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THE BOARD OF SUPERVISORS OF CONTRA COSTA COUNTY, CALIFORNIA
and for Special Districts, Agencies and Authorities Governed by the Board

Adopted this Resolution on 08/13/2013 by the following vote:

		John Gioia
		Candace Andersen
AYES:	<input type="text" value="5"/>	Mary N. Piepho
		Karen Mitchoff
		Federal D. Glover
NOES:	<input type="text"/>	
ABSENT:	<input type="text"/>	
ABSTAIN:	<input type="text"/>	
RECUSE:	<input type="text"/>	



Resolution No. 2013/333

RESOLUTION AUTHORIZING THE ISSUANCE AND DELIVERY OF MULTIFAMILY HOUSING REVENUE BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$6,000,000 TO FINANCE A PORTION OF THE CONSTRUCTION AND DEVELOPMENT OF A MULTIFAMILY RENTAL HOUSING PROJECT GENERALLY KNOWN AS OAK RIDGE FAMILY APARTMENTS; DETERMINING AND PRESCRIBING CERTAIN MATTERS AND APPROVING AND AUTHORIZING THE EXECUTION AND DELIVERY OF VARIOUS DOCUMENTS RELATED THERETO; RATIFYING ANY ACTION HERETOFORE TAKEN AND APPROVING RELATED MATTERS IN CONNECTION WITH SAID BONDS.

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

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

WHEREAS, the County desires to assist in the financing of the acquisition, construction and development of a 30 unit multifamily rental housing development generally known as Oak Ridge Family Apartments (the "Project"), which will be owned by 73 Carol Ln., L.P., a California limited partnership (the "Borrower");

WHEREAS, the County desires to authorize the sale and issuance not to exceed \$6,000,000 of multifamily housing revenue bonds (as more fully described herein, the "Bonds"), and to loan the proceeds of the Bonds to the Borrower, thereby reducing the cost of the Project and assisting in providing housing for low income persons;

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

WHEREAS, the Bonds will be privately placed with Mechanics Bank (the "Bank"); and

WHEREAS, there have been prepared and presented at this meeting the following documents required for the issuance of the Bonds, and such documents are now in substantial form and appropriate instruments to be executed and delivered for the purposes intended: (1) Master Agency Agreement (the "Agency Agreement") to be entered into between the County and the Bank, as agent (the "Agent");

(2) Master Pledge and Assignment (the "Pledge Agreement") to be entered into among the County, the Agent and the Bank, as bondholder; and

(3) Regulatory Agreement and Declaration of Restrictive Covenants (the "Regulatory Agreement") to be entered into between the Borrower and the County.

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

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

Section 2. Pursuant to the Act and the Indenture described herein, the County is hereby authorized to issue the Bonds. The Bonds shall be designated as “County of Contra Costa Multifamily Housing Revenue Bonds (Oak Ridge Family Apartments)”, with appropriate modifications and series and sub-series designations as necessary, in an aggregate principal amount not to exceed \$6,000,000. The Bonds shall be in the form set forth in and otherwise in accordance with the Pledge Agreement. The Bonds shall be executed by the manual or facsimile signature of the Chair or Vice Chair of the Board of Supervisors, the County Administrator of the County, the Director of the Department of Conservation and Development of the County, or the Community Development Bond Program Manager of the County (each an “Authorized Officer”). The Bonds shall be issued and secured in accordance with the terms of the Pledge Agreement, and the payment of the principal of, redemption premium, if any, and interest on, the Bonds shall be made solely from the amounts and assets pledged thereto under the Pledge Agreement. The Bonds shall not be deemed to constitute a debt or liability of the County.

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

Section 4. The form of Pledge Agreement, on file with the Clerk, is hereby approved and each Authorized Officer is hereby authorized and directed to execute and deliver the Pledge Agreement in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. The date, maturity date or dates (which shall not extend beyond August 1, 2058), interest rate or rates (which shall not exceed 12% per annum), interest payment dates, denominations, form, registration privileges, manner of execution, place of payment, terms of redemption and other terms of the Bonds shall be as provided in the Pledge Agreement as finally executed.

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

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

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

Section 8. All actions heretofore taken by the officers and agents of the County with respect to the financing of the Project and the sale and issuance of the Bonds are hereby approved, ratified and confirmed, and any Authorized Officer is hereby authorized and directed, for and in the name and on behalf of the County, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents, including but not limited to those described in the Pledge Agreement and the other documents herein approved, as well as a tax certificate and an intercreditor and/or subordination agreement which such officer, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bonds and to effectuate the purposes thereof and of the documents herein approved in accordance with this resolution and resolutions heretofore adopted by the County and otherwise in order to carry out the financing of the Project.

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

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

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

ATTESTED: August 13, 2013

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

Contact: Kristen Lackey, 674-7888

By: Stacey M. Boyd, Deputy

cc:

MASTER PLEDGE AND ASSIGNMENT

among

**COUNTY OF CONTRA COSTA,
as Issuer**

and

**MECHANICS BANK,
as Agent**

and

**MECHANICS BANK,
as Holder**

Dated as of August 1, 2013

Relating to

**\$5,100,000
County of Contra Costa
Multifamily Housing Revenue Bonds
(Oak Ridge Family Apartments)
2013 Series A**

ARTICLE 1	DEFINITIONS.....	3
Section 1.1.	Definitions.....	3
ARTICLE 2	BONDS	6
Section 2.1.	Issuance of Bonds to Fund Loan; Draw-Down Bonds	6
Section 2.2.	Form, Amount and Delivery of Bonds	7
Section 2.3.	Principal; Maturity Date	7
Section 2.4.	Interest.....	7
Section 2.5.	Limited Obligation of Issuer and Agent to Make Payments.....	7
Section 2.6.	Corresponding Payments	7
Section 2.7.	Replacement of Bonds	8
Section 2.8.	Registration and Transferability	8
Section 2.9.	Reserved.....	9
Section 2.10.	Circumstances of Redemption of the Bonds.....	9
Section 2.11.	No Notice of Redemption	9
Section 2.12.	Effect of Redemption	10
ARTICLE 3	SECURITY FOR THE BONDS	10
Section 3.1.	Delivery of Collateral	10
Section 3.2.	Agent the Mortgagee of Record.....	10
ARTICLE 4	SERVICING THE LOAN AND THE BONDS	10
Section 4.1.	Servicing the Loan	10
Section 4.2.	Paying Agent for the Bonds; Investments	11
Section 4.3.	Standard of Care	12
Section 4.4.	Sale of Bonds and This Pledge and Assignment	12
Section 4.5.	Indemnification of Issuer by Agent	12
ARTICLE 5	DEFAULTS ON LOAN	13
Section 5.1.	Defaults on Loan.....	13
Section 5.2.	Action After Consultation With Holder.....	13
Section 5.3.	Losses and Expenses Upon Exercise of Rights	14
ARTICLE 6	REPRESENTATIONS AND COVENANTS BY AGENT AND ISSUER	14
Section 6.1.	Representations by Agent	14
Section 6.2.	Representations by Issuer	14
Section 6.3.	Tax-Exempt Status of the Bonds	15
ARTICLE 7	BOOKS AND RECORDS; REPORTS	15

Section 7.1.	Books and Records	15
Section 7.2.	Reports	15
ARTICLE 8	NONRECOURSE; OBLIGATIONS NOT DEBT OF ISSUER, AGENT OR STATE.....	15
Section 8.1.	Limited Obligations	15
Section 8.2.	Waiver of Personal Liability.....	16
ARTICLE 9	DEFAULTS UNDER THIS PLEDGE AND ASSIGNMENT AGREEMENT	17
Section 9.1.	Events of Default	17
Section 9.2.	Remedies.....	18
Section 9.3.	Continuance of Obligations Upon Default by Agent.....	18
Section 9.4.	Continuance of Obligations and Servicing by Agent Upon Default by Issuer	18
Section 9.5.	Holder Authorized to Execute Assignments, Etc	19
Section 9.6.	Waiver of Appraisal, Evaluation, Etc	19
Section 9.7.	Application of Proceeds of Sale.....	19
Section 9.8.	Right of Holder to Perform Covenants of the Issuer and the Agent.....	19
Section 9.9.	No Waiver, Etc.....	19
Section 9.10.	Remedies Cumulative, Etc.....	20
ARTICLE 10	MISCELLANEOUS	20
Section 10.1.	Provisions Subject to Applicable Law	20
Section 10.2.	Applicable Law	20
Section 10.3.	Compromise of Action, Etc	20
Section 10.4.	Notices, Etc	20
Section 10.5.	Termination.....	21
Section 10.6.	Duty of Issuer.....	21
Section 10.7.	Consent to Assignment	21
Section 10.8.	Amendment of the Note.....	21
Section 10.9.	Amendments, Successors and Assigns, Headings and Counterparts	22
Section 10.10.	Delivery, Consent and Direction if Agent and Holder are the Same Entity	22

MASTER PLEDGE AND ASSIGNMENT

THIS MASTER PLEDGE AND ASSIGNMENT, dated as of August 1, 2013 (this "Pledge and Assignment"), from the COUNTY OF CONTRA COSTA, a political subdivision of the State of California (the "Issuer"), and MECHANICS BANK, (the "Agent"), as agent under and pursuant to that certain Agency Agreement (as hereinafter defined), to MECHANICS BANK, as initial holder of the Bonds described herein, and any successors or assigns thereof (the "Holder").

WITNESSETH:

WHEREAS, the Issuer is, concurrently herewith, issuing its Multifamily Housing Revenue Bonds (Oak Ridge Family Apartments) 2013 Series A in the aggregate principal amount of \$5,100,000 (the "Bonds");

WHEREAS, the proceeds of the Bonds will be advanced by the Agent for the account of the Issuer to 73 Carol Ln., L.P., a California limited partnership (the "Borrower"), for the purpose of funding a loan from the proceeds of the Bonds (the "Loan") to the Borrower to finance the Borrower's construction and development of a 30-unit multifamily rental housing project located in Oakley, California, and known as the Oak Ridge Family Apartments (the "Project");

WHEREAS, the Loan will be made to the Borrower by the Agent for the account of the Issuer pursuant to the Loan Agreement Construction to Permanent, dated as of August 20, 2013 (the "Loan Agreement"), by and between the Agent (for the account of the Issuer) and the Borrower;

WHEREAS, the Borrower's obligation to repay the Loan will be evidenced by a promissory note (the "Note"), made by the Borrower to the order of the Agent for the account of the Issuer in the face principal amount of \$5,100,000, and secured by, among other things, that certain Construction to Permanent Deed of Trust, with Assignment of Rents, Security Agreement, and Fixture Filing (the "Deed of Trust"), dated as of August 20, 2013, executed by the Borrower and Corporation for Better Housing, collectively, as trustor, and naming the Agent, in its capacity as agent for the Issuer, as beneficiary, together with the other "Loan Documents" as defined in the Loan Agreement;

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

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

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

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

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

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

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

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

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

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

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

ARTICLE 1

DEFINITIONS

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

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

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

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

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

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

“Bonds” means County of Contra Costa Multifamily Housing Revenue Bonds (Oak Ridge Family Apartments) 2013 Series A to be issued and delivered hereunder in an aggregate principal amount not to exceed \$5,100,000.

“Borrower” means 73 Carol Ln., L.P., a California limited partnership, and its successors and assigns.

“Business Day” shall mean any day other than (i) a Saturday or a Sunday, or (ii) a day on which the Agent is authorized or obligated by law, regulation, governmental decree or executive order to be closed.

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

“Code” means the Internal Revenue Code of 1986, as amended.

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

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

“Conversion Date” has the meaning set forth in the Loan Agreement.

“Conversion to the Permanent Phase” has the meaning given to that term in the Loan Agreement.

“Deed of Trust” means the Construction to Permanent Deed of Trust, with Assignment of Rents, Security Agreement, and Fixture Filing executed as of August 20, 2013 by the Borrower and Corporation for Better Housing, collectively, as trustor, naming the Agent, in its capacity as agent for the Issuer, as beneficiary thereunder, encumbering (among other things) the Project and securing the Loan, as recorded in the official records of County of Contra Costa, California.

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

“Interest Payment Date” means the tenth (10th) day of each month, commencing September 10, 2013.

“Investor Limited Partner” means Alliant Credit Facility, Ltd., a Florida limited partnership, and its permitted successors and assigns.

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

“Loan Agreement” means the Loan Agreement Construction to Permanent, executed as of August 20, 2013, by and between the Agent, in its capacity as agent for the Issuer, and the Borrower, as it may be amended or supplemented in accordance with its terms.

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

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

“Note” means the Promissory Note, dated as of August 20, 2013, in the face principal amount of \$5,100,000, executed by Borrower to the order of the Agent, as agent for the Issuer, and evidencing the Borrower’s obligation to repay the Loan.

“Note Rate” means the rate of interest payable on the Bonds, which equals the rate of interest payable on the Note, which rate shall at no time exceed the Maximum Lawful Rate.

“Permanent Phase Loan Amount” has the meaning set forth in the Loan Agreement..

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

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

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

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

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

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

(6) shares in any investment company registered under the federal Investment Company Act of 1940 whose shares are registered under the federal Securities Act of 1933 and

whose only investments are government securities described in clause (1) or (2) of this definition and repurchase agreements fully secured by government securities described in clause (1) or (2) of this definition and/or other obligations rated AAA by S&P, including investment companies and master repurchase agreements from which the Agent or an affiliate derives a fee for investment advising or other service;

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

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

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

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

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

“Project” means the 30-unit multifamily rental housing project known as Oak Ridge Family Apartments (including one manager’s unit) and located in the City of Oakley, California.

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

“Regulatory Agreement” means that certain Regulatory Agreement and Declaration of Restrictive Covenants relating to the Project, dated as of August 1, 2013, between the Issuer and the Borrower, as it may be supplemented or amended in accordance with its terms.

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

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

“State” means the State of California.

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

ARTICLE 2

BONDS

Section 2.1. Issuance of Bonds to Fund Loan; Draw-Down Bonds. This Pledge and Assignment is entered into by the Issuer in order to provide financing for the Project through the

issuance of the Bonds. The Bonds are issued as draw-down bonds. The proceeds of the Bonds shall be advanced by the Holder directly to the Agent for the account of the Issuer as and when needed by the Agent to make each advance under the Loan Agreement, and shall be applied by the Agent for the account of the Issuer to the funding of the Loan pursuant to the terms of the Loan Agreement. As consideration for the issuance and delivery of the Bonds, the Holder agrees to purchase, at par, the Bonds in an aggregate face amount (maximum principal amount) of up to \$5,100,000. Concurrently with each advance of principal by the Agent, for the account of the Issuer, to the Borrower under the Loan Agreement of the proceeds of the Loan, including the initial advance of \$782,533.47 pursuant to the Loan Agreement, the Holder shall deliver to the Agent, for the account of the Issuer, and on account of the Holder's purchase of a corresponding principal amount of the Bonds, an amount equal to the amount so advanced by the Agent, on account of the Issuer, to the Borrower under the Loan Agreement. Subject to the terms and conditions of the Loan Agreement, the Agent agrees to advance to the Borrower under the Loan Agreement, and the Holder agrees to deliver to the Agent for the account of the Issuer, at least \$782,533.47 on the Closing Date, and the Holder agrees to purchase Bonds in at least such amount on the Closing Date.

Section 2.2. Form, Amount and Delivery of Bonds. The Bonds secured hereby are designated "County of Contra Costa Multifamily Housing Revenue Bonds (Oak Ridge Family Apartments) 2013 Series A" and shall be delivered in substantially the form attached hereto as Exhibit A. The Bonds are being issued in the aggregate face amount of \$5,100,000, and will be payable and mature, subject to prior redemption thereof, as provided herein.

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

The Bonds shall mature, and become due and payable in full, together with all accrued and unpaid interest thereon, to the extent full payment has not already been made pursuant to the Note, on May 10, 2035.

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

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

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

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

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

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

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

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

Section 2.9. Reserved.

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

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

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

(c) The Bonds shall be subject to redemption in whole on the Outside Conversion Date (as defined in the Loan Agreement), if the Conversion to the Permanent Phase has not occurred on or before the Outside Conversion Date, at a price equal to the outstanding principal amount of the Bonds plus interest accrued thereon to the date fixed for redemption, together with any applicable premium.

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

(e) The Bonds shall be subject to mandatory redemption, in part, on the Conversion Date in an amount necessary to cause the principal amount of the Bonds outstanding to equal the Permanent Phase Loan Amount, together with all interest accrued thereon through the Conversion Date.

(e) The Bonds are subject to mandatory redemption, in part, at a price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption, without premium, upon and in the amount of scheduled principal payments made under the Note.

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

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

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

Section 2.12. Effect of Redemption. The Bonds so called for redemption shall, on the redemption date selected by the Holder, become due and payable at the redemption price specified herein.

ARTICLE 3

SECURITY FOR THE BONDS

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

- (a) The Note endorsed without recourse in blank by the Agent;
- (b) The originally executed Loan Agreement and Regulatory Agreement;
- (c) The originally executed Deed of Trust and all other Loan Documents existing at the time of delivery of the Note and an assignment for security of the Deed of Trust from the Agent to the Holder, in recordable form;
- (d) Uniform Commercial Code financing statements or other chattel security documents giving notice of the Holder's status as an assignee of the Agent's security interest in any personal property forming part of the Project, in form suitable for filing; and
- (e) Uniform Commercial Code financing statements giving notice of the pledge by the Issuer and the Agent of the Collateral pledged under this Pledge and Assignment.

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

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

ARTICLE 4

SERVICING THE LOAN AND THE BONDS

Section 4.1. Servicing the Loan. The Agent shall take all steps necessary to maintain its qualifications to act hereunder as mortgagee, and shall service and administer the Loan in accordance with standard mortgage banking practices, taking all steps and exercising the same

degree of care and skill with respect to the Loan, the Project and the Loan Documents that it would take or exercise under the circumstances in protecting its own interests as a mortgage lender or investor therein. Except as specifically noted below, the Agent shall have full power and authority, acting alone, to do any and all things in connection with such servicing and administration of the Loan that it may deem necessary or desirable, including, without limitation, the following:

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

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

(c) The collection, holding and disbursement in accordance with the requirements of the Loan Documents and any applicable laws, of all payments of principal and interest due under the Loan, and any other payments or sums due under or with respect to the Loan, the Deed of Trust or other Loan Documents, including, without limitation, all payments for taxes, assessments, hazard insurance premiums, service charges and late payment fees, all proceeds of title and hazard insurance policies, letters of credit, and all condemnation awards.

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

(i) consent to or permit an increase in the maximum amount of the Loan, reduce the interest rate thereon, or extend the maturity date of the Note (except as expressly provided in the Loan Documents) or the due date of any principal payment thereof or the date for commencement of amortization, or

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

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

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

shall invest any undisbursed proceeds of the Bonds received by the Agent, if any, in Permitted Investments, as directed by the Borrower and approved by the Holder.

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

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

(a) The Holder shall have the right to sell the Bonds in denominations of not less than \$100,000 and interests in the Bonds in amounts not less than \$100,000 (unless the total amount of the Bonds outstanding is less than \$100,000, in which case, the Bonds may be in a denomination equal to the aggregate amount of all of the Bonds outstanding, and provided further that, in any event, the denominations need not be in multiples of \$100,000) to a Qualified Institutional Buyer without the consent of the Issuer, so long as the purchaser provides an Investor Letter substantially in the form attached hereto as Exhibit B and so long as the purchaser acknowledges in writing that it shall have no right to pursue any action or claim against the Issuer except as may be provided by, and as may be limited by, this Pledge and Assignment. This restriction on transfer shall not apply at any time at which the Bonds are rated "A" or better. The Holder shall provide written notice to the Issuer identifying any person or entity acquiring the Bonds or interests therein. The Holder may disclose to any purchaser or prospective purchaser any information or other data or material in the Holder's possession relating to the Issuer, the Bonds and the Project, without the consent of or notice to the Issuer.

(b) Nothing contained in this Section 4.4 shall be deemed to limit or otherwise restrict the sale by any Holder of any participation interests in any Bond, provided that the Holder shall remain the holder of record of such Bond following the sale of any such participation interest, to a Qualified Institutional Buyer (in which event such Holder shall remain Holder for all purposes of this Pledge and Assignment); provided any such participation shall be in a principal amount of at least \$100,000.

Section 4.5. Indemnification of Issuer by Agent. The Holder acknowledges that notwithstanding any other provision of this Pledge and Assignment, the Agent is acting as an independent contractor and not as the agent of Issuer in servicing and administering the Loan. The Agent agrees to indemnify, hold harmless and defend the Issuer and its officers, members of its Board of Supervisors and employees against all loss, costs, damages, expenses, suits,

judgments, actions and liabilities of whatever nature (including, without limitation, attorneys' fees, litigation and court costs, amounts paid in settlement, and amounts paid to discharge judgments) directly or indirectly resulting from or arising out of or related to any act or omission on the part of the Agent under this Pledge and Assignment.

ARTICLE 5

DEFAULTS ON LOAN

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

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

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

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

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

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

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

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

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

Section 5.2. Action After Consultation With Holder. Upon the happening of any default by the Borrower under the Loan Agreement, the Note or the Deed of Trust, the Agent

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

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

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

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

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

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

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

ARTICLE 6

REPRESENTATIONS AND COVENANTS BY AGENT AND ISSUER

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

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

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

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

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

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

ARTICLE 7

BOOKS AND RECORDS; REPORTS

Section 7.1. Books and Records. The Agent shall at all times keep proper books, accounts and records relating to the Loan, the Project, the Loan Documents and the Bonds in a manner conforming to normal banking practices and in accordance with generally accepted accounting principles. All such books, accounts and records shall be accessible for inspection or duplication by the Holder or the Issuer, or their respective representatives during normal business hours or at any other reasonable times.

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

ARTICLE 8

NONRECOURSE; OBLIGATIONS NOT DEBT OF ISSUER, AGENT OR STATE

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

The Bonds, together with the interest and premium (if any) thereon and the purchase price thereof, shall not be deemed to constitute a debt or liability of the Issuer, the State, any political subdivision thereof or any public agency or a pledge of the faith and credit of the Issuer,

the State, any political subdivision thereof or any public agency, but shall be payable solely from the funds provided therefor pursuant to this Pledge and Assignment. The Bonds are only a limited obligation of the Issuer as provided by the Act, and neither the Issuer nor any of its members, shall under any circumstances be obligated to pay the Bonds except from the Collateral.

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

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

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

Section 8.2. Waiver of Personal Liability. No members of the Board of Supervisors, officer, agent or employee of the Issuer shall be individually or personally liable for the payment of any principal (or redemption price) or interest on the Bonds or any other sum hereunder or be subject to any personal liability or accountability by reason of the execution and delivery of this Pledge and Assignment; but nothing herein contained shall relieve any such member of the

Board of Supervisors, director, officer, agent or employee from the performance of any official duty provided by law or by this Pledge and Assignment.

ARTICLE 9

DEFAULTS UNDER THIS PLEDGE AND ASSIGNMENT AGREEMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 9.3. Continuance of Obligations Upon Default by Agent. Notwithstanding any other provision of this Pledge and Assignment, upon the occurrence and continuance of any Event of Default caused by or resulting from action, inaction or other condition on the part of the Agent (a) the Bonds shall for all purposes hereof remain outstanding and shall continue in full force and effect until paid in full or cancelled, and (b) the Holder shall have the right, in its sole discretion, to exercise such rights, powers and remedies hereunder or at law as may be required to become the mortgagee of record for the Loan and to service and administer the Loan and the Bonds, and shall thereupon service and administer the Loan as mortgagee of record, or shall have the right to retain another mortgagee to so service and administer the Loan on its own behalf and administer the Bonds as agent and on behalf of the Issuer, in accordance with Sections 4.1, 4.2, 4.3, 5.1, 5.2 and 5.3 hereof, until retirement of the Bonds. Further, notwithstanding any such Event of Default, the provisions set forth in Section 4.5 hereof shall continue in full force and effect.

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

remedies hereunder or at law, and (c) the Agent shall, to the extent possible under the law and in the best interests of the Holder, continue to service the Loan as mortgagee of record and continue to service and administer the Bonds as agent and on behalf of the Issuer in accordance herewith until retirement of the Bonds.

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

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

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

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

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

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

ARTICLE 10

MISCELLANEOUS

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

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

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

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

To the Issuer:

County of Contra Costa
Department of Conservation and Development
30 Muir Road
Martinez, CA 94553
Attention: Community Development Bond Program Manager

To the Holder: Mechanics Bank
725 Alfred Noble Drive
Hercules, California 94547
Attention: Loan Services

To the Borrower: 73 Carol Ln., L.P.
c/o Corporation for Better Housing
15303 Ventura Blvd., Suite 1100
Sherman Oaks, CA 91403
Attention: David Sclafani

With a copy to the Investor
Limited Partner: Alliant Credit Facility, Ltd., a Florida
limited partnership
c/o Alliant Asset Management
Company, LLC
21600 Oxnard Street, Suite 1200
Woodland Hills, CA 91367

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

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

Section 10.7. Consent to Assignment. The Issuer agrees that Mechanics Bank shall have the right to assign all of the rights that it holds under this Pledge and Assignment, either as “Agent” or as “Holder,” to any Affiliate or other permitted successors or assigns of Mechanics Bank. The Issuer will execute and deliver to the Agent any documents necessary to effectuate such assignment, and will not take any action to impair the Agent’s right to assign pursuant to this Section 10.7.

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

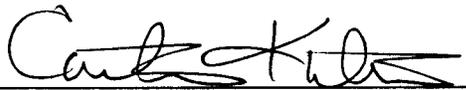
Section 10.9. Amendments, Successors and Assigns, Headings and Counterparts. Any of the terms of this Pledge and Assignment and the Bonds may be amended or waived only by an instrument signed by the Issuer, the Agent and the Holder. All of the terms of this Pledge and Assignment shall be binding upon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

Section 10.10. Delivery, Consent and Direction if Agent and Holder are the Same Entity. So long as the Agent and the Holder are the same entity, the Agent shall not be required to deliver to the Holder any notice, document, instrument or report required to be delivered by the Agent to the Holder hereunder and the Agent may take any action hereunder that the Agent is authorized to take with the consent or upon the direction of the Holder without the receipt of such consent or direction.

Remainder of this page left intentionally blank.

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

COUNTY OF CONTRA COSTA

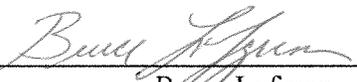
By: 
Authorized Representative

[Master Pledge and Assignment – Oak Ridge]

MECHANICS BANK,
as Agent

By: 
Bruce Lofgren
Vice President

MECHANICS BANK,
as Holder

By: 
Bruce Lofgren
Vice President

[Master Pledge and Assignment – Oak Ridge]

EXHIBIT A

FORM OF BOND

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

\$5,100,000

(Maximum Principal Amount)

COUNTY OF CONTRA COSTA
MULTIFAMILY HOUSING REVENUE BONDS
(OAK RIDGE FAMILY APARTMENTS)
2013 SERIES A

<u>Maximum Principal Amount</u>	<u>Current Principal Amount</u>	<u>Maturity Date</u>	<u>Dated Date</u>
\$5,100,000	See Attached Principal Schedule	May 10, 2035	Date of Delivery

HOLDER: _____

The County of Contra Costa, a political subdivision of the State of California (the “Issuer”), for value received, hereby promises to pay, but only from the Collateral or the proceeds thereof (as that term is defined in the Pledge and Assignment hereinafter described), to the order of the Holder specified above, or its registered assignee (the “**Holder**”), at its office in Hercules, California, or such other place as the Holder may designate in writing, from the source and in the manner hereinafter provided, the principal sum of \$5,100,000, or such lesser amount as may be deemed outstanding hereunder with interest on the unpaid balance of this Bond from the Dated Date until this Bond is fully paid, at the rate computed as specified below, in any coin or currency which at the time or times of payment is legal tender for the payment of public or private debts in the United States of America. All capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the Loan Agreement, the Note or the Pledge and Assignment hereinafter defined.

This Bond constitutes all or part of an issue in the total authorized principal amount of \$5,100,000 issued by the Issuer to provide moneys to fund a loan (the “**Loan**”) to be made for the account of the Issuer to 73 Carol Ln., L.P., a California limited partnership (the “**Borrower**”), for the purpose of financing the construction and development of a 30-unit

multifamily rental housing project located in Oakley, California, and known as Oak Ridge Family Apartments (the “**Project**”).

The obligations of the Borrower under the Loan will be evidenced by that certain Promissory Note, dated as of August 20, 2013, in the amount of \$5,100,000 (the “**Note**”) made by the Borrower to the order of Mechanics Bank as agent (the “**Agent**”) for the Issuer pursuant to a Master Agency Agreement dated as of August 1, 2013, between the Issuer and the Agent. This Bond is secured by a Master Pledge and Assignment (the “**Pledge and Assignment**”), dated as of August 1, 2013, by and among the Issuer, the Agent and the Holder.

The principal amount of this Bond from time to time outstanding shall bear interest at the Note Rate until the maturity or earlier redemption thereof, computed on the same basis that interest is computed under the Note. Payments of principal and interest shall be due and payable in installments as set forth in the Note.

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

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

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

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

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

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

not less than \$100,000 and interests in the Bonds in amounts not less than \$100,000 (unless the total amount of the Bonds outstanding is less than \$100,000, in which case, the Bond may be in a denomination equal to the aggregate amount of all of the Bonds outstanding, and provided further that, in any event, the denominations need not be in multiples of \$100,000) and only, except in the case of transfer of a participation interest, upon receipt from the purchaser of an Investor Letter in the form attached to the Pledge and Assignment.

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

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

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

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

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

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

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

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

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

Neither the Borrower, the Agent nor any Holder shall look to the Issuer or any of its members of the Board of Supervisors, officers, attorneys, accountants, financial advisors, agents or staff or any successor or public entity for monetary damages suffered by the Borrower, the

Agent or such Holder as a result of the failure of the Issuer to perform any covenant, undertaking or obligation under the Pledge and Assignment, the Agency Agreement, this Bond, the Regulatory Agreement or any of the other documents referred to herein, or as a result of the incorrectness of any representation made by the Issuer in any of such documents, nor for any other reason. Although the Pledge and Assignment recognizes that such documents shall not give rise to any pecuniary liability of the Issuer, nothing contained in the Pledge and Assignment or this Bond shall be construed to preclude in any way any action or proceeding (other than that element of any action or proceeding involving a claim for monetary damages against the Issuer) in any court or before any governmental body, agency or instrumentality or otherwise against the Issuer or any of its members of the Board of Supervisors, officers or employees to enforce the provisions of any of such documents which the Issuer is obligated to perform and the performance of which the Issuer has not assigned to the Agent or any other person.

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

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

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

COUNTY OF CONTRA COSTA

By: _____
Chair of the Board of Supervisors

ATTEST:

Clerk of the Board of Supervisors

EXHIBIT B

FORM OF INVESTOR LETTER

[Date]

County of Contra Costa
Martinez, California

Mechanics Bank, as Agent
2251 Douglas Blvd., Suite 210
Roseville, CA 95661

RE: County of Contra Costa Multifamily Housing Revenue Bonds
(Oak Ridge Family Apartments) 2013 Series A

Ladies and Gentlemen:

The undersigned (the “Purchaser”) hereby acknowledges receipt, [as transferee from the previous owner thereof,] of the above-referenced bonds (the “Bonds”), dated August 29, 2013 and bearing interest from the date thereof, in fully registered form and in the aggregate principal amount of \$5,100,000, constituting [all/not less than \$100,000 aggregate principal amount] of the Bonds currently outstanding. The Bonds have been checked, inspected and approved by the Purchaser.

The undersigned acknowledges that the Bonds were issued for the purpose of making a mortgage loan to finance the construction and development of a multifamily rental housing development located in Oakley, California (the “Project”), as more particularly described in that certain Loan Agreement Construction to Permanent, dated of as August 20, 2013 (the “Loan Agreement”), by and between Mechanics Bank in its capacity as agent (the “Agent”) for the County of Contra Costa (the “Issuer”), and 73 Carol Ln., L.P., a California limited partnership (the “Borrower”). The undersigned further acknowledges that the Bonds are secured by a Master Pledge and Assignment dated as of August 1, 2013 (the “Pledge and Assignment”), from the Issuer and the Agent to the Holder of the Bonds.

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

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

to bear the risks of this investment for an indefinite time, since any sale prior to maturity may not be possible.

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

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

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

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

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

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

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

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

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

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

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

[PURCHASER]

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

\$5,100,000

(Maximum Principal Amount)

COUNTY OF CONTRA COSTA
MULTIFAMILY HOUSING REVENUE BONDS
(OAK RIDGE FAMILY APARTMENTS)
2013 SERIES A

<u>Maximum Principal Amount</u>	<u>Current Principal Amount</u>	<u>Maturity Date</u>	<u>Dated Date</u>
\$5,100,000	See Attached Principal Schedule	May 10, 2035	Date of Delivery

HOLDER: MECHANICS BANK

The County of Contra Costa, a political subdivision of the State of California (the “Issuer”), for value received, hereby promises to pay, but only from the Collateral or the proceeds thereof (as that term is defined in the Pledge and Assignment hereinafter described), to the order of the Holder specified above, or its registered assignee (the “**Holder**”), at its office in Hercules, California, or such other place as the Holder may designate in writing, from the source and in the manner hereinafter provided, the principal sum of \$5,100,000, or such lesser amount as may be deemed outstanding hereunder with interest on the unpaid balance of this Bond from the Dated Date until this Bond is fully paid, at the rate computed as specified below, in any coin or currency which at the time or times of payment is legal tender for the payment of public or private debts in the United States of America. All capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the Loan Agreement, the Note or the Pledge and Assignment hereinafter defined.

This Bond constitutes all or part of an issue in the total authorized principal amount of \$5,100,000 issued by the Issuer to provide moneys to fund a loan (the “**Loan**”) to be made for the account of the Issuer to 73 Carol Ln., L.P., a California limited partnership (the “**Borrower**”), for the purpose of financing the construction and development of a 30-unit multifamily rental housing project located in Oakley, California, and known as Oak Ridge Family Apartments (the “**Project**”).

The obligations of the Borrower under the Loan will be evidenced by that certain Promissory Note, dated as of August 20, 2013, in the amount of \$5,100,000 (the “**Note**”) made by the Borrower to the order of Mechanics Bank as agent (the “**Agent**”) for the Issuer pursuant

to a Master Agency Agreement dated as of August 1, 2013, between the Issuer and the Agent. This Bond is secured by a Master Pledge and Assignment (the “**Pledge and Assignment**”), dated as of August 1, 2013, by and among the Issuer, the Agent and the Holder.

The principal amount of this Bond from time to time outstanding shall bear interest at the Note Rate until the maturity or earlier redemption thereof, computed on the same basis that interest is computed under the Note. Payments of principal and interest shall be due and payable in installments as set forth in the Note.

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

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

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

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

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

Subject to the provisions of the Pledge and Assignment, this Bond may not be sold, assigned, transferred, participated or otherwise disposed of, in whole or in part, except upon satisfaction of the requirements of the Pledge and Assignment, including, but not limited to, the requirement that this Bond be sold or assigned only to Qualified Institutional Buyers (as defined in the Pledge and Assignment), only in denominations of not less than \$100,000 and interests in the Bonds in amounts not less than \$100,000 (unless the total amount of the Bonds outstanding is less than \$100,000, in which case, the Bond may be in a denomination equal to the aggregate amount of all of the Bonds outstanding, and provided further that, in any event, the denominations need not be in multiples of \$100,000) and only, except in the case of transfer of a participation interest, upon receipt

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

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

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

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

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

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

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

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

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

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

Neither the Borrower, the Agent nor any Holder shall look to the Issuer or any of its members of the Board of Supervisors, officers, attorneys, accountants, financial advisors, agents or staff or any successor or public entity for monetary damages suffered by the Borrower, the Agent or such Holder as a result of the failure of the Issuer to perform any covenant, undertaking or obligation under the Pledge and Assignment, the Agency Agreement, this Bond, the Regulatory Agreement or any of the other documents referred to herein, or as a result of the incorrectness of any representation made by the Issuer in any of such documents, nor for any other reason. Although the Pledge and Assignment recognizes that such documents shall not

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

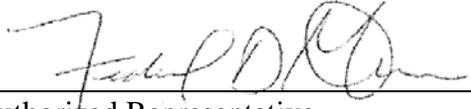
It is intended that this Bond is made with reference to and shall be construed as a contract governed by the laws of the State.

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

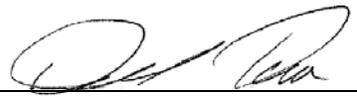
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IN WITNESS WHEREOF, the Issuer has caused this Bond to be executed and attested on its behalf by the manual or facsimile signatures of its duly authorized officers, all as of the date first set forth above.

COUNTY OF CONTRA COSTA

By  _____
Authorized Representative

Attest:

 _____
Authorized Attesting Officer

PROVISIONS AS TO REGISTRATION

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

<u>Date of Registration</u>	<u>Name of Registered Holder</u>	<u>Principal Amount Outstanding</u>	<u>Signature of Agent</u>
_____	MECHANICS BANK	_____	_____
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**PROMISSORY NOTE
FLOATING RATE LOAN
CONVERTING TO FIXED RATE LOAN
(Oak Ridge)**

Date: August 20, 2013

\$5,100,000

Property Location: 73 Carol Lane, Oakley, California

FOR VALUE RECEIVED, the undersigned, 73 CAROL LN., L.P., a California limited partnership (“**Borrower**”), promises to pay to the order of Mechanics Bank, a California banking corporation, acting in its capacity as agent for the County of Contra Costa, a political subdivision of the State of California (“**Issuer**”), under and pursuant to the Master Agency Agreement dated as of August 1, 2013, between the Issuer and Agent (“**Agency Agreement**”), at 725 Alfred Nobel Drive, Hercules, California 94547, Attention: Loan Services, or at such other place as the Lender may from time to time designate, the principal sum of Five Million and One Hundred Thousand No/100th Dollars (\$5,100,000), with interest on the unpaid principal balance of this Note at the Floating Interest Rate, the Fixed Interest Rate (each, as defined in Section 1, below) or the Default Rate (as defined in Section 6.2, below), as applicable, all subject to the terms and conditions of this Note. As used herein, “**Regular Interest**” shall mean the Floating Interest Rate or the Fixed Interest Rate (and not the Default Rate), as applicable. Issuer and its successors in interest in and to this Note, acting through Agent during the term of Agent’s agency and acting on their own behalf or through other agents thereafter, are referred to in this Note as “**Lender**”. Certain terms used but not specifically defined herein are defined in that certain Master Pledge and Assignment (the “**Master Pledge and Assignment**”) dated as of August 1, 2013, by and among Issuer, Agent and Mechanics Bank, as holder (“**Holder**”), and in that certain Loan Agreement Construction to Permanent dated as of even date herewith, by and between Borrower and Agent (“**Loan Agreement**”). All principal, interest and other sums due hereunder shall be payable, without offset or deduction, in lawful money of the United States.

This “**Note**” is given by Borrower in connection with that certain Loan (the “**Loan**”) being made by Lender in favor of Borrower pursuant to that certain Loan Agreement Construction to Permanent dated as of even date herewith (the “**Loan Agreement**”). This Note, the Loan Agreement, the Deed of Trust (as described in Section 8 below), and any and all other documents and instruments which have been executed and delivered in connection with the Loan are hereinafter collectively referred to as the “**Loan Documents**.” The outstanding principal balance of this Note shall, from time to time, be equal to all amounts advanced on the Loan, less the amount of any principal payments or principal prepayments which have been made hereunder. All capitalized terms set forth herein that are not otherwise defined herein, shall have the meanings ascribed to such terms in the Loan Agreement.

1. REGULAR INTEREST.

- 1.1 **Prior to Conversion Date.** Except as otherwise expressly provided in this Note or the Loan Agreement, prior to the Conversion Date (as defined in Section 1.22 of the Loan Agreement), Regular Interest shall accrue on the unpaid principal owing hereunder from the date on which any Loan amounts are funded pursuant to the Loan Agreement through the date that all indebtedness and other amounts evidenced by, or payable under, this Note are paid, whether upon the Maturity Date (as defined in Section 2.4 below), acceleration, or otherwise, at an adjustable rate equal to the Index (defined below) in effect from time to time plus two and one-quarter percent (2.25%) per annum (the “**Floating Interest Rate**”). As used herein and in the other Loan Documents, the term “**Index**” means, as of any date of calculation, the “1 Month BBA LIBOR” (as defined

below), as published by Reuters (or other commercially available sources providing quotations of such index selected by Lender). For purposes of this Note, the term “1 Month BBA LIBOR” means, as of any date of calculation, the one (1) month British Bankers' Association LIBOR Rate, as determined at 11:00 a.m. London Time on the business day immediately preceding the date of calculation, for U.S. Dollar deposits, as acceptable to Lender

The Index shall be determined by Lender once each calendar month as of the tenth (10th) day of that calendar month, and the interest rate charged under this Note shall be adjusted as of the tenth (10th) day of each calendar month to reflect any changes to the Index; provided, however, that interest accruing under this Note shall be calculated on a 360-day year basis for the actual number of days elapsed. The initial interest rate charged under this Note shall be based upon the first (1st) publication day preceding the Loan Closing. Interest accruing under this Note shall be calculated on a 360-day year basis (for the actual number of days elapsed).

- 1.2 **From and After the Conversion Date.** Except as otherwise expressly provided in this Note or the Loan Agreement, Regular Interest shall accrue on the unpaid principal owing hereunder from the Conversion Date (as defined in the Loan Agreement) through the Maturity Date, or the earlier payment of this Note in accordance with the terms hereof, whether upon acceleration or otherwise, at a fixed annual rate (the “Fixed Interest Rate”) equal to 5.50%.

2. **PAYMENTS.**

- 2.1 **Monthly Payments Prior To Conversion Date.** Prior to the Conversion Date, Borrower shall make monthly interest only payments in an amount equal to the Regular Interest which has accrued from the date of disbursement upon those amounts of the Loan which have been disbursed pursuant to the Loan Agreement. Monthly interest only payments shall be due and payable in arrears on the tenth (10th) day of each calendar month.

- 2.2 **Monthly Payments From and After the Conversion Date.** Commencing on the tenth day (the “First Amortization Payment Date”) of the first full calendar month which follows the Conversion Date, and continuing on the tenth day of each calendar month thereafter, Borrower shall make monthly installments of combined principal and interest until the entire indebtedness evidenced hereby is fully paid, except that any remaining indebtedness, if not sooner paid, shall be due and payable upon the Maturity Date. The amount of each monthly payment to be paid commencing on the First Amortization Payment Date and continuing on the tenth (10th) day of each succeeding calendar month thereafter will be an amount equal to the payment necessary, as determined by Lender, to fully amortize the principal amount of this Note which is outstanding on the Conversion Date (calculated after the payment of any mandatory payment of principal required under Section 2.3, below), together with interest at the Fixed Interest Rate, in equal monthly payments of principal and interest, over a three hundred sixty (360)-month amortization period.

- 2.3 **Mandatory Payments on Conversion Date.**

- 2.3.1 If the Conversion Conditions have not been fully satisfied on or before the Outside Conversion Date, then the entire outstanding principal balance of this

Note, together with all accrued and unpaid interest, shall become immediately due and payable in full on the Outside Conversion Date.

2.3.2 In any event, Borrower shall pay to Lender, on or before the Conversion Date, on account of the principal of the Loan, an amount sufficient to reduce the outstanding principal balance of this Note, on the Conversion Date, to the lesser of (a) One Million Nine Hundred Sixteen Thousand and No/100th Dollars (\$1,916,000) or (b) the “Permanent Phase Loan Amount” (as calculated by Lender pursuant to Section 3.2.10 of Exhibit C to the Loan Agreement).

2.4 **Maturity Date.** On the Maturity Date, the entire outstanding principal balance of this Note, together with all accrued and unpaid interest, shall become immediately due and payable. The “**Maturity Date**” shall be the earlier of (a) the last day of the two hundred sixteenth (216th) month following the First Amortization Payment Date, or (b) August 10, 2033. Checks will constitute payment only when collected.

2.5 **Acceleration.** Notwithstanding the foregoing, all indebtedness evidenced by this Note shall become due prior to the Maturity Date upon any acceleration of this Note upon the occurrence of a Default (as defined in Section 6 below) or in connection with any other acceleration right of Lender set forth in this Note, the Loan Agreement, or in any of the other Loan Documents.

3. **PREPAYMENTS PRIOR TO CONVERSION DATE.** Borrower may prepay all or any part of the outstanding principal balance of this Note at any time on or prior to the Conversion Date, which prepayment shall be without any additional prepayment premium, fee, or other charge.

4. **PREPAYMENTS FROM AND AFTER CONVERSION DATE.**

4.1 **Definitions.** As used in this Note, the terms listed below shall have the following meanings:

Assumed Reinvestment Rate shall mean one-twelfth (1/12) of the yield rate as of the date five (5) Business Days (defined as any day other than Saturday or Sunday or any other day on which banks are not required or authorized to close in California) prior to the Prepayment Date, of the yield to maturity of the U.S. Treasury Security trading closest to par value and maturing on, or within three (3) months prior to, the scheduled Maturity Date, as reported in the Wall Street Journal, expressed as a decimal calculated to five (5) digits.

Monthly Note Rate shall mean one-twelfth (1/12) of the annual Fixed Interest Rate of this Note then in effect, expressed as a decimal calculated to five digits.

Prepayment Date shall mean the date on which the prepayment is made.

Present Value Factor shall mean the factor that discounts to present value the costs resulting to Lender from the difference in interest rates during the months remaining in the Yield Maintenance Period, using the Assumed Reinvestment Rate as the discount rate, with monthly compounding, expressed numerically as follows:

$$\frac{1 - \left(\frac{1}{1 + ARR} \right)^n}{ARR}$$

n = number of months remaining in Yield Maintenance Period

ARR = Assumed Reinvestment Rate

4.2 **Yield Maintenance Period.**

4.2.1 **Prepayment.** Between the Conversion Date and the scheduled Maturity Date (the “**Yield Maintenance Period**”), upon giving Lender thirty (30) days’ prior written notice, Borrower may prepay all of the unpaid principal balance of this Note on a scheduled monthly payment date by paying a prepayment premium in addition to the payment of principal, accrued interest and any other sums due Lender at the time of the prepayment. Such prepayment premium shall equal the present value of any costs to Lender resulting from the difference in interest rates between the Conversion Date and the date on which the prepayment is made, as calculated pursuant to Section 4.2.2 immediately below.

4.2.2 **Amount of Prepayment Premium.** The prepayment premium payable upon a prepayment during the Yield Maintenance Period shall be calculated as: (i) the amount of principal being prepaid; multiplied by (ii) the excess, if any, of the Monthly Note Rate over the Assumed Reinvestment Rate; multiplied by (iii) the Present Value Factor. Notwithstanding the foregoing, in no event shall the amount of a prepayment premium due during the Yield Maintenance Period be less than one percent (1%) of the amount of principal being prepaid. In the event that no yield is published on the applicable date for the U.S. Treasury Security used to determine the Assumed Reinvestment Rate, then the Lender shall select the non-callable U.S. Treasury Security maturing in the same year as the U.S. Treasury Security specified above with the lowest yield published in the Wall Street Journal as of the applicable date. If the publication of such yield rates in the Wall Street Journal is discontinued for any reason, Lender shall select a security with a comparable rate and term to the U.S. Treasury Security used to determine the Assumed Reinvestment Rate. The selection of an alternate security pursuant to this Section shall be made in Lender’s sole discretion and shall be conclusive.

4.2.3 **Prepayment for Principal Reduction.** Except as provided in Section 4.2.5 below, Borrower shall also pay a prepayment premium (as calculated in accordance with 4.2.2 above) with respect to any other reduction in the principal balance of this Note during the Yield Maintenance Period (a “**Principal Reduction**”) which reduces the principal balance of this Note to less than the scheduled principal balance as of the date such Principal Reduction is made, including, without limitation, any Principal Reduction resulting from the acceleration by Lender of the unpaid principal balance of this Note pursuant to the acceleration provisions contained in this Note and/or the Deed of Trust, upon Default by Borrower, including without limitation, violation by Borrower of the restrictions set forth in the Deed of Trust on the sale, transfer or encumbrance of the property or transfer of a beneficial interest in Borrower. Notwithstanding anything herein to the contrary, no prepayment premium shall be due with respect to any Principal Reduction resulting from the exercise of Lender’s option to apply insurance proceeds or condemnation awards to the unpaid principal balance of this Note pursuant to the terms of the Deed of Trust.

4.2.4 **Prepayment Premium Upon Default.** Borrower recognizes that a Default by Borrower causing a prepayment of this Note during the Yield Maintenance

Period will result in Lender incurring additional expense in servicing and enforcing this Note, loss of the use of the money due and interest accruing thereon, and frustration or impairment of Lender's ability to meet its commitments to third parties. Borrower agrees that, in the event of any such prepayment caused by Borrower's Default, Lender shall be entitled to damages for the detriment caused thereby, but that it is extremely difficult and impractical to ascertain the extent of such damages. Borrower therefore acknowledges and agrees that the prepayment premiums (as calculated in accordance with b.ii. above) set forth herein represent reasonable estimates of such damages to Lender which sum Borrower agrees to pay upon demand. Borrower acknowledges that the prepayment premium provisions contained herein are a material part of the consideration for this Note.

4.2.5 **During Last Ninety (90) Days.** Notwithstanding the foregoing and provided that Borrower is not in Default under this Note, the Loan Agreement, the Deed of Trust, or any of the other Loan Documents, there shall be no Prepayment Premium imposed in the event of a prepayment made within the ninety (90) days prior to the scheduled Maturity Date.

4.2.6 **Waiver.** BORROWER HEREBY EXPRESSLY (i) WAIVES ANY RIGHTS IT MAY HAVE UNDER CALIFORNIA CIVIL CODE § 2954.10 TO PREPAY THIS NOTE, IN WHOLE OR IN PART, WITHOUT PENALTY, UPON ACCELERATION OF THE MATURITY OF THIS NOTE DURING THE YIELD MAINTENANCE PERIOD, AND (ii) AGREES THAT IF A PREPAYMENT OF ANY OR ALL OF THIS NOTE IS MADE, FOLLOWING ANY ACCELERATION OF THE MATURITY OF THIS NOTE BY LENDER DURING THE YIELD MAINTENANCE PERIOD ON ACCOUNT OF ANY TRANSFER OR DISPOSITION AS PROHIBITED OR RESTRICTED BY PROVISIONS OF THE DEED OF TRUST, THEN BORROWER SHALL BE OBLIGATED TO PAY, CONCURRENTLY THEREWITH, AS A PREPAYMENT PREMIUM, THE APPLICABLE SUM SPECIFIED IN THIS NOTE. BY INITIALING THIS PROVISION IN THE SPACE PROVIDED BELOW, BORROWER HEREBY DECLARES THAT LENDER'S AGREEMENT TO MAKE THE SUBJECT LOAN AT THE INTEREST RATE AND FOR THE TERM SET FORTH IN THIS NOTE CONSTITUTES ADEQUATE CONSIDERATION, GIVEN INDIVIDUAL WEIGHT BY BORROWER, FOR THIS WAIVER AND AGREEMENT.

Borrower's Initials: DS

4.2.7 **Generally.** Prepayments shall be applied against the outstanding principal balance of this Note and shall not extend or postpone the due date of any subsequent monthly payments or change the amount of such payments, unless Lender shall agree otherwise in writing. Any partial prepayments must be made on the date monthly payments are due and be in the amount of that part of one or more monthly payments which would be applicable to principal.

5. **LATE CHARGES.** Borrower recognizes that default in making the monthly payments when due hereunder will result in Lender incurring additional expense in servicing the Loan, in loss to Lender of the use of the money due and in frustration to Lender in meeting its loan commitments. Borrower agrees that if, for any reason, any monthly installment of interest shall not be received by Lender within fifteen (15) calendar days after the date such installment is due, Lender shall be entitled to damages for the detriment caused thereby. Borrower therefore agrees to pay Lender a late charge of five percent (5%)

of such installment, or the maximum amount allowed by law, whichever is less, such late charge to be immediately due and payable without notice or demand by Lender. Borrower will pay this late charge only once for each late payment. This Section and the amount for which it provides shall not limit Lender's right, under this Note, the Deed of Trust, or otherwise, to compel prompt performance thereunder. Lender's failure to collect such late charge shall not constitute a waiver of Lender's right to require payment of such late charge for past or future Defaults. The late charge shall be in addition to all other rights and remedies available to Lender upon the occurrence of a default under the Loan Documents. Any such late charge shall be a payment with respect to the Loan but not the Bonds (and shall be made solely for the amount of the holder of the Bonds). BORROWER ACKNOWLEDGES AND AGREES THAT IT WOULD BE EXTREMELY DIFFICULT OR IMPRACTICABLE TO FIX THE ACTUAL DAMAGES RESULTING FROM BORROWER'S FAILURE TO PAY AMOUNTS WHEN DUE AND THEREFORE, SUBJECT TO THE PROVISIONS OF SECTION 11.5, HEREOF, SHALL PAY SUCH LATE CHARGE NOT AS A PENALTY, BUT FOR THE PURPOSE OF DEFRAYING THE EXPENSES INCIDENT TO SERVICING THE LOAN AND HANDLING AMOUNTS PAST DUE. FURTHER, BORROWER AGREES THAT A CHARGE OF FIVE PERCENT (5%) OF EACH DELINQUENT PAYMENT HEREUNDER IS A REASONABLE ESTIMATE OF THE DAMAGES TO LENDER. THE LATE CHARGES SHALL BE PAYABLE BY BORROWER WITHOUT PREJUDICE TO THE RIGHTS OF LENDER TO COLLECT ANY OTHER AMOUNTS TO BE PAID UNDER THIS NOTE OR THE DEED OF TRUST (INCLUDING, WITHOUT LIMITATION, LENDER'S RIGHT TO COLLECT INTEREST AT THE DEFAULT RATE (DEFINED IN SECTION 6.2 BELOW)).

Borrower's Initials: DS

6. **DEFAULT AND REMEDIES.**

6.1 There shall be a "Default" under this Note if any Event of Default occurs under the Loan Agreement, the Deed of Trust or any other Loan Document. Upon a Default, the entire principal amount outstanding hereunder and accrued interest thereon, together with Lender's costs and attorneys' fees incurred in collecting and/or enforcing payment hereof shall, without notice or demand, at once become due and payable.

6.2 Upon and during any Default under this Note (including, without limitation, a failure by Borrower to pay following Lender's acceleration of all amounts due under this Note), the Deed of Trust or any other Loan Document, the interest rate under this Note will increase to a rate equal to five percent (5%) above the Floating Interest Rate or Fixed Interest Rate, as applicable, otherwise payable under this Note ("Default Rate"). Borrower recognizes that: (i) any default in making any installment or other payment due hereunder will result in Lender incurring additional expenses due to Lender's loss of the use of the money due hereunder and the interest thereon; (ii) Lender will be entitled to damages for the detriment caused thereby; and (iii) it is extremely difficult and impractical to ascertain the extent of such damages. **BORROWER ACKNOWLEDGES AND AGREES THAT THE DEFAULT RATE INTEREST PROVIDED FOR HEREUNDER SHALL BE PAYABLE NOT AS A PENALTY BUT AS A REASONABLE ESTIMATE OF LENDER'S DAMAGES. THE DEFAULT RATE SHALL ACCRUE ON THE ENTIRE OUTSTANDING BALANCE HEREOF INCLUDING WITHOUT LIMITATION, DELINQUENT INTEREST AND ANY AND ALL COSTS AND EXPENSES INCURRED BY LENDER IN CONNECTION THEREWITH.**

Borrower's Initials: DS

6.3 Lender may exercise any right or remedy under this Note during any Default by Borrower regardless of any prior forbearance. The rights, powers and remedies of Lender permitted by law or contract or as set forth herein or in the Deed of Trust shall be cumulative and concurrent, and may be pursued singly, successively or together against Borrower or the Property, in such order as Lender may determine, in the sole discretion of Lender, and such rights, powers and remedies shall not be exhausted by any exercise thereof but may be exercised as often as occasion therefore shall occur. Additionally, the failure to exercise any such rights, powers and remedies or the acceptance by Lender of any payment hereunder which is less than payment in full shall not constitute a waiver of the right to exercise any of Lender's rights, powers or remedies at that time or any subsequent time. Lender shall not be prohibited from exercising its right to accelerate the Maturity Date of this Note at any time during the continuing of a Default.

7. **WAIVERS.** Borrower and all endorsers or guarantors of this Note for themselves, their heirs, legal representatives, successors and assigns, respectively, severally waive (i) presentment, demand, protest and notice of dishonor, (ii) any right to be released by reason of any extension of time or any modification or change in the terms of payment or any change, alteration or release of any security given for the payment hereof, (iii) any right to offset any amounts payable hereunder against, or to submit any counterclaims in respect of, any obligations of Lender to Borrower, and (iv) all rights to the benefits of any statute of limitations and any moratorium, appraisal and exemption now provided or which may hereafter be provided by any federal or state statute, including, without limitation, exemptions provided by or allowed under the United States Bankruptcy Code, as amended, both as to itself personally and as to all of its property, whether real or personal, against the enforcement and collection of the obligations evidenced and provided by this Note, the Loan Agreement, and the Deed of Trust, and any and all extensions, renewals and modifications hereof and thereof. The pleading of any statute of limitations as a defense to any demand against such Borrower, endorsers, guarantors and sureties is expressly waived by each and all said parties. No delay or omission on the part of Lender in exercising any right hereunder shall operate as a waiver of such right or any other right under this Note or any other Loan Document.

8. **DEED OF TRUST.** This Note is secured by a Construction to Permanent Deed of Trust, with Assignment of Rents, Security Agreement and Fixture Filing of even date herewith (the aforesaid Deed of Trust is referred to as the "**Deed of Trust**") encumbering Borrower's interest in certain real property in the City of Oakley, County of Contra Costa, State of California, and this Note is subject to all of the terms and conditions and entitled to all of the benefits of said Deed of Trust. This Note is further secured by, among other things, a UCC-1 Financing Statement of date herewith which evidences a security interest in, among other things, certain personal property, fixtures, equipment and leases as described therein.

9. **TREATMENT OF PAYMENTS.** All payments of principal, interest, late charges, and any other payments due under this Note shall be paid to Lender in lawful money of the United States of America by wire transfer or check of immediately available funds to such bank or place, or in such other manner, as Lender may from time to time designate. If such payment is received by Lender (or Lender's designee) at or before 2:00 p.m. pacific time, such payment will be credited to Borrower's account as of the date on which received. If such payment is received by Lender (or Lender's designee) after 2:00 p.m. pacific time, such payment will be credited to Borrower's account on the business day next following the date on which received. Checks will constitute payment only when collected. Each payment under this Note shall be applied in the following order of priority: (i) first, to any costs or expenses for which Borrower is liable hereunder or under the other Loan Documents, including any unpaid late charges and any reimbursement of costs and expenses incurred by Lender; (ii) second, to accrued and unpaid interest charged at the Default Rate, if any; (iii) third, to accrued and unpaid Regular Interest; and (iv) fourth, to unpaid principal.

10. **EFFECT OF NOTE.**

- 10.1 It is the intention of Lender and Borrower that this Note shall remain in full force and effect and shall continue to be secured by the Loan Documents until all obligations of Borrower to Lender under this Note have been fully satisfied.
- 10.2 Borrower acknowledges and agrees that the provisions of this Note shall not create a partnership, joint venture or any other relationship between the parties except the relationship of Borrower and Lender. Accordingly, nothing contained in this Note or in the other Loan Documents shall obligate or be deemed to obligate Lender to pay any costs, fees or expenses of the Property, or to reimburse Borrower for any such costs or otherwise. In addition, nothing in this Note or in any of the other Loan Documents shall be deemed to imply that Lender is an owner or operator of the Property or any other business or businesses located thereon or in connection therewith and Lender shall not be deemed to control or review Borrower's ownership or operation of the real property or any other business or businesses located thereon or in connection therewith.

11. **MISCELLANEOUS.**

- 11.1 **Time of the Essence.** Time is of the essence for the performance of each and every covenant of Borrower under this Note. Time is of the essence as to all dates set forth herein; provided, however, that whenever any payment to be made under this Note shall be due on a Saturday, a Sunday or a public holiday or the equivalent for banks generally under the laws of the State of California (any other day being a "**Business Day**"), such payment may be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest.
- 11.2 **Interpretation.** In this Note, the singular shall include the plural.
- 11.3 **Governing Law.** This Note and the rights, duties and liabilities of the parties hereunder and/or arising from or relating in any way to the indebtedness evidenced by this Note or the transaction of which such indebtedness is a part shall be governed by, and construed and enforced pursuant to the internal laws of the State of California without resort to choice of law principles.
- 11.4 **Usury.** This Note is subject to the express condition that at no time shall Borrower be obligated or required to pay interest on the principal balance of this Note at a rate which could subject Lender to either civil or criminal liability as a result of being in excess of the maximum rate which Borrower is permitted by law to contract or agree to pay. If by the terms of this Note Borrower is at any time required or obligated to pay interest on the principal balance of this Note at a rate in excess of such maximum rate, the rate of interest under this Note shall be deemed to be immediately reduced to such maximum rate and the portion of all prior interest payments in excess of such maximum rate shall be applied and shall be deemed to have been payments in reduction of the principal balance of this Note, or, at the election of Lender (unless otherwise required by applicable law) shall be held by Lender as cash collateral for application to sums which may become due in the future under this Note.
- 11.5 **Costs and Expenses.** To the fullest extent allowable under applicable law, Borrower agrees to pay (i) all costs of collection, (ii) all costs of defending and/or bringing suit, and (iii) all costs of foreclosure or other enforcement proceedings, arising out of or in connection with this Note, the Deed of Trust and/or the other Loan Documents. For the

purposes of this provision, "costs" shall include, without limitation, all attorneys' fees and expenses, consultants' fees and expenses, experts' fees and expenses and the like. In addition, Borrower agrees to pay all costs, including, without limitation, attorneys' fees incurred by Lender in enforcing payment whether or not suit is filed, including, without limitation, all attorney's fees and expenses incurred by Lender in connection with any bankruptcy, reorganization, or other similar proceedings involving Borrower which in any way affect the exercises by Lender of its rights and remedies hereunder. Without limiting the foregoing, any and all costs incurred by Lender in any action undertaken to obtain relief from the stay of bankruptcy statutes are specifically included and Borrower shall pay those costs pursuant hereto.

- 11.6 **No Waiver.** This Note and the provisions herein may not be waived, amended, modified, changed, terminated or discharged orally, but only by an instrument in writing signed by the party against whom enforcement of any waiver, amendment, modification, change, termination or discharge is sought. Additionally, a waiver of any provision in one event shall not be construed as a waiver of any other provision at any time, as a continuing waiver, or as a waiver of such provision on a subsequent event. Neither (i) the failure of Lender to exercise its right to accelerate this Note when such right shall become available, nor (ii) any delay or omission on the part of Lender in exercising any other option or right hereunder or under any of the other Loan Documents, shall operate as a waiver of such option or right.
- 11.7 **Severability.** The terms and provisions of this Note are severable. Any provision of this Note which shall be held by a court to be invalid, void or illegal shall in no way affect, impair or invalidate any other provision or term hereof, and such other provisions or terms shall remain in full force and effect.
- 11.8 **Successors and Assigns.** This Note shall be binding upon and inure to the benefit of Borrower and Lender and their respective successors and assigns, except that Borrower may not assign its rights hereunder or any interest herein without the prior written consent of Lender, which consent Lender may withhold in its sole and absolute discretion. Lender shall have the right, without notice to or consent by Borrower, to assign to one or more affiliates, subsidiaries or third parties all or any part of, and to grant participations to one or more affiliates, subsidiaries or third parties in or to, all or any part of this Note, and to the extent of any such assignment or participation (unless and to the extent otherwise stated therein) the assignee or participant of such assignment or participation shall have the same rights and benefits hereunder, under the Deed of Trust and under the other Loan Documents as it would have if it were Lender hereunder. Lender may, in connection with any such assignment or participation or proposed assignment or participation, disclose any nonpublic information relating to Borrower and its affiliates furnished to Lender by or on behalf of Borrower or any of its affiliates.
- 11.9 **Notices.** All notices, demands or requests relating to any matter set forth herein shall be in writing and shall be served by certified mail, return receipt requested, or by a reputable commercial overnight carrier that provides a receipt. All such notices or demands so served shall be with postage thereon fully prepaid, and addressed to the party so to be served at its address stated below, or at such other address of which said party shall have theretofore given notice in writing as provided herein. Any such notices or demands shall be deemed effective on the day of actual delivery as shown by the addressee's return receipt or upon the second (2nd) Business Day after the date of mailing, whichever is earlier in time, except that service of any notice of default or

notice of sale provided or required by law shall, if mailed, be deemed effective on the date of mailing. Notices shall be addressed as provided in the Loan Agreement.

- 11.10 **WAIVER OF TRIAL BY JURY.** IN ANY JUDICIAL ACTION OR PROCEEDING ARISING FROM OR RELATING TO THE LOAN OR THE LOAN DOCUMENTS, INCLUDING ANY ACTION OR PROCEEDING INVOLVING A CLAIM BASED ON OR ARISING FROM AN ALLEGED TORT, TO THE EXTENT PERMITTED BY APPLICABLE LAW BORROWER HEREBY WAIVES ANY RIGHT IT MAY HAVE TO REQUEST OR DEMAND A TRIAL BY JURY. VENUE FOR ANY ACTION RELATED TO THE LOAN OR LOAN DOCUMENTS SHALL BE IN AN APPROPRIATE COURT IN LOS ANGELES, CALIFORNIA SELECTED BY LENDER IN ITS SOLE AND ABSOLUTE DISCRETION TO WHICH BORROWER HEREBY CONSENTS, OR TO AN APPROPRIATE COURT IN ANOTHER VENUE HAVING JURISDICTION OVER THE PARTIES SELECTED BY LENDER TO WHICH BORROWER ALSO HEREBY CONSENTS.

12. **RECOURSE.**

- 12.1 Prior to the Conversion Date, all of Borrower's liabilities and obligations under this Note shall be with full recourse as against Borrower and its general partner.
- 12.2 From and after the Conversion Date, Lender's recovery under this Note or any Loan Documents shall be limited solely to the Real Property and personal property covered by the Deed of Trust and any other collateral given to Lender as security for Borrower's performance under the Loan Documents and such recovery shall not be a lien, or the basis of a claim of lien or levy of execution, against any other assets of Borrower or any general partner of Borrower; provided that, notwithstanding the foregoing, Borrower and any general partner of Borrower shall be fully and personally liable for any and all losses and costs or damages (including attorneys' fees incurred by Lender) arising from any of the following:
- 12.2.1 gross negligence, fraud, intentional misrepresentation by Borrower or any partner, officer, employee or agent of Borrower;
 - 12.2.2 failure to pay property taxes or other charges which may become liens on the real property senior to the lien of the Deed of Trust;
 - 12.2.3 any loss caused by failure of Borrower to maintain insurance coverage required by the Deed of Trust or any Loan Document;
 - 12.2.4 failure of Borrower to keep the Property in substantially good condition and repair or the commission of waste (provided, however, that after the Conversion Date, it shall not be waste if the Borrower shall fail to restore or repair the Property after any destruction, damage, or partial condemnation notwithstanding the availability of insurance or condemnation proceeds) on the Property by Borrower, reasonable wear and tear excepted;
 - 12.2.5 any inaccuracy in or breach of any representation or warranty pertaining to any Hazardous Substance (as defined in any of the Loan Documents) or any failure in the due, prompt and complete observance and performance of any covenant

pertaining to any Hazardous Substance as set forth in any of the Loan Documents;

- 12.2.6 retention of any rents or other income, insurance proceeds, condemnation or eminent domain awards or other similar funds or payments attributable to any property securing this Note or Loan Documents which, under the terms thereof, should have been paid to Lender;
- 12.2.7 failure of the Real Property to comply with the Americans with Disabilities Act of 1991, as amended, the Fair Housing Act of 1990, as amended, or any other similar building laws after any governmental authority has notified Borrower, its agents, employees and/or contractors of such non-compliance;
- 12.2.8 willful or grossly negligent violation of applicable law;
- 12.2.9 failure of Borrower to pay all amounts payable under this Note in full, together with reasonable attorneys' fees, if Borrower transfers or encumbers the Real Property in contravention of the Loan Documents; and
- 12.2.10 liability of Borrower under Section 5.11(c) of the Deed of Trust or Section 9 of the Loan Agreement.

13. **SECTION 7.4 OF THE LOAN AGREEMENT.** Section 7.4 of the Loan Agreement is hereby incorporated herein by this reference as if set forth at full length herein.

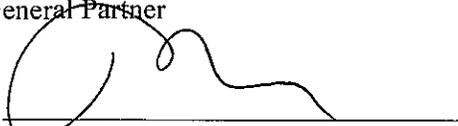
[Signature page follows]

IN WITNESS WHEREOF, Borrower has caused this Note to be duly executed as of the date and year first written above.

BORROWER:

73 CAROL LN., L.P.,
a California limited partnership

By: Corporation For Better Housing,
a California nonprofit public benefit corporation,
its General Partner

By: 

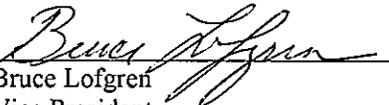
David Sclafani
Senior Vice President

DO NOT DESTROY OR DISCARD THIS NOTE

ALLONGE

Pay to the order of Mechanics Bank, a California banking corporation, as Holder of the Bonds, without recourse or warranty.

MECHANICS BANK,
a California banking corporation, as Agent under
that certain Master Agency Agreement dated as of
August 1, 2013, between Issuer and Agent

By: 
Bruce Lofgren
Vice President

Allonge

2013-1560

**COUNTY OF CONTRA COSTA
MULTIFAMILY HOUSING REVENUE BONDS
(OAK RIDGE FAMILY APARTMENTS)
2013 SERIES A**

Maturity Date	Par Amount	Interest Rate
May 10, 2035	\$5,100,000	Variable