, subject in all cases to the restrictions of Section 8.7 hereof and of the Tax Certificate.

ARTICLE VIII

REPRESENTATIONS AND COVENANTS

Section 8.1 General Representations. The Governmental Lender makes the following representations as the basis for the undertakings on its part herein contained:

(a) The Governmental Lender is a joint powers authority of cities and counties, organized and existing under the laws of the State of California, has the power and authority (i) to enter into the Funding Loan Documents to which it is a party and the transactions contemplated thereby, or (ii) to carry out its other obligations under this Funding Loan Agreement and the Governmental Lender Note, and by proper action has duly authorized the Governmental Lender's execution and delivery of, and its performance under, such Funding Loan Documents and all other agreements and instruments relating thereto.

(b) The Governmental Lender is not in default under or in violation of, and the execution and delivery of the Funding Loan Documents to which it is a party and its compliance with the terms and conditions thereof will not conflict or constitute a default under or a violation of, (i) the Act, or (ii) to its knowledge, the provisions of any agreements and instruments to which the Governmental Lender is a party, a default under or violation of which would prevent it from entering into the Funding Loan Agreement, executing and delivering the Governmental Lender Note, financing the Project, executing and delivering the other Funding Loan Documents to which it is a party or consummating the transactions contemplated thereby, and, to its knowledge, no event has occurred and is continuing under the provisions of any such agreement or instrument or otherwise that with the lapse of time or the giving of notice, or both, would constitute such a default or violation (it being understood, however, that the Governmental Lender is making no representations as to the necessity of registering the Borrower Note pursuant to any securities laws or complying with any other requirements of securities laws).

(c) No litigation, inquiry or investigation of any kind in or by any judicial or administrative court or agency is pending or, to the knowledge of the Governmental Lender, threatened against the Governmental Lender with respect to (i) the organization and existence of the Governmental Lender, (ii) its authority to execute or deliver the Funding Loan Documents to which it is a party, (iii) the validity or enforceability of any such Funding Loan Documents or the transactions contemplated thereby, (iv) the title of any officer of the Governmental Lender who executed such Funding Loan Documents or (v) any authority or proceedings relating to the execution and delivery of such Funding Loan Documents on behalf of the Governmental Lender, and no such authority or proceedings have been repealed, revoked, rescinded or amended but are in full force and effect.

(d) The revenues and receipts to be derived from the Borrower Loan Agreement, the Borrower Note and this Funding Loan Agreement have not been pledged previously by the Governmental Lender to secure any of its notes or bonds other than the Funding Loan Agreement as evidenced by the Governmental Lender Note.

THE GOVERNMENTAL LENDER MAKES NO REPRESENTATION, COVENANT OR AGREEMENT AS TO THE FINANCIAL POSITION OR BUSINESS CONDITION OF THE BORROWER OR THE PROJECT AND DOES NOT REPRESENT OR WARRANT AS TO ANY STATEMENTS, MATERIALS, REPRESENTATIONS OR CERTIFICATIONS FURNISHED BY THE BORROWER IN CONNECTION WITH THE FUNDING LOAN OR AS TO THE CORRECTNESS, COMPLETENESS OR ACCURACY THEREOF.

Section 8.2 No Encumbrance on Security. The Governmental Lender will not knowingly create or knowingly permit the creation of any mortgage, pledge, lien, charge or encumbrance of any kind on the Security or any part thereof prior to or on a parity with the lien of this Funding Loan Agreement, except as expressly permitted or contemplated by the Funding Loan Documents.

Section 8.3 Repayment of Funding Loan. Subject to the provisions of Article III hereof, the Governmental Lender will duly and punctually repay, or cause to be repaid, the Funding Loan, as evidenced by the Governmental Lender Note, as and when the same shall become due, all in accordance with the terms of the Governmental Lender Note and this Funding Loan Agreement.

Section 8.4 Servicer. The Funding Lender may appoint a Servicer to service and administer the Governmental Loan and/or the Borrower Loan on behalf of the Funding Lender, including without limitation the fulfillment of rights and responsibilities granted by Governmental Lender to Funding Lender pursuant to Section 2.1 of the Borrower Loan Agreement.

Section 8.5 Borrower Loan Agreement Performance.

(a) The Funding Lender and the Servicer, if any, on behalf of the Governmental Lender, may (but shall not be required or obligated) perform and observe any such agreement or covenant of the Governmental Lender under the Borrower Loan Agreement, all to the end that

the Governmental Lender's rights under the Borrower Loan Agreement may be unimpaired and free from default.

(b) The Governmental Lender will promptly notify the Borrower, the Servicer and the Funding Lender in writing of the occurrence of any Borrower Loan Agreement Default, provided that the Governmental Lender has received written notice or otherwise has knowledge of such event.

Section 8.6 Maintenance of Records; Inspection of Records.

(a) The Funding Lender shall keep and maintain adequate records pertaining to any funds and accounts established hereunder, including all deposits to and disbursements from said funds and accounts and shall keep and maintain the registration books for the Funding Loan and interests therein. The Funding Lender 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 Funding Loan, subject to the inspection of the Governmental Lender and its representatives at all reasonable times and upon reasonable prior notice.

(b) The Governmental Lender will at any and all times, upon the reasonable request of the Servicer, the Borrower or the Funding Lender, afford and procure a reasonable opportunity by their respective representatives to inspect the books, records, reports and other papers of the Governmental Lender relating to the Project and the Funding Loan, if any, and to make copies thereof.

Section 8.7 Tax Covenants. The Governmental Lender covenants to and for the benefit of the Funding Lender that, notwithstanding any other provisions of this Funding Loan Agreement or of any other instrument, to the extent that it is within its power it will:

(a) Enforce or cause to be enforced all obligations of the Borrower under the Regulatory Agreement in accordance with its terms and seek to cause the Borrower to correct any violation of the Regulatory Agreement within a reasonable period after any such violation is first discovered;

(b) Not take or cause to be taken any other action or actions, or fail to take any action or actions, which would cause the interest payable on the Funding Loan to be includable in gross income for federal income tax purposes;

(c) At all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the Governmental Lender on the Funding Loan will be excluded from the gross income, for federal income tax purposes, pursuant to Section 103 of the Code, except in the event where any holder of the Funding Loan or a portion thereof is a "substantial user" of the facilities financed with the Funding Loan or a "related person" within the meaning of Section 147(a) of the Code;

(d) Not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Funding Loan to be "federally guaranteed" within the meaning of Section 149(b) of the Code and the Regulations; and

(e) Require the Borrower to agree, pursuant to the terms and provisions of the Borrower Loan Agreement, not to commit any act and not to make any use of the proceeds of the Funding Loan, or any other moneys which may be deemed to be proceeds of the Funding Loan pursuant to the Code, which would cause the Funding Loan to be an "arbitrage bond" within the meaning of Sections 103(b) and 148 the Code, and to comply with the requirements of the Code throughout the term of the Funding Loan; and

(f) Require the Borrower to take all steps necessary to compute and pay any rebatable arbitrage in accordance with Section 148(f) of the Code.

In furtherance of the covenants in this Section 8.7, the Governmental Lender and the Borrower shall execute, deliver and comply with the provisions of the Tax Certificate, which are by this reference incorporated into this Funding Loan Agreement and made a part of this Funding Loan Agreement as if set forth in this Funding Loan Agreement in full.

For purposes of this Section 8.7 the Governmental Lender's compliance shall be based solely on matters within the Governmental Lender's control and no acts, omissions or directions of the Borrower, the Funding Lender or any other Persons shall be attributed to the Governmental Lender.

In complying with the foregoing covenants, the Governmental Lender may rely from time to time on a Tax Counsel No Adverse Affect Opinion or other appropriate opinion of Tax Counsel.

Section 8.8 Performance by the Borrower. Without relieving the Governmental Lender from the responsibility for performance and observance of the agreements and covenants required to be performed and observed by it hereunder, the Borrower, on behalf of the Governmental Lender, may perform any such agreement or covenant if no Borrower Loan Agreement Default or Default under the Borrower Loan Agreement exists.

ARTICLE IX

DEFAULT; REMEDIES

Section 9.1 Events of Default. Any one or more of the following shall constitute an event of default (an "Event of Default") under this Funding Loan Agreement (whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or Governmental body):

(a) A default in the payment of any interest upon the Governmental Lender Note when such interest becomes due and payable; or

(b) A default in the payment of principal of, or premium on, the Governmental Lender Note when such principal or premium becomes due and payable, whether at its stated maturity, by declaration of acceleration or call for mandatory prepayment or otherwise; or

(c) Subject to Section 8.8 hereof, default in the performance or breach of any material covenant or warranty of the Governmental Lender in this Funding Loan Agreement (other than a covenant or warranty or default in the performance or breach of which is elsewhere in this Section specifically dealt with), and continuance of such default or breach for a period of 30 days after there has been given written notice, as provided in Section 11.1 hereof, to the Governmental Lender and the Borrower by the Funding Lender or the Servicer, specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" under this Funding Loan Agreement; provided that, so long as the Governmental Lender has commenced to cure such failure to observe or perform within the thirty (30) day cure period and the subject matter of the default is not capable of cure within said thirty (30) day period and the Governmental Lender is diligently pursuing such cure to the Funding Lender's satisfaction, with the Funding Lender's Written Direction or Written Consent, then the Governmental Lender shall have an additional period of time as reasonably necessary (not to exceed 30 days unless extended in writing by the Funding Lender) within which to cure such default; or

(d) A default in the payment of any Additional Borrower Payment; or

(e) Any other "Default" or "Event of Default" under any of the other Funding Loan Documents (taking into account any applicable grace periods therein).

Section 9.2 Acceleration of Maturity; Rescission and Annulment.

(a) Subject to the provisions of Section 9.11 hereof, upon the occurrence of an Event of Default under Section 9.1 hereof, then and in every such case, the Funding Lender may declare the principal of the Funding Loan and the Governmental Lender Note and the interest accrued to be immediately due and payable, by notice to the Governmental Lender and the Borrower and upon any such declaration, all principal of and Prepayment Premium, if any, and interest on the Funding Loan and the Governmental Lender Note shall become immediately due and payable.

(b) At any time after a declaration of acceleration has been made pursuant to subsection (a) of this Section, the Funding Lender may by Written Notice to the Governmental Lender, rescind and annul such declaration and its consequences if:

(i) There has been deposited with the Funding Lender a sum sufficient to pay (1) all overdue installments of interest on the Funding Loan, (2) the principal of and Prepayment Premium on the Funding Loan that has become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in the Funding Loan, (3) to the extent that payment of such interest is lawful, interest upon overdue installments of interest at the rate or rates prescribed therefor in the Funding Loan, and (4) all sums paid or advanced by the Funding Lender and the reasonable compensation, expenses, disbursements and advances of the Funding Lender, its agents and counsel (but only to the extent not duplicative with subclauses (1) and (3) above); and

(ii) All Events of Default, other than the non payment of the principal of the Funding Loan which have become due solely by such declaration of acceleration, have been cured or have been waived in writing as provided in Section 9.11 hereof.

No such rescission and annulment shall affect any subsequent default or impair any right consequent thereon.

(c) Notwithstanding the occurrence and continuation of an Event of Default, it is understood that the Funding Lender shall pursue no remedies against the Borrower or the Project if no Borrower Loan Agreement Default has occurred and is continuing. An Event of Default hereunder shall not in and of itself constitute a Borrower Loan Agreement Default.

Section 9.3 Additional Remedies; Funding Lender Enforcement.

(a) Upon the occurrence of an Event of Default, the Funding Lender may, subject to the provisions of this Section 9.3 and the last paragraph of Section 9.11 hereof, proceed to protect and enforce its rights by mandamus or other suit, action or proceeding at law or in equity. No remedy conferred by this Funding Loan Agreement upon or remedy reserved to the Funding Lender is intended to be exclusive of any other remedy, but each such remedy shall be cumulative and shall be in addition to any other remedy given to the Funding Lender hereunder or now or hereafter existing at law or in equity or by statute.

(b) Upon the occurrence and continuation of any Event of Default, the Funding Lender may proceed forthwith to protect and enforce its rights and this Funding Loan Agreement by such suits, actions or proceedings as the Funding Lender, in its sole discretion, shall deem expedient. Funding Lender shall have upon the occurrence and continuation of any Event of Default all rights, powers, and remedies with respect to the Security as are available under the Uniform Commercial Code applicable thereto or as are available under any other applicable law at the time in effect and, without limiting the generality of the foregoing, the Funding Lender may proceed at law or in equity or otherwise, to the extent permitted by applicable law:

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

(ii) to become mortgagee of record for the Borrower Loan including, without limitation, completing the assignment of the Security Instrument by the Governmental Lender to the Funding Lender as anticipated by this Funding Loan Agreement, and recording the same in the real estate records of the jurisdiction in which the Project is located, without further act or consent of the Governmental Lender, and to service and administer the same for its own account;

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

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

(c) Whether or not an Event of Default has occurred, the Funding Lender, in its sole discretion, shall have the sole right to waive or forbear any term, condition, covenant or agreement of the Security Instrument, the Borrower Loan Agreement, the Borrower Note or any other Borrower Loan Documents or Funding Loan Documents applicable to the Borrower, or any breach thereof, other than a covenant that would adversely impact the tax exempt status of the Funding Loan, and provided that the Governmental Lender may enforce specific performance with respect to the Unassigned Rights; provided, however, that any such forbearance by the Funding Lender in the exercise of its remedies under the Funding Loan Documents shall not be construed as a waiver by the Funding Lender of any conditions to conversion.

(d) If the Borrower defaults in the performance or observance of any covenant, agreement or obligation of the Borrower set forth in the Regulatory Agreement, and if such default remains uncured for a period of 60 days after the Borrower and the Funding Lender receive Written Notice stating that a default under the Regulatory Agreement has occurred and specifying the nature of the default, the Funding Lender shall have the right to seek specific performance of the provisions of the Regulatory Agreement or to exercise its other rights or remedies thereunder; provided, however, that any such forbearance by the Funding Lender in the exercise of its remedies under the Funding Loan Documents shall not be construed as a waiver by the Funding Lender of the Mandatory Prepayment Date (as defined in the Borrower Loan Agreement) or the Maturity Date.

(e) If the Borrower defaults in the performance of its obligations under the Borrower Loan Agreement to make rebate payments, to comply with any applicable continuing disclosure requirements, or to make payments owed pursuant to Sections 2.5, 5.15 or 5.16 of the Borrower Loan Agreement for fees, expenses or indemnification, the Funding Lender shall have the right to exercise all its rights and remedies thereunder (subject to the last paragraph of Section 9.11 hereof).

Section 9.4 Application of Money Collected. Any money collected by the Funding Lender pursuant to this Article and any other sums then held by the Funding Lender as part of the Security, shall be applied in the following order, at the date or dates fixed by the Funding Lender:

(a) First: To the payment of any and all amounts due under the Funding Loan Documents other than with respect to principal and interest accrued on the Funding Loan, including, without limitation, any amounts due to the Governmental Lender, the Funding Lender, the Servicer and the Rebate Analyst;

(b) Second: To the payment of the whole amount of the Funding Loan, as evidenced by the Governmental Lender Note, then due and unpaid in respect of which or for the benefit of which such money has been collected, with interest (to the extent that such interest has been collected or a sum sufficient therefor has been so collected and payment thereof is legally enforceable at the respective rate or rates prescribed therefor in the Funding Loan) on overdue principal of, and Prepayment Premium and overdue installments of interest on the Funding Loan; provided, however, that partial interests in any portion of the Funding Loan shall be paid in such order of priority as may be prescribed by Written Direction of the Funding Lender in its sole and absolute discretion; and

(c) Third: The payment of the remainder, if any, to the Borrower or to whosoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

If and to the extent this Section 9.4 conflicts with the provisions of the Servicing Agreement, the provisions of the Servicing Agreement shall control. Capitalized terms used in this Section 9.4 but not otherwise defined in this Funding Loan Agreement shall have the meanings given such terms in the Servicing Agreement.

Section 9.5 Remedies Vested in Funding Lender. All rights of action and claims under this Funding Loan Agreement or the Governmental Lender Note may be prosecuted and enforced by the Funding Lender without the possession of the Governmental Lender Note or the production thereof in any proceeding relating thereto.

Section 9.6 Restoration of Positions. If Funding Lender shall have instituted any proceeding to enforce any right or remedy under this Funding Loan Agreement and such proceeding shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Funding Lender, then and in every such case the Governmental Lender and the Funding Lender shall, subject to any determination in such proceeding, be restored to their former positions hereunder, and thereafter all rights and remedies of the Governmental Lender and the Funding Lender shall continue as though no such proceeding had been instituted.

Section 9.7 Rights and Remedies Cumulative. No right or remedy herein conferred upon or reserved to the Funding Lender is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 9.8 Delay or Omission Not Waiver. No delay or omission of the Funding Lender to exercise any right or remedy accruing upon an Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Funding Lender may be exercised from time to time, and as often as may be deemed expedient, by Funding Lender. No waiver of any default or Event of Default pursuant to Section 9.9 hereof shall extend to or shall affect any subsequent default or Event of Default hereunder or shall impair any rights or remedies consequent thereon.

Section 9.9 Waiver of Past Defaults. Before any judgment or decree for payment of money due has been obtained by the Funding Lender, the Funding Lender may, subject to Section 9.6 hereof, by Written Notice to the Governmental Lender and the Borrower, waive any past default hereunder or under the Borrower Loan Agreement and its consequences except for default in obligations due the Governmental Lender pursuant to or under the Unassigned Rights. Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Funding Loan Agreement and the Borrower Loan Agreement; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 9.10 Remedies Under Borrower Loan Agreement or Borrower Note. As set forth in this Section 9.10 but subject to the last paragraph of Section 9.11 hereof, the Funding Lender shall have the right, in its own name or on behalf of the Governmental Lender, to declare any default and exercise any remedies under the Borrower Loan Agreement or the Borrower Note, whether or not the Governmental Lender Note has been accelerated or declared due and payable by reason of an Event of Default.

Section 9.11 Waiver of Appraisement and Other Laws.

(a) To the extent permitted by law, the Governmental Lender will not at any time insist upon, plead, claim or take the benefit or advantage of, any appraisement, valuation, stay, extension or redemption law now or hereafter in force, in order to prevent or hinder the enforcement of this Funding Loan Agreement; and the Governmental Lender, for itself and all who may claim under it, so far as it or they now or hereafter may lawfully do so, hereby waives the benefit of all such laws. The Governmental Lender, for itself and all who may claim under it, waives, to the extent that it may lawfully do so, all right to have the property in the Security marshaled upon any enforcement hereof.

(b) If any law in this Section 9.11 referred to and now in force, of which the Governmental Lender or its successor or successors might take advantage despite this Section 9.11, shall hereafter be repealed or cease to be in force, such law shall not thereafter be deemed to constitute any part of the contract herein contained or to preclude the application of this Section 9.11.

Section 9.12 Suits to Protect the Security. Subject to the provisions of Section 9.10 hereof, the Funding Lender shall have power to institute and to maintain such proceedings as it may deem expedient to prevent any impairment of the Security by any acts that may be unlawful or in violation of this Funding Loan Agreement and to protect its interests in the Security and in the rents, issues, profits, revenues and other income arising therefrom, 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 the security hereunder or be prejudicial to the interests of the Funding Lender.

Section 9.13 Remedies Subject to Applicable Law. All rights, remedies and powers provided by this Article may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law in the premises, and all the provisions of this Article are

intended to be subject to all applicable mandatory provisions of law which may be controlling in the premises and to be limited to the extent necessary so that they will not render this Funding Loan Agreement invalid, unenforceable or not entitled to be recorded, registered or filed under the provisions of any applicable law.

Section 9.14 Assumption of Obligations. In the event that the Funding Lender or its assignee or designee shall become the legal or beneficial owner of the Project by foreclosure or deed in lieu of foreclosure, such party shall succeed to the rights and the obligations of the Borrower under the Borrower Loan Agreement, the Borrower Note, the Regulatory Agreement and any other Funding Loan Documents to which the Borrower is a party. Such assumption shall be effective from and after the effective date of such acquisition and shall be made with the benefit of the limitations of liability set forth therein and without any liability for the prior acts of the Borrower.

It is the intention of the parties hereto that upon the occurrence and continuance of an Event of Default hereunder, rights and remedies may be pursued pursuant to the terms of the Funding Loan Documents.

ARTICLE X

AMENDMENT; AMENDMENT OF BORROWER LOAN AGREEMENT AND OTHER DOCUMENTS

Section 10.1 Amendment of Funding Loan Agreement. Any of the terms of this Funding Loan Agreement and the Governmental Lender Note may be amended or waived only by an instrument signed by the Funding Lender and the Governmental Lender. All of the terms of this Funding Loan Agreement shall be binding upon the successors and assigns of and all persons claiming under or through the Governmental Lender or any such successor or assign, and shall inure to the benefit of and be enforceable by the successors and assigns of the Funding Lender.

Section 10.2 Amendments Require Funding Lender Consent. The Governmental Lender shall not consent to any amendment, change or modification of the Borrower Loan Agreement or any other Loan Document or Funding Loan Document without the prior Written Consent of the Funding Lender.

Section 10.3 Consents and Opinions. No amendment to this Funding Loan Agreement or any other Funding Loan Document entered into under this Article X or any amendment, change or modification otherwise permitted under this Article X shall become effective unless and until (i) the Funding Lender shall have approved the same in writing in its sole discretion and (ii) the Funding Lender shall have received, at the expense of the Borrower, a Tax Counsel No Adverse Affect Opinion and an Opinion of Counsel to the effect that any such proposed amendment is authorized and complies with the provisions of this Funding Loan Agreement and is a legal, valid and binding obligation of the parties thereto, subject to normal exceptions relating to bankruptcy, insolvency and equitable principles limitations.

Section 10.4 Holder Representative.

(a) The entity designated in the definition of "Holder Representative" herein shall be the initial Holder Representative. The Holder Representative may provide written notice to the Funding Lender and to the Governmental Lender upon request, designating particular individuals authorized to execute any consent, waiver, approval, direction or other instrument on behalf of the Holder Representative, and such notice may be amended or rescinded by the Holder Representative in writing at any time. The Holder Representative may resign or be removed and a successor appointed by a written notice given by the Majority Holders to the Funding Lender and the Borrower; provided that no such removal or resignation shall become effective unless and until a new Holder Representative has been appointed and has accepted such position by written instrument delivered to the Governmental Lender. The Majority Holders may appoint any Person to act as Holder Representative.

(b) Whenever pursuant to this Funding Loan Agreement the Holder Representative exercises any right given to it to approve or disapprove, or any arrangement or term is to be satisfactory to the Holder Representative, the decision of the Holder Representative to approve or disapprove or to decide whether arrangements or terms are satisfactory or not satisfactory shall (except as is otherwise specifically herein or therein provided) be in the sole discretion of the Holder Representative and shall be final and conclusive.

(c) Whenever the Funding Lender is not the sole holder of the Governmental Lender Note and interests in the Funding Loan, and this Funding Loan Agreement requires the consent, determination, election, approval, waiver, acceptance, satisfaction or expression of opinion of, or the taking of any discretionary act by, the Funding Lender (as expressly provided or as assignee of the Issuer) (all of the foregoing being referred to as "Consent" in this Section 10.4), there shall at all times be a Holder Representative appointed as set forth in this Section 10.4 and the right, power, privilege and option of the Funding Lender to withhold or grant its Consent shall be deemed to be the right, power, privilege and option of the Holder Representative, and the Funding Lender shall have no responsibility for any action or inaction with respect thereto, except as may be otherwise set forth in this Funding Loan Agreement, and, in such event, the Holder Representative shall have no responsibility for any action or inaction with respect thereto, except as may be otherwise set forth in this Funding Loan Agreement. The Funding Lender shall not grant or withhold any Consent until it has obtained the consent of the Holder Representative, if applicable.

(d) The Holder Representative, if any, is intended to be a third party beneficiary hereof, and accordingly will be entitled to rely on the rights granted to it herein. No implied covenants, fiduciary duties or other liabilities shall attach to the Holder Representative.

ARTICLE XI

MISCELLANEOUS

Section 11.1 Notices. All notices, consents, approvals and requests required or permitted hereunder or under any other Borrower Loan Document or Funding Loan Document (a "notice") shall be deemed to be given and made when delivered by hand, by recognized

overnight delivery service, confirmed facsimile transmission (provided any telecopy or other electronic transmission received by any party after 4:00 p.m., local time, as evidenced by the time shown on such transmission, shall be deemed to have been received the following Business Day), or five (5) calendar days after deposited in the United States mail, registered or certified, postage prepaid, with return receipt requested, addressed as follows:

If to the Governmental Lender:	ABAG Finance Authority for Nonprofit Corporations 101 Eighth Street Oakland, California 94607-4756 Attention: Public Finance Director
If to the Borrower:	Presidio El Camino, L.P. c/o Core Affordable Housing, LLC 470 South Market Street San Jose, California 95113 Attention: Dixie Baus Telephone: Facsimile:
With a copy to:	Cox, Castle & Nicholson, LLP 555 California Street, 10th Floor San Francisco, California 94104 Attention: Lisa D. Weil Facsimile: (415) 392-4250
With a copy to:	Boston Financial Institutional Tax Credits XXXVII, a Limited Partnership c/o Boston Financial Investment Management, LP 101 Arch Street, 13th Floor Boston, MA 02110 Attention: Asset Management – Presidio El Camino
With a copy to:	Holland & Knight 10 St. James Avenue Boston, MA 02116 Attention: James E. McDermott, Esq.
If to the Funding Lender:	Citi Community Capital 390 Greenwich Street, 2nd Floor New York, New York 10013 Attention: Desk Head, Transaction Management Group Loan # 107041205 Facsimile: (212) 723-8642 And

Citi Community Capital
325 East Hillcrest Drive, Suite 160
Thousand Oaks, California 91360
Attention: Operations Manager/Asset Manager
Loan # 107041205
Facsimile: (805) 557-0924

With a copy to:

Citi Community Capital
One Sansome Street, 26th Floor
San Francisco, California 94104
Attention: Marla Victorio
Loan/Transaction/File #107041205
Facsimile: (415) 627-6387

And a copy of any notices of default sent to:

Citi Community Capital
388 Greenwich Street, 17th Floor
New York, New York 10013
Attention: General Counsel's Office
Loan # 107041205
Facsimile: (212) 723-8939

Any such notice, demand, request or communication shall be deemed to have been given and received for all purposes under this Funding Loan Agreement: (i) three Business Days after the same is deposited in any official depository or receptacle of the United States Postal Service first class, or, if applicable, certified mail, return receipt requested, postage prepaid; (ii) on the date of transmission when delivered by telecopier or facsimile transmission, telex, telegraph or other telecommunication device, provided any telecopy or other electronic transmission received by any party after 4:00 p.m., local time, as evidenced by the time shown on such transmission, shall be deemed to have been received the following Business Day; (iii) on the next Business Day after the same is deposited with a nationally recognized overnight delivery service that guarantees overnight delivery; and (iv) on the date of actual delivery to such party by any other means; provided, however, if the day such notice, demand, request or communication shall be deemed to have been given and received as aforesaid is not a Business Day, such notice, demand, request or communication shall be deemed to have been given and received on the next Business Day. Any facsimile signature by a Person on a document, notice, demand, request or communication required or permitted by this Funding Loan Agreement shall constitute a legal, valid and binding execution thereof by such Person.

Any party to this Funding Loan Agreement may change such party's address for the purpose of notice, demands, requests and communications required or permitted under this Funding Loan Agreement by providing written notice of such change of address to all of the parties by written notice as provided herein.

Section 11.2 Term of Funding Loan Agreement. This Funding Loan Agreement shall be in full force and effect until all payment obligations of the Governmental Lender hereunder have been paid in full and the Funding Loan has been retired or the payment thereof

has been provided for; except that on and after payment in full of the Governmental Lender Note, this Funding Loan Agreement shall be terminated, without further action by the parties hereto.

Section 11.3 Successors and Assigns. All covenants and agreements in this Funding Loan Agreement by the Governmental Lender shall bind its successors and assigns, whether so expressed or not.

Section 11.4 Legal Holidays. In any case in which the date of payment of any amount due hereunder or the date on which any other act is to be performed pursuant to this Funding Loan Agreement shall be a day that is not a Business Day, then payment of such amount or such act need not be made on such date but may be made on the next succeeding Business Day, and such later payment or such act shall have the same force and effect as if made on the date of payment or the date fixed for prepayment or the date fixed for such act, and no additional interest shall accrue for the period after such date and prior to the date of payment.

Section 11.5 Governing Law. This Funding Loan Agreement shall be governed by and shall be enforceable in accordance with the laws of the State.

Section 11.6 Severability. If any provision of this Funding Loan Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions shall not in any way be affected or impaired. In case any covenant, stipulation, obligation or agreement contained in the Governmental Lender Note or in this Funding Loan Agreement shall for any reason be held to be usurious or in violation of law, then such covenant, stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or agreement of the Governmental Lender or the Funding Lender only to the full extent permitted by law.

Section 11.7 Execution in Several Counterparts. This Funding Loan Agreement may be contemporaneously executed in several counterparts, all of which shall constitute one and the same instrument and each of which shall be, and shall be deemed to be, an original.

Section 11.8 Nonrecourse Obligation of the Borrower. Except as otherwise provided in the Borrower Loan Agreement, any obligations of the Borrower under this Funding Loan Agreement pursuant to Section 4.1.35 or other provisions of the Borrower Loan Agreement are without recourse to the Borrower or to the Borrower's partners or members, as the case may be, and the provisions of Section 11.1 of the Borrower Loan Agreement are by this reference incorporated herein.

Section 11.9 Waiver of Trial by Jury. TO THE MAXIMUM EXTENT PERMITTED UNDER APPLICABLE LAW, BORROWER (A) COVENANTS AND AGREES NOT TO ELECT A TRIAL BY JURY WITH RESPECT TO ANY ISSUE ARISING OUT OF THIS FUNDING LOAN AGREEMENT OR THE RELATIONSHIP BETWEEN THE PARTIES THAT IS TRIABLE OF RIGHT BY A JURY AND (B) WAIVES ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO SUCH ISSUE TO THE EXTENT THAT ANY SUCH RIGHT EXISTS NOW OR IN THE FUTURE. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS

SEPARATELY GIVEN BY EACH PARTY, KNOWINGLY AND VOLUNTARILY WITH THE BENEFIT OF COMPETENT LEGAL COU NSEL.

IF FOR ANY REASON THIS WAIVER IS DETERMINED TO BE UNENFORCEABLE, ALL DISPUTES WILL BE RESOLVED BY JUDICIAL DEFERENCE PURSUANT TO THE PROCEDURES SET FORTH IN THE SECURITY INSTRUMENT.

Section 11.10 Electronic Transactions. The transactions described in this Funding Loan Agreement may be conducted and related documents and may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

Section 11.11 Reference Date. This Funding Loan Agreement is dated for reference purposes only as of September 1, 2011 and will not be effective and binding upon the parties hereto unless and until the Closing Date occurs.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Funding Lender and the Governmental Lender have caused this Funding Loan Agreement to be duly executed as of the date first written above.

CITIBANK, N.A.
a national banking association,
as Funding Lender

By: _____
Merle Malakoff
Vice President

ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS

By: _____

Authorized Officer

[Signature page – Funding Loan Agreement]

EXHIBIT A

FORM OF GOVERNMENTAL LENDER NOTE

ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
MULTIFAMILY HOUSING REVENUE NOTE
(PRESIDIO EL CAMINO APARTMENTS)
2011 SERIES A
DATED SEPTEMBER 1, 2011

$7,700,000

FOR VALUE RECEIVED, the undersigned ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS ("Obligor") promises to pay to the order of CITIBANK, N.A. ("Holder") the maximum principal sum of SEVEN MILLION SEVEN HUNDRED THOUSAND DOLLARS ($7,700,000), on March 1, 2044, or earlier as provided herein, together with interest thereon at the rates, at the times and in the amounts provided below.

Obligor shall pay to the Holder on or before each date on which payment is due under that certain Funding Loan Agreement, dated as of September 1, 2011 (the "Funding Loan Agreement"), between Obligor and Holder, an amount in immediately available funds sufficient to pay the principal amount of and Prepayment Premium, if any, on the Funding Loan then due and payable, whether by maturity, acceleration, prepayment or otherwise. In the event that amounts held derived from proceeds of the Borrower Loan, condemnation awards or insurance proceeds or investment earnings thereon are applied to the payment of principal due on the Funding Loan in accordance with the Funding Loan Agreement, the principal amount due hereunder shall be reduced to the extent of the principal amount of the Funding Loan so paid. Capitalized terms not otherwise defined herein shall have the meaning assigned in the Funding Loan Agreement.

Obligor shall pay to the Holder on or before each date on which interest on the Funding Loan is payable interest on the unpaid balance hereof in an amount in immediately available funds sufficient to pay the interest on the Funding Loan then due and payable in the amounts and at the rate or rates set forth in the Funding Loan Agreement.

The Funding Loan and this Governmental Lender Note are pass-through obligations relating to a construction loan (the "Borrower Loan") made by Obligor from proceeds of the Funding Loan to Presidio El Camino, L.P., a California limited partnership, as borrower (the "Borrower"), under that certain Borrower Loan Agreement, dated as of September 1, 2011 (as the same may be modified, amended or supplemented from time to time, the "Borrower Loan Agreement"), between the Obligor and the Borrower, evidenced by the Borrower Note (as defined in the Borrower Loan Agreement). Reference is made to the Borrower Loan Agreement and to the Borrower Note for complete payment and prepayment terms of the Borrower Note, payments on which are passed-through under the Governmental Lender Note.

This Governmental Lender Note and the Funding Loan are limited obligations of the Obligor, payable solely from the Pledged Revenues and other funds and moneys and Security

pledged and assigned under the Funding Loan Agreement. Neither the Governmental Lender, any of its members, the Association of Bay Area Governments, the State of California (the "State"), nor any political subdivision thereof (except the Governmental Lender, to the limited extent set forth herein) nor any public agency shall in any event be liable for the payment of the principal of, premium (if any) or interest on the Funding Loan or the Governmental Lender Note or for the performance of any pledge, obligation or agreement of any kind whatsoever with respect thereto except as set forth herein and in the Funding Loan Agreement, and none of the Funding Loan or the Governmental Lender Note or any of the Governmental Lender's agreements or obligations with respect to the Funding Loan or this Governmental Lender Note shall be construed to constitute an indebtedness of or a pledge of the faith and credit of or a loan of the credit of or a moral obligation of any of the foregoing within the meaning of any constitutional or statutory provision whatsoever. The Governmental Lender has no taxing power.

All capitalized terms used but not defined herein shall have the meanings ascribed to them in the Funding Loan Agreement or in the Borrower Loan Agreement.

This Governmental Lender Note is subject to the express condition that at no time shall interest be payable on this Governmental Lender Note or the Funding Loan Agreement at a rate in excess of the Maximum Rate provided in the Funding Loan Agreement; and Obligor shall not be obligated or required to pay, nor shall the Holder per permitted to charge or collect, interest at a rate in excess of such Maximum Rate. If by the terms of this Governmental Lender Note or of the Funding Loan Agreement, Obligor is required to pay interest at a rate in excess of such Maximum Rate, the rate of interest hereunder or thereunder shall be deemed to be reduced immediately and automatically to such Maximum Rate, and any such excess payment previously made shall be immediately and automatically applied to the unpaid balance of the principal sum hereof and not to the payment of interest.

Amounts payable hereunder representing late payments, penalty payments or the like shall be payable to the extent allowed by law.

This Governmental Lender Note is subject to all of the terms, conditions, and provisions of the Funding Loan Agreement, including those respecting prepayment and the acceleration of maturity.

If there is an Event of Default under the Funding Loan Documents, then in any such event and subject to the requirements set forth in the Funding Loan Agreement, the Holder may declare the entire unpaid principal balance of this Governmental Lender Note and accrued interest, if any, due and payable at once. All of the covenants, conditions and agreements contained in the Funding Loan Documents are hereby made part of this Governmental Lender Note.

No delay or omission on the part of the Holder in exercising any remedy, right or option under this Governmental Lender Note or the Funding Loan Documents shall operate as a waiver of such remedy, right or option. In any event a waiver on any one occasion shall not be construed as a waiver or bar to any such remedy, right or option on a future occasion. The rights, remedies and options of the Holder under this Governmental Lender Note and the Funding Loan

Documents are and shall be cumulative and are in addition to all of the rights, remedies and options of the Holder at law or in equity or under any other agreement.

Obligor shall pay all costs of collection on demand by the Holder, including without limitation, reasonable attorneys' fees and disbursements, which costs may be added to the indebtedness hereunder, together with interest thereon, to the extent allowed by law, as set forth in the Funding Loan Agreement.

This Governmental Lender Note may not be changed orally. Presentment for payment, notice of dishonor, protest and notice of protest are hereby waived. The acceptance by the Holder of any amount after the same is due shall not constitute a waiver of the right to require prompt payment, when due, of all other amounts due hereunder. The acceptance by the Holder of any sum in an amount less than the amount then due shall be deemed an acceptance on account only and upon condition that such acceptance shall not constitute a waiver of the obligation of Obligor to pay the entire sum then due, and Obligor's failure to pay such amount then due shall be and continue to be a default notwithstanding such acceptance of such amount on account, as aforesaid. Consent by the Holder to any action of Obligor which is subject to consent or approval of the Holder hereunder shall not be deemed a waiver of the right to require such consent or approval to future or successive actions.

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Governmental Lender Note as of the date first set forth above.

OBLIGOR:

ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS

By: _____
Authorized Signatory

EXHIBIT B

FORM OF INVESTOR LETTER

[Closing Date / Transfer Date]

ABAG Finance Authority for Nonprofit Corporations
Oakland, California

Re: $7,700,000 ABAG Finance Authority For Nonprofit Corporations Multifamily Housing Revenue Note (Presidio El Camino Apartments) 2011 Series A

Ladies and Gentlemen:

The undersigned (the "Holder") hereby acknowledges receipt of the above-referenced note (the "Note") evidencing a loan in the Maximum Amount of $7,700,000 from CITIBANK, N.A. (the "Funding Lender") to the ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS (the "Governmental Lender") (the "Funding Loan") originated under a Funding Loan Agreement dated as of September 1, 2011 (the "Funding Loan Agreement") between the Funding Lender and the Governmental Lender. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Funding Loan Agreement.

The Holder will provide the Governmental Lender with the following information:
(a) the Investor's Social Security Number or Tax Identification Number;
(b) a signed IRS Form W-9;
(c) the Investor's mailing address; and
(d) payment instructions.

The undersigned acknowledges that the Funding Loan is being made for the purpose of making a loan to Presidio El Camino, L.P., a California limited partnership (the "Borrower") to finance, in part, the acquisition, construction and development of certain multifamily residential rental facilities to be located in Santa Clara, California (the "Project"), as more particularly described in the Funding Loan Agreement.

The Holder hereby makes the following representations upon which you may rely:

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

2. The Holder is a "Qualified Institutional Buyer" and has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations and is capable of evaluating the merits and risks of its investment in the Note. The Holder is able to bear the economic risk of, and entire loss of, an investment in the Note. The definition of Qualified Institutional Buyer is attached hereto as EXHIBIT A.

If the Holder is a custodian or a trustee of a special purpose entity, a trust or a custodial arrangement, from which beneficial ownership interests in the Funding Loan or portions thereof may be sold, the Holder further represents that each beneficial owner of such special purpose entity, trust or custodial arrangement will be a QIB at the time of its purchase and that all of the interests in such special purpose entity, trust or arrangement (other than residual interests retained by QIBs) are rated in the "A" category or higher by a Rating Agency and that the governing special purpose entity, trust or custodial documents require that the foregoing requirements be satisfied for the duration of the special purpose entity, trust or custodial arrangement.

3. The Note is being acquired by the Holder for investment and not with a view to, or for resale in connection with, any distribution of the Note, and the Investor intends to hold the Note 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 Note. The Holder 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. The Holder understands and acknowledges that the Funding Loan Agreement requires that, at all times, either (i) the Note shall be held by a single Holder, or (ii) during any period in which there is more than one Holder of the Note, there shall at all times be a Holder Representative appointed in accordance with Section 10.4 of the Funding Loan Agreement.

4. The Holder understands that the Note is not registered under the 1933 Act and that such registration is not legally required as of the date hereof; and further understands that the Note (a) is not being registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state, (b) will not be listed in any stock or other securities exchange, (c) will not carry a rating from any rating service and (d) will be delivered in a form which may not be readily marketable.

5. The Holder has authority to purchase the Note 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 Note. The undersigned is a duly appointed, qualified and acting officer of the Holder and is authorized to cause the Holder to make the certificates, representations and warranties contained herein by execution of this letter on behalf of the Holder .

6. The Holder 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 Holder has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the Borrower, the Project, the Note, the Funding Loan and the security therefor so that, as a reasonable investor, the Holder has been able to make a decision to purchase the Note. The Holder acknowledges that it has not relied upon the Governmental Lender for any information in connection with the Holder's purchase of the Note.

7. The Holder acknowledges that the obligations of the Governmental Lender to make debt service payments in respect of the Funding Loan and the Note are special, limited obligations payable solely from amounts paid to the Governmental Lender from the Borrower pursuant to the terms of the Borrower Loan Agreement and the Governmental Lender shall not

be directly or indirectly or contingently or morally obligated to use any other moneys or assets of the Governmental Lender for all or any portion of such debt service.

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

9. The Holder acknowledges that its right to sell and transfer the Note (or any interests therein) is subject to the delivery to the Governmental Lender and the Borrower of an investor's letter from the transferee to the same effect as this Investor's Letter, with no revisions except as may be approved in writing by the Governmental Lender. Failure to deliver such investor's letter to the Governmental Lender and the Borrower shall cause the purported transfer to be null and void. The Investor agrees to indemnify and hold harmless the Governmental Lender with respect to any claim asserted against the Governmental Lender that is based upon the sale, transfer or other disposition of the Note.

10. None of the Governmental Lender, the Association of Bay Area Governments ("ABAG"), its members, its governing body, or any of its employees, counsel or agents, or Orrick, Herrington & Sutcliffe LLP, as bond counsel ("Bond Counsel") will have any responsibility to the Holder for the accuracy or completeness of information obtained by the Holder from any source regarding the Borrower or its financial condition or regarding the Note, the Funding Loan, the provision for payment thereof, or the sufficiency of any security therefor. No written information has been provided by the Governmental Lender to the Holder with respect to the Borrower or the Project, or the terms of or security for the Note. The Holder acknowledges that, as between the Holder and all of such parties, the Holder has assumed responsibility for obtaining such information and making such review as the Holder deemed necessary or desirable in connection with its decision to purchase the Note.

[Paragraphs 11-14 only apply to the initial purchaser of the Note.]

11. The Note is being purchased in a direct, institutional placement transaction and the terms of the sale and purchase have been established through negotiations between the Holder, the Borrower and the Governmental Lender in an arm's-length transaction.

12. The aggregate price for the Note, established as described above, to be paid by the Holder, pursuant to the terms of this letter, is an amount equal to 100% of the aggregate principal amount of the Note.

13. As of the date hereof, the price at which the Holder agreed to buy the Note was, to the best knowledge and judgment of the Holder, not greater than the fair market value of the Note. The Holder acknowledges that such price will be relied on by Tax Counsel as the "issue price" for establishing the yield on the Note, for issuance cost limitations and other federal tax requirements based upon the issue price of the Note.

14. The Holder is purchasing the Note for its own account and will receive a fee of $_____ (plus reimbursement of counsel fees of $_____) in connection with such purchase. If the Holder transfers, sells or disposes of the Note, or any interest in the Note, either (a) such transfer

of any interest in the Note will not occur within 60 days of the date hereof, during which time the Note will be held exclusively for our own account and not subject to contractual arrangement for such transfer, or (b) such transfer of the Note, or interest therein, will be at a price or prices that, in the aggregate (and taking into account any interest in the Note not transferred), is not in excess of par, unless Tax Counsel provides a written opinion that the failure to satisfy this paragraph will not adversely affect the exclusion from gross income of interest on the Note.

We understand that the foregoing information will be relied upon by the Governmental Lender and the Borrower with respect to certain representations in the Tax Certificate dated as of the date hereof or the Exhibits thereto and by Tax Counsel in connection with its opinion as to the exclusion from gross income of the interest on the Funding Loan for Federal income tax purposes under Section 103 of the Internal Revenue Code of 1986.

Very truly yours,

Signature: _____

Name: _____
Tax Identification Number: _____
Mailing Address: _____
_____

Payment Instructions: _____
_____

Attachment to Investor Letter

Exhibit A

Qualified Institutional Buyer Definition

A "qualified institutional buyer" as defined in Rule 144A promulgated under the Securities Act of 1933, as in effect on the date hereof, consisting of:

1.Any of the following entities, acting for its own account or the accounts of other qualified institutional buyers, that in the aggregate owns and invests on a discretionary basis at least $100 million in securities of issuers that are not affiliated with the entity:

(A)Any insurance company as defined in Section 2(13) of the Securities Act of 1933, as amended;

NOTE: A purchase by an insurance company for one or more of its separate accounts, as defined by Section 2(a)(37) of the Investment Company Act of 1940 (the "Investment Company Act"), which are neither registered under Section 8 of the Investment Company Act nor required to be so registered, shall be deemed to be a purchase for the account of such insurance company.

(B)Any investment company registered under the Investment Company Act or any business development company as defined in Section 2(a)(48) of that Act;

(C)Any Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958;

(D)Any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees;

(E)Any employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974;

(F)Any trust fund whose trustee is a bank or trust company and whose participants are exclusively plans of the types identified in paragraph 1(D) or (E) of this section, except trust funds that include as participants individual retirement accounts or H.R. 10 plans;

(G)Any business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940;

(H)Any organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), Borrower (other than a bank as defined in Section 3(a)(2) of the Securities Act of 1933, as amended, or a savings and loan association or other institution referenced in Section 3(a)(5)(A) of the Securities Act of 1933, as amended, or a foreign bank or savings and loan association or equivalent institution), partnership, or Massachusetts or similar business trust; and

(I)Any investment adviser registered under the Investment Advisers Act.

2. Any dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, acting for its own account or the accounts of other qualified institutional buyers, that in the aggregate owns and invests on a discretionary basis at least $10 million of securities of issuers that are not affiliated with the dealer, provided, that securities constituting the whole or a part of an unsold allotment to or subscription by a dealer as a participant in a public offering shall not be deemed to be owned by such dealer.

3. Any dealer registered pursuant to Section 45 of the Securities Exchange Act of 1934 acting in a riskless principal transaction on behalf of a qualified institutional buyer.

NOTE: A registered dealer may act as agent, on a non-discretionary basis, in a transaction with a qualified institutional buyer without itself having to be a qualified institutional buyer.

4. Any investment company registered under the Investment Company Act, acting for its own account or for the accounts of other qualified institutional buyers, that is part of a family of investment companies which own in the aggregate at least $100 million in securities of issuers, other than issuers that are affiliated with the investment company or are part of such family of investment companies. "Family of investment companies" means any two or more investment companies registered under the Investment Company Act, except for a unit investment trust whose assets consist solely of shares of one or more registered investment companies, that have the same investment adviser (or, in the case of unit investment trusts, the same depositor), provided that, for purposes of this section:

(A) Each series of a series company (as defined in Rule 18f-2 under the Investment Company Act: 17 CFR 270.1 8f-2) shall be deemed to be a separate investment company; and

(B) Investment companies shall be deemed to have the same adviser (or depositor) if their advisers (or depositors) are majority-owned subsidiaries of the same parent, or if one investment company's adviser (or depositor) is a majority-owned subsidiary of the other investment company's adviser (or depositor).

5. Any entity, all of the equity owners of which are qualified institutional buyers, acting for its own account or the accounts of other qualified institutional buyers.

6. Any bank as defined in Section 3(a)(2) of the Securities Act of 1933, as amended, any savings and loan association or other institution as referenced in Section 3(a)(5)(A) of the Securities Act of 1933, as amended, or any foreign bank or savings and loan association or equivalent institution, acting for its own account or the accounts of other qualified institutional buyers, that in the aggregate owns and invests on a discretionary basis at least $100 million in securities of issuers that are not affiliated with it and that has an audited net worth of at least $25 million as demonstrated in its latest annual financial statements, as of a date not more than 16 months preceding the date of sale under the rule in the case of a U.S. bank or savings and loan association, and not more than 18 months preceding such date of sale for a foreign bank or savings and loan association or equivalent institution.

In determining the aggregate amount of securities owned and invested on a discretionary basis by an entity, the following instruments and interests shall be excluded: bank deposit notes

and certificates of deposit; loan participations; repurchase agreements; securities owned but subject to a repurchase agreement; and currency, interest rate and commodity swaps.

The aggregate value of securities owned and invested on a discretionary basis by an entity shall be the cost of such securities, except where the entity reports its securities holdings in its financial statements on the basis of their market value, and no current information with respect to the cost of those securities has been published. In the latter event, the securities may be valued at market for purposes of this section.

In determining the aggregate amount of securities owned by an entity and invested on a discretionary basis, securities owned by subsidiaries of the entity that are consolidated with the entity in its financial statements prepared in accordance with generally accepted accounting principles may be included if the investments of such subsidiaries are managed under the direction of the entity, except that, unless the entity is a reporting company under Section 13 or 15(d) of the Securities Exchange Act of 1934, securities owned by such subsidiaries may not be included if the entity itself is a majority-owned subsidiary that would be included in the consolidated financial statements of another enterprise.

For purposes of this section, “riskless principal transaction” means a transaction in which a dealer buys a security from any person and makes a simultaneous offsetting sale of such security to a qualified institutional buyer, including another dealer acting as riskless principal for a qualified institutional buyer.

###

ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
MULTIFAMILY HOUSING REVENUE NOTE
(PRESIDIO EL CAMINO APARTMENTS)
2011 SERIES A
DATED SEPTEMBER 1, 2011

SPECIMEN

$7,700,000

FOR VALUE RECEIVED, the undersigned ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS ("Obligor") promises to pay to the order of CITIBANK, N.A. ("Holder") the maximum principal sum of SEVEN MILLION SEVEN HUNDRED THOUSAND DOLLARS ($7,700,000), on March 1, 2044, or earlier as provided herein, together with interest thereon at the rates, at the times and in the amounts provided below.

Obligor shall pay to the Holder on or before each date on which payment is due under that certain Funding Loan Agreement, dated as of September 1, 2011 (the "Funding Loan Agreement"), between Obligor and Holder, an amount in immediately available funds sufficient to pay the principal amount of and Prepayment Premium, if any, on the Funding Loan then due and payable, whether by maturity, acceleration, prepayment or otherwise. In the event that amounts held derived from proceeds of the Borrower Loan, condemnation awards or insurance proceeds or investment earnings thereon are applied to the payment of principal due on the Funding Loan in accordance with the Funding Loan Agreement, the principal amount due hereunder shall be reduced to the extent of the principal amount of the Funding Loan so paid. Capitalized terms not otherwise defined herein shall have the meaning assigned in the Funding Loan Agreement.

Obligor shall pay to the Holder on or before each date on which interest on the Funding Loan is payable interest on the unpaid balance hereof in an amount in immediately available funds sufficient to pay the interest on the Funding Loan then due and payable in the amounts and at the rate or rates set forth in the Funding Loan Agreement.

The Funding Loan and this Governmental Lender Note are pass-through obligations relating to a construction loan (the "Borrower Loan") made by Obligor from proceeds of the Funding Loan to Presidio El Camino, L.P., a California limited partnership, as borrower (the "Borrower"), under that certain Borrower Loan Agreement, dated as of September 1, 2011 (as the same may be modified, amended or supplemented from time to time, the "Borrower Loan Agreement"), between the Obligor and the Borrower, evidenced by the Borrower Note (as defined in the Borrower Loan Agreement). Reference is made to the Borrower Loan Agreement and to the Borrower Note for complete payment and prepayment terms of the Borrower Note, payments on which are passed-through under the Governmental Lender Note.

This Governmental Lender Note and the Funding Loan are limited obligations of the Obligor, payable solely from the Pledged Revenues and other funds and moneys and Security pledged and assigned under the Funding Loan Agreement. Neither the Governmental Lender, any of its members, the Association of Bay Area Governments, the State of California (the "State"), nor any political subdivision thereof (except the Governmental Lender, to the limited extent set forth herein) nor any public agency shall in any event be liable for the payment of the

principal of, premium (if any) or interest on the Funding Loan or the Governmental Lender Note or for the performance of any pledge, obligation or agreement of any kind whatsoever with respect thereto except as set forth herein and in the Funding Loan Agreement, and none of the Funding Loan or the Governmental Lender Note or any of the Governmental Lender's agreements or obligations with respect to the Funding Loan or this Governmental Lender Note shall be construed to constitute an indebtedness of or a pledge of the faith and credit of or a loan of the credit of or a moral obligation of any of the foregoing within the meaning of any constitutional or statutory provision whatsoever. The Governmental Lender has no taxing power.

All capitalized terms used but not defined herein shall have the meanings ascribed to them in the Funding Loan Agreement or in the Borrower Loan Agreement.

This Governmental Lender Note is subject to the express condition that at no time shall interest be payable on this Governmental Lender Note or the Funding Loan Agreement at a rate in excess of the Maximum Rate provided in the Funding Loan Agreement; and Obligor shall not be obligated or required to pay, nor shall the Holder per permitted to charge or collect, interest at a rate in excess of such Maximum Rate. If by the terms of this Governmental Lender Note or of the Funding Loan Agreement, Obligor is required to pay interest at a rate in excess of such Maximum Rate, the rate of interest hereunder or thereunder shall be deemed to be reduced immediately and automatically to such Maximum Rate, and any such excess payment previously made shall be immediately and automatically applied to the unpaid balance of the principal sum hereof and not to the payment of interest.

Amounts payable hereunder representing late payments, penalty payments or the like shall be payable to the extent allowed by law.

This Governmental Lender Note is subject to all of the terms, conditions, and provisions of the Funding Loan Agreement, including those respecting prepayment and the acceleration of maturity.

If there is an Event of Default under the Funding Loan Documents, then in any such event and subject to the requirements set forth in the Funding Loan Agreement, the Holder may declare the entire unpaid principal balance of this Governmental Lender Note and accrued interest, if any, due and payable at once. All of the covenants, conditions and agreements contained in the Funding Loan Documents are hereby made part of this Governmental Lender Note.

No delay or omission on the part of the Holder in exercising any remedy, right or option under this Governmental Lender Note or the Funding Loan Documents shall operate as a waiver of such remedy, right or option. In any event a waiver on any one occasion shall not be construed as a waiver or bar to any such remedy, right or option on a future occasion. The rights, remedies and options of the Holder under this Governmental Lender Note and the Funding Loan Documents are and shall be cumulative and are in addition to all of the rights, remedies and options of the Holder at law or in equity or under any other agreement.

SPECIMEN

Obligor shall pay all costs of collection on demand by the Holder, including without limitation, reasonable attorneys' fees and disbursements, which costs may be added to the indebtedness hereunder, together with interest thereon, to the extent allowed by law, as set forth in the Funding Loan Agreement.

This Governmental Lender Note may not be changed orally. Presentment for payment, notice of dishonor, protest and notice of protest are hereby waived. The acceptance by the Holder of any amount after the same is due shall not constitute a waiver of the right to require prompt payment, when due, of all other amounts due hereunder. The acceptance by the Holder of any sum in an amount less than the amount then due shall be deemed an acceptance on account only and upon condition that such acceptance shall not constitute a waiver of the obligation of Obligor to pay the entire sum then due, and Obligor's failure to pay such amount then due shall be and continue to be a default notwithstanding such acceptance of such amount on account, as aforesaid. Consent by the Holder to any action of Obligor which is subject to consent or approval of the Holder hereunder shall not be deemed a waiver of the right to require such consent or approval to future or successive actions.

SPECIMEN

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Governmental Lender Note as of the date first set forth above.

OBLIGOR:

ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS

By: _____
Authorized Signatory

SPECIMEN

2011-0943

TAX CERTIFICATE AND AGREEMENT

ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS MULTIFAMILY HOUSING REVENUE NOTE (PRESIDIO EL CAMINO APARTMENTS) 2011 SERIES A

September 15, 2011

This Tax Certificate and Agreement (this "Tax Certificate") is by and between the ABAG Finance Authority for Nonprofit Corporations (the "Governmental Lender") and Presidio El Camino, L.P., a California limited partnership (the "Borrower"), in connection with the execution and delivery by the Governmental Lender of its ABAG Finance Authority for Nonprofit Corporations Multifamily Housing Revenue Note (Presidio El Camino Apartments) 2011 Series A in the aggregate principal amount of $7,700,000 (the "Governmental Lender Note"). The Governmental Lender Note is being executed and delivered pursuant to a Funding Loan Agreement, dated as of September 1, 2011 (the "Funding Loan Agreement"), between the Governmental Lender and Citibank, N.A. (the "Funding Lender") and evidences the Governmental Lender's obligation to repay a loan (the "Funding Loan") made by the Funding Lender to the Governmental Lender. The representations of facts and expectations and covenants contained in this Tax Certificate are in furtherance of the covenants contained in Section 8.7 of the Funding Loan Agreement and Section 5.34 of the Borrower Loan Agreement, dated as of September 1, 2011 (the "Loan Agreement"), by and between the Governmental Lender and the Borrower, and Section 5 of the Regulatory Agreement and Declaration of Restrictive Covenants, dated as of September 1, 2011 (the "Regulatory Agreement"), by and between the Governmental Lender and the Borrower, and are made in part pursuant to Treasury Regulations Section 1.148-2(b)(2).

WHEREAS, at the request of the Borrower, the Governmental Lender is executing and delivering the Governmental Lender Note to provide financing for the acquisition, construction and development of a 40-unit multifamily rental housing development (including one manager's unit) to be located in the City of Santa Clara, California, as more particularly described in Section 3.3 hereof (the "Project");

WHEREAS, the Internal Revenue Code of 1986 (the "Code") and the regulations and rulings promulgated thereunder impose certain limitations on the uses and investment of the proceeds of the Governmental Lender Note and of certain other moneys relating to the Governmental Lender Note;

WHEREAS, such provisions of the Code and the regulations and rulings promulgated thereunder relate to the conditions under which interest on the Funding Loan will be excluded from gross income for federal income tax purposes; and

WHEREAS, the Governmental Lender and the Borrower have determined to enter into this Tax Certificate in order to set forth certain terms and conditions relating to the uses and investment of the proceeds of the Governmental Lender Note and of certain other moneys relating to the Governmental Lender Note, in order to ensure that interest on the Funding Loan will be excluded from gross income for federal income tax purposes;

NOW, THEREFORE, in consideration of the mutual covenants and undertakings set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Governmental Lender and the Borrower hereby certify, covenant, represent and agree as follows:

ARTICLE I

IN GENERAL

1.1 **The Governmental Lender**. The Governmental Lender is a constituted authority and is executing and delivering the Governmental Lender Note on behalf of one or more political subdivisions. The Governmental Lender hereby certifies, represents, covenants and warrants that (i) the Governmental Lender has been created pursuant to the laws of the State of California; (ii) the Governmental Lender was created for a public purpose; (iii) the Governmental Lender is governed by a body ultimately controlled by one or more political subdivisions; (iv) the Governmental Lender is authorized to issue obligations, such as the Governmental Lender Note, for the purposes for which the Governmental Lender was created; (v) the earnings of the Governmental Lender will not and cannot inure to the benefit of any private person; and (vi) upon dissolution of the Governmental Lender, title to all of the Governmental Lender's assets will revert to one or more political subdivisions of the State.

1.2 **Delivery of the Governmental Lender Note**. On the date hereof, in exchange for receipt of good funds, the Governmental Lender is delivering the Governmental Lender Note to the Funding Lender.

1.3 **Purpose of Tax Certificate**. The Governmental Lender and the Borrower are delivering this Tax Certificate to Orrick, Herrington & Sutcliffe LLP, as tax counsel, with the understanding that Orrick, Herrington & Sutcliffe LLP will rely in part upon this Tax Certificate in rendering its opinion that interest on the Funding Loan is excluded from gross income for federal income tax purposes under Section 103 of the Code. To that end, the Governmental Lender and the Borrower hereby covenant to take (or refrain from taking) any actions necessary or required to maintain the exclusion from gross income of interest on the Funding Loan.

1.4 **Purpose of Financing**. The Governmental Lender Note is being executed and delivered to provide funds for the Governmental Lender to make a loan (the "Borrower Loan") to the Borrower to finance the construction and development of the Project. Sale Proceeds of the Governmental Lender Note, and no other funds, will to be used to fund the Borrower Loan, and the Borrower Loan will be assigned to the Funding Lender.

1.5 **Single Issue**. The Governmental Lender Note was executed and delivered to the Funding Lender on September 15, 2011 (the "Sale Date") pursuant to a single plan of financing, and are expected to be paid out of substantially the same source of funds. The Funding Loan is originated on a draw-down basis under master legal documents that are final and binding as of the Closing Date, and all of the Funding Loan is reasonably expected to be advanced. No other governmental obligations that are expected to be paid out of substantially the same source of funds as the Governmental Lender Note have been or will be sold within the 31-day period beginning 15 days before the Sale Date pursuant to the same plan of financing as

the Governmental Lender Note. Revenues of the Project are expected to be sufficient to pay principal of and interest on the Borrower Loan when due which will enable the Governmental Lender to pay the Governmental Lender Note when due. The Governmental Lender Note pays interest currently. Revenues of the Project are not expected to be used for the payment of any other governmental obligations.

Immediately available funds in the amount of $55,000.00 will be advanced from the Funding Lender to the Borrower on the date hereof. The remaining amount to be paid for the Governmental Lender Note, $7,645,000.00, will be advanced to the Borrower in one or more installments under the terms of the Borrower Loan Agreement.

1.6 **Definitions**. Capitalized terms used and not otherwise defined herein shall have the respective meanings set forth in the Funding Loan Agreement and the Borrower Loan Agreement. Unless the context otherwise requires, the following capitalized terms have the following meanings:

"Adjusted Gross Proceeds" means Gross Proceeds, adjusted as set forth in Treasury Regulations Section 1.148-7(c)(3). Thus, Adjusted Gross Proceeds generally means Gross Proceeds, less the sum of amounts held in the Bona Fide Debt Service Funds.

"Bona Fide Debt Service Fund" means those funds and accounts (or portions of those funds and accounts) identified in Section 4.18 of this Tax Certificate.

"Bond Year" means, initially, the period beginning on the Closing Date and ending on September 15, 2012 (or on an earlier date selected by the Governmental Lender in accordance with Treasury Regulations Section 1.148-1(b)) and each successive one-year period thereafter. The last Bond Year will end on the last day on which the Funding Note is outstanding for federal tax purposes.

"Closing Date" means the date of this Tax Certificate.

"Code" means the Internal Revenue Code of 1986 (including amendments thereto).

"Governmental Unit" means any State, or political subdivision of a State, but excludes the United States and its agencies or instrumentalities.

"Gross Proceeds" has the meaning used in Section 1.148-1(b) of the Treasury Regulations, and generally means all proceeds derived from or relating to the Governmental Lender Note, including Sale Proceeds, Investment Proceeds, and other amounts expected to be used to pay debt service on the Governmental Lender Note.

"Investment Proceeds" means earnings received from investing and reinvesting Sale Proceeds and from investing and reinvesting such earnings.

"Investment Property" means any security or obligation, any annuity contract, or any other investment-type property.

"Low Income Tenants" means the tenants of the Project that qualify to rent the minimum 40% low income or 20% very low income, whichever requirement is selected by the Governmental Lender and the Borrower, apartment units.

"Net Sale Proceeds" means Sale Proceeds, minus $100,000.

"Nonpurpose Investment" means any Investment Property in which Gross Proceeds are invested other than the Funding Loan.

"Opinion of Counsel" means a written opinion of nationally recognized tax counsel, addressed to the Governmental Lender and delivered to the Funding Lender to the effect that the exclusion from gross income for federal income tax purposes of interest on the Funding Loan will not be adversely affected.

"Preliminary Expenditures" means architectural, engineering, surveying, soil testing, costs of executing and delivering the Governmental Lender Note, and similar costs paid with respect to the Project in an aggregate amount not exceeding 20% of the issue price of the Governmental Lender Note.

"Rebate Requirement" means the amount of rebatable arbitrage computed as of the last day of any Bond Year pursuant to Section 1.148-3 of the Treasury Regulations.

"Related Person" means (a) with respect to the Governmental Lender, a person (or group of persons) who directly or indirectly controls the Governmental Lender or possesses (i) the right or power to both approve and to remove without cause a controlling portion of the governing body of the Governmental Lender, or (ii) the right or power to require the use of funds or assets of the Governmental Lender for any purpose and (b) with respect to the Borrower, a person (or group of persons) if the relationship between the Borrower and such person or persons is described in Section 144(a)(3) of the Code.

"Sale Proceeds" means any amount(s) actually or constructively received from the sale of the issue (*i.e.* sale of the Governmental Lender Note).

"Tax Certificate" means this Tax Certificate and Agreement.

"Tax-Exempt Bond" means any obligation the interest on which is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code or Section 103 of the Internal Revenue Code of 1954, as amended (the "1954 Code"), and Title XIII of the Tax Reform Act of 1986, as amended, as well as stock in a regulated investment company to the extent at least 95 percent of income to the stockholder is treated as interest that is excludable from gross income under Section 103 of the Code but does not include any interest in a "specified private activity bond" within the meaning of Section 57(a)(5)(C) of the Code.

"Yield" means that discount rate described in Section 5.1 of this Tax Certificate.

1.7 **Governmental Lender Reliance on Other Parties**. With respect to certain matters contained in this Tax Certificate, the Governmental Lender specifically relies upon certifications of (a) the Borrower contained herein and (b) the Funding Lender in the Funding Lender's Certificate attached hereto as EXHIBIT A. The Governmental Lender is not aware of any facts or circumstances that would cause it to question the accuracy or reasonableness of any representation made in this Tax Certificate or in the EXHIBITs hereto.

1.8 **Borrower Reliance on Other Parties**. With respect to certain matters contained in this Tax Certificate, the Borrower specifically relies upon certifications of (a) the Governmental Lender contained herein and (b) the Funding Lender contained in the Funding Lender's Certificate attached hereto as EXHIBIT A. The Borrower is not aware of any facts or circumstances that would cause it to question the accuracy or reasonableness of any representation made in this Tax Certificate or in the EXHIBITs hereto.

1.9 **Description of Financing Program**. The Funding Loan and the Borrower Loan are originated on a draw-down basis. Other than reimbursement for closing expenses, the Borrower has not paid the Funding Lender any amounts in connection with the execution and delivery of the Governmental Lender Note. On the Closing Date, the Funding Lender does not directly or indirectly own any interest in the Borrower.

The Governmental Lender Note is and will be executed and delivered pursuant to a draw down structure under final legal documents being executed on the date hereof. Pursuant to the terms of the Borrower Loan Agreement, the Funding Lender is required to advance the remaining amount to be paid for the Governmental Lender Note, $7,645,000.00 if certain conditions of the Borrower Loan Agreement are satisfied (the "Draw-Down Conditions"). The Draw-Down Conditions are objective criteria and, if the Draw-Down Conditions are satisfied, the Funding Lender will not have the discretion to choose not to advance the remaining amount to be paid, on the Borrower Loan and the Governmental Lender Note. Accordingly, the Funding Loan Agreement is a binding contract that obligates the Funding Lender to advance the remaining amount to be paid on the Governmental Lender Note subject only to the requirement that the Draw-Down Conditions are satisfied. The Borrower reasonably expects all of the Governmental Lender Note to be delivered within three years (see the covenant in Section 3.11 of this Tax Certificate that, absent an Opinion of Counsel, no amount will be drawn on the Governmental Lender Note after certain deadlines).

ARTICLE II

REPRESENTATIONS, CERTIFICATIONS, EXPECTATIONS AND COVENANTS OF THE GOVERNMENTAL LENDER

2.1 **Official Action**. On February 2, 2011 (the "Inducement Date"), the Governmental Lender adopted a resolution (the "Inducement Resolution") stating its findings as to the public benefits of the Project and the intention to execute and deliver the Governmental Lender Note to assist in the financing of the Project. The Inducement Resolution states the intention to execute and deliver in aggregate principal amounts not to exceed $8,500,000 principal amount of revenue bonds to finance the Project. A copy of the Inducement Resolution is attached hereto as EXHIBIT B.

2.2 **Public Hearing and Approval**. On February 15, 2011, the Governmental Lender caused to be published in *San Jose Post-Record*, being a newspaper of general circulation in the County of Santa Clara and the City of Santa Clara, a notice of public hearing to be held by the Governmental Lender regarding the execution and delivery of the Governmental Lender Note to finance the costs of the Project. A copy of said notice is attached hereto as EXHIBIT C.

On March 1, 2011, the public hearing was held by the Governmental Lender. At such hearing, all interested persons were invited and given an opportunity to comment upon the nature and location of the facilities comprising the Project and the financing thereof by the Governmental Lender Note. Following said public hearing, on March 1, 2011, the Board of Supervisors of the County of Santa Clara approved the Project and the financing thereof through the execution and delivery of the Governmental Lender Note. A copy of such approval is attached hereto as EXHIBIT D.

2.3 **Registered Form**. The Governmental Lender Note is being executed and delivered in registered form.

2.4 **Information Reporting**. The Governmental Lender will cause a properly completed and executed IRS Form 8038 to be filed with respect to the Governmental Lender Note not later than November 15, 2011. A copy of the Form 8038 is attached hereto as EXHIBIT F.

2.5 **Volume Cap**. On May 18, 2011, the California Debt Limit Allocation Committee ("CDLAC") adopted its Resolution No. 11-50 (as amended by the letter from CDLAC to the Governmental Lender dated June 21, 2011, the "CDLAC Resolution") allocating $7,700,000 of its State of California 2009 private activity bond volume cap (the "2009 Cap") to the Governmental Lender for the Project for the Project. The issue price of the Governmental Lender Note does not exceed its volume cap allocation. Attached as EXHIBIT H is a copy of the properly filed 2009 Form 8328. Pursuant to IRS Notice 2011-63, the Governmental Lender and the Borrower hereby elect to treat all of the Governmental Lender Note as issued on the Closing Date for purposes of Section 146 of the Code. Absent an Opinion of Counsel, the Borrower will no amount will be drawn on the Governmental Lender Note after December 31, 2014.

ARTICLE III

REPRESENTATIONS, CERTIFICATIONS, EXPECTATIONS AND COVENANTS OF THE BORROWER

3.1 **Ownership of the Project; Escrow Expectations**. The Project will be initially owned by the Borrower. The Project is located on a single parcel or contiguous parcels of land or parcels of land that are contiguous except for the interposition of a road, street, stream or similar property.

3.2 **Qualifying Costs; Reallocation**.

(a) **Good Costs.** The total "proceeds" of the Governmental Lender Note (i.e., the issue price of the Governmental Lender Note plus investment earnings during construction of the Project) are estimated to be no more than $7,700,000. Due to the draw-down structure of the

Governmental Lender Note and the Borrower's expectation that all of the Sale Proceeds will be spent on Project costs immediately upon each draw and receipt of funds, no investment earnings are expected. At least 97% of such proceeds will be allocable to costs of acquiring land, constructing or developing property of a character subject to the allowance for depreciation, which land or property constitutes qualified residential rental project facilities (as described in Sections 3.3 and 3.4 below) and which costs were paid or incurred no more than 60 days prior to the Inducement Date ("Good Costs"). Costs of execution and delivery of the Governmental Lender Note is not Good Costs. All of the reasonably expected costs listed in EXHIBIT E, totaling $9,462,505 are Good Costs and do not include the cost of land or other property or services which the Borrower paid to any Related Person.

Contingency items listed in EXHIBIT E reflect the Borrower's expectation that there will be actual Good Costs paid with or allocated to proceeds in the amount shown. The Borrower acknowledges that the listed contingency items are not costs of the Project until a specific Project cost is paid, and the Borrower covenants that each such actual cost will be reviewed and analyzed for the portion of such cost, if any, that is a Good Cost, based on the nature of the actual cost in question. All of the contingency will ultimately be allocated to Good Costs.

In addition to the costs listed in EXHIBIT E, "proceeds" of the Governmental Lender Note may be used, up to a maximum amount of three percent (3%), to pay for certain costs that may not be chargeable to the capital account of qualifying facilities that comprise the Project, such as costs of executing and delivering the Governmental Lender Note (although in no event may more than 2% of the proceeds of the Governmental Lender Note be used to pay costs of execution and delivery), interest and credit enhancement expenses on the Governmental Lender Note that accrue with respect to completed portions of the Project (generally, portions of the Project with respect to which a final certificate of occupancy has been issued). The aggregate of these costs and the costs listed in EXHIBIT E exceeds the expected total proceeds.

(b) **Reallocation**. Pursuant to Treasury Regulations Section 1.148-6(d), the Governmental Lender must account for the allocation of Note proceeds to expenditures not later than 18 months after the later of the date the expenditure is paid or the date the Project is placed in service. This allocation must be made in any event by the date 60 days after the fifth anniversary of the Closing Date or retirement of the Governmental Lender Note, if earlier. The expenditures constituting the Project represent only a portion of the total costs of a multifamily housing project. Multiple sources of funds are available to be used to pay for expenditures of the Project as they are incurred, and the Governmental Lender and the Borrower may perform a final allocation of Note proceeds as set forth Treasury Regulations Section 1.148-6(d) after such initial payment.

On the Closing Date, Sale Proceeds may be used to prepay a 58-year ground lease for the land on which the Project is located (the "Ground Lease"). Bond Counsel has advised that the Ground Lease may be treated as Investment Property and thus the Sale Proceeds may not be treated as spent when applied to prepay the Ground Lease. Therefore, the next equity that will be contributed into the partnership after the Closing Date will be allocated to the Ground Lease (the "Land Equity") and Bond proceeds will be allocated to the costs directly paid with the Land Equity. All of the Land Equity will be used to pay Good Costs. For purposes of the rebate

requirements described in Article V hereof, during the period between the Closing Date and the date the last dollar of Land Equity is spent, an amount equal to (1) the amount of Sale Proceeds initially used to prepay the Ground Lease less (2) the amount of Land Equity spent, shall be treated as unexpended Bond proceeds invested at the average yield on unexpended Sale Proceeds and Investment Proceeds of the Bonds from the Closing Date until the date on which all Sale Proceeds and Investment Proceeds have been expended.

3.3 **Qualified Residential Rental Project**.

(a) The Project will consist only of:

(i) those portions of buildings that are (A) complete facilities for living, sleeping, eating, cooking and sanitation, which will be used on other than a transient basis by one or more persons and which will be available on a regular basis for use by members of the general public (subject to any limitations on eligible tenants imposed by the Governmental Lender), and (B) facilities and areas properly allocable to such living facilities, such as centrally located machinery and equipment and common areas in a typical apartment building that are equally available to all of the tenants (but not including any health club facility),

(ii) land and other facilities that are properly allocable to such living facilities, such as parking areas and recreational areas for occupants of the living facilities that are equally available to all of the tenants, or

(iii) directly related and essential land areas, facilities, and building areas that are of a character and size commensurate with the number and size of the living facilities and are not functionally related and subordinate to, or properly allocable to, any other facilities.

(b) The Governmental Lender and the Borrower entered into the Regulatory Agreement in order to assure the Governmental Lender and the owners of the Governmental Lender Note that proceeds of the Governmental Lender Note will be used to provide a "residential rental project" under Section 142(d) of the Code, and, thus, that interest on the Funding Loan will be excluded from gross income for federal income tax purposes under Section 103 of the Code. The Regulatory Agreement is hereby incorporated by reference into this Tax Certificate.

(c) The land costs included on EXHIBIT E consist of survey costs, improvement costs, engineering costs (relating to the acquisition, survey and improvement costs listed above), interest costs, legal and accounting costs, and title and recording fees that are properly allocable to the Project (or facilities directly related and essential to the Project) and which are attributable to land acquired, or work performed, after the date 60 days before the date of the Inducement Resolution. Land costs also include clearing and grading costs, landscaping, and other similar costs that are added to the Borrower's cost basis in the land. The legal costs included herein do not include legal costs related to the execution and delivery of the Governmental Lender Note.

(d) The building costs included on EXHIBIT E consist of construction costs, architect costs, land preparation costs (including allocable engineering fees that may not be treated as a land cost), insurance costs and legal and accounting costs that are properly allocable to the Project (or facilities directly related and essential to the Project) and which are attributable to items acquired, or work performed, after the date 60 days before the date of the Inducement Resolution. These costs include material and labor costs incurred to construct the Project (and facilities directly related and essential to the Project). Land preparation costs include costs that would normally be treated as costs added to the Borrower's cost basis in the land but which are directly associated with the construction of the Project or of facilities functionally related and subordinate to the Project, and thus are treated as depreciable property (*e.g.*, excavation costs for the Project's foundation). The legal costs included herein do not include legal costs related to the execution and delivery of the Governmental Lender Note.

(e) No "capitalized interest" is listed on EXHIBIT E that is interest attributable to (i) proceeds of the related indebtedness expended for items acquired, or work performed, prior to the date of the Inducement Resolution, or (ii) a period after which (A) construction of the real property portion of the Project to which such interest is allocable is completed (*e.g.*, the completion of construction of a structure or portion or floor thereof), or (B) personal property to which such interest is allocable has been placed in service (*e.g.*, the installation of appliances) for federal income tax purposes.

(f) "Points" paid to the Governmental Lender or any originating correspondent of the Governmental Lender (whether denominated as loan fees, commitment fees or origination fees) are generally treated as prepaid interest amortizable ratably over the term of the Funding Loan. However, "points" paid to the Governmental Lender that reimburse the Governmental Lender for actual costs that it incurred to execute and deliver the Governmental Lender Note are execution and delivery costs. Notwithstanding the foregoing, the entire amount of the Governmental Lender's fee paid from Note proceeds has been included as a cost of executing and delivering the Governmental Lender Note.

3.4 **Project Description**.

(a) The Project is located on contiguous parcels and consists of 40 rentable apartment units (including one manager's unit) and various related facilities including certain amenities and tenant recreational facilities (the "TRF") and necessary maintenance, electrical, heating, plumbing and sanitation space common to the Project. The Project further consists of parking spaces that are used by the residential tenants and their guests. The residential rental structure contains residential units, and necessary heating, plumbing and sanitation areas. Each residential unit contains separate and complete facilities for living, sleeping, eating, cooking and sanitation. For example, each unit contains a living area, a sleeping area, bathing and sanitation facilities and cooking facilities equipped with a cooking range, refrigerator and sink, all of which are separate and distinct from other units. The Project includes normal landscaping around the exterior of each of the structures that make up the Project.

(b) The number of parking spaces allocated to the Project are functionally related and subordinate to the Project in that they are no greater in number than is normally appropriate for a project that is the size of the Project, and they are available equally to tenants of the Project.

Only tenants of the Project, their guests, employees of the Borrower, and employees of the management company will use these parking spaces.

(c) The TRF exist as a tenant amenity and may be used by any tenant for no additional cost. The TRF are of a character and size commensurate with the character and size of the Project and are functionally related and subordinate to the rest of the Project.

(d) The Borrower will not provide any medical, psychiatric, or nursing services, or any similar services, to the residents of the Project.

3.5 **Change in Use**. The Borrower reasonably expects to use all Sale Proceeds of the Governmental Lender Note for the Project. The Borrower further expects to use the Project in accordance with the provisions of Section 3.3 hereof for the entire stated term to maturity of the Governmental Lender Note, and, absent an Opinion of Counsel, the Borrower in fact will use all Net Sale Proceeds of the Governmental Lender Note and the Project as set forth in this Section 3.5 and Section 3.3 hereof.

3.6 **Prohibited Facilities**. None of the proceeds of the Governmental Lender Note will be used to finance or refinance any airplane, skybox or other private luxury box, facility primarily used for gambling, or any store the principal business of which is the sale of alcoholic beverages for consumption off premises.

3.7 **Useful Life**. The remaining weighted average reasonably expected economic life of facilities comprising the Project is at least 35 years (see EXHIBIT E). The weighted average maturity of the Governmental Lender Note is no longer than 30 years. Accordingly, the weighted average maturity of the Governmental Lender Note is not longer than 120% of the average useful life of the facilities comprising the Project.

3.8 **Land Expenditures**. Less than 25% of the proceeds of the Governmental Lender Note will be allocable to costs properly chargeable to the capital account of land or interests in land.

3.9 **No Existing Facilities**. Proceeds of the Governmental Lender Note will not be used to acquire any property unless such property was or will be first used by the acquiror.

3.10 **Targeting Compliance**. The Borrower will continuously remain in compliance with the low-income targeting requirements set forth in Section 142(d) of the Code for the Project. In general, Section 142(d) of the Code requires that during the "qualified project period" either (a) 20% or more of the residential units in a project are occupied by individuals whose income is 50% or less of area median gross income, or (b) 40% or more of the residential units in a project are occupied by individuals whose income is 60% or less of area median income. The specific requirements in this regard are set forth in the Regulatory Agreement.

3.11 **Volume Cap**. Pursuant to IRS Notice 2011 63, the Governmental Lender and the Borrower hereby elect to treat all of the Governmental Lender Note as issued on the Closing Date for purposes of Section 146 of the Code. Absent an Opinion of Counsel, no amount will be drawn on the Governmental Lender Note after December 31, 2014.

ARTICLE IV

REPRESENTATIONS, CERTIFICATIONS, EXPECTATIONS AND COVENANTS OF THE GOVERNMENTAL LENDER AND THE BORROWER

4.1 **Reasonable Expectations**. This Article IV states the reasonable expectations of the Governmental Lender and the Borrower with respect to the amounts and uses of Note proceeds and certain other moneys.

4.2 **Federal Guarantee**. The Governmental Lender Note is an obligation executed and delivered to provide qualified residential rental property. No proceeds of the Governmental Lender Note will be invested in any federally insured deposits or accounts. The preceding sentence shall not apply to: (a) investments in the Bona Fide Debt Service Fund; (b) investments in obligations issued by the United States Department of Treasury.

4.3 **No Refunding**. Note proceeds will not be used directly or indirectly to make principal, interest or premium payments with respect to any governmental obligation other than the Governmental Lender Note.

4.4 **No Pooling**. The Governmental Lender and the Borrower will not use any Note proceeds directly or indirectly to make or finance loans to two or more ultimate borrowers.

4.5 **No Hedge Note**. The Governmental Lender and the Borrower reasonably expect that more than 85% of Net Sale Proceeds of the Governmental Lender Note will be expended for governmental purposes of the Governmental Lender Note before September 15, 2014. Not more than 50% of the proceeds of the Governmental Lender Note will be invested in Nonpurpose Investments having a substantially guaranteed yield for four years or more. In addition, the payment of legal and underwriting costs associated with the execution and delivery of the Governmental Lender Note is not contingent, and at least 95% of all legal and underwriting costs associated with the execution and delivery of the Governmental Lender Note will be paid no later than 180 days after the Closing Date.

4.6 **Sale Proceeds and Other Amounts**. The Borrower will not use any proceeds of the Governmental Lender Note to finance any other project. The Borrower will cause all of the Sale Proceeds to be spent on costs of the Project in accordance with Section 3.2 herein. Funds other than proceeds of the Governmental Lender Note will be used to pay the developer fee and costs of execution and delivery of the Governmental Lender Note.

4.7 **Costs of Execution and delivery**. None of the Sale Proceeds will be used to pay costs associated with executing and delivering the Governmental Lender Note.

4.8 **Other Replacement Proceeds**. Neither Governmental Lender nor the Borrower (nor any related person) will use any Gross Proceeds directly or indirectly to replace funds of the Governmental Lender, the Borrower (or any related person), which funds are or will be used directly or indirectly to acquire Investment Property reasonably expected to produce a yield that is materially higher than the yield on the Governmental Lender Note.

4.9 **Program Obligations.** The Issuer is providing for the Mortgage Loan as part of a governmental program (the "Program") involving the acquisition of loans to provide housing and related facilities. In all cases at least 95% of the payments received under the Mortgage Loan and other agreements relating to the Program will be used to pay debt service on the Bonds or other obligations relating to the Program, to reimburse the Issuer or to pay directly for the costs of issuing such obligations, to acquire additional loans under the Program, or to redeem and retire such obligations at the earliest possible dates of redemption. The Borrower will not purchase, pursuant to a formal or informal arrangement, the Bonds or other obligations of the Issuer under the Program in an amount related to the amount of the Mortgage Loan.

4.10 **Administrative Costs**. The Borrower has paid or reimbursed (or will pay or reimburse) the Governmental Lender for certain administrative costs incurred by or for the benefit of the Governmental Lender in connection with the Governmental Lender Note, including costs of executing and delivering the Governmental Lender Note and fees and expenses of the Funding Lender and the Servicer (if appointed pursuant to the Funding Loan Agreement and as defined therein), but excluding general expenses or administrative overhead of the Governmental Lender. Applying the yield on the Governmental Lender Note as a discount rate, the present value of these payments to or for the benefit of the Governmental Lender does not exceed the present value of administrative costs paid by or for the benefit of the Governmental Lender with respect to the Governmental Lender Note.

4.11 **Governmental Lender and Other Fees**. The Borrower is required to pay certain expenses arising out of or in connection with the Borrower Loan Agreement and other associated costs, and to pay to the Governmental Lender an annual fee payable in advance on each anniversary of the Closing Date (commencing on the Closing Date and continuing through the termination of the Regulatory Agreement) as more fully described in Section 20 of the Regulatory Agreement.

The Governmental Lender does not expect the payment of the Governmental Lender's fees, or any of the other fees described above, to cause the yield on the Funding Loan to exceed the yield on the Governmental Lender Note by more than one and one-half percentage points (1.5%) per annum. The Governmental Lender's Net Fees include the fee paid to the Governmental Lender upon execution and delivery of the Governmental Lender Note, the annual fee paid to the Governmental Lender, and any of the other fees described above. To the extent these payments otherwise would cause the yield on the Funding Loan to exceed the yield on the Governmental Lender Note by more than one and one-half percentage points (1.5%) per annum, the Governmental Lender will return these payments to the Borrower or make appropriate "yield reduction payments" unless the Governmental Lender has received an Opinion of Counsel to the effect that retention by the Governmental Lender of the full amount of its fees will not adversely affect the exclusion of interest on the Funding Loan from gross income under Section 103 of the Code.

4.12 **Expenditure of Proceeds**. For purposes of this Tax Certificate, Proceeds will be treated as spent when they are used to pay or reimburse disbursements by the Borrower that are (a) capital expenditures relating to the Project, (b) costs of executing and delivering the Governmental Lender Note, (c) interest on the Funding Loan through the later of three years after the Closing Date or one year after the Project is placed in service, (d) initial operating

expenses directly associated with the Project (in aggregate amount not exceeding 5% of the Sale Proceeds), or (e) other miscellaneous expenditures described in Treasury Regulations Section 1.148-6(d)(3)(ii). Absent an Opinion of Counsel, all expenditures of Proceeds will be made in respect of (f) Preliminary Expenditures, (g) costs of executing and delivering the Governmental Lender Note, (h) other payments made by the Borrower on or after the Closing Date, or (i) capital costs of the project paid on or after the date 60 days before the adoption of the Inducement Resolution. With respect to the expenditures described in (i) above, the Borrower acknowledges that any such expenditures must be reimbursed with proceeds of the Governmental Lender Note, if at all, no later than three years after the date of the expenditure and no more than 18 months after the portion of the Project to which such costs relate is placed in service. The Borrower expects to allocate $55,000 of proceeds to reimburse itself for costs paid prior to the Closing Date, excluding the cost of prepayment of the Ground Lease. The Borrower represents that it will not make a payment of Proceeds to a Related Person.

4.13 **Offering Price**. On the Closing Date, the Funding Lender will advance $55,000.00 to the Borrower. The proceeds of the Funding Loan shall be advanced by the Funding Lender directly to the Borrower for the account of the Governmental Lender as and when needed to make each advance in accordance with the disbursement provisions of the Borrower Loan Agreement and the Construction Funding Agreement. Upon each advance of principal under the Borrower Loan Agreement and the Construction Funding Agreement, a like amount of the Funding Loan shall be deemed concurrently and simultaneously advanced under this Funding Loan Agreement. The Funding Lender will be paid a fee of $77,000 by the Borrower in connection with the Governmental Lender Note, which is consideration for services or property provided by the Funding Lender.

4.14 **Investment Proceeds**. All Investment Proceeds earned with respect to any fund or account established under the Funding Loan Agreement shall be retained as part of each such fund or account. Notwithstanding the foregoing, the Borrower does not expect any Investment Proceeds due to the structure of the Governmental Lender Note as a draw-down loan.

4.15 **Imputed Proceeds**. The purchase price of each obligation that is part of the Governmental Lender Note is at least 95% of the obligation's face amount, and each obligation that is part of the Governmental Lender Note does not have a stated interest rate (determinable at the date of issue) that increases over the term of the obligation.

4.16 **Funds and Accounts**. The following funds and accounts relating to the Governmental Lender Note have been or may be established:

Rebate Fund
Replacement Reserve Fund
Remaining Funding Loan Proceeds Account
  Remaining Funding Loan Proceeds Account Earnings Subaccount
Negative Arbitrage Account
Escrow Fund

In addition, the Borrower will establish an account or accounts (the "Debt Service Account") to accumulate revenues in order to pay debt service on the Governmental Lender

Note. Other funds may be established with monies that are not Note proceeds for the payment of Project costs. Such funds are not subject to the restrictions set forth in this Tax Certificate.

Neither the Governmental Lender nor the Borrower nor any other person benefitting from the execution and delivery of the Governmental Lender Note expects to use any fund or account other than the Debt Service Account and the Negative Arbitrage Account directly or indirectly to pay principal of or interest on the Funding Loan. Other than the Debt Service Account and the Negative Arbitrage Account, no fund or account, however established, is pledged as security for the Governmental Lender Note such that there is a reasonable assurance that amounts held in such other fund or account will be available if needed to pay debt service on the Governmental Lender Note.

4.17 **Replacement Reserve Fund.** The Replacement Reserve Fund is expected to be funded over time solely to provide a source of funds for repairs and replacements at the Project. Absent a default on the Loan, amounts in the Replacement Reserve Fund may be withdrawn at the discretion of the Borrower to pay for such repairs and replacements. Unless and until amounts in the Replacement Reserve Fund are expected to be used to pay debt service on the Governmental Lender Note or maintained in a manner so that such fund is pledged to the payment of debt service on the Governmental Lender Note such that there is a reasonable assurance that such amounts will be available in the event of financial difficulties of the Project, amounts in the Replacement Reserve Fund may be invested without regard to yield.

4.18 **Bona Fide Debt Service Fund.**

(a) The Governmental Lender Note is a special, limited obligation of the Governmental Lender payable from payments of principal and interest that will be derived from the Funding Loan and possibly certain other funds (the "Revenues") pledged pursuant to the Funding Loan Agreement. The Borrower expects to make payments on the Funding Loan using current revenues of the Borrower and will not set aside moneys for future payments on the Funding Loan.

(b) Under the Funding Loan Agreement, all payments under the Borrower Loan Agreement are to be applied as provided in the Funding Loan Agreement for payments of principal and interest on the Funding Loan and certain other fees and expenses.

(c) The only funds or accounts expected by the Borrower to accumulate amounts to pay debt service on the Governmental Lender Note are the Debt Service Account and the Negative Arbitrage Account (the "Bona Fide Debt Service Fund"). Amounts held in the Bona Fide Debt Service Fund will be accounted for on a first-in, first-out basis. The Bona Fide Debt Service Fund will be used primarily to achieve a proper matching of revenues and debt service within each Bond Year for all of the Governmental Lender Note outstanding and, therefore, constitute a bona fide debt service fund. The Bona Fide Debt Service Fund will be depleted at least once a year except for a reasonable carryover amount not to exceed the greater of the prior Bond Year's earnings on such funds or 1/12th of the prior Bond Year's debt service on the Governmental Lender Note. Amounts contributed to the Bona Fide Debt Service Fund will be spent within thirteen months after the date of such contribution and any amounts received from the investment or reinvestment of moneys held in the Bona Fide Debt Service Fund will be

expended within one year after the date of accumulation thereof in such fund. To the extent amounts in the Bona Fide Debt Service Funds are depleted as set forth in this Section 4.18(c), amounts in the Bona Fide Debt Service Fund shall be invested without regard to yield.

4.19 **Rebate Fund**. The Governmental Lender and the Borrower jointly covenant not to use moneys on deposit in any fund or account in connection with the Governmental Lender Note in a manner which will cause the Governmental Lender Note to be an "arbitrage bond" within the meaning of Section 148 of the Code. To that end, the Rebate Fund is hereby created. Pursuant generally to Part VI hereof and specifically to Section 6.3 hereof, the Funding Lender shall deposit into the Rebate Fund any payments received from or caused to be received from the Borrower for purposes of ultimate rebate to the United States. The amount required to be held in the Rebate Fund at any point in time is determined pursuant to the requirements of the Code, including particularly Section 148(f) of the Code and the regulations applicable thereto. Moneys in the Rebate Fund are neither pledged to nor expected to be used to pay debt service on the Governmental Lender Note. Sale Proceeds and Investment Proceeds are not expected to be held in the Rebate Fund. To the extent Sale Proceeds and Investment Proceeds are not held in the Rebate Fund, amounts in the Rebate Fund will be invested without regard to yield.

4.20 **Remaining Funding Loan Proceeds Account.** Sale Proceeds of the Governmental Lender Note will be deposited in the Remaining Funding Loan Proceeds Account in accordance with Section 4.16 of this Tax Certificate. Sale Proceeds of the Governmental Lender Note deposited into the Remaining Funding Loan Proceeds Account may be invested without regard to yield through September 15, 2014. Thereafter, such proceeds will be invested as provided in Section 5.4 hereof.

4.21 **Escrow Fund.** Amounts will be deposited in the Escrow Fund periodically over time. Amounts in the Escrow Fund will be held with the reasonable assurance that such amounts will be available to pay debt service on the Bonds. Amounts in the Escrow Fund shall be invested as provided in Section 5.4 hereof.

4.22 **No Abusive Arbitrage Device**. The Governmental Lender Note is not and will not be part of a transaction or series of transactions that has the effect of (a) enabling the Governmental Lender, the Borrower or any Related Person to exploit the difference between tax-exempt and taxable interest rates to obtain a material financial advantage, and (b) over-burdening the tax-exempt bond market in any manner, including (without limitation) by selling bonds that would not otherwise be sold or selling more bonds, or issuing them sooner, or allowing them to remain outstanding longer, than otherwise would be necessary.

4.23 **Retention of Records.** The Governmental Lender and the Borrower covenant to maintain all records relating to the requirements of the Code and the representations, certifications and covenants set forth in this Tax Certificate until the date three years after the last outstanding Note have been retired. If any of the Governmental Lender Note is refunded by Tax-Exempt Bonds (the "Refunding Obligations"), the Governmental Lender and the Borrower covenant to maintain all records required to be retained by this Section 4.23 until the later of the date three years after the last outstanding Note have been retired or the date three years after the

last Refunding Obligations have been retired. The records that must be retained include, but are not limited to:

(a) Basic records and documents relating to the Governmental Lender Note (including the Funding Loan Agreement, the Borrower Loan Agreement, the Tax Certificate, the Form 8038 and the opinion of Tax Counsel);

(b) Documentation evidencing the expenditure of Note proceeds;

(c) Documentation pertaining to any investment of Note proceeds (including the purchase and sale of securities, SLGs subscriptions, yield calculations for each class of investments, actual investment income received from the investment of proceeds, guaranteed investment contracts, and rebate calculations)

(d) Documentation evidencing that the targeting compliance requirements set forth in Section 3.10 above and in the Regulatory Agreement has been continuously satisfied.

ARTICLE V

ARBITRAGE – YIELD AND YIELD RESTRICTION

5.1 **Yield on the Governmental Lender Note**. The Governmental Lender Note will initially bear a variable rate of interest. Accordingly, pursuant to Treasury Regulations Section 1.148-4(c), yield on the Governmental Lender Note is computed separately for each computation period, as defined in Treasury Regulations Section 1.148-1(b). The yield for each computation period is the discount rate which, when used in computing the present value as of the first day of the computation period of all payments of principal and interest and qualified guarantee and qualified hedge fees that are attributable to the computation period, produces an amount equal to the present value, using the same discount rate, of the aggregate issue price (or, pursuant to Treasury Regulations Section 1.148-4(c)(2)(iv), the deemed issue price for any computation period other than the computation period beginning on the Closing Date) of the Governmental Lender Note as of the first day of the computation period. The payments attributable to a computation period generally include (i) any amounts actually paid during the computation period for principal on the Governmental Lender Note, (ii) any amounts actually paid during the computation period for interest accruing during the computation period, (iii) any amounts actually paid during the computation period for interest during the prior computation period that was included in the deemed issue price of the Governmental Lender Note as accrued but unpaid interest as of the first day of the computation period, (iv) any amounts properly allocable to fees for a qualified guarantee fee for the computation period and (v) any amounts properly allocable to a qualified hedge for the computation period. The aggregate issue price of the Governmental Lender Note is $7,700,000, which represents the price at which the Governmental Lender Note was sold to the Funding Lender, as represented by the Funding Lender in EXHIBIT A. For purposes hereof, yield shall be calculated on a 360-day year basis with interest compounded semi-annually.

5.2 **Yield on Investment Property**. Yield on Investment Property generally means that discount rate which, when used in computing the present value of all unconditionally

payable payments representing principal and interest, produces an amount equal to the purchase price of the Investment Property.

5.3 **No Hedges.** Neither the Governmental Lender nor the Borrower has entered into or, absent an Opinion of Counsel, will enter into any contract to modify the Governmental Lender's or the Borrower's risk in respect of interest rate changes such that failure to take such contract into account would distort the yield on the Governmental Lender Note.

5.4 **Yield Restriction**. Unless otherwise approved by an Opinion of Tax Counsel, if (a) all Sale Proceeds remaining unspent after September 15, 2014, plus (b) all Investment Proceeds remaining unexpended after a one-year period beginning on the date of receipt of such amounts (*i.e.*, after the One-Year Temporary Period), plus (c) any amounts held in the Bona Fide Debt Service Fund and remaining unexpended after 13 months from the date of accumulation in any such funds, plus (d) amounts in the Escrow Fund, plus (e) the amount of Sale Proceeds or Investment Proceeds held in the Rebate Fund at any time in the aggregate exceeds $100,000, the excess will be invested either (i) in Tax-Exempt Bonds, or (ii) in Investment Property with a yield not exceeding the yield on the Governmental Lender Note.

ARTICLE VI

COVENANTS OF THE GOVERNMENTAL LENDER AND THE BORROWER REGARDING REBATE

6.1 **Undertakings**. Pursuant to the Funding Loan Agreement and the Borrower Loan Agreement, the Governmental Lender and the Borrower have covenanted to comply with certain requirements of Section 148(f) of the Code in connection with the Governmental Lender Note. The Governmental Lender and the Borrower acknowledge that the United States Department of the Treasury has issued regulations with respect to certain of these undertakings, including the proper method for computing whether any rebate amount is due the federal government under Section 148(f) of the Code. (Treasury Regulations Sections 1.148-1 through 1.148-11, 1.150-1 and 1.150-2.) The Governmental Lender and the Borrower covenant that they will undertake to determine precisely what is required with respect to the rebate provisions contained in Section 148(f) of the Code and said regulations from time to time and will comply with any requirements that may be applicable to the Governmental Lender Note. Except to the extent inconsistent with any requirements of the Code or the regulations or future regulations, the Governmental Lender and the Borrower will undertake the methodology described in this Tax Certificate.

6.2 **Recordkeeping**. The Borrower shall maintain or cause to be maintained detailed records with respect to each Nonpurpose Investment attributable to Gross Proceeds of the Governmental Lender Note, including: (a) purchase date; (b) purchase price; (c) information establishing fair market value on the date such investment became a Nonpurpose Investment; (d) any accrued interest paid; (e) face amount; (f) coupon rate; (g) periodicity of interest payments; (h) disposition price; (i) any accrued interest received; and (j) disposition date. Such detailed recordkeeping is required to facilitate the calculation of the Rebate Requirement.

6.3 **Rebate Requirement Calculations and Payments**.

(a) The Borrower will prepare or cause to be prepared the calculation of the Rebate Requirement consistent with the rules described in this Section 6.3. The Borrower will complete the calculation of the Rebate Requirement and submit such calculation to the Governmental Lender, and the Funding Lender within 55 days after the end of the first Bond Year and within 55 days of the end of each succeeding Bond Year, and within 55 days after the first date on which there is no outstanding Governmental Lender Note. Concurrent with the submission of such calculation, the Borrower shall transfer to the Funding Lender for deposit in the Rebate Fund (with evidence thereof to the Governmental Lender) the amount indicated by the calculation as necessary to increase the sum held in the Rebate Fund to the Rebate Requirement or, if appropriate, direct the Funding Lender (with evidence thereof to the Governmental Lender) to decrease the sum held in the Rebate Fund to the Rebate Requirement and to return the excess to the Borrower.

(b) For purposes of calculating the Rebate Requirement, (i) the aggregate amount earned with respect to a Nonpurpose Investment shall be determined by assuming that the Nonpurpose Investment was acquired for an amount equal to its fair market value (determined as provided in Section 1.148-5(d)(6) of the Treasury Regulations or Section 6.4 hereof, as applicable) at the time it becomes a Nonpurpose Investment, and (ii) the aggregate amount earned with respect to any Nonpurpose Investment shall include any unrealized gain or loss with respect to the Nonpurpose Investment (based on the assumed purchase price at fair market value and adjusted to take into account amounts received with respect to the Nonpurpose Investment and earned original issue discount or premium) on the first date when there are no outstanding Note or when the investment ceases to be a Nonpurpose Investment.

(c) The Borrower shall pay, or cause the Funding Lender to pay (with evidence thereof to the Governmental Lender), from the Rebate Fund to the United States Department of the Treasury not later than 60 days after the end of the fifth Bond Year and each succeeding fifth Bond Year, an amount equal to 90%, and not later than the first date when there is no outstanding Governmental Lender Note, an amount equal to 100%, of the Rebate Requirement (determined as of the end of the immediately preceding Bond Year) plus any actual or imputed earnings on such Rebate Requirement, all as set forth in Section 1.148-3 of the Treasury Regulations. In furtherance of the covenants contained in this Section 6.3(c), not later than 45 days after the first date on which there is no outstanding Governmental Lender Note, the Borrower shall deliver to the Funding Lender (with a copy to the Governmental Lender) a statement of the amount payable, if any, to the United States Department of the Treasury pursuant to this Section 6.3 and (notwithstanding the provisions of Section 6.3(a) hereof with respect to each Bond Year described in this sentence) shall remit to the Funding Lender (with evidence thereof to the Governmental Lender), if necessary, an amount sufficient to cause the sum held in the Rebate Fund to equal at least the amount so payable.

(d) Each payment required to be made pursuant hereto shall be filed with the Internal Revenue Service Center, Ogden, Utah (with a copy to the Governmental Lender), on or before the date such payment is due, and shall be accompanied by Form 8038-T. The Borrower shall retain records of the calculations required by this Section 6.3 until 6 years after the first date when there are no outstanding Note.

6.4 **Investments and Dispositions.**

(a) General Rule. No Investment Property may be acquired with Gross Proceeds for an amount (including transaction costs, except as otherwise provided in Section 1.148-5(e) of the Treasury Regulations) in excess of the fair market value of such Investment Property. No Investment Property may be sold or otherwise disposed of for an amount (including transaction costs, except as otherwise provided in Section 1.148-5(e) of the Treasury Regulations) less than the fair market value of the Investment Property.

(b) Fair Market Value. In general, the fair market value of any Investment Property is the price which a willing buyer would pay to a willing seller to acquire the Investment Property, with no amounts paid to artificially reduce or increase the yield on such Investment Property. This section describes various safe harbors for determining fair market value. Other methods may be used to establish fair market value, provided, however, that such methods comply with the requirements of Section 1.148-5(d)(6) of the Treasury Regulations.

(c) Arm's-length Purchase and Sales. If Investment Property is acquired pursuant to an arm's length transaction without regard to any amount paid to reduce the yield on the Investment Property, the fair market value of the Investment Property shall be the amount paid for the Investment Property (without increase for transaction costs, except as otherwise provided in Section 1.148-5(e) of the Treasury Regulations). If Investment Property is sold or otherwise disposed of in an arm's length transaction without regard to any reduction in the disposition price to reduce the Rebate Requirement, the fair market value of the Investment Property shall be the amount realized from the sale or other disposition of the Investment Property (without reduction for transaction costs, except as otherwise provided in Section 1.148-5(e) of the Treasury Regulations).

(d) SLGS. If a United States Treasury obligation is acquired directly from or disposed of directly to the United States Department of the Treasury (as in the case of the United States Treasury Securities - State and Local Government Series ("SLGS") obligations), such acquisition or disposition shall be treated as establishing a market for the obligation and as establishing the fair market value of the obligation.

(e) Investment Contracts. The purchase price of any Investment Property acquired pursuant to a guaranteed investment contract (within the meaning of Section 1.148-1(b) of the Treasury Regulations) shall be determined as provided in Section 1.148-5 of the Treasury Regulations. No investment contract shall be acquired with Gross Proceeds unless the requirements of Section 1.148-5 of the Treasury Regulations and this Section 6.4(e) are satisfied. With respect to any investment contract, the Borrower will obtain from the provider of the investment contract, broker thereof or other party, such information, certification or representations as will enable the Borrower to determine that these requirements are satisfied.

The purchase price of an investment contract will be considered to be fair market value if:

(i) the Borrower has made (or has had made on its behalf) a bona fide solicitation for the investment contract; the solicitation must have specified the material terms of the investment contract (i.e., all the terms that could directly or indirectly affect the yield or the cost of the investment including the collateral security requirements for

the investment contract) and, unless the moneys invested pursuant to such investment contract will be held in the Revenue Fund, the Borrower's reasonably expected drawdown schedule for the moneys to be invested; the solicitation has a legitimate business purpose (i.e., a purpose other than to increase the purchase price or reduce the yield) for every term of the bid specification;

(ii) all bidders have an equal opportunity to bid so that, for example, no bidder is given the opportunity to review other bids (a last look) before bidding;

(iii) the Borrower solicits bids from at least three (3) investment contract providers with established industry reputations as competitive providers of investment contracts;

(iv) the Borrower includes in the bid specifications a statement to potential bidders that by submitting a bid, the provider is making certain representations that the bid is bona fide, and specifically that (A) the bidder did not consult with any other potential provider about its bid, (B) the bid was determined without regard to any other formal or informal agreement that the potential provider had with the Borrower or any other person, and 3) the bid was not submitted solely as a courtesy to the Borrower or any other person for purposes of satisfying the requirements of Section 1.148-5 of the Treasury Regulations;

(v) at least three bids meeting the qualification requirements of the bid solicitation (as set forth in (i) above) have been received from different providers of investment contracts that have no material financial interest in the Governmental Lender Note (the following investment contract providers are considered to have a material financial interest in the issue: (A) a lead Remarketing Agent in a negotiated underwriting, but only until 15 days after the issue date of the issue, (B) an entity acting as a financial advisor with respect to the purchase of the investment contract at the time the bid specifications were forwarded to potential providers; and (C) any related party to a provider that is disqualified for one of the two preceding reasons);

(vi) at least one of the bids received by the Borrower that meets the requirements of the preceding paragraph is from an investment contract provider with an established industry reputation as a competitive provider of investment contracts;

(vii) the investment contract has a yield (net of any broker's fees) at least equal to the highest yielding of the qualifying bids received from the bidders that have no material financial interest in the Governmental Lender Note; if the investment contract is not the highest-yielding of the qualifying bids, the Borrower must have significant non-tax reasons, such as creditworthiness of the bidder, for failure to purchase the highest-yielding investment contract offered;

(viii) if an agent for the Borrower conducts the bidding process, the agent does not bid;

(ix) the provider of the investment contract certifies as to all administrative costs to be paid on behalf of the Borrower, including any fees paid as broker commissions in connection with the investment contract.

(f) Deemed Acquisition or Sale. The fair market value of any Investment Property not directly purchased with Gross Proceeds for which there is an established securities market (within the meaning of Section 15A.453-1(e)(4)(iv) of the Temporary Treasury Regulations) shall be determined as provided in Section 20.2031-2 of the Estate Tax Regulations, as adjusted by Treasury Regulations Section 1.148-5(d). Any market especially established to provide Investment Property to an issuer of governmental obligations shall not be treated as an established securities market.

(g) Certificates of Deposit. The purchase price of a certificate of deposit issued by a commercial bank that has a fixed interest rate, a fixed principal payment schedule, a fixed maturity and a substantial penalty for early withdrawal will be considered to be fair market value if:

(i) the yield on the certificate of deposit is not less than the yield on reasonably comparable direct obligations of the United States; and

(ii) the yield on the certificate of deposit is not less than the highest published yield of the provider thereof which is currently available on comparable certificates of deposit offered to the public.

(h) Broker Compensation.

(i) Guaranteed Investment Contracts. For purposes of computing the yield on any investment contract acquired through a broker, Tax Counsel has advised that any compensation received by such broker, whether payable by or on behalf of the obligor or obligee of such investment contract may be taken into account in determining the cost of the investment contract to the extent that the amount of the fee the Governmental Lender treats as a "qualified administrative cost" (within the meaning of Section 1.148-5(e)(2)(iii) of the Treasury Regulations). For calendar year 2011, compensation is deemed reasonable if does not exceed the lesser of (i) $36,000 or (ii) 0.2% of the amount reasonably expected, as of the date of acquisition of the investment contract, to be invested under the investment contract over its term, or $4,000 (if 0.2% of such amount reasonably expected to be invested under the investment contract over its term is less than $4,000). In addition, the total fees received by the broker with respect to the investment of any proceeds of the Bonds that are taken into account with respect to all investment contracts, at any time, may not exceed $101,000. The dollar amounts referenced are subject to the cost-of-living adjustment provided in Section 1.148-5(e)(2)(iii)(B) of the Treasury Regulations.

(ii) Securities in a Yield Restricted Defeasance Escrow. For purposes of computing the yield on any investment securities in an escrow fund acquired through a broker, Tax Counsel has advised that any compensation received by such broker, whether payable by or on behalf of the obligor or obligee of such investment securities may be taken into account in determining the cost of the investment securities to the extent that the amount of the fee the

Governmental Lender treats as a "qualified administrative cost" (within the meaning of Section 1.148-5(e)(2)(iii) of the Treasury Regulations): (A) is, in the Opinion of Tax Counsel, "reasonable" (within the meaning of Section 1.148-5(e)(2)(i) of the Treasury Regulations), or (B) does not exceed the lesser of: (1) $36,000 and (B) 0.2% of the amount of Gross Proceeds of the Governmental Lender Note invested in the investment securities (i.e., the "computational base" within the meaning of Section 1.148-5(e)(2)(iii)(B)(2)(ii) of the Treasury Regulations) or, if more, $4,000; and with respect to the Governmental Lender Note, the Governmental Lender does not treat as qualified administrative costs more than $101,000 in brokers' commissions or similar fees with respect to all investments for yield restricted defeasance escrows and investment contracts purchased with Gross Proceeds of the Governmental Lender Note. The dollar amounts specified in this Section 6.4(h)(ii) are subject to the cost-of-living adjustment provided in Section 1.148-5(e)(2)(iii)(B) of the Treasury Regulations.

6.5 **Segregation of Proceeds**. In order to perform the calculations required by the Code, it is necessary to track separately all of the Gross Proceeds. To that end, the Governmental Lender and the Borrower shall cause to be established separate subaccounts or shall cause the Funding Lender to take such other accounting measures as are necessary in order to account fully for all Gross Proceeds.

6.6 **Filing Requirements**. The Governmental Lender and the Borrower will file or cause to be filed such reports or other documents with the Internal Revenue Service as are required by the Code.

6.7 **Exception from Rebate Requirement**. Some investments of proceeds of the Governmental Lender Note may qualify for exception from the rebate requirements outlined in this Part VI.

6.7.1 **Bona Fide Debt Service Funds Exception**. No rebate calculations will need to be made with respect to any moneys in the Bona Fide Debt Service Fund (as described in Section 4.18 of this Tax Certificate).

6.7.2 **Six-Month Expenditure Exception.** In general, no rebate calculations will be required with respect to Adjusted Gross Proceeds if all such Adjusted Gross Proceeds actually are spent within six months after the Closing Date.

6.7.3 **Eighteen-Month Expenditure Exception.** In general, no rebate calculations will be required with respect to Sale Proceeds or Investment Proceeds, if at least 15% of expected Adjusted Gross Proceeds actually are spent within six months after the Closing Date, at least 60% of expected Adjusted Gross Proceeds actually are spent within twelve months after the Closing Date, and 100% of actual Adjusted Gross Proceeds actually are spent within eighteen months after the Closing Date. The requirement that 100% of actual Adjusted Gross Proceeds be spent within eighteen months after the Closing Date will be met if at least 95% of Adjusted Gross Proceeds is spent within eighteen months and the remainder is held as a reasonable retainage, as permitted by contracts with the contractors, and such remainder is spent within thirty months after the Closing Date.

6.8 **Retention of Firm**. The Borrower hereby undertakes to satisfy its obligation to perform the rebate calculations that may be required to be made from time to time with respect to the Governmental Lender Note in the manner set forth in EXHIBIT G.

ARTICLE VII

OTHER MATTERS

7.1 **Expectations**. The undersigned are authorized representatives of the Governmental Lender and the Borrower acting for and on behalf of the Governmental Lender and the Borrower in executing this Tax Certificate. To the best of the knowledge and belief of the undersigned, there are no other facts, estimates or circumstances that would materially change the expectations as set forth herein, and said expectations are reasonable.

7.2 **Amendments**. Notwithstanding any other provision of this Tax Certificate, the Governmental Lender and the Borrower may amend this Tax Certificate and thereby alter any actions allowed or required by this Tax Certificate if such amendment is based on an Opinion of Counsel.

7.3 **Survival of Defeasance**. Notwithstanding any provision in this Tax Certificate or the Funding Loan Agreement to the contrary, the obligation to remit the Rebate Requirement, if any, to the United States Department of the Treasury and to comply with all other requirements contained in this Tax Certificate shall survive defeasance of the Governmental Lender Note.

PRESIDIO EL CAMINO, L.P.,
a California limited partnership

By: Central Valley Coalition for Affordable Housing,
a California nonprofit public benefit corporation,
its Managing General Partner

By: _____
Christina Alley, Chief Executive Officer

By: CORE Presidio, LLC,
a California limited liability company,
its Co-General Partner

By: _____
Christopher Neale, Manager

[Signatures continue on next page]

ABAG FINANCE AUTHORITY FOR
NONPROFIT CORPORATIONS

By:_____
Authorized Officer

[Signature page – Tax Certificate]

EXHIBIT A

CERTIFICATE OF THE FUNDING LENDER

September 15, 2011

Citibank, N.A. (the "Funding Lender") has served as the Funding Lender with respect to the execution and delivery of $7,700,000 aggregate principal amount of Multifamily Housing Revenue Note (Presidio El Camino Apartments) 2011 Series A (the "Governmental Lender Note") by ABAG Finance Authority for Nonprofit Corporations. The undersigned, on behalf of the Funding Lender, hereby certifies and represents the following:

A. The Funding Lender has purchased the Governmental Lender Note for its own account and has no present intention to resell the Governmental Lender Note; provided, however, that the Funding Lender may sell or assign the Governmental Lender Note, or participation in the Governmental Lender Note as provided in and subject to the limitations of the Funding Loan Agreement. The Funding Lender will not, directly or indirectly, enter into any such arrangement within the 90-day period following the date hereof unless the sale of such Governmental Lender Note or an interest therein is for a price paid by the ultimate holders that (i) does not exceed the par amount of such Governmental Lender note or such interest therein plus the amount of accrued interest on such Governmental Lender Note at the time of sale and (ii) is at least 95% of the principal amount of such Governmental Lender Note or such interest therein.

B. The Funding Lender is being paid an origination fee (the "Loan Fee") of $77,000 with respect to the Governmental Lender Note. The Loan Fee is a fee for the payment of services or property provided by the Funding Lender and does not represent a payment in the nature of points.

C. To the best knowledge of the Funding Lender, the purchase price paid by the Funding Lender for the Governmental Lender Note does not exceed the fair market value of such Note as of the date hereof.

THIS CERTIFICATE is executed as of the date first written above.

CITIBANK, N.A.,
a national banking association,
as Funding Lender

By: _____
Merle Malakoff
Vice President

[Signature Page to Tax Certificate of Funding Lender – Presidio El Camino]

EXHIBIT B

[Attach Copy of Inducement Resolution]

RESOLUTION NO. 11-03

ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
EXECUTIVE COMMITTEE OF THE BOARD OF DIRECTORS

(Presidio El Camino Apartments)

RESOLUTION AUTHORIZING AN APPLICATION TO THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE TO PERMIT THE ISSUANCE OF QUALIFIED RESIDENTIAL RENTAL PROJECT BONDS AND DECLARATION OF OFFICIAL INTENT TO REIMBURSE CERTAIN EXPENDITURES FROM PROCEEDS OF INDEBTEDNESS

RESOLVED, by the Executive Committee of the Board of Directors of the ABAG Finance Authority for Nonprofit Corporations (the "Authority"), as follows:

WHEREAS, the Authority has undertaken a program of financing, for nonprofit corporations and other entities, the acquisition and rehabilitation/construction of affordable multifamily rental housing developments;

WHEREAS, Presidio El Camino, L.P., a California limited partnership, together with its successors or assigns or any limited partnership or limited liability company established by Core Affordable Housing, LLC (the "Borrower"), has made a request to the Authority for assistance with respect to the financing of the acquisition, construction and equipping of a 40-unit multifamily rental housing development to be commonly known as the Presidio El Camino Apartments (the "Project") to be located at 1410 - 1465 El Camino Real in the Santa Clara, California;

WHEREAS, the assistance requested is the issuance by the Authority of its tax-exempt limited obligation revenue bonds (the "Bonds"), in one or more series issued from time to time, the proceeds of which would be loaned to the Borrower or to an entity created by the Borrower for the purpose of acquiring, constructing and developing the Project;

WHEREAS, the Borrower expects to pay certain expenditures (the "Reimbursement Expenditures") in connection with the Project prior to the issuance of the Bonds for the purpose of financing costs associated with the Project on a long-term basis;

WHEREAS, Section 1.150-2 of the Treasury Regulations generally requires the Authority to declare its reasonable official intent to reimburse prior expenditures for the Project with proceeds of a subsequent borrowing;

WHEREAS, the Authority has determined to provide financing for the purpose of providing housing for very low and low income persons and families, and reasonably expects to issue the Bonds in an amount not expected to exceed $8,500,000 and reasonably expects that

certain of the proceeds of such Bonds will be used to reimburse the Reimbursement Expenditures;

WHEREAS, Section 146 of the Internal Revenue Code of 1986, as amended (the "Code"), limits the amount of private activity bonds that may be issued in any calendar year by entities within a state and authorizes the legislature of such state to provide the method of allocating authority to issue private activity bonds within such state;

WHEREAS, Chapter 11.8 of Division 1 of Title 2 of the Government Code of the State of California governs the allocation in the State of California of the state ceiling established by Section 146 of the Code among governmental units in the State having the authority to issue private activity bonds;

WHEREAS, Section 8869.85 of the Government Code requires a local agency to file an application for a portion of the state ceiling with or upon the direction of the California Debt Limit Allocation Committee ("CDLAC") prior to the issuance of private activity bonds; and

WHEREAS, CDLAC procedures require an applicant for a portion of the state ceiling to certify to CDLAC that the applicant has on deposit an amount equal to one-half percent (0.5%) of the amount of allocation requested (not to exceed the maximum provided in such procedures);

NOW, THEREFORE, the Executive Committee of the Board of Directors of the ABAG Finance Authority for Nonprofit Corporations resolves and declares, as follows:

Section 1. The Executive Committee of the Board of Directors of the Authority finds and determines that the foregoing recitals are true and correct.

Section 2. The President of the Authority or the Secretary of the Authority is hereby authorized to submit an application to CDLAC for an allocation of a portion of the state ceiling (as that term is used in the California Government Code) in an amount not to exceed $8,500,000 for application toward the issuance of the Bonds by the Authority to finance the Project. All actions heretofore taken by the President of the Authority or the Secretary of the Authority in connection with the filing of an application with CDLAC are hereby approved and ratified. The President of the Authority, the Secretary of the Authority, or any other authorized representative of the Authority, or their designee, with the advice of bond counsel or counsel to the Authority, is hereby authorized, on behalf of the Authority, to submit all such other documents as may be required to CDLAC pursuant to Government Code Section 8869.85 in furtherance of the application.

Section 3. An amount equal to one-half of one percent (0.5%) of the amount of allocation requested (not to exceed any maximum deposit pursuant to CDLAC guidelines), to be provided by the Borrower, is hereby authorized to be placed into an escrow account, and the President of the Authority, the Secretary of the Authority, or any other authorized representative of the Authority, or their designee, is authorized to execute an Escrow Deposit Agreement, or other agreement as may be required with respect to such deposit, and to certify to CDLAC that such funds are available.

Section 4. The Authority hereby declares its official intent to use the proceeds of the Bonds to make a loan to the Borrower to reimburse the Borrower for Reimbursement Expenditures.

Section 5. This Resolution and declaration is made for purposes of establishing compliance with the requirements of Section 1.150-2 of the Treasury Regulations. This Resolution and declaration does not bind the Authority to make any expenditure, incur any indebtedness or proceed with the financing of the Project.

Section 6. The officers of the Authority are hereby authorized and directed to do any and all things necessary or advisable in order to consummate the issuance, sale and delivery of the Bonds and otherwise to effectuate the purposes of this Resolution, and all actions previously taken by such officers and employees in connection with the Project and the issuance, sale and delivery of the Bonds, including the preparation and/or review of an application to CDLAC, are hereby ratified and approved.

Section 7. This Resolution and declaration shall take effect from and after its adoption.

PASSED AND ADOPTED this 2nd day of February, 2011.

ABAG FINANCE AUTHORITY FOR
NONPROFIT CORPORATIONS

Charles Lomeli, Chair
ABAG Finance Authority
for Nonprofit Corporations

ATTEST:

Clarke J. Howatt, Secretary
ABAG Finance Authority
for Nonprofit Corporations

RESOLUTION NO. 11-03
Presidio El Camino Apartments

I, the undersigned, the duly appointed and qualified Secretary of the ABAG Finance Authority for Nonprofit Corporations, do hereby certify that the foregoing Resolution was duly adopted by the Board of Directors of said Authority at a duly called meeting of the Executive Committee of the Board of Directors of said Authority held in accordance with law on February 2, 2011.

Clarke J. Howatt, Secretary
ABAG Finance Authority for
Nonprofit Corporations

EXHIBIT C

[Attach Copy of Notice of Public Hearing]

SAN JOSE POST-RECORD

This space for filing stamp only

95 S. Market St., Ste. 535, SAN JOSE, CA 95113
Telephone (408) 287-4866 / Fax (408) 287-2544

cindy graza
CAL-NET
P O BOX 60859
LOS ANGELES, CA - 90060

SJ#: 2042746

PROOF OF PUBLICATION

(2015.5 C.C.P.)

State of California)
County of SANTA CLARA) ss

Notice Type: HRG - NOTICE OF HEARING

Ad Description: cn#851017

I am a citizen of the United States and a resident of the State of California; I am over the age of eighteen years, and not a party to or interested in the above entitled matter. I am the principal clerk of the printer and publisher of the SAN JOSE POST-RECORD, a newspaper published in the English language in the city of SAN JOSE, county of SANTA CLARA, and adjudged a newspaper of general circulation as defined by the laws of the State of California by the Superior Court of the County of SANTA CLARA, State of California, under date 02/03/1922, Case No. 27844. That the notice, of which the annexed is a printed copy, has been published in each regular and entire issue of said newspaper and not in any supplement thereof on the following dates, to-wit:

02/15/2011

NOTICE OF PUBLIC HEARING REGARDING ISSUANCE OF MULTIFAMILY HOUSING REVENUE BONDS FOR PRESIDIO EL CAMINO APARTMENTS

NOTICE IS HEREBY GIVEN that, at 9:00 a.m., or as soon thereafter as the matter can be heard, on Tuesday, March 1, 2011, at the Board of Supervisors' Chambers, 70 West Hedding Street, San Jose, California, the Board of Supervisors of the County of Santa Clara (the ``County``) will conduct a public hearing as required by Section 147(f) of the Internal Revenue Code of 1986, at which it will hear and consider information concerning a proposed plan of financing providing for the issuance by the ABAG Finance Authority For Nonprofit Corporations of multifamily housing revenue bonds in one or more series issued from time to time, including bonds issued to refund such revenue bonds in one or more series from time to time, and at no time to exceed $8,500,000 in outstanding aggregate principal amount, to finance the acquisition, construction and development of a 40-unit multifamily rental housing project located at 1410 - 1465 El Camino Real, Santa Clara, California. The facilities are to be owned by Presidio El Camino, L.P., a California limited partnership (the ``Borrower``) or related entities, operated by EAH, Inc., and are generally known as Presidio El Camino Apartments (the ``Project``).
Those wishing to comment on the proposed financing and the nature and location of the Project may either appear in person at the public hearing or submit written comments, which must be received by the County prior to the hearing. Written comments should be sent to Office of the Clerk - Board of Supervisors at 70 West Hedding Street, 10th Floor, East Wing, San Jose, California 95110.
CLERK OF THE BOARD OF SUPERVISORS
COUNTY OF SANTA CLARA

Dated: February 15, 2011
2/15/11

SJ-2042746#

Executed on: 02/15/2011
At Los Angeles, California

I certify (or declare) under penalty of perjury that the foregoing is true and correct.

Signature

* A 0 0 0 0 0 2 0 5 9 0 2 6 *

NOTICE OF PUBLIC HEARING
REGARDING ISSUANCE OF
MULTIFAMILY HOUSING REVENUE BONDS FOR
PRESIDIO EL CAMINO APARTMENTS

NOTICE IS HEREBY GIVEN that, at 9:00 a.m., or as soon thereafter as the matter can be heard, on Tuesday, March 1, 2011, at the Board of Supervisors' Chambers, 70 West Hedding Street, San Jose, California, the Board of Supervisors of the County of Santa Clara (the "County") will conduct a public hearing as required by Section 147(f) of the Internal Revenue Code of 1986, at which it will hear and consider information concerning a proposed plan of financing providing for the issuance by the ABAG Finance Authority For Nonprofit Corporations of multifamily housing revenue bonds in one or more series issued from time to time, including bonds issued to refund such revenue bonds in one or more series from time to time, and at no time to exceed $8,500,000 in outstanding aggregate principal amount, to finance the acquisition, construction and development of a 40-unit multifamily rental housing project located at 1410 - 1465 El Camino Real, Santa Clara, California. The facilities are to be owned by Presidio El Camino, L.P., a California limited partnership (the "Borrower") or related entities, operated by EAH, Inc., and are generally known as Presidio El Camino Apartments (the "Project").

Those wishing to comment on the proposed financing and the nature and location of the Project may either appear in person at the public hearing or submit written comments, which must be received by the County prior to the hearing. Written comments should be sent to Office of the Clerk – Board of Supervisors at 70 West Hedding Street, 10th Floor, East Wing, San Jose, California 95110.

CLERK OF THE BOARD OF SUPERVISORS
COUNTY OF SANTA CLARA

Dated: February 15, 2011

EXHIBIT D

[Attach Resolution of the Board of Supervisors of the County of Santa Clara Approving the Execution and Delivery of the Governmental Lender Note]

Resolution No. 2011-82

A RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF SANTA CLARA APPROVING THE ISSUANCE OF REVENUE BONDS BY THE ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS IN CONNECTION WITH THE CONSTRUCTION AND DEVELOPMENT OF PRESIDIO EL CAMINO APARTMENTS

WHEREAS, the ABAG Finance Authority For Nonprofit Corporations (the "Authority"), proposes to issue multifamily housing revenue bonds in one or more series issued from time to time, in an amount not to exceed $8,500,000 (the "Bonds") and to lend the proceeds thereof to Presidio El Camino, L.P., a California limited partnership, or a limited liability company or limited partnership related to or formed by Core Affordable Housing, LLC (the "Borrower"), to be used for the acquisition, construction and development of a 40-unit multifamily rental housing project to be located at 1410 - 1465 El Camino Real in Santa Clara, California to be known as the Presidio El Camino Apartments (the "Project"), all to be owned by the Borrower and operated by EAH, Inc.;

WHEREAS, Section 147(f) of the Internal Revenue Code of 1986 requires the Board of Supervisors of the County of Santa Clara (the "Board of Supervisors"), as the elected representative of the County of Santa Clara (the "County), the host jurisdiction of such facilities, to approve the issuance of the Bonds after a public hearing has been held following reasonable notice;

WHEREAS, a public hearing was held by the Board of Supervisors on this March 1, 2011, following duly published notice thereof, and all persons desiring to be heard have been heard;

WHEREAS, it is in the public interest and for the public benefit that the Board of Supervisors, as the elected representative of the County, the host jurisdiction of the subject multifamily housing residential facility, approve the issuance and delivery by the Authority of the Bonds;

NOW, THEREFORE, BE IT RESOLVED by the Board of Supervisors of the County of Santa Clara, State of California, as follows:

Section 1. The Board of Supervisors hereby finds and determines that the foregoing recitals are true and correct.

Section 2. The Board of Supervisors hereby finds, determines and declares that issuance by the Authority of the Bonds in the maximum principal amount of $8,500,000 for the purposes described above is hereby approved.

Section 3. The issuance and delivery of the Bonds shall be subject to the approval of and execution by the Authority of all financing documents relating thereto to which the Authority is a party and subject to the sale of the Bonds by the Authority.

MAR 01 2011

Section 4. The adoption of this Resolution is solely for the purpose of meeting the requirements of the provisions of the Internal Revenue Code of 1986, as amended, and shall not be construed in any other manner, with neither the County nor its staff having fully reviewed or considered the financial feasibility of the Project or the expected operation of the Project with regards to any State of California statutory requirements, and such adoption shall not obligate, without further formal action to be taken by this Board of Supervisors, (i) the County to provide financing to the Borrower for the construction and development of the Project or to issue the Bonds for purposes of such financing; or (ii) the County, or any department of the County, to approve any application or request for, or take any other action in connection with the Project, including but not limited to, any environmental, General Plan, zoning or any other permit or other action necessary for the construction, development or operation of the Project.

Section 5. The Clerk of the Board of Supervisors shall forward a certified copy of this Resolution and a copy of the affidavit of publication of the public hearing notice to:

Justin Cooper
Orrick, Herrington & Sutcliffe LLP
405 Howard Street
San Francisco, California 94105

Section 6. This resolution shall take effect upon its adoption.

PASSED AND ADOPTED by the Board of Supervisors of the County of Santa Clara, State of California, on this 1st day of March, 2011, by the following roll call vote:

AYES: CORTESE, KNISS, SHIRAKAWA, WASSERMAN, YEAGER
NOES: NONE
ABSENT: NONE
ABSTAIN: NONE

Dave Cortese, President
Board of Supervisors

ATTEST:

Maria Marinos, Clerk of the Board of Supervisors

APPROVED AS TO FORM AND LEGALITY:

Lizanne Reynolds, Deputy County Counsel

The foregoing instrument is a correct copy of the original.
ATTEST: Maria Marinos
Clerk of the Board
BY: Deputy Clerk
Date: MAR 0 1 2011

EXHIBIT E

Schedule of Good Costs and
Average Reasonably Expected Economic Life
(at a minimum)

The following describes the property expected to be financed with the proceeds of the Governmental Lender Note:

EXPENDITURE	APPROXIMATE COST	EXPECTED USEFUL LIFE (YEARS)
Off-Site Improvements	$114,864	40 years
Relocation	833,350	40 years
Onsite Improvements	1,037,464	40 years
Construction - Building	4,875,803	40 years
Contractor: General Requirements	365,858	
Contractor: Overhead	121,953	
Contractor: Profit	365,858	
Construction Contingency	347,566	
Architecture	201,000	
Engineering	504,828	
Permits, Fees	568,961	40 years
Owner Furnishings & Fixtures	125,000	40 years

TOTAL $9,462,505

EXHIBIT F

[Attach Form 8038]

EXHIBIT G

CERTIFICATE OF THE BORROWER CONCERNING REBATE

September 15, 2011

On behalf of Presidio El Camino, L.P., a California limited partnership (the "Borrower"), the undersigned hereby certifies, represents and warrants with respect to ABAG Finance Authority for Nonprofit Corporations Multifamily Housing Revenue Note (Presidio El Camino Apartments) 2011 Series A (the "Note"), being executed and delivered on the date hereof in the principal amount of $7,700,000, that the Borrower will, within 30 days of the date hereof, engage a qualified person or firm acceptable to ABAG Finance Authority for Nonprofit Corporations and Citibank, N.A. to perform any rebate calculations that may be required to be made from time to time with respect to the Governmental Lender Note. The Borrower acknowledges that, as of the date hereof, it has not engaged the Orrick, Herrington & Sutcliffe LLP to perform such calculations.

PRESIDIO EL CAMINO, L.P.,
a California limited partnership

By: Central Valley Coalition for Affordable Housing,
a California nonprofit public benefit corporation,
its Managing General Partner

By: _____
Christina Alley, Chief Executive Officer

By: CORE Presidio, LLC,
a California limited liability company,
its Co-General Partner

By: _____
Christopher Neale, Manager

[Signature page – Certificate of the Borrower Concerning Rebate]

EXHIBIT H

[Attached 2009 Form 8328]

Form **8328**
(Rev. January 2003)
Department of the Treasury
Internal Revenue Service

Carryforward Election of Unused Private Activity Bond Volume Cap

(Under Sections 146(f) and 142(k))

OMB No. 1545-0874

Enter the calendar year for which the election is made ▶ **2009 Amended form 8328**

Part I **Reporting Authority**

State name for qualifying public educational facility bond or issuer's name for all other bonds		Reporting Authority's EIN
ABAG Finance Authority for Nonprofit Corporations		**94 : 3130123**
Number, street (or P.O. box if mail is not delivered to street address)	Room/suite	Report number
101 Eighth Street		**9 -03**

City or town, state, and ZIP code **Oakland, CA 94607**

Caution: *Part II is **only** for section 146(f) filers. Part III is **only** for qualifying public educational facility bond filers.*

Part II **Unused Volume Cap and Carryforward under Section 146(f)**

Computation of Unused Volume Cap

1	Total volume cap of the issuer for the calendar year		1	$162,046,000
2	Aggregate amount of private activity bonds issued to date that are taken into account under section 146 (see instructions)	2 15,520,000		
3	Total amount of volume cap exchanged for authority to issue mortgage credit certificates (see instructions)	3		
4	Total amount of volume cap allocated to private activity portion of governmental bonds (see instructions)	4		
5	Add lines 2 through 4		5	15,520,000
6	Unused volume cap (subtract line 5 from line 1)		6	$146,526,000

Purpose and Amount of Each Carryforward

7	Qualified student loan bonds	7	
8	Qualified mortgage bonds or mortgage credit certificates	8	
9	Qualified redevelopment bonds	9	
10	Exempt facility bonds:		
a	Mass commuting facilities (section 142(a)(3))	10a	
b	Water furnishing facilities (section 142(a)(4))	10b	
c	Sewage facilities (section 142(a)(5))	10c	
d	Solid waste disposal facilities (section 142(a)(6))	10d	
e	Qualified residential rental projects (section 142(a)(7))	10e	$146,526,000
f	Facilities for the local furnishing of electric energy or gas (section 142(a)(8))	10f	
g	Local district heating or cooling facilities (section 142(a)(9))	10g	
h	Qualified hazardous waste facilities (section 142(a)(10))	10h	
i	25% of bonds for privately owned high-speed intercity rail facilities (section 142(a)(11))	10i	
j	Qualified enterprise zone facility bonds (section 1394)	10j	
11	Total carryforward amount (add lines 7 through 10j) (not to exceed line 6)	11	

Part III **Unused Volume Cap and Carryforward Under Section 142(k) (Qualifying Public Educational Facility Bonds)**

12	Total volume cap for the calendar year	12	
13	Total amount of bonds issued under 142(k) for the calendar year	13	
14	Unused volume cap available for carryforward (subtract line 13 from line 12)	14	
15	Amount elected to carryforward (not to exceed line 14)	15	

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

▶ Signature of authorized public official — Date 2/19/10 ▶ **Clarke Howatt, Secretary** — Type or print name and title.

For Paperwork Reduction Act Notice, see instructions on back.

Cat. No. 13900J Form **8328** (Rev. 1-2003)