

RESOLUTION NO. 2005 - 016

Adopted by the Housing Authority of the City of Sacramento

August 16, 2005

RESOLUTION OF THE HOUSING AUTHORITY OF THE CIN OF SACRAMENTO AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF HOUSING AUTHORITY OF THE COUNTY OF SACRAMENTO MULTIFAMILY HOUSING REVENUE BONDS (WILLOW TREE APARTMENTS) 2005 ISSUE C, AUTHORIZING THE EXECUTION AND DELIVERY OF A TRUST INDENTURE, A LOAN AGREEMENT AND A REGULATORY AGREEMENT, AND AUTHORIZING THE EXECUTION AND DELIVERY OF AND APPROVING OTHER RELATED DOCUMENTS AND APPROVING OTHER RELATED ACTIONS IN CONNECTION THEREWITH

BACKGROUND

- A. Chapter I of Part 2 of Division 24 of the Health and Safety Code of the State of California, commencing with Section 34200 (the "Act"), authorizes housing authorities to incur indebtedness for the purpose of financing the acquisition, rehabilitation and development of multifamily rental housing facilities to be occupied in part by persons of low and very low income;
- B. The Housing Authority of the City of Sacramento (the "Authority") hereby finds and declares that it is necessary, essential and a public purpose for the Authority to engage in a program (the "Program") of financing the acquisition, rehabilitation and development of multifamily rental housing facilities, and has determined to borrow money for such purpose by the issuance of revenue bonds as authorized by the Act;
- C. The Authority hereby finds and declares that this resolution is being adopted pursuant to the powers granted by the Act; DHI Willow Tree Associates, L.P., a California limited partnership (the "Borrower"), has requested that the Authority issue and sell the Bonds (hereinafter defined) for the purpose of financing the acquisition, rehabilitation and development of a multifamily rental housing project to be commonly known as Willow Tree Apartments located at 4300 Norwood Avenue in the City of Sacramento, California (the "Project"); and
- D. All conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of the Bonds and the implementation of the Program as contemplated by this resolution and the documents referred to herein exist, have happened and have been performed in due time, form and manner as required by the laws of the State of California, including the Act.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

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

Section 2. Pursuant to the Act, revenue bonds of the Authority designated as "Housing Authority of the County of Sacramento Multifamily Housing Revenue Bonds (Willow Tree Apartments) 2005 Issue C" in an aggregate principal amount not to exceed \$5,064,000 (the "Bonds") are hereby authorized to be issued. The Bonds shall be executed by the manual or facsimile signature of the Chairperson, Vice Chairperson or Executive Director of the Authority, and attested by the manual or facsimile signature of the Secretary of the Board of the Authority or the Clerk of the Sacramento Housing and Redevelopment Agency (the "Clerk"), in the form set forth in and otherwise in accordance with the Indenture (hereinafter defined),

Section 3. The following documents with respect to the Bonds (the "Bond Documents") between and/or among the Authority and the institutions named therein, in the forms on file with the Clerk, are hereby approved:

(a) a trust indenture (the "Indenture") between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee");

(b) a loan agreement (the "Loan Agreement") between the Authority, the Trustee and the Borrower;

(c) a regulatory agreement and declaration of restrictive covenants (the "Regulatory Agreement") among the Authority, the Trustee and the Borrower: and

(d) a bond purchase agreement (the "Bond Purchase Agreement") among the Authority, the Borrower and CharterMac.

The Chairperson, the Vice Chairperson or the Executive Director of the Authority (the "Designated Officers") are, and each of them acting alone is, hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Bond Documents, and the Secretary of the Board of the Authority or the Clerk is hereby authorized and directed, for and in the name and on behalf of the Authority, to attest the Designated Officer's signature on the Bond Documents, if necessary, in substantially said forms, with such additions thereto or changes therein as are recommended or approved by such officers upon consultation with bond counsel to the Authority, including such additions or changes as are necessary or advisable in accordance with Section 5 hereof (provided that no additions or changes shall authorize an aggregate principal amount of Bonds in excess of \$5,064,000), the approval of such additions or changes to be conclusively evidenced by the execution and delivery by the Authority of the Bond Documents. The date, maturity dates, interest rate or rates, interest payment dates, denominations, form registration privileges, manner

of execution, place of payment, terms of redemption, and other terms of the Bonds shall be as provided In the Indenture, as finally executed.

Section 4. The Bonds, when executed, shall be delivered to the Trustee for authentication. The Trustee is hereby requested and directed to authenticate the Bonds by executing the Trustee's certificate of authentication and registration appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to the purchasers thereof in accordance with written instructions executed on behalf of the Authority by one of the Designated Officers, which instructions such officers are, and each of them is, hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver to the Trustee. Such instructions shall provide for the delivery of the Bonds to the purchasers thereof upon payment of the purchase price therefor.

Section 5. All actions heretofore taken by the officers and agents of the Authority with respect to the establishment of the Program and the sale and issuance of the Bonds are hereby approved, confirmed and ratified, and the proper officers of the Authority, including the Designated Officers, are hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions, including, but not limited to, determining the principal amount of the Bonds to be issued and delivered (provided such aggregate principal amount shall not exceed \$5,064,000) and any remarketing provisions with respect thereto, and execute and deliver any and all certificates, agreements and other documents which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bonds in accordance with this Resolution and resolutions heretofore adopted by the Authority and in order to carry out the Program, including but not limited to those certificates, agreements, deeds of trust and other documents described in the Indenture, the Loan Agreement, the Regulatory Agreement, the Bond Purchase Agreement and the other documents herein approved and any certificates, agreements or documents as may be necessary to further the purpose hereof, evidence credit support or additional security for the Bonds, but which shall not create any obligation or liability of the Authority other than with respect to the revenues and assets derived from the proceeds of the Bonds.

Section 6. This resolution shall take effect immediately upon its adoption.

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- Exhibit A: Exhibit to Resolution - Trust Indenture
- Exhibit B: Exhibit to Resolution - Loan Agreement
- Exhibit C: Exhibit to Resolution - Regulatory Agreement
- Exhibit D: Exhibit to Resolution - Bond Purchase Agreement

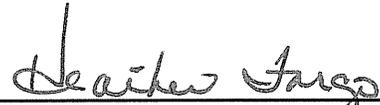
Adopted by Housing Authority on August 16, 2005 by the following vote:

Ayes: Cohn, Fong, McCarty, Pannell, Sheedy, Tretheway, Waters and Mayor Fargo.

Noes: None

Abstain: None

Absent: Hammond



Heather Fargo, Chair



Shirley Concolino, Secretary

TRUST INDENTURE

from

HOUSING AUTHORITY OF THE CITY OF SACRAMENTO, as Issuer

to

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

Relating to:

**\$5,064,000
Housing Authority of the City of Sacramento
Multifamily Housing Revenue Bonds
(Willow Tree Apartments) 2005 Issue C**

Dated as of August 1, 2005

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EXHIBIT A	FORM OF BOND
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EXHIBIT C	FORM OF REQUISITION

TRUST INDENTURE

This TRUST INDENTURE dated as of August 1, 2005 (as the same may be amended, modified or supplemented from time to time, this "Indenture"), from HOUSING AUTHORITY OF THE CITY OF SACRAMENTO, a public body, corporate and politic, organized and existing under the laws of the State of California (together with its successors to assigns, the "Issuer"), to WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of United States of America, as trustee (together with any successor trustee hereunder and their respective successors and assigns, the "Trustee"),

WITNESSETH:

WHEREAS, the Issuer is authorized by the provisions of Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California, as amended (the "Act"), to issue one or more series of its revenue bonds and to loan the proceeds thereof to finance the acquisition, substantial rehabilitation and development of residential rental housing facilities to provide housing for persons of low and very low income; and

WHEREAS, by proceedings adopted pursuant to and in accordance with the provisions of the Act, the Issuer has authorized the issuance of its Multifamily Housing Revenue Bonds (Willow Tree Apartments) 2005 Issue C in the original aggregate principal amount of \$5,064,000 (the "Bonds"), to finance a portion of the costs of the acquisition substantial rehabilitation and development of a 107-unit residential rental development known as Willow Tree Apartments and located in the City of Sacramento, California (the "Project"); and

WHEREAS, pursuant to a Loan Agreement dated as of the date hereof (as the same may be amended, modified or supplemented from time to time, the "Loan Agreement") among the Issuer, the Trustee and DHI Willow Tree Associates, L.P., a limited partnership organized and existing under the laws of the State of California (together with its successors and assigns, the "Borrower"), the Issuer has agreed to issue the Bonds and lend the proceeds thereof to the Borrower (the "Loan") and the Borrower has agreed to (x) apply the proceeds of the Loan to pay a portion of the costs of acquisition, substantial rehabilitation and development of the Project, (y) make payments sufficient to pay the principal of, premium, if any, and interest on the Bonds when due (whether at maturity, by redemption, acceleration or otherwise), and (z) observe the other covenants and agreements and make the other payments set forth therein; and

WHEREAS, the Borrower has delivered to the Issuer its promissory note dated the date of issuance of the Bonds in an original principal amount equal to the aggregate original principal amount of the Bonds (as the same may be amended, supplemented or modified from time to time, the "Note") evidencing its obligation to repay the Loan and the Issuer has made the Loan to the Borrower, subject to the terms and conditions of the Loan Agreement and this Indenture; and

WHEREAS, the obligations of the Borrower under this Agreement and the Note will be secured by, among other things, a Deed of Trust and Security Agreement dated as of the date hereof (as the same may be modified, amended or supplemented from time to time, the "Mortgage") from the Borrower to a trustee for the benefit of the Trustee, and by the other Loan Documents (as defined herein).

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

GRANTING CLAUSES

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

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

All other moneys and securities from time to time held by the Trustee under the terms of this Indenture, excluding amounts required to be rebated to the United States Treasury under Section 148(f) of the Code, whether or not held in the Rebate Fund; and

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

TO HAVE AND TO HOLD, all and singular, the Trust Estate with all rights and privileges hereby transferred, pledged, assigned and/or granted or agreed or intended so to be, to the Trustee and its successors and assigns in trust forever;

IN TRUST NEVERTHELESS, upon the terms and conditions herein set forth for the equal and proportionate benefit, security and protection of all present and future Owners of the Bonds Outstanding, without preference, priority or distinction as to participation in the lien, benefit and protection of this Indenture of one Bond over or from the others, except as herein otherwise expressly provided;

PROVIDED, NEVERTHELESS, and these presents are upon the express condition, that if the Issuer or its successors or assigns shall well and truly pay or cause to be paid the principal of and premium, if any, on such Bonds with interest, according to the provisions set forth in the Bonds, or shall provide for the payment or redemption of such Bonds by depositing or causing to be deposited with the Trustee the entire amount of funds or securities requisite for payment or redemption thereof when and as authorized by the provisions of Article X (it being understood that any payment with respect to the principal of or interest on Bonds made by the Borrower shall not be deemed payment or provision for the payment of the principal of or interest on Bonds, except Bonds purchased and canceled by the Trustee, all such uncanceled

Bonds to remain Outstanding and the principal of and interest thereon payable to the Owners thereof), and shall also pay or cause to be paid all other sums payable hereunder by the Issuer, then these presents and the estate and rights hereby granted shall cease, terminate and become void, and thereupon the Trustee, on payment of its lawful charges and disbursements then unpaid, on demand of the Issuer and upon the payment by the Issuer of the cost and expenses thereof, shall duly execute, acknowledge and deliver to the Issuer such instruments of satisfaction or release as may be necessary or proper to discharge this Indenture of record, and if necessary shall grant, reassign and deliver to the Issuer all and singular the property, rights, privileges and interests by it hereby granted, conveyed and assigned, and all substitutes therefor, or any part thereof, not previously disposed of or released as herein provided; otherwise this Indenture shall be and remain in full force;

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

ARTICLE I

DEFINITIONS AND CONSTRUCTION

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

"Accountant" means an independent certified public accountant or a firm of independent certified public accountants, selected by the Borrower and approved by the Majority Owner.

"Accounts" means the accounts established pursuant to Section 6.01 hereof.

"Affiliates" or "Affiliate" means, if with respect to a corporation, (i) any officer or director thereof and any person, trust, corporation, partnership, venture or other entity who or which is, directly or indirectly, the beneficial owner of more than 10% of any class of shares or other equity security, or (ii) any person, trust, corporation, partnership, venture or other entity which, directly or indirectly, controls or is controlled by or is under common control with such corporation. Control (including the correlative meanings of "controlled by" and "under common control with") means effective power, directly or indirectly, to direct or cause the direction of the management and policies of such person, trust, corporation, partnership, venture or other entity; if, with respect to a partnership or venture, any (i) general partner, (ii) general partner of a general partner, (iii) partnership with a common general partner, or (iv) co-venture thereof, and if any general partner or co-venture is a corporation, any person, trust, corporation, partnership, venture or other entity which is an affiliate as defined above of such corporation; and, if with respect to a limited liability company, (i) any member or (ii) any person or entity which is an Affiliate (as defined herein).

"Amenities and Resident Services Schedule" means the Schedule of Amenities and Resident Services attached to the Loan Agreement as Exhibit J, as the same may be amended, modified or supplemented from time to time in accordance with the terms of the Loan Agreement.

"Appraisal" means an appraisal of the market value of the Project performed by a qualified independent appraiser approved by the Servicer.

"Approved Budget" means the Proposed Budget approved by the Servicer.

"Architect" means _____.

"Architect's Contract" means the contract, dated _____, _____, between the Borrower and the Architect, providing for the design of the Improvements and the supervision of the rehabilitation thereof, including ongoing monthly inspection of the Improvements, certification of Requisitions and certification of Completion, among other things.

"Assignment of Capital Contributions" means the Assignment of Capital Contributions, dated as of the date hereof, from the Borrower to the Trustee, as the same may be modified, amended or supplemented from time to time.

"Assignment of Housing Assistance Payments Contract" means the Assignment of Housing Assistance Payments Contract dated as of the date hereof, from the Borrower to the Trustee, as the same may be amended, modified or supplemented from time to time.

"Assignment of Leases" means the Assignment of Leases, Rents and Other Income, dated as of the date hereof, from the Borrower to the Trustee, as the same may be modified, amended or supplemented from time to time.

"Assignment of Project Documents" means the Assignment of Project Documents, dated as of the date hereof, from the Borrower to the Trustee, as the same may be modified, amended or supplemented from time to time.

"Assignment of Subordinate Debt Documents" means the Assignment of Subordinate Debt Documents dated as of the date hereof, from the Borrower to the Trustee, as the same may be amended, modified or supplemented from time to time.

"Authorized Denomination" means \$250,000, and any amount in excess of \$250,000, but not in excess of the aggregate principal amount of Bonds then Outstanding.

"Authorized Representative" means, with respect to the Issuer, the Chairman, Vice Chairman or Executive Director of the Issuer, and, with respect to the Borrower, the person or persons appointed in accordance with Section 8.2 of the Loan Agreement, or, in each case, such other person at any time designated by the Issuer to act on behalf of the Issuer or by the Borrower to act on behalf of the Borrower, as evidenced by a written certificate delivered to the Issuer or Borrower, as the case may be, the Trustee, the Servicer and the Majority Owner, containing the specimen signature of such person and signed by an authorized representative of the Issuer or the Borrower, as the case may be. Such certificate may designate an alternate or alternates, each of whom shall be entitled to perform all duties and exercise all powers of an Authorized Representative.

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

"Bond Payment Date" means each date on which principal or redemption price or interest shall be payable on any of the Bonds according to their respective terms.

"Borrower's Tax Certificate" means the Certificate Regarding Use of Proceeds executed by the Borrower on the Closing Date in which the Borrower certifies various facts relating to the Project which bear on the exclusion of interest on the Bonds from gross income for purposes of federal income taxation.

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

"Capital Expenditures" means capital expenditures determined in accordance with generally accepted accounting principles relating to the repair, renovation or replacement of the Project.

"Capitalized Interest Account" means the account with the Construction Fund created pursuant to Section 6.01 of this Indenture.

"Change Order" means a change made to the Plans and Specifications, as evidenced by a written change order request in accordance with the terms of the Construction Contract.

"Closing Date" means the date of issuance of the Bonds.

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

"Completion" shall have the meaning ascribed to such term in Section 5.1(b) of the Loan Agreement.

"Completion Date" means [November 30, 2006], as the same may be extended in accordance with Section 5.1(a) of the Loan Agreement.

"Condemnation Award" means the total condemnation proceeds actually paid by the condemnor as a result of the condemnation of all or any part of the property subject to the Mortgage less the actual costs incurred, including attorneys' fees, in obtaining such award.

"Construction Contract" means the contract, dated _____, _____, between the Borrower and the Contractor, providing for the rehabilitation of the Improvements and certification of Requisitions, among other things.

"Construction Fund" means the fund created pursuant to Section 6.01 of this Indenture.

"Consulting Engineer" means _____, or such other consulting architect, engineer or inspector appointed by the Servicer from time to time.

"Contractor" means _____.

"Contribution Agreement" shall mean the Capital Contribution Agreement among the Borrower, the General Partner and the Special Limited Partner dated as of August 1, 2005, as the same may be amended, modified or supplemented from time to time.

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

"Costs of Issuance Account" means the account within the Construction Fund created pursuant to Section 6.01 of this Indenture.

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

"Default Rate" means the higher of (i) 4% in excess of the rate of interest payable on the Bonds or (ii) 12% per annum; provided that such rate shall in no event exceed the maximum rate allowed by law.

"Determination of Taxability" means (i) a determination by the Commissioner or any District Director of the Internal Revenue Service, (ii) a private ruling or Technical Advice

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

"Development Budget" means the budget for total estimated Project Costs and sources of payment by account within the Construction Fund, submitted by the Borrower, approved by the Servicer and the Consulting Engineer, and attached to the Loan Agreement as Exhibit H, as the same may be amended, modified or supplemented from time to time in accordance with the terms hereof.

"Direct Costs" means the costs of the Land, [the Improvements], the Personal Property, and all labor, materials, fixtures, machinery and equipment required to rehabilitate, equip and complete the Improvements in accordance with the Plans and Specifications and the Amenities and Resident Services Schedule.

["Earn-Out" means the point at which the ratio of Net Operating Income for each of the prior _____ consecutive months to the maximum principal and interest payable under the Loan Documents in any month [other than the month in which the Maturity Date occurs] on an amount equal to (i) the amount of Bonds Outstanding less (ii) the Earnout Amount, plus (iii) the amount to which proposed to be released from the Earnout Account pursuant to Section 5.23 of the Loan Agreement, equals or exceeds _____ to 1.0 and at which the Improvements are at least _____% occupied by tenants meeting the requirements of the Loan Documents for each of the prior _____ consecutive months.]

["Earnout Account" means the account within the Construction Fund created pursuant to Section 6.01 of this Indenture.]

["Earnout Amount" means \$_____.]

"Environmental Indemnity" means that certain Environmental Indemnity Agreement dated as of the date hereof, from the Borrower, the General Partner, and the other indemnitors named therein for the benefit of the Trustee, as the same may be modified, supplemented or amended from time to time.

"Equity Account" means the account within the Construction Fund created pursuant to Section 6.01 of this Indenture.

"Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bonafide, arm's length transaction (determined as of the date the contract to purchase or sell the investment become binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired

in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security—State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the Authority and/or the Borrower and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

"Financing Statements" means Uniform Commercial Code Form 1 Financing Statement(s) from the Borrower and the General Partner in favor of the Trustee.

"Funds" means the funds established pursuant to Section 6.01 hereof.

"General Partner" means, collectively, Willow Tree Associates, LLC, a limited liability company duly organized and validly existing under the laws of the State of California (the "Co-General Partner") and Pacific Housing, Inc., a nonprofit public benefit corporation duly organized and validly existing under the laws of the State of California (the "Managing General Partner"), together with their respective permitted successors and assigns.

"General Partner Documents" means the General Partner Pledge and the Environmental Indemnity.

"General Partner Pledge" means General Partner Limited Guaranty, Pledge and Security Agreement dated as of the date hereof from the General Partner to the Trustee, as the same may be amended, modified or supplemented from time to time.

"Generally Accepted Accounting Principles" means the principles that are (a) consistent with the principles promulgated or adopted by the Financial Accounting Standards Board and its predecessors, as in effect from time to time, and (b) consistently applied with past financial statements of the Borrower adopting the same principles; provided that a certified public accountant would, insofar as the use of such accounting principles is pertinent, be in a position to deliver an unqualified opinion (other than a qualification regarding changes in Generally Accepted Accounting Principles) as to financial statements in which such principles have been properly applied.

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

"Guarantor Documents" means the Environmental Indemnity, the Guaranty of Completion and the Guaranty and Suretyship Agreement.

"Guarantors" means jointly and severally Thomas Dawson, an individual and a resident of the State of _____, and Timothy Fleutsch, an individual and a resident of the State of _____, together with their respective heirs, personal representatives, legal representatives and permitted successors and assigns.

"Guaranty of Completion" means the Guaranty of Completion from the Guarantors in favor of the Trustee dated as of the date hereof, as the same may be modified, supplemented or amended from time to time.

"Guaranty and Suretyship Agreement" means the Guaranty and Suretyship Agreement from the Guarantors in favor of the Trustee dated as of the date hereof, as the same may be modified, supplemented or amended from time to time.

"Housing Assistance Payments Contract" means that certain _____ dated as of _____, 2005, between the Borrower and _____, identified as Section 8 HUP Contract Number CA30-M000-860, as the same may be amended, modified or supplemented from time to time.

"HUD Use Agreement" means that certain Section 236 () Use Agreement dated as of _____, 2005, between the Borrower and _____, as the same may be amended, modified or supplemented from time to time.

"Improvements" means the 107-unit multifamily residential facility with related site improvements and amenities located on the Land and to be rehabilitated, equipped and furnished in accordance with the Plans and Specifications and the Amenities and Resident Services Schedule.

"Indebtedness" means all obligations, contingent and otherwise, that in accordance with Generally Accepted Accounting Principles should be classified upon the obligor's balance sheet as liabilities, or to which reference should be made by footnotes thereto, including in any event and whether or not so classified: (a) the Subordinate Debt and all other debt and similar monetary obligations, whether direct or indirect; (b) all liabilities secured by any mortgage, deed of trust, pledge, security interest, lien, charge or other encumbrance existing on property owned or acquired subject thereto, whether or not the liability secured thereby shall have been assumed; (c) all liabilities under capitalized leases; and (d) all guaranties, endorsements and other contingent obligations whether direct or indirect in respect of indebtedness of others, including the obligations to reimburse the issuer in respect of any letters of credit.

"Indirect Costs" means all title insurance premiums, survey charges, engineering fees, architectural fees, real estate taxes, appraisal costs, premiums for insurance, marketing, advertising and leasing costs, brokerage commissions, legal fees, accounting fees, overhead and administrative costs, and all other expenses as shown on the Development Budget which are expenditures relating to the Project and are not Direct Costs.

"Insurance and Condemnation Proceeds Account" means the account within the Construction Fund created pursuant to Section 6.01 of this Indenture.

"Insurance Proceeds" means the total proceeds of insurance actually paid or payable by an insurance company in respect of the required insurance on the Project, less the actual costs incurred, including attorneys' fees, in the collection of such proceeds.

"Interest Payment Date" means the first day of each month commencing October 1, 2005, and each Bond Payment Date.

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

- (a) Direct obligations of, or obligations guaranteed by, the United States of America;
- (b) Interest-bearing time or demand deposits, certificates of deposit, prime commercial paper, investment agreements or other similar banking arrangements with any bank, trust company, national banking association or other savings institution (including the Trustee) provided that, at the time of purchase, (i) such deposits, certificates and other arrangements are fully insured by the Federal Deposit Insurance Corporation, the proceeds of which insurance are timely available, or (ii) the senior debt of such depository is rated in the two highest letter rating categories of Standard & Poor's or Moody's Investors Service, or (iii) such depository has combined capital and surplus of at least \$5,000,000 and such deposits, certificates and other arrangements (to the extent not insured as described in clause (i) above) are fully secured by obligations described in clause (a) or (b) of this definition in an amount, as valued against market at least monthly, at least equal to 100% of the sum of the outstanding balance of such deposits, certificates and other arrangements;
- (c) Bonds, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following: Bank for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Banks; Federal Farm Credit Banks; Export-Import Bank of the United States; Federal Land Banks; Government National Mortgage Association; Federal Financing Bank; or Small Business Administration; or any other agency or instrumentality of the United States of America (created by an Act of Congress) substantially similar to the foregoing in its legal relationship to the United States of America;
- (d) Full faith and credit obligations of any state of the United States of America;
- (e) Contracts for the purchase and sale of obligations described in clause (a) of this definition, provided that if the persons with which such contracts are made are not members of the Federal Reserve System or if such Persons (including members of the Federal Reserve System) are not required to set aside and otherwise identify, to the satisfaction of the Trustee, obligations described in clauses (a), (b) or (c) above to such contracts as security or reserve therefor in an amount, as valued against market at least monthly, at all times (other than within thirty days after each valuation) at least equal to 100% of the sum of the face amount of each such contract, such obligations shall be delivered to and held by a depository during the term of such contracts;
- (f) Interest-bearing notes issued by a bank, trust company, national banking association or other depository institution or by a bank holding company, an insurance company or other financial institution, the senior debt of which is rated in the two highest letter rating categories of Standard & Poor's or Moody's Investors Service at the time of purchase;
- (g) Shares of mutual funds which invest solely in Investment Securities listed in one or more of (a), (b), (c) or (e) above, including the funds of the Trustee;
- (h) Bonds, notes or other securities the interest on which is excludable from gross income for purposes of federal income taxation under Section 103 of the Code that are rated by either Moody's Investors Service or Standard & Poor's in one of the three highest whole rating categories established by such rating service; or interests in funds which invest solely in such bonds, notes or other securities; and
- (i) Any other investments approved by the Majority Owner.

"Investor Limited Partner" means RCC Credit Facility, L.L.C., a limited liability company organized and existing under the laws of the State of Delaware, together with its permitted successors and assigns.

"Issuer Documents" means, collectively, this Indenture, the Loan Agreement and the Regulatory Agreement.

"IRP Agreement" means the Interest Rate Protection Agreement dated as of _____, 2005, between the Borrower and _____, as the same may be amended, modified or supplemented from time to time.

"IRP Documents" means the IRP Agreement and the HUD Use Agreement.

"Land" means the real property described in Exhibit A attached to the Loan Agreement.

"Legal Requirements" means any legal requirements, including any local, state or federal statute, law, ordinance, code, rule or regulation, now or hereinafter in effect (including environmental laws) or order, judgment, decree, injunction, permit, license, authorization, certificate, franchise, approval, notice, demand, direction or determination, of any Governmental Authority.

"Lien" means any interest in the Project or any part thereof or any right therein, including without limitation any rents, issues, profits, proceeds and revenues therefrom, securing an obligation owed to, or a claim by, any Person, whether such interest is based on the common law, statute or contract, and including but not limited to the lien and security interest arising from a mortgage, deed of trust, encumbrance, pledge, conditional sale or trust receipt or a lease, consignment or bailment for security purposes. The term "Lien" shall also include any and all reservations, exceptions, encroachments, easements, rights of way, covenants, conditions, restrictions, leases and other title exceptions and encumbrances affecting the Project or any part thereof or any interest therein.

"Loan Account" means the account within the Construction Fund created pursuant to Section 6.01 of this Indenture.

"Loan Amount" means an amount equal to the original principal amount of the Bonds.

"Loan Documents" means, collectively, the Mortgage, the Assignment of Leases, the Assignment of Project Documents, the Assignment of Capital Contributions, the Note, the Loan Agreement, the Environmental Indemnity, the Regulatory Agreement, the Assignment of Subordinate Debt Documents, the Assignment of Housing Assistance Payments Contract, the Servicing Agreement and the IRP Documents to which the Borrower is a party, together with all other documents or instruments executed by the Borrower which evidence or secure the Borrower's indebtedness under such documents and all other documents and instruments delivered simultaneously herewith or required under the Loan Documents to be delivered during the term of the Loan.

"Majority Owner" means any one person or entity owning all of the Outstanding Bonds; provided, however, if no single Owner owns all of the Outstanding Bonds, "Majority Owner" means the Owner or Owners of at least fifty-one percent (51%) in aggregate principal amount of Outstanding Bonds.

"Manager" means Pacific West Management or any successor manager of the Project approved by the Servicer.

"Maturity Date" means February 1, 2013 for the 2013 Term Bonds and February 1, 2042 for the 2042 Term Bonds.

"Net Effective Rent" means, for each month for each Lease of a residential unit in the Project, the gross potential rent for such unit (the nominal monthly rent multiplied by the number of months in the term of such Lease) less all concessions in respect of such Lease (cash if the concession is in the form of free rent for a certain number of months or another form of cash concession or the equivalent value of any non-cash concessions) divided by the number of months in the term of such Lease; provided, however, that such calculation shall exclude (i) revenues from Section 8 vouchers to the extent such revenue causes the rent on any unit to exceed the lower of (A) maximum allowable tax credit rent designated for that unit or (B) the average collected rent (net of prorated concessions) for similar non-Section 8 subsidized units within the Project for such period and (ii) any premium rent for corporate leases (furnished or otherwise) in exchange for short term leases or furnishings provided.

"Net Operating Income" means, for any period, (A) the lesser of (i) actual Project Revenues for such period or (ii) Project Revenues for such period adjusted to reflect a five percent (5.0%) vacancy rate less (B) the greater of (i) Operating Expenses for such period or (ii) the allocable portion of Projected Operating Expenses.

"Net Project Revenue Account" means the account within the Construction Fund created pursuant to Section 6.01 of this Indenture.

"Net Project Revenues" means, for any period, Project Revenues for such period less Operating Expenses for such period.

"Notice Address" means, with respect to the Issuer, c/o Sacramento Housing and Redevelopment Agency, 630 I Street, 2nd Floor, Sacramento, California 95814, Attention: Multifamily Housing Bonds; with respect to the Borrower, c/o Dawson Holdings Inc., 3 Harbor Drive, Suite 302, Sausalito, California 94965 Attention: Asset Manager; with respect to the Trustee, 555 Montgomery Street, 10th Floor, San Francisco, California 94111 Attention: Corporate Trust Services; with respect to the initial Majority Owner, Charter MAC Equity Issuer Trust, 625 Madison Avenue, 5th Floor, New York, New York 10022, Attention: Senior Vice President-Portfolio Management; and with respect to any future Majority Owner, such address as may be shown in the records of the Trustee.

"Obligor(s)" means the Borrower, each Guarantor, and the General Partner and Dawson Holdings, Inc., the manager of the Co-General Partner.

"Operating Expenses" means, for any period, the aggregate amount of expenses in connection with the Project incurred by the Borrower during such period (or, with respect to irregularly occurring expenses, an allocable portion of the annualized expense, irrespective of whether all or any portion thereof was actually incurred during the period in question), pursuant to arm's length transactions, for ordinary and necessary expenses sufficient to provide the amenities and services associated with a multi-family residential facility as follows: labor costs; general maintenance; legal and accounting fees relating solely to the operation of the Project (and not partnership administration, other than the costs of the annual certified property audit and other expenses incurred by the Borrower relating solely to the operation of the Project); general and administrative costs of the Borrower directly attributable to the Project (and not

partnership administration) and advertising and marketing costs; supplies for the Project; non-capital repairs and replacements; leasing and brokerage commissions; management fees payable pursuant to the management agreement up to an amount equal to 4.0% of Project Revenues; costs of licenses, permits and similar fees relating to property operations; premiums for insurance required pursuant to the Loan Agreement; charges for electricity and other utilities; real estate taxes, water and sewer rents and assessments; payments made into the Replacement Reserve Fund and the Tax and Insurance Fund; and all other expenses incurred in connection with the ordinary course of property operations and maintenance. The foregoing expenses and fees paid to Affiliates of the Borrower, with the Majority Owner's consent, shall be included as Operating Expenses in an amount equal to the actual fees and expenses paid or payable to such Affiliate, but in no event greater than amount that customarily would be paid to an unaffiliated third party on an arm's-length basis for such services. Without limiting the generality of those items which shall be excluded from the definition of Operating Expenses, the following shall be specifically excluded from such calculation: depreciation, amortization and other non-cash items; all gains and losses; all partnership administrative expenses (including, without limitation, legal, accounting (except as described above), and other professional expenses); prepaid expenses which are not customarily prepaid in the ordinary course of business; any termination or similar fee in connection with financing for the Project; expenditures funded by disbursements from the Replacement Reserve Fund and the Tax and Insurance Fund; penalties, late fees and similar charges arising from or on account of the Borrower's failure to pay any monetary obligations; any costs, expenses or fees, including interest, payable by the Borrower on advances made by the Majority Owner, the Issuer or the Trustee after an Event of Default, and franchise and income taxes of the Borrower.

"Organizational Documents" means for any corporation, partnership, trust, limited liability company, limited liability partnership, unincorporated association, business or other legal entity, the documents pursuant to which such entity has been established or organized, as such documents may be amended from time to time in accordance with the terms of the Loan Agreement.

"Outstanding" means, when used with respect to Bonds, as of any date, all Bonds theretofore authenticated and delivered under this Indenture except:

- (j) any Bond canceled or delivered to the registrar for cancellation on or before such date;
- (k) specified as not Outstanding in paragraph (c) of Section 4.05 hereof;
- (l) any Bond in lieu of or in exchange for which another Bond shall have been authenticated and delivered pursuant to Article II of this Indenture;
- (m) any Bond deemed to have been paid as provided in Section 10.02 or Section 10.03 of this Indenture;
- (n) any Bond owned or held by or for the account of the Issuer or Borrower, as provided in Section 11.11 of this Indenture, for the purpose of consent or other action or any calculation of outstanding Bonds provided for in this Indenture, and
- (o) any undelivered Bond (except for purposes of receiving the purchase price thereof upon surrender in accordance with this Indenture).

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

"Partnership Agreement" means the Amended and Restated Agreement of Limited Partnership of the Borrower dated as of August 1, 2005, among the General Partner, the Special Limited Partner and the Investor Limited Partner, as the same may be amended, modified or supplemented from time to time, subject to the terms of the Loan Agreement.

"Payment and Performance Bonds" means separate, dual obligee payment and performance bonds (and, if available, lien bonds to be recorded in the appropriate public records) relating to the Contractor and/or such major subcontractors as the Servicer may require from time to time, designating the Trustee as an additional obligee, issued by a surety company or companies licensed to do business in the State where the Land is located and otherwise acceptable to the Servicer, in each case in an amount not less than the full contract price.

"Permitted Encumbrances" shall have the meaning ascribed to such term in the Mortgage.

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

"Personal Property" means all materials, furnishings, fixtures, furniture, machinery, equipment and all items of tangible or intangible personal property now or hereafter owned or acquired by the Borrower in which the Trustee has been or will be granted an interest to secure the obligations of the Borrower under the Loan Documents.

"Plans and Specifications" means the plans and specifications for the Project prepared by the Architect and more particularly described on Exhibit G to the Loan Agreement, as the same may be amended, modified or supplemented in accordance with the terms of the Loan Agreement.

"Principal Office" means, with respect to any party, the office designated as such in, or as designated by the respective party in writing pursuant to, this Indenture.

"Project Approvals" means all approvals, consents, waivers, orders, agreements, authorization, permits and licenses required under applicable Legal Requirements or under the terms of any restriction, covenant or easement affecting the Project, or otherwise necessary or desirable for the ownership, acquisition, rehabilitation, equipping, use and operation of the Project and the Improvements, whether obtained from a Governmental Authority or any other Person.

"Project Costs" means the sum of all Direct Costs and Indirect Costs that will be incurred by the Borrower in connection with the acquisition of the Land and the Improvements, the rehabilitation, equipping and completion of the Improvements, the marketing and leasing of leasable space in the Improvements, and the operation and carrying of the Project through Stabilization.

"Project Revenues" means, for any period, (A) the Net Effective Rent for each unit in the Project multiplied by the number of months in such period, plus (B) other ancillary income categories deemed recurring during the underwriting process, such as vending machine income, net cable TV revenues, laundry service and parking income, in each case in an amount equal to the lesser of (1) the actual amount of such income, or (2) \$_____ [insert

proforma underwritten "other income"]; provided, however, that Project Revenues shall not include (i) capital contributions, (ii) net proceeds from the sale or refinancing of the Project, (iii) net proceeds of insurance (other than proceeds of loss of rent insurance to the extent paid for apartment units occupied at the time of the loss), and net condemnation awards, (iv) security deposits to the extent not permitted to be released to the Borrower pursuant to the terms of the leases, and (v) interest earnings.

"Projected Operating Expenses" means \$_____ per annum (increased on an annual basis beginning January 1, 2006, by 3.0%), adjusted to reflect actual costs of utilities, insurance and Impositions (provided Impositions constituting real property taxes are based on the full annual assessed value of the Project following completion of rehabilitation of the Project as contemplated by this Agreement and provided further that if the actual amount of real property taxes reflects a full or partial abatement or exemption. such abatement or exemption shall have been approved by Servicer). plus all required deposits into the Replacement Reserved Fund.

"Proposed Budget" means the proposed capital and operating budget for the Project, submitted to the Servicer for approval.

"Punchlist Items" means any items necessary at the time of the issuance of a temporary use and occupancy permit to complete fully the Project in accordance with the Plans and Specifications and the Amenities and Resident Services Schedule, or required for the issuance of a final certificate of occupancy or its equivalent.

"Qualified Costs of the Project" means costs paid with respect to the Project that meet each of the following requirements: (i) the costs are properly chargeable to capital account (or would be so chargeable with a proper election by the Borrower or but for a proper election by the Borrower to deduct such costs) in accordance with general Federal income tax principles and in accordance with United States Treasury Regulations §1.103-8(a)(1), provided, however, that only such portion of the interest accrued during rehabilitation or construction of the Project (in the case of rehabilitation, with respect to vacated units only) shall be eligible to be a Qualified Project Cost as bears the same ratio to all such interest as the Qualified Project Costs bear to all costs of the acquisition and construction or rehabilitation of the Project; and provided further that interest accruing after the date of completion of the Project shall not be a Qualified Project Cost; and provided still further that if any portion of the Project is being constructed or rehabilitated by an Affiliate (whether as general contractor or a subcontractor), Qualified Project Costs shall include only (A) the actual out-of-pocket costs incurred by such affiliate in constructing or rehabilitating the Project (or any portion thereof), (B) any reasonable fees for supervisory services actually rendered by such affiliate, and (C) any overhead expenses incurred by such affiliate which are directly attributable to the work performed on the Project, and shall not include, for example, intercompany profits resulting from members of an affiliated group (within the meaning of Section 1504 of the Code) participating in the rehabilitation or construction of the Project or payments received by such affiliate due to early completion of the Project (or any portion there); (ii) the costs are paid with respect to a qualified residential rental project or projects within the meaning of Section 142(d) of the Code, (iii) the costs are paid after the earlier of 60 days prior to the date of a declaration of "official intent" to reimburse costs paid with respect to the Project (within the meaning of §1.150-2 of the United States Treasury Regulations) or the date of issue of the Bonds, and (iv) if the costs of the acquisition and construction or rehabilitation of the Project were previously paid and are to be reimbursed with proceeds of the Bonds such costs were (A) costs of issuance of the Bonds, (B) preliminary capital expenditures (within the meaning of United States Treasury Regulations §1.150-2 (F) (2)) with respect to the Project (such as architectural, engineering and soil testing services)

incurred before commencement of acquisition and construction or rehabilitation of the Project than do not exceed twenty percent (20%) of the issue price of the Bonds (as defined in United States Treasury Regulations §1.148-1), or (C) were capital expenditures with respect to the Project that are reimbursed no later than eighteen (18) months after the later of the date the expenditure was paid or the date the Project is placed in service (but no later than three (3) years after the expenditures is paid).

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

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

"Rebate Fund" means the fund created by the Issuer pursuant to Section 6.01 of this Indenture.

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

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

"Replacement Reserve Fund" means the fund created pursuant to Section 6.01 of this Indenture.

"Required Equity Funds" means the amount of \$_____ to be contributed as set forth in the Contribution Agreement and required to be deposited into the Construction Fund, together with amounts required to be deposited in the Equity Account of the Construction Fund pursuant to Section 5.9 of the Loan Agreement.

"Requisition" means a requisition in the form attached hereto as Exhibit C, together with all invoices, bills of sale, schedules and other submissions required for the making of an advance from Construction Fund; provided, however, if the initial advance from the Construction Fund is made for Costs of Issuance and acquisition of the Land [and the Improvements] only, the attached Contractor's Requisition Certificate, Architect's Requisition Certificate, Contractor's Application and Certification of Payment and Lien Waivers are not required.

"Reserved Rights" means the rights of the Issuer pursuant to Sections 3.2(b), 3.2(d), 5.19 and 6.3(a)(ii) of the Loan Agreement, which are retained and not assigned to the Trustee pursuant to this Indenture.

"Resolution" means the resolution of the Issuer adopted on August 16, 2005, authorizing, among other things, the execution and delivery by the Issuer of the Issuer Documents and the Bonds and the performance of its obligations thereunder.

"Retainage" means a holdback of 10% of the Direct Costs of rehabilitation is 50% completed and 0% on all disbursements made thereafter.

"Revenue Fund" means the fund created pursuant to Section 6.01 of this Indenture.

"Servicer" means the servicer of the Loan appointed pursuant to Section 8.11 hereof.

"Servicing Agreement" means the Servicing Agreement, dated as of the date hereof, between the Trustee and the Servicer, as the same may be amended, modified or supplemented from time to time.

"Single Purpose Entity" means an entity that (i) is formed solely for the purpose of owning and operating a single asset; (ii) does not engage in any business unrelated to such asset; (iii) keeps its own books and records and its own accounts, separate and apart from the books, records and accounts of any other Person; and (iv) holds itself out as being a legal entity, separate and apart from any other Person.

"Special Limited Partner" means Related Direct SLP LLC, a limited liability company, organized and existing under the laws of the State of Delaware, together with its permitted successors and assigns.

"Stabilization" means the point at which (i) the Improvements have been 90% occupied by credit-worthy qualified tenants meeting the requirements of the Loan Documents in each of six (6) consecutive months; and (ii) the ratio of Net Operating Income in each of the prior six (6) months to maximum principal and interest payable in any month on the amount of 2042 Term Bonds Outstanding [reduced by the Earnout Amount] equals or exceeds [1.10] to 1.0; [and (iii) an amount equal to the Earnout Amount shall have been deposited into the Earnout Account of the Construction Fund.

"State" means the State of California.

"Stored Materials" means materials, furnishings, fixtures, machinery or equipment not yet incorporated into the Land or Improvements.

"Subordinate Debt" means the loan in the approximate principal amount of \$_____ from the Redevelopment Agency of the City of Sacramento to the Borrower.

"Subordinate Debt Documents" means all documents evidencing or securing the Subordinate Debt or otherwise executed and delivered by the Borrower in connection therewith or as a condition to the advance of proceeds thereof.

"Subordinate Debt Proceeds Account" means the account within the Construction Fund created pursuant to Section 6.01 of this Indenture.

"Supplemental Indenture" means any resolution adopted by the Issuer in accordance with Article IX of this Indenture amending or supplementing this Indenture.

"Survey" means an instrument survey of the Land [and the Improvements] prepared in accordance with the Servicer's survey requirements, such survey to be satisfactory to the Servicer in form and substance.

"Surveyor Certificate" means with respect to any Survey, a certificate executed by the surveyor who prepares such Survey dated as of a recent date and containing such information relating to the Project as the Servicer or the Title Insurance Company may require, such certificate to be satisfactory to the Servicer in form and substance.

"Taking" means any condemnation for public use of, or damage by reason of, the action of any Governmental Authority, or any transfer by private sale in lieu thereof, either temporarily or permanently.

"Tax and Insurance Fund" means the fund created pursuant to Section 6.01 of this Indenture.

"Tax Certificate" means the Certificate As To Arbitrage of the Issuer dated the Closing Date relating to certain federal tax matters in respect of the Bonds, together with the Borrower's Tax Certificate.

"Title Insurance Company" means _____.

"Title Policy" means an ALTA standard form title insurance policy issued by the Title Insurance Company for the benefit of the Trustee and, its successors and assigns, as their interests may appear (with such reinsurance or co-insurance as the Servicer may require, any such reinsurance to be with direct access endorsements) insuring the priority of the Mortgage and that the Borrower holds marketable fee simple title to the Project, subject only to such exceptions as the Servicer may approve, and containing such endorsements and affirmative insurance as the Servicer in its discretion may require.

"Trustee Expenses" means the fees and expenses of the Trustee set forth in Section 8.04 of this indenture.

"2013 Term Bonds" means the \$_____ in principal amount of Bonds maturing on February 1, 2013.

"2042 Term Bonds" means the \$_____ in principal amount of Bonds maturing on February 1, 2042.

"Unit Reserve Amount" means during the first twelve months following completion of rehabilitation of the Project, an amount equal to \$_____ times the number of apartment units at the Project, which amount shall be increased (i) as of the first day of the first full month of each succeeding twelve month period by the amount by which the cost of living (as reflected in the Consumer Price Index for the metropolitan area in which the Project is located, or any successor or substitute index) as of the last calendar month of the immediately preceding twelve month period exceeded such cost of living as of the last calendar month of the prior twelve month period and (ii) not more frequently than once every five years upon the written direction of the Servicer by an amount reasonably determined by the Servicer, based on a physical needs assessment in respect of the Project, as necessary to meet the upcoming capital needs of the Project.

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

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

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

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

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

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

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

ARTICLE II

REPRESENTATIONS AND COVENANTS OF THE ISSUER

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

(a) The Issuer is a public body, corporate and politic, duly organized, validly existing and in good standing under the Act and the laws of the State.

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

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

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

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

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

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

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

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

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

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

(d) The Issuer will pay or cause to be paid the principal of and the interest on the Bonds as the same become due, but solely to the extent provided in Section 11.02 hereof.

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

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

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

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

ARTICLE III

AUTHORIZATION AND ISSUANCE OF BONDS

Section 3.01. Authorization of Bonds. There is hereby authorized, established and created an issue of Bonds of the Issuer to be known and designated as the "Housing Authority of the City of Sacramento Multifamily Housing Revenue Bonds (Willow Tree Apartments) 2005 Issue C", in the original aggregate principal amount of \$5,064,000, of which \$_____ shall mature on February 1, 2013 and \$_____ shall mature in February 1, 2042. No additional bonds shall be authorized or issued under this Indenture. The Bonds shall be issued for the purpose of making the Loan by depositing such amounts in the various accounts of the Construction Fund established hereunder.

Section 3.02. Conditions Precedent to Delivery of Bonds. Prior to the initial delivery of the Bonds, there shall be filed with the Trustee:

- (a) Executed counterparts of this Indenture, the other Issuer Documents, the Loan Documents, the Guarantor Documents and the General Partner Documents;
- (b) A certified copy of the Resolution;
- (c) Evidence of the payment of the purchase price of the Bonds and deposit of the portion of the Required Equity Funds [and the proceeds of the Subordinate Debt] required pursuant to Section 6.01(c) of this Indenture; and
- (d) An opinion of Bond Counsel substantially to the effect that the Bonds constitute legal, valid and binding obligations of the Issuer and that under existing statutes, regulations, published rulings and judicial decisions, the interest on the Bonds is not includable in gross income for federal income tax purposes.

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

Section 3.04. Loss, Theft, Destruction or Mutilation of Bonds. In the event a Bond is mutilated, lost, stolen or destroyed, the Issuer may execute and the Trustee may authenticate and deliver a new Bond bearing the same number, if any, as the mutilated, destroyed, lost or stolen Bond and bearing a notation indicating the principal amount outstanding, in exchange for the mutilated Bond, or in substitution for a Bond so destroyed, lost or stolen. In every case of exchange or substitution, the applicant shall furnish to the Issuer and the Trustee (i) such security or indemnity as may be required by them to save them harmless from all risks, however remote, and (ii) evidence to their satisfaction of the mutilation, destruction, loss or theft of a Bond and of the ownership thereof. Upon the issuance of a Bond upon such exchange or substitution, the Trustee may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses, including counsel fees, of the Issuer and the Trustee. In case a Bond shall become mutilated or be destroyed, lost or stolen, the Trustee may, instead of authenticating a bond in exchange or substitution therefor, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Bond) if the applicant for such payment shall furnish to the Issuer and the Trustee such security or indemnity as it may require to save it harmless and evidence satisfactory to the Issuer of the mutilation, destruction, loss or theft of the Bond and of the ownership thereof.

Section 3.05. Terms of Bonds - General.

(a) Registration; Denomination. The Bonds shall be issuable initially in Authorized Denominations as specified by the initial Owner. Thereafter, the Bonds shall be issuable in any Authorized Denomination required to effect transfers, exchanges or redemptions permitted or required by this Indenture. The Bonds shall be substantially in the form of Exhibit A hereto, with such amendments and changes as the officer executing the same shall deem appropriate.

(b) Date and Maturity. All Bonds shall be dated the date of issuance thereof. The Bonds shall bear interest from the date of issuance thereof until paid in full, payable for the periods, in the amounts and as provided in Section 3.06 hereof. The Bonds shall mature on the Maturity Date, unless sooner redeemed or accelerated.

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

(d) Numbers. The Bonds of each series shall be numbered as the Trustee shall determine.

Section 3.06. Interest on the Bonds. The Bonds shall bear interest on the Outstanding principal amount thereof, payable on each Interest Payment Date, at the rate of five and three quarters percent (5.75%) per annum from and including the date of issuance of the Bonds until paid on the Maturity Date or upon earlier redemption or acceleration. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

Section 3.07. Execution and Authentication of Bonds.

(a) The Bonds shall be executed on behalf of the Issuer by the manual or facsimile signature of the Chairman or Executive Director of the Issuer, and attested by the manual or facsimile signature of the Clerk of the Sacramento Housing and Redevelopment Agency.

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

(c) No Bond shall be valid or obligatory for any purpose or shall be entitled to any right or benefit under this Indenture unless there shall be endorsed on such Bond a certificate of authentication in the form set forth in such Bond duly executed by the Trustee, by the manual

signature of an authorized signatory thereof, and such certificate of the Trustee upon any Bond executed on behalf of the Issuer shall be conclusive evidence that the Bond so authenticated has been duly issued under this Indenture and that the Holder thereof is entitled to the benefits of this Indenture.

Section 3.08. Negotiability, Transfer and Registry of Bonds.

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

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

(c) Upon surrender of the Bonds at the Principal Office of the Trustee with a written instrument of transfer satisfactory to the Trustee, duly executed by the Owner or his attorney duly authorized in writing, such Bonds may, at the option of the Owner thereof, be exchanged for an equal aggregate principal amount of Bonds in any other Authorized Denominations.

(d) The Borrower shall bear all costs in connection with any transfer or exchange of Bonds, including the fees and expenses of Bond Counsel and the Trustee and of any required indemnity for the Issuer and the Trustee; provided that the costs of any tax or other governmental charge imposed upon such transfer or exchange shall be borne by the Owner of the Bond.

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

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

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

ARTICLE IV

REDEMPTION OF BONDS

Section 4.01. Mandatory Redemption. The Bonds shall be subject to mandatory redemption, and shall be redeemed prior to maturity, as follows:

(a) (i) in whole or in part on the first Interest Payment Date for which notice can be given in accordance with this Indenture after the Completion Date to the extent of excess funds on deposit on such date in the Loan Account of the Construction Fund, determined as provided in Section 6.03 of this Indenture; [and (ii) on the first Interest Payment Date for which notice can be given in accordance with this Indenture after receipt by the Trustee from the Majority Owner to redeem Bonds in an amount and from the Bond maturity determined by the Majority Owner up to the Earnout Amount (irrespective of amounts then on deposit in the Earnout Account of the Construction Fund), as contemplated by Section 5.23 of the Loan Agreement;] or

(b) in part on the first Interest Payment Date for which notice can be given in accordance with this Indenture, in the amount and from the Bond maturity as specified by the Majority Owner, if the Project has not achieved Stabilization within twenty-four (24) months after the Completion Date; or

(c) in whole or in part on the first Interest Payment Date for which adequate notice can be given in accordance with this Indenture after and to the extent that Insurance Proceeds or a Condemnation Award in connection with the Project are deposited in the Revenue Fund and are not to be used to repair or restore the Project; or

(d) upon a Determination of Taxability if the Owner of a Bond presents his Bond or Bonds for redemption, on any date selected by such Owner, specified in a notice in writing delivered to the Borrower at least thirty (30) days prior to such date; or

(e) in whole on any specified Interest Payment Date on or after February 1, 2022, if the Owners of all of the 2042 Term Bonds elect redemption by giving not less than 180 days' prior written notice thereof to the Trustee and the Borrower, which notice shall specify the Interest Payment Date on which the Bonds are to be redeemed; or

(f) in part on each Interest Payment Date commencing on the dates, on the terms of Bonds and in the amounts set forth on Exhibit B hereto, subject to adjustment as provided in Section 4.07(b) of this Indenture; or

(g) in whole on the first Interest Payment Date for which notice can be given in accordance with this Indenture (but in no event later than the Interest Payment Date which is not more than eighteen (18) months after the date of issuance of the Bonds), in the event the Project fails to satisfy the set-aside requirements as described in §5.01 of Revenue Procedure 2005-39 on or before the day which is twelve (12) months after the date of issuance of the Bonds.

Section 4.02. Redemption Price of Bonds Redeemed Pursuant to Mandatory Redemption. The Bonds being redeemed before maturity in accordance with Section 4.01 of this Indenture shall be redeemed at a redemption price equal to the principal amount of the Bonds being redeemed, together with accrued interest to the date of redemption.

Section 4.03. Optional Redemption. The 2042 Term Bonds shall be subject to redemption prior to maturity in whole but not in part on any Interest Payment Date on or after February 1, 2022, from the proceeds of an optional prepayment of the Loan by the Borrower, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption.

Section 4.04. Purchase in Lieu of Redemption. At the election of the Borrower upon a redemption in whole of the Bonds, by written notice to the Trustee and the Majority Owner given not less than five (5) Business Days in advance of such redemption date, the Bonds will be deemed tendered for purchase in lieu of the redemption on such date. The purchase price of Bonds so purchased in lieu of redemption shall be the principal amount thereof together with all accrued and unpaid interest to the date of redemption and shall be payable on the date of redemption thereof. Bonds so purchased in lieu of redemption shall be registered to or upon the direction of the Borrower.

Section 4.05. Notice of Redemption.

(a) Notice of redemption shall be given by the Trustee by telephone, telegram or other electronic means, promptly confirmed in writing, not less than ten (10) Business Days prior to the date fixed for redemption; provided, however, that no notice of redemption shall be required for a redemption pursuant to Section 4.01(f) of this Indenture.

(b) Notice of redemption shall be given to the Owners of all Bonds to be redeemed, by telephone, telex, telecopier or other electronic means, promptly confirmed in writing, at their addresses appearing on the books of registry. Receipt of such notice of redemption shall not be a condition precedent to such redemption, and failure so to notify any of such registered Owners shall not affect the validity of the proceedings for the redemption of the Bonds.

(c) Notice of redemption having been given as provided in subsection (a) or (b) of this Section 4.05 and all conditions precedent, if any, specified in such notice having been satisfied, the Bonds or portions thereof so to be redeemed shall become due and payable on the date fixed for redemption at the redemption price specified therein plus any accrued interest to the redemption date, and upon presentation and surrender thereof at the place specified in such Notice, such Bonds or portions thereof shall be paid at the redemption price, plus any accrued interest to the redemption date. On and after the redemption date (unless funds for the payment of the redemption price and accrued interest shall not have been provided to the Trustee), (i) such Bonds shall cease to bear interest and (ii) such Bonds shall no longer be considered as Outstanding under this Indenture.

Section 4.06. Selection of Bonds To Be Redeemed.

(a) Except as otherwise expressly set forth herein, if less than all the Bonds are to be redeemed, 2042 Term Bonds shall be redeemed first and then 2013 Term Bonds, and the particular Bonds or portions of Bonds to be redeemed shall be selected by the Trustee from such Bond maturity, in such manner as the Trustee in its sole discretion may deem fair and appropriate so that Bonds are redeemed, as nearly as practicable, from each Owner, if there is more than one Owner, on a pro rata basis according to the principal amount of Bonds of the Bond maturity redeemed represented by each Bond Outstanding.

(b) In making such selection by lot, the Trustee may treat each Bond of a particular maturity to be redeemed as representing that number of Bonds of the lowest Authorized

Denomination as is obtained by dividing the principal amount of such Bond by such Denomination.

Section 4.07. Partial Redemption of Bonds; Reamortization.

(a) In case part but not all of a Bond shall be selected for redemption, upon presentation and surrender at the Principal Office of the Trustee of such Bond by the Owner thereof or his attorney duly authorized in writing (with due endorsement for transfer or accompanied by written instrument of transfer in form satisfactory to the Trustee) the Issuer shall execute and the Trustee shall authenticate and deliver to or upon the order of such Owner, without charge therefor, for the unredeemed portion of the principal amount of the Bond so surrendered, a Bond or Bonds, at the option of such Owner, of any Authorized Denomination of like tenor, or if less than the minimum Authorized Denomination, an amount necessary to equal the unredeemed portion of the principal amount of the Bond; provided, however, that such surrender of Bonds shall not be required for payment of the redemption price pursuant to Section 4.01(f) hereof. For all purposes of this Indenture (including exchange and transfer), the Bond so issued in less than a minimum Authorized Denomination shall be deemed to have been issued in an Authorized Denomination. Bonds so presented and surrendered shall be canceled in accordance with this Indenture.

(b) In the event of a partial redemption of 2042 Term Bonds other than pursuant to Section 4.01(f) of this Indenture, the mandatory sinking fund schedule for the affected Bond maturity set forth on Exhibit B shall be adjusted for the 2042 Term Bonds, to provide for level debt service in respect of the 2042 Term Bonds remaining Outstanding after such partial redemption on the basis of thirty-five (35) year amortization schedule commencing on March 1, 2007.

The Servicer shall provide the Trustee with a new Exhibit B reflecting such adjustment promptly following any such partial redemption.

ARTICLE V

RESERVED

ARTICLE VI

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

Section 6.01. Establishment of Funds and Accounts; Application of Proceeds of the Bonds; and Other Amounts.

(a) the following Funds and Accounts are hereby created and established as special trust funds:

- (i) the Construction Fund, consisting of:
 - (A) the Loan Account,
 - (B) the Costs of Issuance Account,
 - (C) the Insurance and Condemnation Proceeds Account,
 - (D) the Equity Account,
 - (E) the Capitalized Interest Account,
 - (F) the Subordinate Debt Proceeds Account,
 - (G) the Net Project Revenue Account, and
 - (H) [the Earnout Account];
- (ii) the Replacement Reserve Fund;
- (iii) the Tax and Insurance Fund;
- (iv) the Revenue Fund, consisting of:
 - (A) the IRP Account, and
 - (B) the Borrower Payment Account.
- (v) the Rebate Fund.

(b) All the Funds and Accounts created by subsection (a) of this Section 6.01 shall be held by the Trustee in trust for application only in accordance with the provisions of this Indenture.

(c) The proceeds of the sale of the Bonds (\$_____) and the initial installment of Required Equity Funds (\$_____) and the proceeds of the Subordinate Debt (\$_____) shall be applied as follows:

- (i) \$_____, representing the proceeds of the sale of the Bonds, shall be deposited in the Loan Account of the Construction Fund;

(ii) \$ _____, representing a portion of the initial installment of Required Equity Funds, shall be deposited in the Capitalized Interest Account;

(iii) \$ _____, representing a portion of the initial installment of Required Equity Funds, shall be deposited in the Costs of Issuance Account of the Construction Fund;

(iv) [\$ _____, representing a portion of the initial installment of Required Equity Funds, shall be deposited in the Earnout Account of the Construction Fund];

(v) [\$ _____, representing proceeds of the Subordinate Debt, shall be deposited in the Subordinate Debt Proceeds Account of the Construction Fund]; and

(vi) \$ _____, representing the balance of the initial installment of Required Equity Funds, shall be deposited in the Equity Account of the Construction Fund.

Section 6.02. Construction Fund.

(a) Deposit of Moneys. The amounts specified in Section 6.01(c) shall be deposited in the Costs of Issuance Account, the Loan Account, the Capitalized Interest Account, the Equity Account [the Earnout Account,] and the Subordinate Debt Proceeds Account of the Construction Fund. All Net Project Revenues received by the Trustee from the Borrower pursuant to Section 3.2(a) of the Loan Agreement shall be deposited in the Net Project Revenue Account of the Construction Fund. All future installments of proceeds of the Subordinate Debt shall be deposited in the Subordinate Debt Proceeds Account of the Construction Fund. All future installments Required Equity Funds received by the Trustee shall be deposited in the Equity Account of the Construction Fund [; except that \$ _____ of the _____ Contribution shall be deposited into the _____ Account of the Construction Fund]. Additional capitalized interest deposited by the Borrower in connection with any extension of the Completion Date shall be deposited in the Capitalized Interest Account of the Construction Fund. Any amounts realized by the Trustee under the Guaranty of Completion shall be deposited in the Equity Account of the Construction Fund. All Condemnation Awards and Insurance Proceeds shall be deposited in the Insurance and Condemnation Proceeds Account of the Construction Fund. Any other funds directed by the Issuer to be deposited in the Construction Fund which are not required to be otherwise deposited or disbursed shall be so deposited upon receipt of funds and such direction by the Trustee.

(b) Use of Moneys.

(i) Loan Account, Equity Account and Subordinate Debt Proceeds Account. The Trustee shall make payments from the Loan Account for the purpose of paying the Qualified Costs of the Project. Disbursements from the Loan Account [, the Subordinate Debt Proceeds Account] and the Equity Account shall be made by the Trustee upon receipt of a Requisition, executed by the Authorized Representative of the Borrower and approved by the Servicer. Notwithstanding the foregoing requirement relating to Requisitions, the Trustee shall and is hereby authorized to transfer funds from the Equity Account to the Revenue Fund to pay interest on the Bonds prior to the Completion Date if, on any Interest Payment Date, amounts on deposit in the Capitalized Interest Account are insufficient for such purpose, without submission of any Requisition. Bond proceeds shall be allocated to the payment, or reimbursement for the payment, of Qualified Costs of the Project.

(ii) Capitalized Interest Account. The Trustee shall and is hereby authorized to transfer funds from the Capitalized Interest Account to the Revenue Fund to pay interest on the Bonds accruing up to and including the Completion Date without submission of any Requisition.

(iii) Earnout Account. The Trustee shall make disbursements from the Earnout Account only upon receipt of a written request from the Borrower accompanied by the written approval of the Majority Owner, whereupon such moneys shall be disbursed in accordance with the direction set forth in the Borrower's written request; provided, however, notwithstanding the foregoing, at any time permitted under Section 5.23 of the Loan Agreement, such moneys shall, at the direction of the Majority Owner, be transferred to the Revenue Fund for application to the redemption of Bonds pursuant to Section 4.01(a)(ii) of this Indenture.]

(iv) Net Project Revenue Account. The Trustee shall make payments from the Net Project Revenue Account for the purpose of paying Project Costs. Disbursements from the Net Project Revenue Account shall be made by the Trustee upon receipt of a Requisition executed by the Authorized Representative of the Borrower and approved by the Servicer.

(v) Costs of Issuance Account. Amounts in the Costs of Issuance Account shall be disbursed by the Trustee on the Closing Date and thereafter only to pay Costs of Issuance pursuant to a Closing Statement signed by the Borrower and the Majority Owner identifying the amount to be paid and the payee. Amounts remaining in the Costs of Issuance Account (including investment proceeds) after the payment of all Costs of Issuance, and in any event not later than thirty (30) days following the Closing Date, shall be transferred to the [Equity Account of the Construction Fund.]

(vi) Insurance and Condemnation Proceeds Account. Except as provided in Section 6.08, the Trustee shall make all disbursements from the Insurance and Condemnation Proceeds Account only upon the receipt by the Trustee of the written request of the Borrower accompanied by the written approval of the Servicer and in accordance with the provisions of Section 6.04 hereof.

(vii) Acceleration. Upon the occurrence and continuation of an Event of Default hereunder and an acceleration of the Bonds pursuant thereto, all moneys and investments in the Construction Fund shall be transferred to the Revenue Fund and applied to the payment of the Bonds.

(c) Requisitions. The Trustee may rely fully on the representations of the Borrower contained in any Requisition, and upon the written approval of the Majority Owner, set forth on any Requisition, delivered pursuant to the Loan Agreement and this Indenture, and shall not be required to make any investigation or inspection of the Project in connection therewith.

Section 6.03. Use of Certain Moneys Following Completion and Stabilization. Moneys (including investment proceeds but net of amounts to be retained to pay Qualified Costs of the Project (i) incurred but not then due and payable or (ii) allocated to construction contingency, marketing or operating expenses after the Completion Date) held in the Loan Account shall be transferred immediately after the Completion Date to the Revenue Fund for application to the redemption of Bonds pursuant to Section 4.01(a) of this Indenture. Moneys held in [the Net Project Revenue Account], the Subordinate Debt Proceeds Account and the Equity Account

immediately after Stabilization shall (to the extent not applied to redeem Bonds pursuant to Section 4.01(b) of this Indenture) be released to or upon the order of the Borrower, accompanied by the written consent of the Majority Owner.

Section 6.04. Condemnation Awards and Insurance Proceeds.

(a) Moneys representing a Condemnation Award or Insurance Proceeds shall be deposited into the Insurance and Condemnation Proceeds Account of the Construction Fund, and notice of such deposit thereof shall be given by the Trustee to the Servicer and the Majority Owner.

(b) To the extent there has been a determination pursuant to the Loan Documents to restore the Project, such Condemnation Award or Insurance Proceeds shall be expended for such purposes in accordance with the provisions of the Loan Documents.

(c) In the event there is a determination pursuant to the Loan Documents not to restore the Project, such Condemnation Award or Insurance Proceeds shall be either (i) transferred to the Revenue Fund and applied to the redemption of Bonds in accordance with Section 4.01(c) hereof, or (ii) released to the Borrower if the Borrower obtains an opinion of Bond Counsel that such release will not affect the excludability of the interest on the Bonds from gross income for federal income tax purposes, all in accordance with direction of the Majority Owner to the Trustee and subject to the provisions of the Loan Documents.

Section 6.05. Replacement Reserve Fund. There shall be deposited in the Replacement Reserve Fund all moneys received for such purpose by the Issuer or the Trustee from the Borrower pursuant to Section 5.22(c) of the Loan Agreement or transferred pursuant to Section 6.07 of this Indenture. Moneys in the Replacement Reserve Fund shall be disbursed by the Trustee only upon receipt of a written request therefor executed by the Authorized Representative of the Borrower and approved by the Servicer to be applied to repairs of or replacements in part of the Project, except that upon the occurrence and continuation of an Event of Default hereunder and an acceleration of the Bonds pursuant thereto, all moneys and investments in the Replacement Reserve Fund (other than moneys held to pay costs required to be paid but not yet payable) shall be transferred to the Revenue Fund and applied to the payment of the Bonds. Upon the payment in full of the Bonds and the fees and expenses of the Issuer, the Servicer and the Trustee and upon payment of amounts payable to the United States pursuant to Section 6.08 hereof, any amounts remaining in the Replacement Reserve Fund shall be paid to the Borrower as soon as practicable upon its written request therefor.

Section 6.06. Tax and Insurance Fund. There shall be deposited in the Tax and Insurance Fund all moneys received for such purpose by the Issuer or the Trustee from the Borrower pursuant to Section 5.22(h) of the Loan Agreement or transferred pursuant to Section 6.07 of this Indenture. Moneys in the Tax and Insurance Fund shall be applied to payment of real estate taxes and insurance premiums at the direction of the Servicer. Upon the payment in full of the Bonds, and the fees and expenses of the Issuer, the Servicer and the Trustee and upon payment of amounts payable to the United States pursuant to Section 6.08 hereof, any amounts remaining in the Tax and Insurance Fund shall be paid to the Borrower as soon as practicable upon its written request therefor.

Section 6.07. Revenue Fund.

(a) There shall be deposited in the Borrower Payment Account of the Revenue Fund all amounts transferred from the Construction Fund or received from the Borrower pursuant to

Section 3.2(a) of the Loan Agreement with respect to the Loan Documents or under the Guaranty and Suretyship Agreement, including payments of interest and principal and voluntary and involuntary prepayments of the Loan and investment earnings on investments held in the Funds and Accounts created by this Indenture (except as otherwise provided in Section 6.10 and Section 6.08). In addition, there shall be deposited in the IRP Account of the Revenue Fund amounts received by the trustee pursuant to the IRP Agreement, and the Trustee hereby agrees to send to the United States Department of Housing and Urban Development the completed billing form required by Section 4 of the IRP Agreement promptly after receipt of the Completed billing from the Borrower.

(b) Amounts in the IRP Payment Account of the Revenue Fund shall be applied on each Bond Payment Date to the following items (and only the following items) in the following order of priority:

- (i) to the payment of interest on the 2013 Term Bonds; and
- (ii) to the payment of the principal or redemption price under Section 4.01(f) hereof of the 2013 Term Bonds;

Moneys on deposit in the IRP Payment Account of the Revenue Fund on any given Bond Payment Date after the Maturity Date of the 2013 Term Bonds shall be retained in the IRP Payment Account and applied to any amounts so payable on the 2042 Term Bonds on the next Bond Payment Date.

(c) Amounts in the Borrower Payment Account of the Revenue Fund shall be applied on each Bond Payment Date to the following items in the following order of priority:

- (i) to the payment of interest on the Bonds to the extent not paid from amounts on deposit in the IRP Payment Account of the Revenue Fund;
- (ii) to the payment of the principal or redemption price, including premium, if any, on the Bonds to the extent not paid from amounts on deposit in the IRP Payment Account of the Revenue Fund;
- (iii) to the payment of any required deposit in the Tax and Insurance Fund;
- (iv) to the payment of any required deposit in the Replacement Reserve Fund;
- (v) to the payment of the fees of the Trustee and the Servicer, if any (including any extension fee due and owing under Section 3.2(b) of the Loan Agreement), due and owing under the Loan Documents and this Indenture;
- (vi) to the payment of any other amounts then due and owing under the Loan Documents;
- (vii) prior to Completion, the balance to the Net Project Revenue Account of the Construction Fund and on or after Completion, to the Borrower or such other party as may be legally entitled thereto.

(d) Upon the payment in full of the Bonds and the fees and expenses of the Issuer and the Trustee and the payment of amounts payable to the United States pursuant to Section

6.08 hereof, any amounts remaining in the Revenue Fund (except amounts held for future payment to the United States pursuant to Section 6.08 hereof) shall be paid to the Borrower as soon as practicable upon its request therefor.

Section 6.08. Rebate Fund.

(a) The Rebate Fund shall be held and applied as provided in this Section 6.08. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust for payment, to the extent required under the Code and as calculated by the Rebate Analyst, for payment to the United States Government. None of the Issuer, the Borrower or the Owners shall have any rights in or claim to such moneys. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this Section and by the Tax Certificate. The Trustee shall conclusively be deemed to have complied with such provision if it follows the written instructions of the Issuer or of Bond Counsel or the Rebate Analyst, including supplying all necessary information in the manner set forth in the Tax Certificate, and shall not be required to take any actions thereunder in the absence of written instructions from the Issuer, Bond Counsel or the Rebate Analyst.

(b) Within 55 days of the end of each Bond Year, the Borrower shall cause the Rebate Analyst to calculate the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Rebate Regulations, taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage (e.g., the temporary investments exceptions of Section 148(f)(4)(B) and (C) of the Code), for this purpose treating the last day of the applicable Bond Year as a (computation) date, within the meaning of Section 1.148-1(b) of the Rebate Regulations (the "Rebatable Arbitrage"). Within 55 days of the end of each fifth Bond Year, upon the written direction of the Issuer, Bond Counsel or the Rebate Analyst, an amount shall be deposited to the Rebate Fund by the Trustee from amounts provided by the Borrower, if and to the extent required so that the balance in the Rebate Fund shall equal the amount of Rebatable Arbitrage so calculated in accordance with this subparagraph (b).

(c) The Trustee shall pay, as directed by the Rebate Analyst, to the United States Treasury, out of amounts in Rebate Fund:

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

(ii) Not later than 60 days after the payment of all the Bonds, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code.

Each payment required to be made under this Section shall be made to the Internal Revenue Service Center, at Ogden Submission Processing Center, Ogden, Utah 84201 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T, which shall be prepared by the Rebate Analyst and provided to the Trustee.

(d) Notwithstanding any provision of this Indenture to the contrary, the obligation to remit payment of the rebate amount to the United States and to comply with all other requirements of this Section 6.08 shall survive the defeasance of payment in full of the Bonds.

(e) Any funds remaining in the Rebate Fund after redemption and payment of all of the Bonds and payment and satisfaction of any Rebate Requirement, or provision made therefor satisfactory to the Trustee, shall be withdrawn and remitted to the Borrower.

(f) The Trustee shall obtain and keep such records of the computations made pursuant to this Section 6.08 as are required under Section 148(f) of the Code. The Trustee shall keep and make available to the Borrower such records concerning the investments of the gross proceeds of the Bonds and the investments of earnings from those investments as may be requested by the Borrower in order to enable the Borrower to cause the Rebate Analyst to make the aforesaid computations as are required under Section 148(f) of the Code.

(g) Notwithstanding the foregoing, the computations and payments of rebate amounts referred to in this Section 6.08 need not be made if there shall have been delivered to the Trustee, the Issuer and the Majority Owner an opinion of Bond Counsel to the effect that such withdrawal and payment are not necessary in order to establish or maintain the exclusion from gross income of interest on the Bonds. In the event Bond Counsel so opines, the moneys on deposit in the Rebate Fund shall be applied to such purpose as the Borrower shall direct provided that the Borrower shall deliver to the Issuer, the Trustee and the Majority Owner an opinion of Bond Counsel to the effect that such application will not adversely affect the exclusion from gross income of interest on the Bonds for purposes of federal income taxation.

Section 6.09. Moneys Held in Trust; Investment of Moneys.

(a) All moneys from time to time received by the Trustee and held in the Funds and Accounts created hereby (other than the Rebate Fund) shall be held in trust as security for the benefit of the Owners of the Bonds. All such moneys, including the moneys held in the Rebate Fund, shall be invested as provided in this Indenture.

(b) Any such investments shall be held by or under the control of the Trustee. A sufficient amount of such investments shall be liquidated whenever the cash balance in any Fund is insufficient to pay an approved requisition when presented. Any moneys held as a part of the Funds shall be invested or reinvested, to the extent permitted by law, in Investment Securities at the request of and as directed in writing by an Authorized Representative of the Borrower and approved in writing by the Majority Owner.

(c) Except as otherwise provided in following sentence, all investments of amounts deposited in any fund or account created by or pursuant to this Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Indenture or the Code) at Fair Market Value. Investments if funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code and (unless valuation is undertaken at least annually) investments in the Reserve Fund shall be valued at their present value (within the meaning of Section 148 of the Code).

Section 6.10. Investment Earnings. Earnings received prior to the Completion Date on investments held in the Capitalized Interest Account, the Loan Account, the Net Project Revenue Account, [the Earnout Account], the Subordinate Debt Proceeds Account, the Equity Account and the Insurance and Condemnation Proceeds Account shall be transferred to the Capitalized Interest Account of the Construction Fund for application pursuant to Section 6.02(b) hereof; any such earnings received after the Completion Date shall be retained in the Capitalized Interest Account, the Loan Account, the Net Project Revenue Account, [the Earnout

Account], the Subordinate Debt Proceeds Account, the Equity Account and the Insurance and Condemnation Proceeds Account for application pursuant to Sections 6.02 and 6.03 hereof. Earnings on all investments held in the Revenue Fund shall be retained in the Revenue Fund for application pursuant to Section 6.07 hereof. Earnings on investments held in the Replacement Reserve Fund, the Tax and Insurance Fund and the Rebate Fund shall be retained therein and applied in the manner prescribed by Sections 6.05, 6.06, 6.07 and 6.08 hereof respectively.

Section 6.11. Covenants Respecting Arbitrage.

The Issuer covenants and certifies to and for the benefit of the Owners that so long as the Bonds remain Outstanding, the Issuer will not cause moneys on deposit in the Funds created hereunder, whether or not such moneys were derived from the proceeds of the sale of the Bonds or from any other source, to be used in a manner which would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. Pursuant to such covenants, the Issuer obligates itself to comply throughout the term of the Bonds with the requirements of Section 148 of the Code, and any regulations promulgated thereunder.

Section 6.12. Records. The Trustee shall keep and maintain adequate records pertaining to the funds and accounts established hereunder, including all deposits to and disbursements from said funds and accounts. The Trustee shall retain in its possession all certifications and other documents presented to it, all such records and all records of principal, interest and premium paid on the Bonds, subject to the inspection of the Borrower, the Issuer, the Trustee and the Owners of the Bonds and their representatives at all reasonable times and upon reasonable prior notice.

Section 6.13. Reports From the Trustee. The Trustee shall, on or before the fifth (5th) day of each month and annually, file with the Majority Owner, the Borrower, the Bank and the Issuer a statement setting forth in respect to the preceding calendar month or year:

- (a) the amount withdrawn or transferred by it and the amount deposited within or on account of each Fund and Account held by it under the provisions of this Indenture, including the amount of Investment Income on each Fund and Account;
- (b) the amount on deposit with it at the end of such month to the credit of each Fund and Account;
- (c) a brief description of all obligations held by it as an investment of moneys in each such Fund and Account;
- (d) the amount applied to the purchase or redemption of Bonds and a description of the Bonds or portions of Bonds so purchased or redeemed; and
- (e) any other information which the Borrower, the Majority Owner or the Issuer may reasonably request and to which the Trustee has access in the ordinary course of its operations.

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

ARTICLE VII

DEFAULT PROVISIONS; REMEDIES

Section 7.01. Events of Default. Each of the following events is hereby declared an "Event of Default" under this Indenture:

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

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

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

(d) An "Event of Default" shall have occurred under any of the Loan Documents.

Section 7.02. Acceleration; Annulment of Acceleration.

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

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

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

Section 7.03. Additional Remedies and Enforcement of Remedies. Upon the occurrence and continuation of any Event of Default, the Trustee, if and to the extent directed by the Majority Owner, may proceed forthwith to protect and enforce its rights and the rights of the Owners under the Act, the Bonds and this Indenture by such suits, actions or proceedings as the Majority Owner, in its sole discretion, shall deem expedient.

Section 7.04. Application of Revenues and Other Moneys After Default.

(a) If an Event of Default shall occur and shall not have been remedied, the Trustee shall transfer to the Revenue Fund (i) forthwith, all moneys and securities then held in any other Fund or Account under this Indenture other than amounts held in the Rebate Fund and (ii) as promptly as practicable after receipt thereof, all revenues and other payments or receipts pledged under this Indenture and all proceeds realized as a result of remedial action under the Loan Documents, the General Partner Documents and the Guarantor Documents.

(b) During the continuation of an Event of Default, the Trustee shall apply such moneys, securities, revenues, payments and receipts and the income therefrom as follows and in the following order:

(i) To the payment of Trustee Expenses;

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

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

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

Second: To the payment to the persons entitled thereto of the unpaid principal installments or redemption price of any Bonds which shall have become due and payable, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all the Bonds due and payable on any date, then to the payment thereof ratably, according to the amounts of principal installments or redemption price due on such date, to the persons entitled thereto, without any discrimination or preference.

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

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

(iv) Notwithstanding anything contained herein to the contrary, the Majority Owner may by written notice to the Trustee direct the application of funds other than in the manner set forth above (except that the priority of payment of Trustee's fees and

expenses shall not be altered), including, without limitation, the application of funds between the principal of or interest on the Bonds. Any such determination by the Majority Owner of shall be deemed conclusive, and the Issuer and the Trustee shall have no liability for the tax consequences of said determination.

Section 7.05. Remedies Not Exclusive. No remedy by the terms of this Indenture conferred upon or reserved to the Trustee or the Owners of the Bonds is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Indenture or existing at law or in equity or by statute (including the Act) on or after the date of adoption of this Indenture.

Section 7.06. Remedies Vested in Trustee and Majority Owner. All rights of action (including the right to file proof of claims) under this Indenture or under any of the Bonds may be enforced by the Trustee and the Majority Owner without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto. Subject to the rights of the Majority Owner to direct proceedings hereunder, any such suit or proceeding instituted by the Trustee shall be brought in its name under the authority herein granted without the necessity of joining as plaintiffs or defendants any Owners of the Bonds. Any recovery of judgment shall be for the equal benefit of the Owners of the Outstanding Bonds.

Section 7.07. Individual Bond Owners Action Restricted.

(a) No Owner of any Bond other than the Majority Owner shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Indenture or for the execution of any trust under this Indenture or for any remedy under this Indenture.

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

Section 7.08. Termination of Proceedings. In case any proceeding taken by the Majority Owner or by the Trustee at the direction of the Majority Owner on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Owners of the Bonds, the Issuer, the Trustee, the Borrower and the Owners of the Bonds shall be restored to their former positions and rights under this Indenture, and all rights, remedies and powers of the such parties shall continue as if no such proceeding had been taken.

Section 7.09. Waiver and Non-Waiver of Event of Default.

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

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

Section 7.10. Majority Owner Controls Proceedings. If an Event of Default shall have occurred and be continuing, notwithstanding anything in this Indenture to the contrary, the Majority Owner shall have the right, at any time, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting any proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture or any other proceedings under this Indenture and subject to the provisions of Section 8.01 of this Indenture relating to the indemnification of the Trustee; provided, however, that such direction is in accordance with law and the provisions of this Indenture; provided that nothing in this Section 7.10 shall impair the right of the Trustee in its discretion to take any other action under this Indenture which it may deem proper and which is not inconsistent with such direction by the Majority Owner.

Section 7.11. Interest on Unpaid Amounts and Default Rate for Nonpayment. In the event that principal, redemption premium or interest payable on the Bonds is not paid when due, there shall be payable on the amount not timely paid, on each Interest Payment Date, interest at the Default Rate, to the extent permitted by law. This interest shall accrue at the Default Rate until the unpaid amount, together with interest thereon, shall have been paid in full.

ARTICLE VIII

CONCERNING THE TRUSTEE

Section 8.01. Trustee: Appointment and Acceptance of Duties.

(a) The Issuer hereby appoints Wells Fargo Bank, National Association, as trustee hereunder. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by this Indenture by executing this Indenture.

(b) Unless otherwise provided, the corporate trust offices of the Trustee are designated as the respective offices or agencies of the Trustee for the authentication and delivery of Bonds.

Section 8.02. Responsibilities of Trustee.

(a) The recitals of fact herein and in the Bonds contained (other than the certificate of authentication) shall be taken as the statements of the Issuer and no Trustee assumes any responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of any Bonds issued hereunder or as to the security afforded by this Indenture, and the Trustee shall incur no liability in respect thereof. The Trustee shall be under no responsibility or duty with respect to the application of any moneys properly paid to it except as provided herein or as otherwise expressly agreed by the Trustee. The Trustee shall be under no obligation or duty to perform any act that would involve it in expense or liability or to institute or defend any suit in respect of this Indenture or to advance any of its own moneys, unless indemnified to its reasonable satisfaction. Subject to the provisions of subsection (b) of this Section 8.02, the Trustee shall not be liable in connection with the performance of its duties under this Indenture except for its own negligence or willful misconduct.

(b) The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default that may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default has occurred (and has not been cured within any applicable grace period) and subject to the rights of the Majority Owner with respect to control of remedies following an Event of Default hereunder, the Trustee shall exercise such of the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs. Any provisions of this Indenture relating to action taken or to be taken by the Trustee or to evidence upon which the Trustee may rely shall be subject to the provisions of this Section 8.02.

(c) The Trustee shall cooperate fully with the Majority Owner in the enforcement and protection of the rights of the Owners of the Bonds to the fullest extent possible under this Indenture, the Loan Documents and applicable law. Toward this end, the Trustee shall take such action as directed by the Majority Owner, including foreclosure of the Mortgaged Premises under the Mortgage, suit for specific performance of the Loan Documents or for damages for nonperformance thereof and assignment of the Loan Documents to the Owners of the Bonds for purposes of enforcing the rights of the Owners of the Bonds.

(d) The Trustee shall not take any discretionary action under the Loan Documents (although approval or disapproval of disbursement of Loan proceeds and investment earnings thereon under the Loan Agreement shall be made in accordance with the terms of Article VI

hereof) without the written approval of the Majority Owner and shall take such discretionary action permitted or required under the Loan Documents, as may be directed in writing by the Majority Owner.

(e) The Trustee shall notify the Majority Owner and the Servicer of any notification received by the Trustee under or pursuant to the Loan Documents promptly after receipt of said notice.

Section 8.03. Evidence on Which Trustee May Act.

(a) The Trustee, upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document furnished to it pursuant to any provision of this Indenture, shall examine such instrument to determine whether it conforms to the requirements of this Indenture and shall be protected in acting upon any such instrument believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel selected by it in respect of any action taken or suffered by the Trustee under this Indenture.

(b) Except as otherwise expressly provided in this Indenture, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision of this Indenture by the Issuer to any Trustee shall be sufficiently executed if executed in the name of the Issuer by an Authorized Representative of the Issuer.

Section 8.04. Compensation; No Trustee Liens. The Issuer shall cause the Borrower to pay to the Trustee from time to time reasonable compensation for all services rendered under this Indenture and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents, and employees, incurred in and about the performance of their powers and duties under this Indenture, provided that the Trustee shall not have a lien therefor on any moneys or Investment Securities at any time held or received by it under this Indenture.

Section 8.05. Certain Permitted Acts. The Trustee may become the owner of any Bonds with the same rights it would have if it were not the Trustee. To the extent permitted by law, the Trustee may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of the Bonds or to effect or aid in any reorganization growing out of the enforcement of the Bonds or this Indenture, whether or not any such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

Section 8.06. Resignation of Trustee. The Trustee may resign at any time and be discharged of the duties and obligations created by this Indenture by giving not less than sixty (60) days' written notice to the Issuer and the Owners of the Bonds, and such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed as provided in Section 8.08 of this Indenture, in which event such resignation shall take effect immediately on the appointment of and acceptance of duties by such successor.

Section 8.07. Removal of Trustee. The Trustee may be removed at any time by an instrument or concurrent instruments in writing, signed by the Majority Owner and the Issuer and filed with the Trustee.

Section 8.08. Appointment of Successor Trustee; Temporary Trustee. In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall

be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, the Majority Owner, with the written consent of the Issuer, shall appoint a successor Trustee.

Section 8.09. Transfer of Rights and Property to Successor Trustee. Any successor Trustee appointed under this Indenture shall execute, acknowledge and deliver to its predecessor, and also to the Issuer, the Majority Owner and to any other Bond Owner which shall request the same, an instrument accepting such appointment and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named; but the Trustee ceasing to act nevertheless, shall execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as reasonably may be required for more fully and certainly vesting and confirming in such successor all the right, title and interest of the predecessor Trustee in and to any property held by it under this Indenture, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in or pursuant to this Indenture. Should any deed, conveyance or instrument in writing from the Issuer be required by such successor Trustee for more fully and certainly vesting in and confirming any such estates, rights, powers and duties, any and all such deeds, conveyances and instruments in writing, on request and so far as may be authorized by law, shall be executed, acknowledged and delivered by the Issuer.

Section 8.10. Merger or Consolidation of Trustee. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it may be party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a bank or trust company organized under the laws of any state of the United States or a national banking association, and shall be authorized by law to perform all the duties imposed upon it by this Indenture, shall be the successor to the Trustee without the execution or filing of any paper or the performance of any further act.

Section 8.11. Servicer. The Trustee, at the direction of the Majority Owner, shall appoint (with prompt notice thereof to the Issuer and the Borrower) a mortgage servicer to service the Loan for all or a portion of the term of the Loan.

ARTICLE IX

AMENDMENTS AND SUPPLEMENTAL INDENTURES; AMENDMENTS OF ISSUER DOCUMENTS

Section 9.01. Supplemental Indentures Not Requiring Consent of Owners of Bonds. The Issuer and the Trustee may, without the consent of, or notice to, the Owners of any Bonds (but only with the consent of the Majority Owner, if any, and with notice to the Servicer), adopt one or more Supplemental Indentures for any one or more of the following purposes:

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

Section 9.02. Supplemental Indentures Requiring Consent of Owners of Bonds.

(a) Exclusive of Supplemental Indentures covered by Section 9.01 of this Indenture and subject to the terms and provisions contained in this Section 9.02, and not otherwise, the Owners of not less than two-thirds in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained in this Indenture to the contrary notwithstanding, to consent to and approve the execution and delivery by the Issuer and the Trustee of one or more Supplemental Indentures for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in any Supplemental Indenture; provided, however, that nothing in this Section 9.02 contained shall permit, or be construed as permitting, without the consent of the Owners of all of the Bonds, (i) an extension of the maturity date of the principal of or the interest on any Bond, (ii) a reduction in the principal amount of any Bond or the rate of interest thereon, (iii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, (iv) a reduction in the percentages of the Owners of the Outstanding Bonds required for consent to such Supplemental Indenture, (v) the creation of any lien other than a lien ratably securing all of the Bonds at any time Outstanding or (vi) any reduction of the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of the Trustee.

(b) If at any time the Issuer and the Trustee shall desire to execute and deliver a Supplemental Indenture for any of the purposes of this Section 9.02, the Trustee shall, upon being satisfactorily indemnified with respect to fees and expenses, cause notice of the proposed execution of such Supplemental Indenture to be mailed by registered or certified mail to each Owner of the Bonds. Such notice shall briefly set forth the nature of the proposed Supplemental

Indenture and shall state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection by all Owners of the Bonds. If within 60 days or such longer period as shall be prescribed by the Issuer following the giving of such notice, the Owners of not less than two-thirds in aggregate principal amount of the Bonds Outstanding at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof as herein provided, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Issuer from adopting the same or from taking any action pursuant to the provisions thereof. Subject to Section 9.04 hereof, upon the execution of any such Supplemental Indenture as in this Section 9.02 permitted and provided, this Indenture shall be and be deemed to be modified and amended in accordance therewith.

Section 9.03. Reliance on Opinion of Counsel. The Trustee shall be entitled to rely upon an opinion of counsel stating that a Supplemental Indenture is authorized or permitted by this Indenture, and prior to the execution and delivery of any Supplemental Indenture, the Trustee, the Issuer, the Servicer and the Majority Owner shall be furnished with an opinion of Bond Counsel stating that the provisions of such Supplemental Indenture will not cause the interest on the Bonds to be includable in gross income for purposes of federal income taxation.

Section 9.04. Consents Required. Anything herein to the contrary notwithstanding, a Supplemental Indenture described in Section 9.02 hereof which affects adversely any rights of the Borrower, the Servicer, the Issuer or the Trustee shall not become effective unless and until the affected party shall have consented in writing to the execution and delivery of such Supplemental Indenture. In this regard, the Trustee shall cause notice of the proposed execution and delivery of any Supplemental Indenture together with a copy of the proposed Supplemental Indenture to be mailed as provided in Section 4.05 with respect to the redemption of Bonds to the Borrower and the Servicer at least ten days before the date of its proposed execution and delivery.

Section 9.05. Amendments of Loan Documents Not Requiring Consent of Owners of Bonds. The Trustee and the Borrower may, without the consent of or notice to any of the Owners of Bonds (but only with the consent of the Majority Owner, if any) enter into any amendment, change or modification of any of the Loan Documents as may be required (a) by the provisions of the Loan Agreement or this Indenture, (b) for the purpose of curing any ambiguity or formal defect or omission therein, (c) so as to add additional rights and remedies for the benefit of Owners of the Bonds, or (d) in connection with any other change therein which, in the judgment of the Trustee (or the Majority Owner, if any), is not to the prejudice of the Trustee or the Owners of the Bonds.

Section 9.06. Amendments of Loan Documents Requiring Consent of Owners of Bonds. Except for the amendments, changes or modifications as provided in Section 9.05 hereof, neither the Trustee nor the Borrower, shall enter into any other amendment, change or modification of the Loan Documents without the mailing of notice and the written approval or consent of the Owners of not less than 66-2/3% in aggregate principal amount of the Bonds at the time Outstanding; provided, however, that nothing in this Section or Section 9.05 hereof shall permit or be construed as permitting without the consent of the Owners of all of the Bonds (a) an extension of the time of the payment of any amounts payable under the Loan Documents, or (b) a reduction in the amount of any payment or in the total amount due under the Loan Documents. If at any time the Trustee and the Borrower shall desire the consent to any such proposed amendment, change or modification, the Trustee shall, upon being satisfactorily indemnified with respect to fees and expenses, cause notice of such proposed amendment,

change or modification to be mailed in the same manner as provided herein with respect to redemption of Bonds. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the principal corporate trust office of the Trustee for inspection by all Owners of Bonds. If, within sixty (60) days, or such longer period as shall be prescribed by the Trustee as the case may be, following the mailing of such notice, the Owners of 66-2/3% in aggregate principal amount of the Bonds Outstanding at the time of the execution of any such amendment, change or modification shall have consented to and approved the execution thereof as hereto provided, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Borrower or the Issuer or the Trustee as the case may be, from executing the same or from taking any action pursuant to the provisions thereof. The Issuer, or the Trustee as the case may be, shall have the right to extend from time to time the period within which such consent and approval may be obtained from Owners of the Bonds. Upon the execution of any such amendment, change or modification as in this Section permitted and provided, the Issuer Documents shall be and be deemed to be modified, changed and amended in accordance therewith.

Section 9.07. Reliance on Opinion of Counsel. The Issuer and the Trustee may rely upon an opinion of counsel to the effect that any proposed amendment, change or modification to the Loan Documents or the Issuer Documents will comply with the provisions of this Article IX. Prior to requesting a consent to any proposed amendment, the Issuer or the Trustee, as the case may be, shall present the Trustee or the Issuer, as the case may be, and the Majority Owner with, or the Trustee shall have received, as the case may be, an opinion of Bond Counsel that the provisions of such amendment will not cause interest on the Bonds to be includable in gross income for purposes of federal income taxation.

ARTICLE X

DISCHARGE

Section 10.01. Discharge of Indenture. If the Issuer shall pay, or there shall otherwise be paid, to the Owners of all Bonds the principal or redemption price, if applicable, and interest due thereon, at the times and in the manner stipulated therein and in this Indenture and if all Trustee Expenses shall be paid in full, then the pledge of revenues, other moneys and securities under this Indenture and all covenants, agreements and other obligations of the Issuer to the Owners of Bonds, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall cause an accounting for such period or periods as shall be requested by the Issuer to be prepared and filed with the Issuer and, upon the request of the Issuer, shall execute and deliver to the Issuer all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver as provided in Article VI hereof all moneys or securities held by them pursuant to this Indenture (except as otherwise specified in Section 6.08) after the payment of principal or redemption price, if applicable, of or interest on Bonds. Notwithstanding the foregoing, upon such discharge the provisions of this Indenture relating to the Rebate Fund shall continue in effect.

Section 10.02. Discharge by Delivery. The obligation to pay the principal of, premium, if any, and interest on all or any portion of the Bonds (the "Bond Obligations") may be discharged by the delivery of the Bonds to the Trustee accompanied by written direction from the Owner(s) thereof to cancel such Bonds without payment (except as provided hereafter in this Section 10.02), and upon such delivery, such Bond Obligations shall be canceled and deemed paid. In the event only a portion of the Bond Obligations shall be canceled and deemed paid pursuant to the terms of this Section 10.02, those Bond Obligations which are not so canceled and deemed paid shall remain Outstanding for all purposes of this Indenture; provided that if all Bonds Outstanding shall be delivered to the Trustee in accordance with the terms of this Section 10.02 and all of the requirements for the discharge of the Indenture (other than the payment of Bond Obligations) shall be paid and satisfied in full, then the Trustee shall discharge and release the lien of this Indenture, deliver to the Owner(s) of the Bonds all moneys and securities held by the Trustee pursuant to this Indenture (except as otherwise specified in Section 6.08) up to an amount necessary to pay in full all of the principal of and interest on the Bonds through such cancellation and any other amounts due under the Loan Documents, and execute and deliver and such releases or other instruments requisite to release the lien hereof.

Section 10.03. Discharge by Deposit. The obligation to pay the principal, premium, if any, and interest on all or a portion of the Bonds may be discharged if the Issuer or the Borrower has deposited or caused to be deposited, as trust funds, with the Trustee cash and/or Investment Securities of the type described in clause (a) of the definition of that term which do not permit the redemption thereof at the option of the issuer thereof, the principal of, premium, if any, and interest on which when due (or upon the redemption thereof at the option of the holder), will, without reinvestment, provide cash which together with the cash, if any, on deposit with the Trustee at the same time, shall be sufficient, to pay and discharge the entire indebtedness on Bonds not theretofore canceled by the Trustee or delivered to the Trustee for cancellation by the payment of interest on and principal (and premium, if any) of the Bonds which have become due and payable or which shall become due at their stated maturity or redemption date, as the case may be (the "Defeasance Collateral"), and which are to be discharged under the provisions hereof, and has made arrangements satisfactory to the Trustee for the giving of notice of redemption, if any, by the Trustee in the name, and at the expense, of the Borrower. In addition, to discharge the obligation to pay the principal, premium, if any, and

interest on the Bonds pursuant to this Section 10.03, the Issuer or the Borrower must (i) obtain an opinion of Bond Counsel to the effect that all actions have been taken to cause the defeasance of this Indenture and such actions will not adversely affect the excludability of interest on the Bonds for federal income tax purposes under existing law, and (ii) provide written notice to the Majority Holder of such discharge at least thirty (30) days in advance.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Evidence of Signatures of Bond Owners and Ownership of Bonds.

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

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

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

Section 11.02. Bonds Not an Obligation of the State or Any Political Subdivision. [THE BONDS ARE LIMITED OBLIGATION OF THE ISSUER. THE ISSUER IS NOT OBLIGATED TO PAY THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS EXCEPT FROM THE REVENUES OR ASSETS PLEDGED THEREFOR UNDER THIS INDENTURE. THE BONDS ARE NOT A DEBT OF THE ISSUER, THE COUNTY OF SACRAMENTO, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF. NEITHER THE FAITH AND CREDIT OF THE ISSUER NOR THE TAXING POWER OF THE COUNTY OF SACRAMENTO, THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE BONDS. THE ISSUER HAS NO TAXING POWER.]

Section 11.03. Preservation and Inspection of Documents. All documents received by any Trustee under the provisions of this Indenture shall be retained in its possession and shall be subject at all reasonable times and upon reasonable prior notice to the inspection of the Issuer, any other Trustee, and any Owner of the Bonds and their agents and their representatives, any of whom may make copies thereof.

Section 11.04. Parties Interested Herein. Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person, other than the Issuer, the Trustee, the Majority Owner, the Borrower and the Owners of the Bonds, any right, remedy or claim under or by reason of this Indenture or any covenant, condition or stipulation of this Indenture; and all the covenants, stipulations, promises and agreements in this Indenture shall be for the sole and exclusive benefit of the Issuer, the Trustee, the Majority Owner, the Borrower and the Owners of the Bonds.

Section 11.05. No Recourse on the Bonds. No recourse shall be had for the payment of the principal or redemption price of or interest on the Bonds or for any claim based thereon or on this Indenture against any member, officer, employee or agent of the Issuer or any person executing the Bonds.

Section 11.06. Severability of Invalid Provisions. If any one or more of the covenants or agreements provided in this Indenture on the part of the Issuer or any Trustee to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements, and in no way shall affect the validity of the other provisions of this Indenture.

Section 11.07. Successors. Whenever in this Indenture the Issuer is named or referred to, it shall be deemed to include any entity that may succeed to the principal functions and powers of the Issuer under the Act, and all the covenants and agreements contained in this Indenture by or on behalf of the Issuer shall bind and inure to the benefit of said successor whether so expressed or not.

Section 11.08. Notices, Demands and Requests. Except as otherwise provided in Section 4.05, all notices, demands and requests to be given or made under this Indenture to or by the Issuer or the Trustee shall be in writing and shall be sufficiently given and shall be deemed given (a) three days after mailing by certified mail, first-class, postage prepaid; (b) the Business Day after sending by expedited overnight delivery service; (c) the date of receipt if delivered by personal delivery; (d) if sent by facsimile transmission, the date of transmission, if receipt of such transmission is telephonically confirmed on such day and addressed to the Notice Address of the respective addressee. Either the Issuer or the Trustee may change the Notice Address listed for it at any time upon written notice of such change sent by United States mail, postage prepaid, to the other party, which change shall be effective upon receipt.

Section 11.09. Applicable Law. This Indenture shall be governed exclusively by the applicable laws of the State.

Section 11.10. Table of Contents and Section Headings Not Controlling. The Table of Contents and the headings of the several Articles and Sections of this Indenture have been prepared for convenience of reference only and shall not control, affect the meaning of, or be taken as an interpretation of any provision of this Indenture.

Section 11.11. Exclusion of Bonds. Bonds owned or held by or for the account of the Issuer or the Borrower shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Indenture, and the Issuer and the Borrower shall not be entitled with respect to such Bonds to give any consent or take any other action provided for herein, unless all of the Outstanding Bonds are then owned by such person.

Section 11.12. Effective Date. This Indenture shall take effect immediately upon the execution and delivery by all of the parties hereto.

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

HOUSING AUTHORITY OF THE CITY OF
SACRAMENTO, as Issuer

By: _____
Executive Director

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Trustee

By: _____
Authorized Signatory

EXHIBIT A

FORM OF BOND

UNITED STATES OF AMERICA
STATE OF _____

\$ _____
HOUSING AUTHORITY OF THE CITY OF SACRAMENTO
MULTIFAMILY HOUSING REVENUE BOND
(WILLOW TREE APARTMENTS)
2005 ISSUE C

Number:

Dated Date: August __, 2005

Maturity Date: _____ 1, 20__

Registered Owner:

Principal Amount: \$ _____

Interest Rate: 5.75%

Housing Authority of the City of Sacramento (the "Issuer"), a public body, corporate and politic, of the State of California (the "State"), created and existing under and by virtue of the laws of the State, hereby acknowledges itself indebted and for value received promises to pay to the registered owner hereof stated above, or registered assigns, at the maturity date stated above, but only from the sources and as hereinafter provided, upon presentation and surrender of this Bond at the principal office of Wells Fargo Bank, National Association in San Francisco, California or its successor as trustee (the "Trustee"), under the Indenture (described below), the principal amount stated above, and to pay interest on said principal amount at the interest rate set forth above, from and including the dated date hereof until the principal amount shall have been paid in accordance with the terms of this Bond and the Indenture, as and when set forth below, but only from the sources and as hereinafter provided, by wire transfer if there be one Owner of all of the Bonds or otherwise by check or draft mailed to the record Owners of Bonds as the same appear upon the books of registry to be maintained by the Trustee, as registrar.

This Bond is one of a series of bonds (the "Bonds") issued pursuant to, and is subject to, the Trust Indenture dated as of August 1, 2005 between the Issuer and the Trustee (as amended and supplemented from time to time, the "Indenture"), and Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California, as amended (the "Act"). Reference is made to the Indenture and the Act for a full statement of their respective terms. Capitalized terms used herein and not otherwise defined herein have the respective meanings accorded such terms in the Indenture, which are hereby incorporated herein by reference. The Bonds issued under the Indenture are expressly limited to \$5,064,000 in aggregate principal amount at any time Outstanding and are all of like tenor, except as to numbers and denominations, and are issued for the purposes of providing construction and permanent financing for qualified multifamily rental housing units in the State and of paying certain expenses incidental thereto. Pursuant to a Loan Agreement dated as of August 1, 2005, and a

Promissory Note (the "Note") dated the date of issuance of the Bonds, DHI Willow Tree Associates, L.P., a California limited partner (the "Borrower"), has agreed to make payments to the Issuer in amounts equal to amounts of principal of and premium, if any, and interest on the Bonds.

The Bonds shall be limited obligations of the Issuer payable only from the sources provided in the Indenture and neither the State of California, the County of Sacramento nor any other political subdivision thereof shall be liable on the Bonds. THE OBLIGATIONS OF THE ISSUER ON THIS BOND ARE EXPRESSLY LIMITED TO AND ARE PAYABLE SOLELY FROM (I) THE PAYMENTS MADE PURSUANT TO THE LOAN AGREEMENT AND THE NOTE BY THE BORROWER, AND THE SECURITY THEREFOR PROVIDED BY THE DEED OF TRUST AND SECURITY AGREEMENT FROM THE BORROWER TO A TRUSTEE FOR THE BENEFIT OF THE TRUSTEE, DATED AS OF AUGUST 1, 2005, AND THE ASSIGNMENT OF LEASES, RENTS AND OTHER INCOME FROM THE BORROWER TO THE TRUSTEE, DATED AS OF AUGUST 1, 2005, ALL OF WHICH HAVE BEEN ASSIGNED TO THE TRUSTEE PURSUANT TO THE INDENTURE, AND (II) ANY ADDITIONAL SECURITY PROVIDED IN THE INDENTURE. Neither the State of California, the County of Sacramento nor any political subdivision thereof shall in any event be liable for the payment of the principal of or interest on any Bonds, or for the performance of any pledge, deed of trust, obligation or agreement of any kind whatsoever that may be undertaken by the Issuer, and none of the Bonds or any of its agreements or obligations shall be construed to constitute a debt or a pledge of the faith and credit of the State of California, the County of Sacramento or any political subdivision thereof within the meaning of any constitutional or statutory provision whatsoever, and shall not directly, indirectly or contingently obligate the State of California, the County of Sacramento or any of its political subdivisions to levy or to pledge any form of taxation whatsoever therefor or to make an appropriation for the payment thereof; nor shall any breach of any such pledge, deed of trust, obligation or agreement impose any pecuniary liability upon any member, officer, employee or agent of the Issuer, or any charge upon the general credit of the Issuer, or any pecuniary liability upon the Issuer payable from any moneys, revenues, payments and proceeds other than those first above specified. The Issuer has no taxing power.

Interest on the Bonds. The Bonds (including this Bond) shall bear interest on the outstanding principal amount thereof from and including the dated date hereof at a rate of five and three quarters percent (5.75%) per annum until paid at maturity or upon earlier redemption or acceleration, calculated on the basis of a 360-day year comprised of twelve 30-day months. The interest payable on the Bonds as provided above shall be payable on the first day of each month commencing October 1, 2005, and on each Bond Payment Date.

Registration and Transfer. This Bond is transferable by the registered owner hereof in person or by his attorney duly authorized in writing at the office of the Trustee as registrar, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a new registered Bond or Bonds, of any authorized denomination or denominations, of the same maturity and for the same aggregate principal amount will be issued to the transferee in exchange herefor. The Bonds are issuable as fully registered Bonds in Authorized Denominations as provided in the Indenture. The Issuer, the Trustee, and any other person may treat the person in whose name this Bond is registered on the books of registry as the Owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Bond be overdue, and no person shall be affected by notice to the contrary.

Redemption of Bonds. The Bonds are subject to optional and mandatory redemption by the Issuer and purchase in lieu of redemption by the Borrower prior to maturity as a whole or in

part at such time or times, under such circumstances, at such redemption prices and in such manner as is set forth in the Indenture.

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

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

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

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

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

IN WITNESS WHEREOF, the Issuer has caused this Bond to be executed as of the Dated Date stated above.

HOUSING AUTHORITY OF THE CITY OF
SACRAMENTO

By: _____
Executive Director

Attest:

Clerk of the Sacramento Housing and
Redevelopment Agency

FORM OF CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the within mentioned Indenture and is one of the Multifamily Housing Revenue Bonds (Willow Tree Apartments) 2005 Issue C of the Housing Authority of the City of Sacramento.

WELLS FARGO BANK, NATIONAL
ASSOCIATION,
as Trustee

By: _____
Authorized Signatory

Date of Authentication:

FORM OF ASSIGNMENT

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

Dated: _____

Authorized Signature

Name of Transferee

Signature Guaranteed by

Name of Bank

By: _____

Title: _____

EXHIBIT B
SCHEDULE OF MANDATORY SINKING FUND REDEMPTIONS

EXHIBIT C

FORM OF REQUISITION

BORROWER: DHI WILLOW TREE ASSOCIATES, L.P.

PROJECT: WILLOW TREE APARTMENTS

REQUISITION NO.: _____

In the Amount of \$ _____

TO:
Wells Fargo Bank, National Association, as trustee
555 Montgomery Street, 10th Floor
San Francisco, CA 94111
Attention: Vice President (MAC#A0167-102)

Charter Mac Corporation
625 Madison Avenue, 5th Floor
New York, New York 10022
Attention: Senior Vice President – Director of Portfolio Management

The Borrower hereby requests payments in the following amounts, from the following sources and to be made to the following parties, all as set forth on the Borrower's Request for Payment attached to this Requisition:

<u>Amount</u>	<u>Source</u>	<u>Payable to:</u>
	[Identify name of Account & Fund]	[Borrower's account #] [third party payment/wire instructions must be attached]

Requisition - Contents and Attachments

- () Borrower's Representations and Warranties
- () Contractor's Application and Certification for Payment (AIA Form G-702)
- () Requisitions and Invoices Supporting Application
- () Contractor's Requisition Certificate
- () Architect's Requisition Certificate
- () Borrower's Request for Payment
- () Lien Waivers

Representations and Warranties

1. No changes have been made in the Plans and Specifications which require and have not received the prior approval of (i) the Majority Owner or the Servicer under the terms of the Loan Agreement dated as of August 1, 2005 (the "Agreement"), (ii) any Governmental Authority having jurisdiction over the Project or (iii) any other parties from whom such approval is required.

2. Rehabilitation of the Improvements has been performed in accordance with the Plans and Specifications.
3. As of the date hereof, the Borrower has executed change orders (increasing/decreasing) the cost of the Improvements by \$_____ in the aggregate, has notified the Consulting Engineer of such changes and, to the extent necessary, has received any and all necessary approvals from the Servicer.
4. Funding of this Requisition shall be in accordance with the terms and provisions of the (i) Agreement, and (ii) the Trust Indenture dated as of August 1, 2005 with respect to the Bonds.
5. All monies requisitioned by the Borrower for rehabilitation and disbursed by the Trustee under previously approved requisitions have been paid to the Contractor and, to Borrower's best knowledge, all subcontractors, vendors and suppliers; all other funds requisitioned by the Borrower and disbursed by the Trustee under previously approved requisitions have been expended for the purpose for which they were requisitioned.
6. All of the information submitted to the Servicer and the Trustee in connection with this Requisition is true and accurate as of the date of submission.
7. The representations and warranties set forth in the Loan Documents are true and correct as of the date hereof with the same effect as if made on this date.
8. The Borrower represents and warrants that (i) there has occurred no Event of Default or event which, with the passage of time or the giving or notice or both, would constitute an Event of Default on the part of the Borrower or the Guarantor under the terms of the Loan Documents, (ii) except as previously disclosed by the Borrower to the Servicer, the Borrower has not received notice from or been informed by any Governmental Authority or the Consulting Engineer of any alleged deficiencies in the work performed to date or any deviation of such work from Plans and Specifications or notice of any assertion of a claim that the Improvements are not been constructed in accordance with all applicable Requirements, (iii) with the exception of any Permitted Liens, there are no liens against any portion of the Project or any other asset of the Borrower, and (iv) the Loan Documents are in full force and effect.
9. The Borrower represents and warrants that this Requisition is in the form of requisition required by the Servicer.
10. The Borrower represents and warrants that, following payment of the amounts requested under this Requisition, not less than 95% of amounts paid from proceeds of the Bonds have been applied to the payment of Qualified Costs of the Project.
11. Attached hereto are copies of lien waivers from all such subcontractors and materialmen requisitioning payment under this Requisition, the originals of which have been delivered to the Title Insurance Company.
12. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto under the Loan Agreement and the Facility Agreement.

Executed this ____ day of ____, ____.

DHI WILLOW TREE ASSOCIATES, L.P., a
California limited partnership

By: Pacific Housing, Inc., a California
nonprofit public benefit corporation its
Managing General Partner

By: _____
Bryan Alexander
Chief Operations Officer

By: Willow Tree Associates, LLC, a
California limited liability company
its Co-General Partner

By: Dawson Holdings, Inc., a
California corporation
its Manager

By: _____
Thomas Dawson
President

Approved:

CHARTER MAC CORPORATION

By: _____
Name:
Title:

Dated: _____, _____

Contractor's Application for Payment

Requisitions and Invoices

Contractor's Requisition Certificate

APPLICATION FOR PAYMENT NO. _____

TO: Wells Fargo Bank, National Association ("Trustee")

Charter Mac Corporation ("Servicer")

FROM: _____ ("Contractor")

RE: Rehabilitation of Willow Tree Apartments
located at _____ [insert address] (the "Project") by
DHI Willow Tree Associates, L.P. ("Borrower").

We are the general contractor for the Project and, to induce the Servicer to approve advances of loan proceeds by the Trustee to assist in funding rehabilitation of the Project and knowing that the Servicer will rely on this certificate in doing so, we hereby certify as follows:

1. In reference to our contract dated _____, _____, with Borrower for rehabilitation of the Project, and the Plans and Specifications therefor, no amendments, modifications or changes have been made with respect to our contract or the Plans and Specifications except such as have had your prior written approval. There are no pending change orders except as follows:

2. Our Application for Payment No. _____, dated _____, 200____, which we understand is to be included as an item in the Borrower's requisition to you, is in full compliance with the terms of our contract with Borrower, and, upon the payment of same, we will have no other or additional claim (including claims for so-called "extras") against Borrower on account of our contract or otherwise for and through the period of time ending upon the date of our Application for Payment, for all labor and materials furnished by us through and including the date of our Application for Payment except as follows:

a. Retainage not exceeding ____% of the value of labor and materials incorporated into the Project and covered by applications submitted by us on account of the Project for which payment is to be made to us after substantial completion of our contract, as provided therein (the amount of said retainage), as of the end of the period covered by our Application for Payment dated _____, 200____, is \$_____); and

b. [specify other claims, if any]

3. The Borrower is not in default of any of the Borrower's obligations to us as of the date hereof except as follows:

4. We have paid in full all our obligations to subcontractors, workmen, suppliers and materialmen for and with respect to all labor and materials supplied through and including the date of our last Application for Payment, except for an amount equal to ____% thereof, which we are holding in accordance with the terms of such obligations and our contract, and all our subcontractors have paid their subcontractors, workmen and materialmen in full for and with respect to all labor and materials supplied through and including the date of our last Application for Payment.

5. To the fullest extent allowed by law, we waive and release any and all rights to claim any lien for labor done or materials furnished up to an amount equal to the amount of our Application for Payment dated _____, 200__ plus the amount of all our previously funded applications.

Executed as an instrument under seal this ____ day of _____, 200__.

[NAME OF GENERAL CONTRACTOR]

By: _____
Title:

Architect's Requisition Certificate

APPLICATION FOR PAYMENT NO. _____

TO: Wells Fargo Bank, National Association ("Trustee")

Charter Mac Corporation ("Servicer")

FROM: _____ ("Architect")

RE: Rehabilitation of Willow Tree Apartments
located at _____ [insert address] (the "Project") by
DHI Willow Tree Associates ("Borrower").

We are the architect for the Project and, to induce the Servicer to approve advance loans of proceeds by the Trustee to assist in funding rehabilitation of the Project, and knowing that the Servicer will rely on this certificate in doing so, we hereby certify as follows:

1. We inspected the Project on _____, 200__ and found the status of the Project on that date and the progress made on the Project since our last certificate to you dated _____, 200__ to be as follows:

2. We delivered the Plans and Specifications for the Project, copies of which have been delivered to you (the "Plans and Specifications"). We have made no changes to the Plans and Specifications except as you have approved in writing. There are no pending change orders or construction change directives except as follows:

3. All work to date has been done in accordance with the Plans and Specifications and in a good and workmanlike manner. All materials and fixtures usually furnished and installed or stored on site at the current stage of rehabilitation have been furnished, installed or stored on site. All of the work to date is hereby approved except as follows:

4. We have examined the requisition being submitted herewith to you by Borrower, which requisition includes and Application for Payment from _____ ("Contractor") respecting rehabilitation of the Project. The payment so applied for by Contractor does not exceed (when added to the payments heretofore applied for by and paid to Contractor) __% of the value of labor and materials incorporated into the Project.

5. We have been advised that as of this date there remains unexpended funds of \$_____ which are available to fund rehabilitation costs, from which funds to pay the aforementioned Application for Payment will be deducted. In our opinion, such unexpended funds, after deduction of funds sufficient to cover both the current Application for Payment and the applicable retainage heretofore withheld and to become due on account of previous Applications, will be sufficient to pay for all rehabilitation costs reasonably required to complete the Project, provided that the amount advanced under the current application is, in fact, applied against obligations incurred for labor and materials heretofore furnished on account of rehabilitation of the Project.

6. All permits, licenses, approvals and the like required to complete rehabilitation of the Project have been validly issued by the appropriate authorities and are in full force and effect, and there is no violation of any of the provisions thereof or of any legal requirements

applicable to the Project of which we have notice or knowledge as of the date hereof except as follows:

7. Access to and egress from the Project and all improvements to be constructed thereon are in accordance with all applicable legal requirements. Water, drainage and sanitary sewerage facilities and telephone, gas and electric services of public utilities are or are due to be installed in the locations indicated on the Plans and Specifications and are adequate to serve the Project. All necessary approvals for installation of or connection to said facilities or services have been obtained.

8. To the best of our knowledge, there are no petitions, actions or proceedings pending or threatened to revoke, rescind, alter or declare invalid any laws, ordinances, regulations, permits, licenses or approvals for or relating to the Project.

9. No amendments, modifications or changes have been made to our contract dated _____, 200__ with the Borrower except such as have had your prior written approval.

10. Borrower is not in default of any of Borrower's obligations to us as of the date hereof except as follows:

This certificate is rendered based on our examination of the Project, the Plans and Specifications, the data comprising the Application for Payment and all other matters which we deem relevant. We are to incur no liability under this certificate except for failure to exercise due professional skill and diligence.

Executed as a sealed instrument this _____ day of _____, 200__.

[NAME OF ARCHITECT]

By: _____
Title:

Developer's Request for Payment

[ATTACH SPREADSHEETS IN FORM PROVIDED BY CHARTER MAC]

Lien Waivers

LOAN AGREEMENT

by and among

**HOUSING AUTHORITY OF THE CITY OF SACRAMENTO,
as Issuer**

**WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Trustee,**

and

**DHI WILLOW TREE ASSOCIATES, L.P.,
as Borrower**

Dated as of August 1, 2005

Relating to:

**\$5,064,000
Housing Authority of the City of Sacramento
Multifamily Housing Revenue Bonds
(Willow Tree Apartments) 2005 Issue C**

The amounts payable to Housing Authority of the City of Sacramento (the "Issuer") and other rights of the Issuer (except for Reserved Rights, as hereinafter defined) under this Loan Agreement have been pledged and assigned to Wells Fargo Bank, National Association, as trustee (the "Trustee") under the Trust Indenture between the Issuer and the Trustee dated as of August 1, 2005.

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LOAN AGREEMENT

This LOAN AGREEMENT dated as of August 1, 2005 (together with all supplements, modifications and amendments hereto, this "Agreement"), by and among the HOUSING AUTHORITY OF THE CITY OF SACRAMENTO, a public body, corporate and politic, organized and existing under the laws of the State of California (together with its successors and assigns, the "Issuer"), WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association organized and validly existing under the laws of United States of America, as trustee (together with any successor trustee under the Indenture and their respective successors and assigns, the "Trustee"), and DHI WILLOW TREE ASSOCIATES, L.P., a limited partnership organized and validly existing under the laws of the State of California, as borrower (together with its permitted successors and assigns, the "Borrower"),

WITNESSETH:

WHEREAS, the Issuer is authorized by the provisions of Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California, as amended (the "Act") to issue one or more series of its revenue bonds and to loan the proceeds thereof to finance the acquisition, rehabilitation and development of residential rental housing facilities for persons of very low and low income; and

WHEREAS, by proceedings adopted pursuant to and in accordance with the provisions of the Act, the Issuer has authorized the issuance of its Multifamily Housing Revenue Bonds (Willow Tree Apartments) 2005 Issue C, in the original aggregate principal amount of \$5,064,000 (the "Bonds") pursuant to the Trust Indenture between the Issuer and the Trustee dated as of the date hereof (as the same may be modified, amended or supplemented from time to time, the "Indenture") to provide funds to finance a portion of the costs of the acquisition, rehabilitation and development of a 107-unit residential rental development known as Willow Tree Apartments and located in the City of Sacramento, California, on land more particularly described on Exhibit A hereto (the "Project"); and

WHEREAS, pursuant to this Agreement, the Issuer has agreed to issue the Bonds and lend the proceeds thereof to the Borrower (the "Loan") and the Borrower has agreed to (a) apply the proceeds of the Loan to fund a portion of the costs of the acquisition, rehabilitation and equipping of the Project, (b) make payments sufficient to pay the principal of, premium, if any, and interest on the Bonds when due (whether at maturity, by redemption, acceleration or otherwise), and (c) observe the other covenants and agreements and make the other payments set forth herein; and

WHEREAS, the Borrower has delivered to the Issuer its promissory note dated the date of issuance of the Bonds in an original principal amount equal to the original principal amount of the Bonds in substantially the form set forth on Exhibit B hereto (as the same may be modified, amended or supplemented from time to time, the "Note") evidencing its obligation to repay the Loan and the Issuer has made the Loan to the Borrower, subject to the terms and conditions of this Agreement and the Indenture; and

WHEREAS, the obligations of the Borrower under this Agreement and the Note will be secured by, among other things, a Deed of Trust and Security Agreement, dated as of the date hereof (as the same may be modified, amended or supplemented from time to time, the "Mortgage") from the Borrower to [a trustee for the benefit of] the Trustee, and by the other Loan Documents (as defined herein).

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

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. All capitalized terms used herein and not defined herein shall have the meanings ascribed thereto in the Indenture unless otherwise expressly provided or unless the context otherwise requires. The singular shall include the plural and the masculine shall include the feminine and neuter shall include the masculine or feminine.

ARTICLE II

REPRESENTATIONS AND COVENANTS

Section 2.1. Representations by the Issuer. The Issuer makes the following representations as of the date of the execution and delivery of this Agreement as the basis for the undertakings on its part herein contained:

(a) The Issuer is a public body, corporate and politic, duly organized and validly existing under the laws of the State.

(b) Under the Act, the Issuer has the power to enter into the transactions contemplated by the Issuer Documents and to carry out its obligations hereunder and thereunder, including the issuance and sale of the Bonds. By proper action of its Board of Commissioners, the Issuer has been duly authorized to execute and deliver each of the Issuer Documents and to issue and sell the Bonds..

(c) The Issuer hereby finds and determines that financing the Project by the issuance of the Bonds will achieve the public purposes of the Act.

(d) No member of the Issuer, nor any other official or employee of the Issuer, has any interest, financial, employment or other, in the Borrower, the Project or in the transactions contemplated hereby.

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

(f) The Issuer makes no representation or warranty, express or implied, that the proceeds of the Bonds will be sufficient to finance the acquisition, rehabilitation and development of the Project or that the Project will be adequate or sufficient for the Borrower's intended purposes.

(g) The Issuer makes no representation or warranty, express or implied, that the proceeds of the Bonds will be sufficient to finance the acquisition, rehabilitation and development of the Project or that the Project will be adequate or sufficient for the Borrower's intended purposes.

(h) The Issuer has used no broker in connection with the execution hereof and the transactions contemplated hereby.

Section 2.2. Representations by the Borrower. The Borrower makes the following representations and warranties as of and from the date of the execution and delivery of this Agreement as the basis for the undertakings on its part herein contained:

(a) The Borrower is, and at all times will be, a limited partnership duly organized, validly existing and in good standing under the laws of the State. The Managing General Partner is, and will at all times be, a nonprofit public benefit corporation, duly organized and validly existing and in good standing under the laws of the State. The Co-General Partner is, and will at all times be, a limited liability company, duly organized and validly existing and in good standing under the laws of the State. Each of the Borrower, the Managing General Partner and the Co-General Partner has, and will at all times have, all requisite power to own its property and conduct its business as now conducted and as presently contemplated, to execute and deliver the Loan Documents and the General Partner Documents and to perform its duties and obligations hereunder and thereunder.

(b) The execution, delivery and performance of this Agreement and the other Loan Documents and the transactions contemplated hereby and thereby (i) are within the authority of the Borrower, (ii) have been duly authorized by all necessary proceedings on the part of the Borrower, (iii) do not conflict with or result in any breach or contravention of any provision of law, statute, rule or regulation to which the Borrower is subject or any judgment, order, writ, injunction, license or permit applicable to the Borrower, (iv) do not conflict with any provision of the Organizational Documents of the Borrower, the Housing Assistance Payments Contract, the IRP Agreement or the Subordinate Debt Documents, and (v) do not require the approval or consent of, or filing with, any governmental agency or authority other than those already obtained and the filing of certain of the Loan Documents in the appropriate public records.

(c) The execution and delivery of this Agreement and the other Loan Documents will result in valid and legally binding obligations of the Borrower enforceable against it in accordance with the respective terms and provisions hereof and thereof, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights, and except to the extent that availability of the remedy of specific performance or injunctive relief is subject to the discretion of the court before which any proceeding therefor may be brought.

(d) The Borrower, the Managing General Partner and the Co-General Partner are, and will at all times be, Single Purpose Entities.

(e) The address of the Borrower's chief executive office and principal place of business is _____ . The organizational identification number for the Borrower is _____ .

(f) The Borrower holds a fee simple title to the Land and the Improvements, subject only to the Permitted Encumbrances. The Borrower possesses, and will at all times possess, all franchises, patents, copyrights, trademarks, trade names, licenses and permits, and rights in respect of the foregoing, adequate for the conduct of its business substantially as now conducted or as it is intended to be conducted with respect to the Project, without known conflict with any rights of others..

(g) The Borrower is not subject to any charter, corporate or other legal restriction, or any judgment, decree, order, rule or regulation that has or is expected in the future to have a materially adverse effect on the business assets or financial condition of the Borrower. The Borrower is not, and will not be, a party to any contract or agreement that

has or is expected, in the judgment of the Borrower's partners, to have any materially adverse effect on the business or financial condition of the Borrower.

(h) The Borrower is not and will not at any time be, in violation of any provision of its Organizational Documents, the Housing Assistance Payments Contract, the IRP Documents the Subordinate Debt Documents or any agreement or instrument to which it may be subject or by which it or any of its properties may be bound or any decree, order, judgment, statute, license, rule or regulation, in any of the foregoing cases in a manner that could result in the imposition of substantial penalties or adversely affect the financial condition, properties or business of the Borrower.

(i) The Borrower and each Obligor (i) has made or filed, and will make or file in a timely fashion, all federal and state income and all other tax returns, reports and declarations required by any jurisdiction to which it is subject, (ii) has paid, and will pay when due, all taxes and other governmental assessments and charges shown or determined to be due on such returns, reports and declarations, except those being contested in good faith and by appropriate proceedings, (iii) has, and will maintain, partnership tax classification under the Code, and (iv) has set aside, and will at all times set aside, on its books provisions reasonably adequate for the payment of all taxes for periods subsequent to the period to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers, members or trustees of the Borrower know of no basis for any such claim. The Borrower has filed, and will continue to file, all of such tax returns, reports, and declarations either (x) separately from any Affiliate or (y) if part of a consolidated filing, as a separate member of any such consolidated group.

(j) The Project achieves the public purposes of the Act.

(k) The Project is located wholly within the State and within the jurisdiction of the Issuer.

(l) None of the Issuer, any member, official or employee of the Issuer, or the Trustee has any interest, financial, employment or other, in the Borrower, the Project or the transactions contemplated hereby.

(m) There is no Event of Default on the part of the Borrower or any Obligor under this Agreement or any other Loan Document, any General Partner Document, any Guarantor Document, any Subordinate Debt Document, the Housing Assistance Payments Contract, any IRP Document or any Organizational Document, and no event has occurred and is continuing which after notice or passage of time or both would give rise to a default under any thereof. The Borrower has received no notices of and has no knowledge of any violations of any Legal Requirements or Project Approvals.

(n) The certifications, representations, warranties, statements, information and descriptions contained in the Loan Documents and in the Borrower Tax Certificate, as of the date of the first authentication and delivery of the Bonds, are and will be true, correct and complete, do not and will not contain any untrue statement or misleading statement of a material fact, and do not and will not omit to state a material fact required to be stated therein or necessary to make the certifications, representations, warranties, statements, information and descriptions contained therein, in light of the circumstances under which they were made, not misleading. The estimates and the assumptions contained in the Loan Documents and in the Borrower Tax Certificate, as of the date of

the first authentication and delivery of the Bonds, are reasonable and based on the best information available to the Borrower. Each of the certifications, representations, warranties, statements, information and descriptions contained in the Borrower Tax Certificate is hereby incorporated into this Agreement by reference, as if fully set forth herein.

(o) The Borrower has furnished to the Issuer in the Borrower Tax Certificate all information necessary for the Issuer to file an IRS Form 8038 with respect to the Bonds, and all of such information is and will be on the date of filing, true, complete and correct.

(p) The Borrower is not contemplating either the filing of a petition by it under any state or federal bankruptcy or insolvency law or the liquidation of all or a major portion of its property, and the Borrower has no knowledge of any Person contemplating the filing of any such petition against it.

(q) The Borrower is not an "employee benefit plan," as defined in Section 3(3) of ERISA, subject to Title I of ERISA, and none of the assets of the Borrower constitutes or will constitute "plan assets" of one or more such plans within the meaning of 29 C.F.R. section 2510.3-101.

(r) No part of the proceeds of the Loan will be used for the purpose of purchasing or acquiring any "margin stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System or for any other purpose that would be inconsistent with such Regulation U or any other Regulation of such Board of Governors, or for any purpose prohibited by Legal Requirements, [the Subordinate Debt Documents] or any Loan Document.

(s) The Borrower is not (i) an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended; (ii) a "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" of either a "company" or a "subsidiary company" within the meaning of the Public Utility Holding Company Act of 1935, as amended; or (iii) subject to any other federal or state law or regulation which purports to restrict or regulate its ability to borrow money.

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

(u) All information regarding the Borrower, the Project and any Obligor delivered to the Issuer, the Trustee, the Servicer or the Majority Owner is true and correct in all material respects and all financial information fairly presents the financial condition and results of operations of the Borrower and the Obligors for the periods to which such financial information relates, and discloses all liabilities and contingent liabilities of the Borrower or the Obligors.

(v) There are no actions, suits, proceedings or investigations of any kind pending or threatened against the Borrower or the General Partner before any court, tribunal or administrative agency or board or any mediator or arbitrator that, if adversely determined, might, either in any case or in the aggregate, adversely affect the business, assets or financial condition of the Borrower or the General Partner, or result in any liability not adequately covered by insurance, or for which adequate reserves are not maintained on the balance sheet of the Borrower or the General Partner, or which question the validity of this Agreement or any of the other Loan Documents, the Subordinate Debt Documents, the IRP Documents, the Housing Assistance Payments Contract or any of the General Partner Documents, any action taken or to be taken pursuant hereto or thereto, or any lien or security interest created or intended to be created pursuant hereto or thereto, or which will adversely affect the ability of the Borrower to rehabilitate, use and occupy the Project or to pay and perform its obligations hereunder in the manner contemplated by this Agreement, any of the other Loan Documents or any of the General Partner Documents.

(w) All utility services necessary and sufficient for the rehabilitation and operation of the Project are presently, and will at all times be, available through dedicated public rights of way or through perpetual private easements with respect to which the Mortgage creates a valid and enforceable first lien. The Borrower will also promptly obtain all utility installations and connections required for the operation and servicing of the Project for its intended purposes.

(x) The rights of way for all roads necessary for the full utilization of the Project for its intended purposes have either been acquired by the appropriate Governmental Authority or have been dedicated to public use and accepted by such Governmental Authority. All such roads shall have been completed, or all necessary steps have been taken by the Borrower and such Governmental Authority to assure the complete construction and installation thereof prior to the date upon which access to the Project via such roads will be necessary, and the right to use all such roads, or suitable substitute rights of way approved by the Servicer, shall be maintained at all times for the Project. All curb cuts, driveways and traffic signals shown on the Plans and Specifications are existing or have been fully approved by the appropriate Governmental Authority and after the completion thereof, shall be maintained at all times for the Project.

(y) The acquisition, rehabilitation, equipping, use and occupancy of the Project will at times comply with all Legal Requirements all requirements of the Subordinate Debt Documents and all requirements of the IRP Documents. The Borrower will give all notices to, and take all other actions with respect to, such Governmental Authorities as may be required under applicable Legal Requirements to rehabilitate the Improvements and to use, occupy and operate the Project.

(z) Except as set forth on Exhibit C hereto, the Borrower has obtained all Project Approvals required for the acquisition, rehabilitation and development of the Project in accordance with the Plans and Specifications and the Amenities and Resident Services Schedule. All Project Approvals obtained by the Borrower have been validly issued and are in full force and effect. The Borrower has no reason to believe that any of the Project Approvals required for acquisition, rehabilitation and equipping of the Project in accordance with the Plans and Specifications and the Amenities and Resident Services Schedule and not heretofore obtained by the Borrower will not be obtained by the Borrower in the ordinary course in order to permit completion of rehabilitation of the Project in accordance with the Plans and Specifications and the Amenities and Resident Services Schedule on or before the Completion Date. The Borrower will timely obtain all Project Approvals not heretofore obtained by the Borrower (including those listed and described on Exhibit C hereto, those required for use and occupancy of the Project for its intended purpose upon Completion and any other Project Approvals which may hereafter become required, necessary or desirable) and will furnish the Servicer with evidence that the Borrower has obtained such Project Approvals promptly upon their receipt. The Borrower will duly perform and comply with all of the terms and conditions of all Project Approvals obtained at any time. No Project Approvals will terminate, or become void or voidable or terminable, upon any sale, transfer or other disposition of the Project, including any transfer pursuant to foreclosure, deed in lieu of foreclosure or exercise of power of sale under the Mortgage.

(aa) The Borrower has furnished the initial Majority Owner with true and complete sets of the Plans and Specifications. The Plans and Specifications so furnished to the initial Majority Owner comply with all Legal Requirements, all Project Approvals, and all restrictions, covenants and easements affecting the Project, and have been approved by such Governmental Authority as is required for rehabilitation of the Improvements and the lender in respect of the Subordinate Debt.

(bb) The Development Budget accurately reflects all Project Costs.

(cc) The survey for the Project delivered to the initial Majority Owner does not fail to reflect any material matter of survey affecting the Project or the title thereto.

(dd) No part of the Land is located in an area identified by the Federal Emergency Management Agency as an area having special flood hazard or to the extent any part of the Land is an area identified as an area having special flood hazard, adequate flood insurance has been obtained by the Borrower.

(ee) Attached hereto as Exhibit D hereto is a true and correct and complete rent roll for the Project (the "Rent Roll"), which includes all Leases affecting the Project. Except as set forth in Exhibit D: (i) each Lease is in full force and effect; (ii) the tenants under the Leases have accepted possession of and are in occupancy of all of their respective demised Land, have commenced the payment of rent under such Leases, and there are no offsets, claims or defenses to the enforcement thereof; (iii) all rents due and payable under the Leases have been paid and no portion thereof has been paid for any period more than 30 days in advance; (iv) the rent payable under each Lease is the amount of fixed rent set forth in the Rent Roll, and there is no claim or basis for a claim by the tenant thereunder for an adjustment to the rent; (v) no tenant has made any claim against the landlord under the Leases (except as disclosed on Exhibit D) which remains outstanding, there are no defaults on the part of the landlord under any Lease, and no event has occurred which, with the giving of notice or passage of time, or both, would

constitute such a default; and (vi) to the Borrower's best knowledge, there is no present material default by the tenant under any Lease. The Borrower will hold any security deposits under the Leases in a non-commingled bank account in the name of the Borrower and meeting the requirements of Applicable Laws. None of the Leases contains any option to purchase or right of first refusal to purchase the Project or any part thereof. Neither the Leases nor the Rents have been assigned or pledged to any Person and no Person has any interest therein except the tenants thereunder.

(ff) The Borrower is not in default or violation of the Subordinate Debt Documents, the IRP Documents, the Housing Assistance Payments Contract or any order, writ, injunction, decree or demand of any Governmental Authority, the violation of which might materially adversely affect the condition (financial or otherwise) or business of the Borrower. There has not been and shall never be committed by the Borrower or any other Person in occupancy of or involved with the operation or use of the Project any act or omission affording any Governmental Authority the right of forfeiture as against the Project or any part thereof any monies paid in performance of the Borrower's obligations under any Loan Document.

(gg) The Construction Contract and the Architect's Contract are each in full force and effect and each of the parties thereto are in full compliance with their respective obligations thereunder. The work to be performed by the Contractor under the Construction Contract is the work called for by the Plans and Specifications, and all work required to complete the Improvements in accordance with the Plans and Specifications is provided for under the Construction Contract.

(hh) Each Requisition submitted by the Borrower shall contribute an affirmation that the foregoing representations and warranties remain true and correct as of the date hereof.

Section 2.3. Covenants by the Borrower. The Borrower hereby covenants and agrees that, on and after the Closing Date, it will:

(a) Promptly give written notice of any intended refinancing of the Project to the Trustee, the Servicer and the Majority Owner;

(b) Comply with the Subordinate Debt Documents, the IRP Documents, the Housing Assistance Payments Contract and all laws, ordinances, orders, rules, statutes and regulations of Governmental Authorities and promptly furnish the Trustee and the Servicer with reports of any official searches made by any Governmental Authority and any claims of violations thereof;

(c) Permit the Majority Owner, the Servicer and the Trustee (or their representatives) to enter upon the Land and inspect the Project;

(d) Cause the satisfaction of all conditions of this Agreement and the other Loan Documents to be performed by or imposed upon the Borrower;

(e) Indemnify the Issuer, the Trustee, the Servicer and the Majority Owner against claims of brokers arising by reason of the execution hereof or the consummation of the transactions contemplated hereby;

- (f) Deliver to the Servicer copies of all leases (other than leases to residential tenants in the ordinary course of business in the form set forth in Exhibit E hereto) of the Project, whether executed before or after the date of this Agreement;
- (g) Not enter into, cancel or amend any agreement for the furnishing of management or similar services to the Project, without the prior written consent of the Servicer;
- (h) Comply with all restrictions, covenants and easements affecting the Land or the Project;
- (i) Make all payments and observe and perform all covenants, conditions and agreements required to be paid, observed or performed by the Borrower under this Agreement (including without limitation the payments specified in Section 3.2 hereof) and the other Loan Documents and all other documents, instruments or agreements which may at any time, or from time to time, be entered into by the Borrower with respect to the Project or the operation, occupancy or use thereof, and take all steps necessary to require any successor owner or owners of the Project or any portion thereof to undertake fully to comply with all provisions of the Regulatory Agreement;
- (j) Take, or require to be taken, such acts as may be required of it under applicable law or regulation in order that the interest on the Bonds continues to be excludable from gross income for purposes of federal income taxation, and refrain from taking any action which would adversely affect the exclusion from gross income of interest on the Bonds from federal income taxation;
- (k) Perform and satisfy all the duties and obligations of the Borrower set forth and specified in the Indenture as duties and obligations of the Borrower, including those duties and obligations which the Indenture requires this Agreement or the other Loan Documents to impose upon the Borrower;
- (l) Confirm and assure that the Project, equipment, buildings, plans, offices, apparatus, devices, books, contracts, records, documents and other papers relating thereto shall at all times be maintained in reasonable condition for proper audit and shall be subject to examination and inspection at any reasonable time by the Trustee, the Majority Owner or the Servicer or the duly authorized agent of any of them and shall keep copies of all written contracts or other instruments which affect the Project, all or any of which shall be subject to inspection and examination by the Trustee, the Issuer, the Majority Owner or the Servicer or the duly authorized agent of any of them;
- (m) Neither make nor suffer any changes to the Project without the approval of the Majority Owner and the Servicer and any approval required under the Subordinate Debt Documents or the IRP Documents;
- (n) Commencing on the fifth anniversary of the Closing Date, and on such anniversary in each fifth year thereafter, cause to be delivered to the Trustee and the Servicer, an opinion of counsel, who may be counsel for the Borrower, addressed to the Trustee and the Servicer and stating that based upon the law in effect on the date of such opinion no filing, registration or recording and no refiling, re-registration or rerecording of the Mortgage and any Financing Statement, amendments thereto, continuation statements or instruments of a similar character relating to the pledges and assignments made by the Borrower to the Issuer or the Trustee to or for the benefit of

the Owners of Bonds is required by law in order to fully preserve and protect the rights of the Issuer, the Trustee and the Owners of Bonds, as the case may be, or if such filing, registration, recording, refiling, re-registration or rerecording is necessary, setting forth the requirements in respect thereof; and cause such filing, registration, recording, refiling, re-registration or rerecording to take place at Borrower's expense and promptly after any filing, recording, refiling or rerecording of the Mortgage and any such Financing Statement or amendment thereto or continuation statement or instrument, deliver to the Trustee and the Servicer evidence, satisfactory to the Trustee and the Servicer, that such filing, registration, recording, refiling, re-registration, or rerecording has been duly accomplished and setting forth the particulars thereof;

(o) Assure and confirm that the representations and warranties hereby made by it in Section 2.2 will be true and correct continuously throughout the term of this Agreement;

(p) Immediately notify the Servicer, the Trustee and the Majority Owner in writing of any (i) default by the Borrower in the performance or observance of any covenant, agreement, representation, warranty or obligation of the Borrower set forth in this Agreement or any other Loan Documents, the IRP Documents, the Housing Assistance Payments Contract or the Subordinate Debt Documents or (ii) any event or condition which with the lapse of time or the giving of notice, or both would constitute an Event of Default under this Agreement or any other Loan Documents or the Subordinate Debt Documents; and

(q) Commence, pursue and complete rehabilitation of the Improvements as provided herein.

ARTICLE III

LOAN AND PROVISIONS FOR REPAYMENT

Section 3.1. Issuance of Bonds and Delivery of Note and other Loan Documents.

(a) In order to finance a portion of the Qualified Costs of the Project, the Issuer has, consistent with its duties and purpose under the Act, issued and caused the Trustee to authenticate and deliver the Bonds pursuant to the Indenture to the initial Owner and has loaned the proceeds received from the sale of the Bonds to the Borrower, by causing such amounts to be deposited in the Construction Fund, subject to the terms and conditions of the Indenture and this Agreement, including the terms and conditions thereof and hereof governing the disbursement of proceeds of the Loan.

(b) The Issuer has authorized and directed the Trustee to make disbursements from the Construction Fund created pursuant to the Indenture to pay or to reimburse the Borrower for costs of the acquisition, rehabilitation and development of the Project, subject to the conditions of the Indenture and this Agreement. Upon receipt of a properly signed Requisition approved by the Servicer (which approval the Borrower acknowledges is expressly subject to the conditions and receipt by the Servicer of the items described on Exhibit I hereto), the Trustee is authorized to act thereon without further inquiry, and, except for negligence after notice of facts to the contrary or willful misconduct of the Trustee, the Borrower shall hold the Trustee harmless against any and all losses, claims or liabilities incurred in connection with the Trustee's making disbursements from the Construction Fund. Neither the Trustee nor the Issuer shall be responsible for the application by the Borrower of monies properly disbursed from the Construction Fund.

(c) Concurrently with the sale and delivery of the Bonds, and to evidence further the obligation to repay the Loan in accordance with the provisions of this Agreement, the Borrower has executed and delivered the Note and the other Loan Documents.

Section 3.2. Loan Repayments and Other Amounts.

(a) (i) From and after the Closing Date until Stabilization, the Borrower shall pay to the Trustee for deposit into the Revenue Fund on or prior to each Interest Payment Date, all Net Project Revenues.

(i) From and after the Closing Date, the Borrower shall pay to the Trustee for deposit into the Revenue Fund the amount necessary (after taking into account funds available for such purpose, if any, in the Capitalized Interest Account of the Construction Fund) to pay the principal of, premium, if any, and interest on the Bonds due and payable on each Bond Payment Date and amounts required to be deposited into the Tax and Insurance Fund and the Replacement Reserve Fund as of such Bond Payment Date. Amounts so paid to the Trustee by the Borrower shall be in immediately available funds or shall be such that on the Bond Payment Date they are available funds.

(b) The Borrower agrees to pay to the Trustee and the Issuer all fees, charges and expenses of the Trustee and the Issuer, respectively (including the fees and expenses of counsel to the Issuer, Bond Counsel and counsel to the Trustee), as and when the same become due. The Borrower also agrees to pay the printing and engraving costs of the Bonds, including any certificates required to be prepared for use

in connection with any exchanges of Bonds for the cost of which Owners are not liable. The Borrower also agrees to pay the fees of the Servicer (which may include the Trustee acting as Servicer), and to pay the costs and expenses of the Servicer upon receipt of written demand therefor. In addition to any other fees of the Servicer, from and after the date of extension of the Completion Date pursuant to Section 5.1(a) hereof until the Project achieves Completion, the Borrower shall pay to the Servicer an ongoing extension fee equal to 0.0625% per month on the amount of Bonds Outstanding as of the date of said extension, payable monthly in arrears on each Interest Payment Date.

(c) The Borrower agrees to pay all Costs of Issuance (in addition to those Costs of Issuance otherwise required to be paid by this Section 3.2).

(d) The Borrower agrees to pay, as and when the same become due, to the Issuer, the Servicer or the Trustee any extraordinary expenses, including, without limitation, any costs of litigation, which may be incurred by the Issuer, the Servicer or the Trustee in connection with this Agreement or the Indenture, including the costs and fees of any attorneys or other experts retained by the Issuer, the Servicer or the Trustee in connection therewith.

(e) In the event the Borrower shall fail to make any of the payments required in this Article III with respect to any Bonds, the payment so in default shall continue as an obligation of the Borrower until the amount in default shall have been fully paid and the Borrower will continue to pay all amounts due on the Bonds and otherwise due hereunder during such time until paid.

(f) It is agreed that payments duly and properly made under the Note shall satisfy the Borrower's obligation to make like payments under Section 3.2(a) hereof to the extent of the amount so paid.

Section 3.3. Payments Pledged and Assigned. It is understood and agreed that the Loan Documents and certain other documents and property and all payments required to be made by the Borrower pursuant hereto (except payments to be made to the Issuer in respect of its Reserved Rights and payments to be made to the Servicer and the Trustee pursuant to Section 3.2(b) hereof) have been assigned to the Trustee simultaneously herewith pursuant to the Indenture as and for security for the Bonds. The Borrower hereby consents to such assignment and recognizes the assignee of the Issuer, or the further as assignee, to the extent of the assignment, as the Issuer for purposes of said documents and property.

Section 3.4. Obligations of Borrower Hereunder Unconditional. The obligations of the Borrower to make any payments required by the terms of this Agreement and the other Loan Documents, including, without limitation, the payments required in Section 3.2 hereof, and to perform and observe the other agreements on its part contained herein and in the other Loan Documents shall be absolute and unconditional and shall not be subject to any defense (other than payment) or any right of set-off, counterclaim, abatement or otherwise and, until such time as the principal of, and interest and premium, if any, on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture; the Borrower (i) will not suspend or discontinue, or permit the suspension or discontinuance of, any payments provided for herein or in the other Loan Documents, (ii) will perform and observe all of its other agreements contained herein and the other Loan Documents and (iii) will not suspend the performance of its obligations hereunder and under the other Loan Documents for any cause including, without limiting the generality of the foregoing, failure to complete rehabilitation of the Project, any acts or circumstances that may constitute failure of consideration, failure of

or a defect of title to the Project or any part thereof, eviction or constructive eviction, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws or administrative rulings of or administrative actions by the United States of America or the State or any political subdivision of either, or any failure of the Issuer to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Agreement or the other Loan Documents. The Borrower may, at its own cost and expense and in its own name or in the name of the Issuer (provided the Issuer is a necessary party and consents thereto), prosecute or defend any action or proceeding or take any other action involving third persons which the Borrower deems reasonably necessary in order to secure or protect its rights hereunder, and in such event the Issuer, subject to the provisions of the Indenture, hereby agrees to cooperate fully with the Borrower and to take all action (at the Borrower's cost and expense) necessary to effect the substitution of the Borrower for the Issuer in any such action or proceeding if the Borrower shall so request.

ARTICLE IV

ADVANCES

Section 4.1. Requisition. At such time as the Borrower shall desire to obtain an advance from the Construction Fund, the Borrower shall complete, execute and deliver a Requisition to the Servicer. Each Requisition shall be signed on behalf of the Borrower, shall be in the form attached as Exhibit C to the Indenture and shall state with respect to each disbursement to be made: (a) the number of the Requisition, (b) the amount to be disbursed and the sources of such requested disbursements by account of the Construction Fund, (c) that each obligation described therein is a Project Cost, has been properly incurred and has not been the basis for any previous disbursement, (d) that the expenditure of such disbursement when added to all previous disbursements will result in not less than 95% of all disbursements from proceeds of the Bonds having been used to pay or reimburse the Borrower for Qualified Costs of the Project (as defined in the Indenture), and (e) that the conditions to disbursement set forth herein and in Exhibit I hereto have been satisfied. The Trustee may rely conclusively on the statements and certifications contained in any Requisition. The Borrower shall not submit any Requisition directly to the Trustee. Each advance from the Construction Fund by the Trustee shall be subject to prior approval of the Requisition by the Servicer and to the other conditions precedent set forth herein (including Exhibit I hereto) and in the Indenture. The Servicer shall endeavor to approve or object to any Requisition within ten (10) Business Days of submission thereof, together with all additional information required in connection with the requested advance under such Requisition. Upon approval, the Servicer shall forward each Requisition to the Trustee for payment.

Section 4.2. Notice and Frequency of Advances. Each Requisition shall be submitted to the Servicer at least ten (10) Business Days prior to the date of the requested advance, and no more frequently than once each month.

Section 4.3. Deposit of Funds Advanced. The Borrower shall open and maintain a checking account with a financial institution satisfactory to the Servicer. Except as otherwise provided for in Section 4.4, the Servicer shall direct the Trustee to deposit the proceeds of each advance into such account.

Section 4.4. Advances to Contractor; to Others. At its option, the Servicer may direct the Trustee to make any or all advances (a) for Direct Costs incurred under the Construction Contract directly to the Contractor for deposit in an appropriately designated special bank account, (b) through the Title Insurance Company, or (c) to any Person to whom the Servicer in good faith determines payment is due. All such advances shall be secured by the Mortgage as fully as if made directly to the Borrower. The execution of this Agreement by the Borrower shall, and hereby does, constitute an irrevocable authorization to the Servicer to direct the Trustee to make such advances, and no further authorization from the Borrower shall be necessary.

Section 4.5. Advances do not Constitute Waiver. No Requisition approved by the Servicer shall constitute a waiver of any of the conditions to the Servicer's obligation to approve further advances, of any of the terms and conditions of this Agreement, nor, in the event the Borrower fails to satisfy any such condition, shall the approval of any such advance preclude the Majority Owner from thereafter directing the Trustee to declare such failure to be an Event of Default. Any waiver by the Servicer of any of the conditions precedent contained herein for any advance shall not be deemed to be a waiver by the Servicer of such conditions precedent for any subsequent advance or any other obligation of Servicer hereunder.

Section 4.6. Advances for Payment of Interest. Notwithstanding any other provision of this Agreement, and without receiving a Requisition for such advance, the Trustee shall transfer funds from the Capitalized Interest Account of the Construction Fund to the Revenue Fund to pay interest on the Bonds in accordance with the provisions of the Indenture. In the event amounts on deposit in the Capitalized Interest Account are insufficient for such purpose on any Interest Payment Date, the Trustee shall transfer amounts held in the Equity Account of the Construction Fund to the Revenue Fund to pay interest due on the Bonds prior to the Completion Date, with submission of any Requisition.

Section 4.7. Development Budget.

(a) The Development Budget reflects the purposes and the amounts for which funds to be advanced by the Trustee under the Indenture are to be used and the sources, by account within the Construction Fund, from which Advances are to be made. The Servicer shall not be required to approve any Requisition requiring disbursement from any category or line item in amounts exceeding the amount specified for any such category or line item in the Development Budget or from a source other than the original source shown on the Development Budget.

(b) If the Borrower becomes aware of any change in Project Costs which will increase or decrease a category or line item of Project Costs reflected on the Development Budget, the Borrower shall immediately notify the Servicer in writing and promptly submit to the Servicer a revised Development Budget.

(c) If the revised Development Budget indicates an increase in a category or line item of Project Costs, no further Requisitions need to be approved by the Servicer unless and until (i) the revised Development Budget so submitted by the Borrower is approved by the Servicer, (ii) any applicable Change Orders related thereto shall have been approved by the Servicer, (iii) the Borrower has deposited with the Trustee any Required Equity Funds necessary to assure that the requirements of Section 5.9 hereof are met and (iv) any necessary approvals under the Subordinate Debt Documents shall have been obtained. If the revised Development Budget indicates a change in the source from which an Advance for a particular Project Cost is to be paid, no further Requisitions need be approved by the Servicer unless and until the Servicer determines that such change in sources will not adversely affect the exclusion from gross income of interest on the Bonds.

(d) If the revised Development Budget indicates a decrease in a category or line item of Project Costs, no reductions in Project Costs will be made or savings reallocated by the Borrower unless and until (i) the revised Development Budget so submitted by the Borrower is approved by the Servicer (who may require an opinion of Bond Counsel that such reallocation will not adversely affect the tax-exempt status of the Bonds, (ii) in the case of a decrease in a category or line item of Direct Costs, the Borrower has furnished the Servicer and the Consulting Engineer with evidence satisfactory to them that the labor to be performed and materials to be supplied in connection with such category or line item of Direct Costs will be in accordance with the Plans and Specifications, (iii) any applicable Change Orders related thereto shall have been approved by the Servicer and (iv) any necessary approvals under the Subordinate Debt Documents shall have been obtained.

Section 4.8. Amount and Sources of Advances. In no event shall the Servicer be obligated to approve advances of more than total Project Costs actually incurred by the

Borrower or Advances for Project Costs from sources other than those set forth in the Development Budget for such Project Costs. In no event shall the Servicer be obligated to approve any advance for Direct Costs of constructing the Improvements in an amount exceeding (a) the total value (as determined by the Servicer) or the labor, materials, fixtures, machinery and equipment completed, approved and incorporated into the Land or the Improvements prior to the date of the Requisition for such advance, less (b) Retainage less (c) the total amount of any advances previously approved by the Servicer for such Direct Costs. The Servicer shall approve disbursement of Retainage upon satisfaction of the conditions set forth on Exhibit I. With respect to any other Direct Costs and all Indirect Costs, in no event shall the Servicer approve any advance exceeding the amount of such Direct Costs and Indirect Costs incurred by the Borrower prior to the date of the Requisition for such advances paid or to be paid with the proceeds of such advance, less the total amount of any advances previously made by the Trustee for such Direct Costs and Indirect Costs.

Section 4.9. Quality of Work. No advance shall be approved unless all work done at the date the Requisition for such advance is submitted is done in a good and workmanlike manner and without defects, as confirmed by the report of the Consulting Engineer.

Section 4.10. Contingency. The amount allocated to the line item for "contingency" in the Development Budget is not intended to be disbursed without, and will only be disbursed upon the prior approval of the Servicer upon submission and approval of a Change Order and such backup documentation as may be required by the Servicer. The disbursement of a portion of the line item for "contingency" shall in no way prejudice the Servicer from directing the Trustee to withhold disbursement of my further portion of the line item for "contingency."

Section 4.11. Stored Materials. The Servicer shall approve a Requisition for funds for Stored Materials only if, and such disbursement shall be subject to and shall be contingent upon, the Servicer's having received satisfactory evidence that:

(a) the Stored Materials are components in a form ready for incorporation into the Land or Improvements and shall be so incorporated within a period of twenty (20) days; or

(b) the Stored Materials are stored at the Land, or at such other site as the Servicer shall approve, are protected against theft and damage and are insured against theft and damage to the satisfaction of the Servicer.

Section 4.12. Restriction on Change Orders; Completion in Accordance with Plans and Specifications. The Borrower will not cause, permit or suffer to exist any deviations from the Plans and Specifications or the Amenities and Resident Services Schedule and will not approve or consent to any Change Order without the prior approval of the Servicer and, if required, the lender in respect of the Subordinate Debt. The Borrower will promptly correct or cause to be corrected all defects in the Improvements or any departure from the Plans and Specifications or the Amenities and Resident Servicer Schedule not previously approved by the Servicer and will complete all Punchlist Items.

Section 4.13. Rights to Retain the Consulting Engineer.

(a) The Servicer shall retain, at the Borrower's costs and expense, up to an amount equal to \$1,000 per inspection, a Consulting Engineer to perform various services at the Servicer's direction, and including, without limitation, to review the Development Budget and the Plans and Specifications, to make periodic inspections

(approximately at the date of each Requisition) for the purpose of assuring that rehabilitation of the Improvements to date is in accordance with the Plans and Specifications, to advise the Servicer of the anticipated cost of and time for completion of rehabilitation of the Improvements and the adequacy of any contingency reserve, and to review the Construction Contract and subcontracts.

(b) The fees of the Consulting Engineer, up to an amount equal to \$1,000 per inspection, shall be paid by the Borrower immediately upon billing, and expenses incurred by the Servicer in connection with the Consulting Engineer shall be reimbursed to the Servicer by the Borrower upon demand.

(c) Neither the Servicer nor the Consulting Engineer shall have any liability to the Borrower on account of (i) the services performed by the Consulting Engineer, (ii) any neglect or failure on the part of the Consulting Engineer to properly perform its services, or (iii) any approval by the Consulting Engineer of construction of the Improvements. Neither the Servicer nor the Consulting Engineer assumes any obligation to the Borrower or any other Person concerning the quality of construction of the Project or the absence of defects from the Improvements.

(d) The Borrower shall cooperate in all respects with the Consulting Engineer, including submitting all written materials reasonably requested by the Consulting Engineer and permitting its representatives to enter onto the Land and inspect the Improvements.

Section 4.14. Developer's Fee; Other Restrictions. The Borrower may not requisition or receive, and the Servicer shall not approve any Requisition for any amounts designated for or allocated to the payment of a "developer's fee" prior to the date on which the Project has achieved Stabilization. "Developer's fee" does not include items designated as "overhead" in the Development Budget. [Add provision for any other restrictions on disbursements of amounts allocated to particular line items in the Development Budget, if applicable.]

Section 4.15. Tax Covenants. The Borrower covenants that it will comply with the requirements and conditions of the Tax Certificate and the Regulatory Agreement. Without limiting the foregoing and notwithstanding anything to the contrary in this Agreement, the Borrower will not take, or permit to be taken on its behalf, any action which would cause interest on the Bonds to be included in gross income for federal income tax purposes and will take such reasonable action as may be necessary to continue such exclusion from gross income, including:

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

(b) the Borrower will not take, or permit to be taken on its behalf, any action which would cause the interest payable on the Bonds to be included in gross income, for federal income tax purposes, and will take such action as may be necessary in the Opinion of Bond Counsel to continue such exclusion from gross income, including, without limitation the following:

(i) the preparation and filing of all statements required to be filed by it in order to maintain the exclusion (including, but not limited to, the filing of all reports and certifications required by the Regulatory Agreement);

(ii) the timely payment to the United States of America of any rebate amount required to be paid by the Issuer or the Borrower pursuant to Section 148(f) of the Code and the Treasury Regulations under Section 148 of the Code; and

(iii) the use of not less than 95% of the net proceeds of the Bonds (within the meaning of Section 142(a) of the Code) for Qualified Costs of the Project;

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

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

(e) the Borrower will comply with the requirements of Section 148 of the Code and the Treasury Regulations issued under Section 148 of the Code throughout the term of the Bonds and will not make any use of the proceeds of the Bonds, or of any other funds which may be deemed to be proceeds of the Bonds under the Treasury Regulations, which would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and the Treasury Regulations;

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

(g) the full amount of each disbursement from the Project Fund will be applied to pay or to reimburse the Borrower for the payment of costs of the acquisition and construction of the Project and, after taking into account any proposed disbursement, (a) at least 95% of the net proceeds of the Bonds (as defined in Section 150 of the Code) will be used to provide a qualified residential rental project (as defined in Section 142(d) of the Code) and (b) less than 25% of the net proceeds of the Bonds will have been disbursed to pay or to reimburse the Borrower for the cost of acquiring land; none of the proceeds of the Bonds (as defined for purposes of Section 147(g) of the Code) will be disbursed to provide working capital;

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

(i) all leases will comply with all applicable laws and the Regulatory Agreement;

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

(k) the Bonds upon issuance and delivery shall be considered "private activity bonds" within the meaning of the Code with respect to which the California Debt Limit Allocation Committee has transferred a portion of the State of California's private activity bond allocation (within the meaning of section 146 of the Code) equal to the principal amount of the Bonds;

(l) from the proceeds of the Bonds and investment earnings thereon, an amount not in excess of exceed two percent (2%) of the proceeds of the Bonds, will be used for costs of issuance of the Bonds, all within the meaning of section 147(g)(1) of the Code; for this purpose, if the fees of the original purchaser of the Bonds are retained as a discount on the purchase of the Bonds, such retention shall be deemed to be an expenditure of proceeds of the Bonds for said fees;

(m) no proceeds of the Bonds shall be used for the acquisition of any tangible property or an interest therein, other than land or an interest in land, unless the first use of such property is pursuant to such acquisition; provided, however, that this limitation shall not apply with respect to any building (and the equipment therefor) if rehabilitation expenditures (as defined in section 147(d) of the Code) with respect to such building equal or exceed 15 percent of the portion of the cost of acquiring such building (and equipment) financed with proceeds of the Bonds; and provided, further, that this limitation shall not apply with respect to any structure other than a building if rehabilitation expenditures with respect to such structure equal or exceed 100 percent of the portion of the cost of acquiring such structure financed with the proceeds of the Bonds (within the meaning of the Code);

(n) no proceeds of the Bonds shall be used directly or indirectly to provide any airplane, skybox or other private luxury box, health club facility, facility used for gambling or store the principal business of which is the sale of alcoholic beverages for consumption off premises; and

(o) The Borrower shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

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

ARTICLE V

SPECIAL COVENANTS OF THE BORROWER

Section 5.1. Commencement and Completion of Project; Extension of Completion Date.

(a) The Borrower will commence rehabilitation of the Improvements within ten (10) days after the Closing Date, will diligently pursue rehabilitation of the Improvements, will attain Completion prior to the Completion Date, and will pay all sums and perform all such acts as may be necessary or appropriate to complete such construction, all in accordance with the Plans and Specifications and the Amenities and Resident Services Schedule, in full compliance with all restrictions, covenants and easements affecting the Project, all Legal Requirements, all Project Approvals, and without deviation from the Plans and Specifications or the Amenities and Resident Services Schedule unless the Borrower obtains the prior approval of the Servicer, and, if applicable, the surety company or companies issuing any payment and performance bonds and the lender in respect of the Subordinate Debt. At the request of the Borrower and with the prior written approval of the Majority Owner, the Completion Date may be extended one or more times for such periods as the Majority Owner may approve, but in no event to a Completion Date later than May 31, 2007, upon delivery of the following:

(i) to the Trustee, for deposit into the Capitalized Interest Account of the Construction Fund, an amount equal to the accrued interest on the Bonds for the number of days by which the Completion Date is proposed to be extended;

(ii) to the Servicer, an extension fee equal to 0.25% times the principal amount of Bonds Outstanding at the date of extension;

(iii) to the Majority Owner, the Servicer and the Trustee, a revised Development Budget reflecting the new Completion Date and any other changes approved by the Servicer and the Majority Owner, which revised Development Budget shall, upon approval thereof by the Servicer and the Majority Owner and, if required, the lender in respect of the Subordinate Debt, replace the Development Budget attached hereto originally as Exhibit H and shall thereafter be treated as the Development Budget for all purposes hereunder; and

(iv) to the Trustee, for deposit into the Equity Account of the Construction Fund, the amount (if any) required to be deposited (if any) required to be deposited therein pursuant to Section 5.9 hereof.

(b) The Borrower will furnish evidence of satisfactory compliance with this Section 5.1(b) to the Servicer on or before the Completion Date. For purposes of this Agreement, "Completion" means that each of the following conditions have been satisfied:

(i) The Servicer has received from the Borrower a certificate with respect to completion and the matters set forth in this Section 5.1(b) in the form attached as Exhibit L hereto.

(ii) The Servicer has received from the Architect a certificate in the form customary for projects of the type and size of the Project with respect to final completion or substantial completion of the Project, which, in the latter case, sets

forth only those Punchlist Items that satisfy all of the requirements set forth in subsections (iii)(A), (iii)(B) and (iii)(C) of this Section 5.1(b).

(iii) A use and occupancy permit has been issued and a copy has been delivered to the Servicer. The Borrower has received all other permits, approvals and certificates required by applicable Legal Requirements and Governmental Authorities associated with the Project prior to the use and occupancy of the Project, and has furnished true copies of such permits, approvals and certificates to the Servicer. Temporary certificates of occupancy, as opposed to final certificates of occupancy or their equivalent, shall be acceptable provided (A) that the Punchlist Items do not have a total cost to complete exceeding 2% of the contract price of the Project, nor an estimated time to complete, as reasonably determined by the Consulting Engineer, exceeding forty-five (45) days (except for items such as landscaping, the completion of which is subject to seasonal conditions), (B) such Punchlist Items do not substantially interfere with or prevent the use and occupancy of the Project, (C) such Punchlist Items do not include major appliances or materially affect the systems (including plumbing, electrical, HVAC, mechanical, roofing and sprinklers) serving the Project or major structural components of the Project, and (D) adequate reserves, in amounts equal to 110% of the cost of completion of such items as estimated by the Architect and approved by the Consulting Engineer (or 125%, with respect to the items described in subsection (A) as being subject to seasonal conditions) have been deposited with the Trustee.

(iv) As to all such permits, approvals and certificates, no appeal or other action or proceeding challenging any such permit, approval or certificate shall have been filed or, if filed and decided, there shall have been no appeal (or further appeal) taken and all other statutory appeal periods must have expired, and there shall be no claim, litigation or governmental proceeding pending against the Borrower or any of the general partners of the Borrower or the Project challenging the validity or the issuance of any zoning, subdivision or other land use ordinance, variance, permit or approval, or any permit, approval or certificate of the kind described in this subparagraph (c). In addition, as to all of such permits, approvals and certificates having statutory, regulatory or otherwise expressly specified and determinable appeal periods, such periods, if any, must have expired without an appeal having been taken (or any such appeal shall have been denied or shall have affirmed the granting of such permit, approval or certificate).

(v) There shall have been no disbursements of [amounts held in the Earnout Account of the Construction Fund or] funds earmarked on the Development Budget for construction contingency or operations and debt service during lease-up other than as approved by the Servicer;

(vi) All sums due in connection with the construction of the Improvements have been paid in full (or will be paid out of the funds requested to be advanced), except costs allocated to and reserved for Punchlist Items. Except for Permitted Encumbrances, the Project is free of any and all private or governmental charges, claims or liens (filed or not) of any nature excepting only the liens and security interests in favor of the Trustee. The Borrower shall provide a certified list of all contractors, subcontractors and materialmen who have performed labor or supplied materials in respect of the Project. With respect to all contractors and

all subcontractors and materialmen, (A) the Borrower has obtained an unconditional waiver and release upon final payment of mechanics' and materialmen's liens for each contractor, subcontractor or materialman who is not supplying labor or materials in respect of any Punchlist Items, or (B) for each contractor, subcontractor or materialman supplying labor or materials in respect of any Punchlist Items, the Borrower has obtained an unconditional waiver and release upon progress payment of mechanics' and materialmen's liens for all of the Project except for the Punchlist Items, and true copies thereof have been delivered to the Servicer;

(vii) The Servicer shall have received the following, in form and substance satisfactory to it:

(A) an endorsement down dating the title insurance policy insuring the Mortgage in favor of the Trustee, subject only to the Permitted Encumbrances;

(B) evidence of insurance meeting the requirements set forth in Exhibit F hereto;

(C) evidence of the payment or provision for payment of real estate taxes then due and owing in respect of the Project; and

(D) an as-built ALTA/ACSM Urban Class Survey, dated within forty-five (45) days of the completion of rehabilitation of the Project, certified to the Trustee and the Servicer by a surveyor approved by the Servicer showing, among other things, the location of all existing improvements, driveways, easements and any encroachments, which survey shall show no state of facts unsatisfactory to the Servicer.

Section 5.2. Records and Accounts. The Borrower will (a) keep true and accurate records and books of account in which full, true and correct entries will be made in accordance with generally accepted accounting principles, which records and books will not be maintained on a consolidated basis with those of any other Person, including any Affiliate of the Borrower and (b) maintain adequate accounts and reserves for all taxes (including income taxes), depreciation and amortization of its properties, contingencies, and other reserves, all of which accounts shall not be commingled with accounts of any other Person, including any or Affiliate of the Borrower.

Section 5.3. Financial Statements and Information. The Borrower will deliver, or cause to be delivered, to the Trustee, the Servicer and the Majority Owner:

(a) as soon as available, but in any event not later than ninety (90) days after the end of each fiscal year of the Borrower, the audited balance sheet of the Borrower at the end of such year, and the related audited statement of income, statement of retained earnings, changes in capital, and statement of cash flows for such year, and a statement of all contingent liabilities of the Borrower which are not reflected in such financial statements or referred to in the notes thereto, each setting forth in comparative form the figures for the previous fiscal year and all such statements to be in reasonable detail, prepared in accordance with Generally Accepted Accounting Principles, and accompanied by an auditor's report prepared without qualification by an independent certified public accountant acceptable to the Servicer, together with a written statement

from such accountants to the effect that they have read a copy of this Agreement, and that, in making the examination necessary to said certification, they have obtained no knowledge of any Default or Event of Default under this Agreement, or, if such accountants shall have obtained knowledge of any then existing Default or Event of Default they shall disclose in such statement any such Default or Event of Default; provided that such accountants shall not be liable to the Trustee, the Servicer or the Majority Owner for failure to obtain knowledge of any Default or Event of Default;

(b) as soon as available, but in any event not later than fifteen (15) days after the end of each month, copies of the unaudited balance sheet of the Borrower as at the end of such month, and the related unaudited statement of income, statement of retained earnings, changes in capital, and statement of cash flows for the portion of the Borrower's fiscal year then elapsed, all in reasonable detail and prepared in accordance with generally accepted accounting principles, together with a certification by the principal financial or accounting officer, partner or trustee of the Borrower that the information contained in such financial statements fairly presents the financial position of the Borrower on the date thereof (subject to year-end adjustments) and that, in making the examination necessary to said certification, such Person has obtained no knowledge of any facts to the contrary;

(c) monthly, and in any event not later than five (5) days after the end of each month until the Project has achieved Stabilization, a leasing report setting forth the Borrower's efforts to market and lease the then unleased space in the Improvements and the results of such efforts, accompanied by a certificate of the Borrower in the form attached hereto as Exhibit K; and thereafter monthly in a form as determined by the Majority Owner;

(d) within fifteen (15) days after the end of each calendar month, commencing after the date on which the Project is occupied by any tenant under a lease, a current rent roll and schedule of aging lease receivables as of the end of such week detailing, with respect to each Lease, the tenant's name, the Lease date, the Land demised, the term, the rent, the security deposit and any rent paid more than one month in advance;

(e) No later than forty-five (45) days after Completion, the following:

(i) a certificate in the form set forth in Exhibit M hereto, with respect to the proceeds of the Bond expended to date, evidence that (i) Borrower has satisfied the provisions of Section 142(a) of the Internal Revenue Code of 1986, as amended, requiring that Borrower have spent not less than ninety-five percent (95%) of the net proceeds of the Bonds for Qualified Costs of the Project (as defined in the Indenture) and (ii) Borrower has expended, within two years of the later of the date the Project was acquired or the date of the [the issuance of the Bonds], from proceeds of the Bonds or other sources, an amount equal to at least fifteen percent (15%) of the "portion of the cost of acquiring such building (and equipment) financed with the net proceeds of the Bonds" for "rehabilitation expenses" within the meaning of Section 147(d) of the Code with respect to such building and equipment]; and

(ii) certification, in form and substance satisfactory to Servicer, from an independent certified public account or an opinion of tax counsel to Borrower, in form and substance satisfactory to Servicer as to the availability of the low

income housing tax credits in an amount not less than the amount set forth in Borrower's proforma financial statements;

(f) quarterly, on the first day of each calendar quarter beginning with the quarter in which the Project achieves Completion and ending in the quarter in which the Project achieves [Stabilization] [Earnout], a certificate in the form set forth in Exhibit N hereto;

(g) contemporaneously with the filing or mailing thereof, copies of all material of a financial nature filed with the Securities and Exchange Commission or sent to the stockholders, partners, members or beneficiaries of the Borrower and any Affiliate thereof; and

(h) from time to time such other financial data and information as the Trustee, the Servicer or the Majority Owner may reasonably request.

Section 5.4. Insurance.

(a) The Borrower will obtain and maintain insurance with respect to the Project and the operations of the Borrower as required from time to time by the Servicer. The initial insurance requirements are set forth on Exhibit F hereto. All renewal policies, with premiums paid, shall be delivered to the Servicer at least thirty (30) days before expiration of the existing policies. If any such insurance shall expire or be canceled, or become void or voidable by reason of the breach of any condition of coverage, or if the Servicer determines that any coverage is unsatisfactory by reason of the failure or impairment of the capital of any insurance carrier, or if any insurance is unsatisfactory to the Servicer in its sole judgment, the Borrower shall promptly place new insurance satisfactory to the Servicer.

(b) The Borrower will provide the Servicer with certificates evidencing such insurance upon the request of the Servicer.

(c) If the Borrower fails to provide, maintain, keep in force or deliver to the Servicer the policies of insurance and certificates required by this Agreement, the Servicer may (but shall have no obligation to) procure such insurance, and the Borrower will pay all premiums thereon promptly on demand by the Servicer, and until such payment is made by the Borrower, the amount of all such premiums shall bear interest at the Default Rate.

Section 5.5. Liens and Other Charges. The Borrower will duly pay and discharge, or cause to be paid and discharged, before the same shall become overdue all claims for labor, materials, or supplies that if unpaid might by law become a lien or charge upon any of its property.

Section 5.6. Inspection of Project and Books, Appraisals.

(a) The Borrower shall permit the Trustee, the Servicer and the Majority Owner, at the Borrower's cost and expense, to visit and inspect the Project and all materials to be used in the rehabilitation thereof and will cooperate with permit the Trustee, the Servicer and the Majority Owner during such inspections (including making available working drawings of the Plans and Specifications); provided that this provision shall not be deemed to impose on the Trustee, the Servicer and the Majority Owner any obligation to undertake such inspections.

(b) The Borrower shall permit the Trustee, the Servicer and the Majority Owner, at the Borrower's cost and expense, to examine the books of account of the Borrower and the Project (and to make copies thereof and extracts therefrom) and to discuss the affairs, finances and accounts of the Borrower and the Project with, and to be advised as to the same by, its officers, members, or trustees, all at such reasonable times and intervals as the Trustee, the Servicer and the Majority Owner may reasonably request; provided that so long as no Default or Event of Default shall have occurred and be continuing, the Borrower shall only be obligated to pay the expenses associated with one (1) such investigation during any twelve (12) month period.

(c) The Trustee, the Servicer and the Majority Owner shall have the right to obtain from time to time, at the Borrower's cost and expense, updated Appraisals of the Project; provided that so long as no Default or Event of Default shall have occurred and be continuing, the Borrower shall only be obligated to pay for the costs and expenses associated with one (1) such Appraisal during any twelve (12) month period.

(d) The costs and expenses incurred by the Trustee, the Servicer or the Majority Owner in obtaining such Appraisals or performing such inspections shall be paid by the Borrower promptly upon billing or request by the Trustee, the Servicer or the Majority Owner for reimbursement.

Section 5.7. Compliance with Laws, Contracts, Licenses, and Permits. The Borrower will comply with (a) all Legal Requirements, (b) the provisions of its Organizational Documents, the IRP Documents, the Housing Assistance Payment Contract and the Subordinate Debt Documents, (c) all agreements and instruments by which it or any of its properties may be bound, and all restrictions, covenants and easements affecting the Project, (d) all applicable decrees, orders and judgments, and (e) all licenses and permits required by applicable laws and regulations for the conduct of its business or the ownership, use or operation of its properties, including all Project Approvals.

Section 5.8. Use of Proceeds. The Borrower will use the proceeds of the Bonds solely for the purpose of paying for Qualified Costs of the Project in accordance with the Development Budget.

Section 5.9. Borrower to Pay Excess Project Costs. The Borrower will pay when due all costs of acquisition and rehabilitation of the Project in excess of the proceeds of the Bonds, regardless of the amount. If at any time, the Majority Owner shall in its sole discretion determine that the remaining undisbursed portion of the Construction Fund [(not including amounts on deposit in the Earnout Account of the Construction Fund)], together with the undisbursed balance of Required Equity Funds the undisbursed proceeds of the Subordinate Debt, projected Net Project Revenues and any other sums previously deposited or to be deposited by the Borrower in connection with the Project, is or will be insufficient to complete and equip fully the Improvements in accordance with the Plans and Specifications, to operate and carry the Project after Completion until Stabilization, to pay all other Project Costs, to pay all interest accrued or to accrue on the Bonds from and after the date hereof or until Stabilization, and to pay all other sums due or to become due under the Loan Documents (or any budget category or line item), regardless of how such condition may be caused, the Borrower will, within seven (7) days after written notice of such determination from the Majority Owner, deposit with the Trustee such sums of money in cash as the Majority Owner may require, in an amount sufficient to remedy the condition described in such notice, and sufficient to pay any liens for labor and materials alleged to be due and payable at the time in connection with the

Improvements, and, at the Majority Owner's direction, no further disbursements from the Construction Fund shall be made by the Trustee until the provisions of this Section have been fully complied with. The Majority Owner may direct the Trustee to enforce the Guaranty of Completion in accordance with its terms, and upon such direction, the Trustee shall proceed to enforce the Guaranty of Completion. All such deposited sums shall constitute additional security under the Loan Documents and, prior to the occurrence of a Default, shall be disbursed by the Trustee in the same manner as disbursements under the Indenture before any further disbursements from the Construction Fund shall be made by the Trustee; provided that following such deposit, the Trustee shall continue to make disbursements from the Construction Fund as required in order to ensure that at least ninety-five percent (95%) of the proceeds of the Bonds are spent as Qualified Costs of the Project.

Section 5.10. Laborers, Subcontractors and Materialmen. The Borrower will furnish to the Trustee, the Servicer or the Majority Owner, upon request at any time, and from time to time, affidavits listing all laborers, subcontractors, materialmen, and any other Persons who might or could claim statutory or common law liens and are furnishing or have furnished labor or material to the Project or any part thereof, together with affidavits, or other evidence satisfactory to the Trustee, the Servicer or the Majority Owner, showing that such parties have been paid all amounts then due for labor and materials furnished to the Project. The Borrower will also furnish to the Servicer, the Trustee and the Majority Owner, at any time and from time to time upon demand by the Trustee, the Servicer or the Majority Owner, lien waivers bearing a then current date and prepared on a form satisfactory to the Trustee, the Servicer or the Majority Owner from the Contractor and such subcontractors or materialman as the Trustee, the Servicer or the Majority Owner may designate.

Section 5.11. Further Assurance of Title. If at any time the Servicer has reason to believe that any disbursement from the Construction Fund is not secured or will or may not be secured by the Mortgage as a first lien or security interest on the Mortgaged Property, then the Borrower shall, within ten (10) days after written notice from the Servicer, do all things and matters necessary, to assure to the satisfaction of the Servicer that any disbursement from the Construction Fund previously made hereunder or to be made hereunder is secured or will be secured by the Mortgage as a first lien or security interest on the Mortgaged Property, and the Servicer, at its option, may decline to approve any further Requisitions until the Servicer has received such assurance. Nothing in this Section shall limit the Servicer's right, at the Borrower's expense, to order searches of title from time to time and to require bringdowns or endorsements extending the effective date of the Title Policy in connection with the making of advances as herein set forth.

Section 5.12. Publicity.

(a) The Borrower will permit the Majority Owner to obtain publicity in connection with the acquisition and rehabilitation of the Improvements through press releases and participation in such events as ground breaking and opening ceremonies.

(b) The Borrower will obtain the prior consent of the Servicer in connection with any publicity, press releases or other advertisement in connection with the acquisition and rehabilitation of the Improvements. Any and all such materials shall be provided to the Servicer not less than ten (10) days prior to any public release of such materials. The Servicer's consent to such materials shall be deemed granted if the Servicer has not objected to such materials within ten (10) days of its receipt thereof.

Section 5.13. Further Assurances.

(a) *Regarding Rehabilitation.* The Borrower will furnish or cause to be furnished to the Servicer, the Trustee and the Majority Owner all instruments, documents, boundary surveys, footing or foundation surveys, certificates, plans and specifications, title and other insurance, reports and agreements and each and every other document and instrument required to be furnished by the terms of this Agreement or the other Loan Documents, all at the Borrower's expense.

(b) *Regarding Preservation of Collateral.* The Borrower will execute and deliver to the Servicer, the Trustee and the Majority Owner such further documents, instruments, assignments and other writings, and will do such other acts necessary or desirable, to preserve and protect the collateral at any time securing or intended to secure the obligations of the Borrower under the Loan Documents, as the Servicer, the Trustee and the Majority Owner may require.

(c) *Regarding this Agreement.* The Borrower will cooperate with, and will do such further acts and execute such further instruments and documents as the Servicer, the Trustee and the Majority Owner shall reasonably request to carry out to their satisfaction the transactions contemplated by this Agreement and the other Loan Documents.

Section 5.14. Notices. The Borrower will promptly notify the Servicer, the Trustee and the Majority Owner in writing of (i) the occurrence of any Default or Event of Default; (ii) the occurrence of any other event which may have an adverse effect on the Project or the business or financial condition of the Borrower; or (iii) the receipt by the Borrower of any notice of default or notice of termination with respect to any contract or agreement relating to the ownership, rehabilitation, operation, or use of the Project.

Section 5.15. Solvency; Adequate Capital. The Borrower will:

(a) Remain solvent and pay all of its indebtedness from its assets as the same become due; and

(b) Maintain adequate capital for the normal obligations reasonably foreseeable for a business of its size and character and in light of its contemplated business operations.

Section 5.16. Management Contract.

(a) At all times during the term of this Agreement, the Borrower will enter into a management contract cancelable on thirty (30) days notice, and otherwise in form and substance satisfactory to the Servicer. The Borrower acknowledges that the Servicer, the Trustee and the Majority Owner will rely on the Manager's experience in operating properties such as the Project as a means of maintaining the value of the collateral. In connection with the approval of the Manager, or any replacement management company:

(i) the Manager or holder of the stock or partnership interest therein, shall be a Person whose character, financial strength, stability and experience is acceptable to the Servicer and who shall have experience managing properties of a type and size reasonably similar to the Project;

(ii) the Manager shall deliver all organizational documentation and other materials evidencing its experience acceptable to the Servicer; and

(iii) the terms of any management contract shall provide for management fees in excess of 4% of Project Revenues to be subordinate to payments owed by the Borrower under the Loan Documents and otherwise must be acceptable to the Servicer in all respects.

(b) The Borrower shall, from time to time, obtain from the Manager such certificates of estoppel with respect to compliance by the Borrower with the terms of the management contract as may be requested by the Servicer, the Trustee and the Majority Owner.

Section 5.17. Negative Covenants of the Borrower. The Borrower covenants and agrees that, so long as the Loan is outstanding:

(a) *Restrictions on Easements and Covenants*. Except for Permitted Encumbrances, the Borrower will not create or suffer to be created or to exist any easement, right of way, restriction, covenant, condition, license or other right in favor of any Person which affects or might affect title to the Project or the use and occupancy of the Project or any part thereof without obtaining the prior written consent of the Majority Owner.

(b) *No Amendments, Terminations or Waivers*. None of the Borrower the Managing General Partner, the Co-General Partner or the Co-General Partner's manager shall amend, supplement terminate or otherwise modify or waive any provision of its Organizational Documents or any documents relating to the contribution of equity by the partners of the Borrower without obtaining the prior written consent of the Majority Owner. The Borrower shall not amend the Subordinate Debt Documents, the PILOT Agreement, the IRP Documents or the Housing Assistance Payments Contract without the prior written consent of the Majority Owner.

(c) *Restrictions on Indebtedness*. The Borrower will not, without obtaining the prior written consent of the Majority Owner, create, incur, assume, guarantee or be or remain liable, contingently or otherwise, with respect to any Indebtedness other than:

(i) Indebtedness arising under the Loan Documents;

(ii) the Subordinate Debt;

(iii) current liabilities of the Borrower relating to the Project, incurred in the ordinary course of business but not incurred through (A) the borrowing of money, or (B) the obtaining of credit except for credit on an open account basis customarily extended and in fact extended in connection with normal purchases of goods and services; and

(iv) Indebtedness relating to the Project, in respect of taxes, assessments, governmental charges or levies and claims for labor, materials and supplies to the extent that payment therefor shall not at the time be required to be made.

(d) *Restrictions on Liens.* Without obtaining the prior written consent of the Majority Owner, the Borrower will not (i) create or incur or suffer to be created or incurred or to exist any lien, encumbrance, mortgage, deed of trust, pledge, charge, restriction or other security interest of any kind upon any of its property or assets of any character whether now owned or hereafter acquired, or upon the income or profits therefrom; (ii) transfer any of its property or assets or the income or profits therefrom for the purpose of subjecting the same to the payment of Indebtedness or performance of any other obligation in priority to payment of its general creditors; (iii) acquire, or agree or have an option to acquire, any property or assets upon conditional sale or other title retention or purchase money security agreement, device or arrangement; (iv) suffer to exist for a period of more than thirty (30) days after the same shall have been incurred any Indebtedness or claim or demand against it that if unpaid might by operation of law or upon bankruptcy or insolvency, or otherwise, be given any priority whatsoever over its general creditors; or (v) sell, assign, pledge or otherwise transfer any accounts, contract rights, general Borrower intangibles, chattel paper or instruments, with or without recourse; provided that the Borrower may create or incur or suffer to be created or incurred or to exist:

(A) statutory liens relating to the Project to secure taxes, assessments and other governmental charges or claims for labor, material or supplies in respect of obligations not overdue;

(B) liens in favor of the Issuer and/or the Trustee under the Loan Documents;

(C) liens securing the Subordinate Debt; or

(D) the Permitted Encumbrances.

(e) *Transfers.*

(i) Without obtaining the prior written consent of the Majority Owner, the Borrower will not, directly or indirectly, by operation of law or otherwise, sell, assign, mortgage, pledge, hypothecate, transfer or otherwise dispose of the Project or any interest in the Project, and (except for Permitted Encumbrances) will not encumber, alienate, hypothecate, grant a security interest in or grant any other interest whatsoever (whether superior or inferior to the lien of the Mortgage) in the Project, in the Leases or in the rents, issues and profits therefrom.

(ii) Without obtaining the prior written consent of the Majority Owner, no partnership interest in the Borrower and no ownership interest in the General Partner may be sold, conveyed, transferred, assigned, pledged or otherwise transferred, in whole or in part, directly or indirectly, by operation of law or otherwise; provided, however, that, as long as no Event of Default shall have occurred and be then continuing, the following transfers may occur with notice to, but without the consent of, the Majority Owner: (i) replacement of the General Partner by the Special Limited Partner or its designee as provided in the Organizational Documents of the Borrower (provided that the replacement general partner shall [either (A) be an affiliate of Related Capital Company or (B)] have been approved in advance by the Majority Owner, which approval shall not be unreasonably withheld or delayed), (ii) the transfer of limited partnership

interests after the Investor Limited Partner has paid all installments of the Required Equity Funds payable by the Investor Limited Partner, (iii) transfers by the Investor Limited Partner or the Special Limited Partner of its interest in the Borrower to any entity which has as its general partner or managing member an affiliate of Related Capital Company, (iv) the pledge by the Investor Limited Partner and the Special Limited Partner to the Borrower of their limited partnership interests to secure their obligations to make capital contributions or (v) the pledge by the Investor Limited Partner and the Special Limited Partner of their limited partnership interests in the Borrower to Bank of America to secure the loan made by Bank of America of the Required Equity Funds.

(f) *Merger, Consolidation, Conversion and Disposition of Assets*

(i) The Borrower will not become a party to any merger or consolidation, or agree to or effect any asset acquisition or stock acquisition.

(ii) The Borrower will not convert into any other type of entity.

(iii) The Borrower will not seek the dissolution or winding up, in whole or in part, of the Borrower or voluntarily file, or consent to the filing of, a petition for bankruptcy, reorganization, assignment for the benefit of creditors or similar proceedings.

(g) *Sale and Leaseback.* The Borrower will not enter into any arrangement, directly or indirectly, whereby the Borrower shall sell or transfer any property owned by it in order then or thereafter to lease such property or lease other property that the Borrower intends to use for substantially the same purpose as the property being sold or transferred.

(h) *Bonds.* The Borrower will not take any action that would adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation, nor omit or fail to take any action required to maintain the exclusion of interest on the Bonds from gross income for purposes of federal income taxation.

Section 5.18. Arbitrage. The Borrower covenants with the Issuer and for and on behalf of the purchasers and Owners of the Bonds from time to time outstanding that so long as any Bonds remain outstanding, moneys on deposit in any fund, or account in connection with the Bonds, whether or not such moneys were derived from the proceeds of the sale of the Bonds or from any other sources, and moneys pledged directly or indirectly to the payment or for the securing of the Bonds, will not be used by or for the Borrower in a manner which will cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. The Borrower expressly recognizes that, to the extent required by Section 148 of the Code, "proceeds" of the Bonds (including investment proceeds and "replacement" proceeds) may be required to be invested at a yield not exceeding the yield on the Bonds in order to comply with this Section 5.18. In furtherance of the covenant in this Section 5.18, therefore, the Borrower agrees that it will not direct any investments or reinvestments that would contravene either the investment representations made by the Issuer in its certification regarding arbitrage delivered in connection with the issuance of the Bonds or any investment directions provided by the Issuer and deemed reasonably necessary in the opinion of Bond Counsel to preserve the exclusion from gross income of interest on the Bonds for purposes of Federal income taxation.

Section 5.19. Indemnification.

(a) The Borrower hereby releases the Issuer, the Trustee and the Servicer (including any person at any time serving as a member, commissioner, employee, officer, trustee, official or agent of any thereof) from and agrees that the Issuer, the Trustee and the Servicer (including any person at any time serving as a member, commissioner, employee, officer, trustee, official or agent of any thereof) shall not be liable for, and to the maximum extent permitted by law, agrees to indemnify and hold the Issuer, the Trustee and the Servicer (including any person at any time serving as a member, commissioner, employee, officer, trustee, official or agent of any thereof) harmless from: (i) any liability for any loss or damage to property or any injury to, or death of, any person that may be occasioned by any cause whatsoever pertaining to the Project, (ii) any liabilities, losses or damages, or claims therefor, and expenses (including attorneys' fees), arising out of or in connection with any Loan Document or any of the transactions contemplated hereby or thereby or failure on the part of the Borrower to comply with any law, regulation or ordinance affecting the Project and (iii) any liabilities, losses or damages, or claims therefor, arising out of or in connection with the issuance, sale and public or other offering or remarketing of the Bonds, including, in each such case, attorneys' fees, except for any such liabilities, losses or damages, or claims therefor resulting from information provided by the Issuer, the Trustee or the Servicer, as the case may be, in connection with the issuance, sale and public or other offering or remarketing of the Bonds which proves to have been materially incorrect or misleading when provided. If any such claim is asserted, any individual indemnified herein will give prompt notice to the Borrower and will cooperate with the Borrower in the investigation and defense of any such claim, and the Borrower will assume the defense thereof by engaging counsel approved by the indemnified party (which approval shall not be unreasonably withheld), it being understood that the indemnified party shall have the right to employ its own separate counsel and participate in such proceedings at its own cost and expense. The Borrower shall at its cost post such bond or other security as the Issuer, the Trustee or the Servicer or any individual indemnified hereunder may reasonably require with respect to any such claim during the pendency of any litigation. This indemnification covenant shall survive repayment of the Loan and the Bonds.

(b) The Borrower agrees to indemnify and hold harmless the Servicer and the Trustee from and against any and all claims, actions and suits, whether groundless or otherwise, and from and against any and all liabilities, losses, damages and expenses of every nature and character arising out of this Agreement or any of the other Loan Documents or the transactions contemplated hereby and thereby including, without limitations, (a) any brokerage, leasing, finders or similar fees, (b) any disbursement of the proceeds of any of the advances, (c) any condition of the Project whether related to the quality of rehabilitation or otherwise, (d) any actual or proposed use by the Borrower of the proceeds of any of the Advances, (e) any actual or alleged violation of any Legal Requirements or Project Approvals, or (f) any Obligor's entering into or performing this Agreement or any of the other Loan Documents, in each case including fees and disbursements of counsel and allocated costs of internal counsel incurred in connection with any such investigation, litigation or other proceeding. In litigation, or the preparation therefor, the Servicer or the Trustee shall be entitled to select its own counsel and, in addition to the foregoing indemnity, the Borrower agrees to pay promptly the fees and expenses of such counsel. The obligations of the Borrower under this Section shall survive the termination or expiration of this Agreement and the repayment of the Loan and shall continue in full force and effect so long as the possibility of such claim, action or suit exists. If, and to the extent that the obligations of the Borrower under this Section are unenforceable for any reason, the Borrower hereby agrees to make the maximum

contribution to the payment in satisfaction of such obligations which is permissible under applicable law.

Section 5.20. Agreements Between Borrower and its Affiliates. The Borrower shall not enter into any agreement, written or otherwise, directly or indirectly relating to the Project with an Affiliate of the Borrower without the prior written consent of the Majority Owner.

Section 5.21. Sale of Bonds and Securitization.

(a) At the request of the Majority Owner, but without imposing cost on the Borrower, the Borrower shall use reasonable efforts to satisfy the market standards to which the Majority Owner customarily adheres or which may be reasonably required in the marketplace or by the Rating Agencies in connection with the sale of the Bonds or participation therein or the first successful securitization (such sale and/or securitization, the "Securitization") of rated single or multi-class securities (the "Securities") secured by or evidencing ownership interests in the Bonds. Without limiting the generality of the foregoing, Borrower shall:

(i) provide financial and other information with respect to the Project, Borrower and its Affiliates, the manager and any tenants of the Project and provide business plans and budgets relating to the Project;

(ii) perform or permit or cause to be performed or permitted such site inspection, appraisals, market studies, environmental reviews and reports (Phase I's and, if appropriate, Phase II's), engineering reports and other due diligence investigations of the Project, as may be reasonably requested by the Majority Owner or the Rating Agencies or as may be necessary or appropriate in connection with the Securitization (the items provided to the Majority Owner pursuant to this paragraph (a) being called the "Provided Information"), together, if customary, with appropriate verification of and/or consents to the Provided Information through letters of auditors or opinions of counsel of independent attorneys acceptable to the Majority Owner and the Rating Agencies;

(iii) cause counsel to render opinions as to non-consolidation, fraudulent conveyance, true sale and true contribution and any other opinion customary in securitization transactions with respect to the Project, the Borrower and its Affiliates, which counsel and opinions shall be satisfactory to the Majority Owner and the Rating Agencies;

(iv) make such representations and warranties as of the closing date of the Securitization with respect to the Project, the Borrower and the Loan Documents as are customarily provided in securitization transactions and as may be reasonably requested by the Majority Owner or the Rating Agencies and consistent with the facts covered by such representations and warranties as they exist on the date thereof, including the representations and warranties made in the Loan Documents;

(v) provide current certificates of good standing and qualification with respect to Borrower from appropriate Governmental Authorities; and

(vi) execute such amendments to the Loan Documents and the Organizational Documents of the Borrower as may be requested by the Majority Owner or the Rating Agencies or otherwise to effect the Securitization,

provided that nothing contained in this subsection (a) shall result in a materially adverse economic change in the transaction..

(b) All reasonable third party costs and expenses incurred by the Borrower solely in connection with the Borrower's complying with requests made under this Section 5.21 shall be paid or caused to be paid by the Majority Owner. The Borrower shall not be liable for third party costs or expenses incurred by the Majority Owner in connection with the Securitization.

(c) The Borrower understands that certain of the Provided Information may be included in disclosure documents in connection with the Securitization, including a prospectus or private placement memorandum (each, a "Disclosure Document") and may also be included in filings with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended (the "Securities Act"), or the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), or provided or made available to investors or prospective investors in the Securities, the Rating Agencies, and service providers relating to the Securitization. In the event that the Disclosure Document is required to be revised prior to the sale of all Securities, the Borrower shall cooperate with the Majority Owner in updating the Provided Information for inclusion or summary in the Disclosure Document by providing all current information pertaining to the Borrower and the Project necessary to keep the Disclosure Document accurate and complete in all material respects with respect to such matters.

(d) In connection with a preliminary and a final private placement memorandum or prospectus, as applicable, the Borrower agrees if requested by the Majority Owner, to certify in writing that the Borrower has carefully examined those portions of such memorandum or prospectus, as applicable, pertaining to the Borrower and the Project and such sections (and any other sections reasonably requested and pertaining to Borrower and the Project) do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statement made, in the light of the circumstances under which they were made, not misleading.

(e) The Borrower's liability under this Section 5.21 above shall be limited to Liabilities arising out of or based upon any such untrue statement or omission made therein in reliance upon and in conformity with information furnished to the Majority Owner by or on behalf of the Borrower in connection with the preparation of those portions of the Disclosure Document pertaining to the Borrower or the Project) or in connection with the underwriting of the debt, including financial statements of the Borrower operating statements, rent rolls, environmental site assessment reports and property condition reports with respect to the Project.

Section 5.22. Funds. The Borrower acknowledges the creation of the Replacement Reserve Fund and the Tax and Insurance Fund pursuant to the Indenture. The Replacement Reserve Fund and the Tax and Insurance Fund shall be disbursed in accordance with the provisions of the Indenture and this Section 5.22.

(a) On or before December 1 of each year, the Borrower shall submit to the Servicer for approval the Proposed Budget to be effective for the next following year.

The Servicer shall have the right to approve or disapprove any Proposed Budget or any line-item contained in such Proposed Budget. If any Proposed Budget is not approved by the Servicer within thirty (30) days following submission by the Borrower, such Proposed Budget shall be deemed disapproved. If any line-item or Proposed Budget is disapproved, the Borrower shall thereafter consult for an additional thirty (30) days with the Servicer in an effort to achieve mutually acceptable Approved Budget. To the extent that the Proposed Budget is disapproved, the Approved Budget for the previous year shall remain in effect, increased by 5% over the previous year (except for costs of utilities, real estate taxes and assessments and insurance and other third-party costs or cost associated with remediation of emergency conditions which shall be permitted variances to the Proposed Budget) until the parties resolve their differences. In addition to, and not in limitation of the foregoing, each Approved Budget may be revised from time to time with approval of the Servicer to reflect changes to items set forth in the then-current Approved Budget.

(b) Each Proposed Budget:

(i) shall be prepared on the basis of sound accounting practices consistently applied;

(ii) shall reflect the projected gross revenues and operating expenses regarding the Project;

(iii) shall reflect all projected Capital Expenditures which are reasonably expected to be made in connection with the Project during the year covered by such Proposed Budget; and

(iv) shall contain such other information as reasonably may be requested by the Majority Owner.

(c) On each Interest Payment Date beginning the first month after the Project achieves Completion, the Borrower shall deposit an amount equal to 1/12 of the Unit Reserve Amount in the Replacement Reserve Fund.

(d) Except as otherwise provided in this Section, before the Servicer shall authorize the disbursement of any amounts from the Replacement Reserve Fund, the Borrower shall submit the following items to the Servicer for its review and approval:

(i) a requisition from the Borrower stating that no Event of Default exists and requesting the Servicer to approve a disbursement; and

(ii) the identity of all general contractors, architects, engineers and other professionals, if any, engaged in connection with the proposed capital expenditures along with copies of the contracts entered into between the Borrower and such entities;

(iii) copies of the plans and specifications for the work to be done, if required or produced in connection with the work contemplated;

(iv) evidence of compliance with all applicable Legal Requirements to perform the work;

(v) if requested by the Servicer in connection with construction work in excess of \$10,000, evidence of builders' risk insurance along with workers' compensation and public liability insurance in such amounts and in such form as the Servicer may reasonably require;

(vi) if requested by the Servicer in connection with construction work in excess of \$10,000, evidence that a Consulting Engineer shall have inspected and approved of the work performed to date;

(vii) copies of bills or invoices documenting the proposed expenditure (with paid receipts or other evidence of payment for such Capital Expenditures to be provided to the Servicer before the next requested requisition and in any event within ten (10) days of disbursement to the Borrower of the requested payment); and

(viii) evidence that the general contractor has delivered and filed effective mechanics lien waivers prior to the commencement of work or, if such waivers were not delivered and filed, a release of liens in connection with all work performed.

(e) Provided the conditions set forth in Section 5.22(d) have been satisfied (or waived in writing by the Servicer), the Servicer shall authorize the disbursement from the Replacement Reserve Fund of the amount requested by the Borrower in its requisition, or such lesser amount approved by the Consulting Engineer, to the Borrower. It shall be a condition to all withdrawals from the Replacement Reserve Fund that (i) all work shall be performed in a good and workmanlike manner and in compliance with all applicable Legal Requirements, (ii) the Servicer shall have reviewed and approved each of the foregoing requirements, (iii) the work to be performed is consistent with the Approved Budget or the recommendations of the Consulting Engineer, and (iv) sufficient amounts are on deposit in the Replacement Reserve Fund to pay the amount requisitioned.

(f) For any single Capital Expenditure (not part of, or related to, a sequence or a series of Capital Expenditures or a particular capital improvement plan or project) costing less than Five Thousand Dollars (\$5,000.00) and whether or not described in the Approved Budget, the Borrower, upon completion of the work, shall deliver to the Servicer evidence reasonably satisfactory to the Servicer of such completion and shall deliver to the Servicer invoices for such work, and, for all of such subsequent disbursements from the Replacement Reserve Fund, the Borrower shall deliver evidence of payment in full for all invoices pertaining to the previous disbursement from the Replacement Reserve Fund, whereupon the Servicer shall authorize reimbursement of the cost of the Capital Expenditure from the Replacement Reserve Fund to the Borrower or, at the Servicer's option, to the contractors to whom such funds are owed.

(g) For any Capital Expenditure (not part of or related to a sequence or series of Capital Expenditures) costing Five Thousand Dollars (\$5,000.00) or more which is to be paid from the Replacement Reserve Fund, before entering into any contracts in connection with such Capital Expenditure (whether or not the Capital Expenditure was described in the Approved Budget), the Borrower shall submit to the Servicer for its prior review and approval (which shall not be unreasonably withheld or delayed) copies of the proposed contracts to be entered into with respect to such Capital Expenditure and copies of the proposed plans and specifications for the Capital Expenditure. Once the Capital Expenditure is approved in advance by the Servicer, the provisions of Section

4.22(d) shall apply. Upon completion of such work, the Borrower shall deliver to the Servicer evidence reasonably satisfactory to the Servicer of such completion and shall deliver to the Servicer invoices for such work and, for all of such subsequent disbursements from the Replacement Reserve Fund, the Borrower shall deliver evidence of payment in full for all invoices pertaining to the previous disbursement from the Replacement Reserve Fund, whereupon the Servicer shall authorize reimbursement of the cost of the Capital Expenditure from the Replacement Reserve Fund to the Borrower, or, at the Servicer's option, the contractors to whom such costs are owed.

(h) On each Interest Payment Date, beginning in the first month after the Completion Date, the Borrower shall deposit funds into the Tax and Insurance Fund. The determination of the amount payable, and the fractional part of such amount to be deposited monthly (such amount to be such that the aggregate of such deposits shall be sufficient for the payment of real estate taxes and insurance premiums) shall be made by the Servicer in its sole discretion. If one month prior to the due date of any aforementioned obligations, the amounts then on deposit shall be insufficient for the payment of such obligation in full, the Borrower shall deposit the amount of the deficiency within ten (10) days after demand from the Servicer. Amounts held in the Tax and Insurance Fund shall be applied to the payment of real estate taxes and insurance premiums, in such order of priority as the Servicer shall determine in its sole discretion, on or before the respective dates on which the same or any of them would become delinquent.

Section 5.23. Funding and Application of Earnout Account. [To the extent that the Earnout Amount is not deposited into the Earnout Account of the Construction Fund within months after the Project achieves Completion from required Equity Funds, the Borrower shall cause the Earnout Amount to be deposited into the Earnout Account of the Construction Fund.] On any Interest Payment Date after the Project has achieved Stabilization, the Borrower may submit to the Majority Owner, with a copy to the Trustee, a written request for the disbursement of all or a portion of the funds in the Earnout Account, which request shall include the certification of the principal financial or accounting officer of the General Partner as to the Net Operating Income and occupancy of the Project for each of the prior ___ (___) consecutive months. If the Project has achieved Earnout, giving effect to the Borrower's request for disbursement, the Majority Owner shall direct the Trustee to disburse the requested funds from the Earnout Account to the Borrower. If, at the end of the ___ (___) full month after the date on which the Project has achieved Completion, the Borrower has not requested or qualified for the disbursement of all or any portion of the funds in the Earnout Account, the Majority Owner may, at its sole discretion, direct the Trustee to use all or any portion of the remaining funds to redeem Bonds pursuant to Section 4.01(a)(ii) of the Indenture in an amount equal to the Earnout Amount less the amount, if any, for which the Borrower has previously qualified for disbursement pursuant to this Section 5.23.]

Section 5.24. Covenants Regarding Tax Credits. The Borrower hereby agrees to comply with all of the following covenants (each, a "Tax Credit Covenant"):

(a) To observe and perform all obligations imposed on the Borrower in connection with the federal low income housing tax credits (the "Tax Credits"), including the obligation to have the Project "placed in service" (within the meaning given in Section 42 of the Code) in a timely manner; and to operate the residential units of the Project, and to use the Borrower's best efforts to cause all appropriate parties to operate the same, in accordance with all requirements, statutes, and regulations governing the Tax Credits;

(b) To preserve at all times the allocation and availability of the Tax Credits;

(c) Not to release, forego, alter, amend, or modify its rights to the Tax Credits without the Majority Owner's prior written consent, which the Majority Owner may give or withhold in the Majority Owner's reasonable discretion;

(d) Not to execute any residential lease of all or any portion of the Project which does not comply fully with all requirements, statutes, and regulations governing the Tax Credits, without the Majority Owner's prior written consent, which the Majority Owner may give or withhold in the Majority Owner's sole and absolute discretion;

(e) To cause to be kept all records, and cause to be made all elections and certifications, pertaining to the number and size of apartment units, occupancy thereof by tenants, income level of tenants, set-asides for low-income tenants, and any other matters now or hereafter required to qualify for and maintain the Tax Credits in connection with the low-income occupancy of the Project;

(f) To comply with the appropriate minimum low-income set-aside requirements under the Code or applicable federal regulations (the "Federal Laws"), all requirements of the allocating authority in respect of the Tax Credits (the "Allocation Authority") and all applicable laws and regulations (the "State Laws") applicable to the creation, maintenance and continued availability of the Tax Credits;

(g) To certify compliance with the set-aside requirements and report the dollar amount of qualified basis and maximum applicable percentage, date of placement in service and any other information required for the Tax Credits at such time periods as required by Federal Laws, the Allocation Authority or State Laws for such Tax Credits;

(h) To set aside the appropriate number of units for households with incomes meeting the required standards of the median income of the county in which the Project is located to qualify for the Tax Credits (as determined pursuant to Section 42 of the Code and/or State Laws), adjusted for family size, and to operate and maintain all such units as "low-income units" qualifying for the Tax Credits under Section 42(i)(3) of the Code and/or State Laws;

(i) To exercise good faith in all activities relating to the operation and maintenance of the Project in accordance with the requirement of Federal Laws and State Laws; and

(j) To promptly deliver to the Majority Owner true and correct copies of all notices or other documents or communications received or given by the Borrower with regard to or relating in any way to the Borrower's partnership interests and/or the Tax Credits. Immediately upon receipt thereof, the Borrower shall deliver to the Majority Owner a copy of (i) the fully-executed allocation and final reservation of Tax Credits for the Project; (ii) the basis audit (as required by Section 42 of the Code) for the Project (including a certificate of the Borrower's accountant and attorneys if requested by the Majority Owner); (iii) the first annual income certification for all tenants of the Project showing that the tenants are qualified for purposes of the Borrower's obtaining Tax Credits, and (iv) the fully-completed Form 8609 (required by the Code) issued for the Project. The Borrower shall deliver promptly to the Majority Owner such other certificates, income certificates, reports and information as the Majority Owner may request.

The Borrower understands and acknowledges that the Majority Owner is purchasing the Bonds based, in part, upon the value of the Tax Credits, and the Tax Credits, directly or indirectly, constitute part of Trustee's security on behalf of the Majority Owner for the Bond obligations. The Borrower agrees to indemnify, defend and hold the Majority Owner harmless for, from, and against any and all actions, suits, claims, demands, liabilities, losses, damages, obligations, and costs or expenses, including litigation costs and reasonable attorneys' fees, arising from or in any way connected with the Borrower's failure to comply with one or more Tax Credit Covenants, excepting those arising out of, or resulting, solely from the Majority Owner's gross negligence or willful misconduct.

Section 5.25. Payment of Operating Expenses and Capital Expenditures. At all times during the term of this Agreement, the Borrower shall pay or cause to be paid, within thirty (30) days of receipt of an invoice therefore or of when the same shall otherwise have become due, all Operating Expenses, all Capital Expenditures and any and all other costs of operation and maintenance of the Project; provided, however that the Borrower may contest such amounts in good faith so long as (i) no lien in respect thereof is filed against the Mortgaged Property (subject to the provisions of Section 2.5 of the Mortgage) and (ii) at the reasonable request of the Servicer, the Borrower makes provision for such payment by reservation of funds to make such payment or otherwise to the Servicer's reasonable satisfaction.

ARTICLE VI

OPTION AND OBLIGATIONS OF BORROWER TO PREPAY

Section 6.1. Optional Prepayment.

(a) The Note and amounts due under Section 3.2(a) hereof are subject to prepayment in order to effect the redemption of the Bonds under Section 4.03 of the Indenture at the option of the Borrower in whole but not in part at the times (and not before the times) and at the redemption prices plus accrued interest to the redemption date of the Bonds, as set forth in Section 4.03 of the Indenture together with interest as set forth in Section 4.03 of the Indenture. The Note is not otherwise subject to optional prepayment by the Borrower.

(b) To effect prepayment of the Note and redemption of the Bonds as contemplated in subparagraph (a) above, the Borrower shall deliver to the Trustee and the Majority Owner, not less than ninety (90) days prior to the date on which Bonds are subject to redemption under said Section, a written certificate of the Borrower stating that the Borrower is prepaying the Note pursuant to this Section 6.1. The certificate from the Borrower shall certify the following: (i) the principal amount of the Note to be prepaid, (ii) that the amount to be prepaid on the Note shall be credited to redemption of the Bonds pursuant to Section 4.03 of the Indenture, (iii) the date for redemption of the Bonds, (iv) that no Event of Default shall have occurred and be then continuing under the Loan Documents and (v) any conditions to such prepayment.

(c) The options granted to the Borrower in this Section 6.1 shall be exercisable only (i) in the event and to the extent the Bonds are subject to redemption in accordance with the Indenture and (ii) if no Event of Default under any of the Loan Documents shall have occurred and be then continuing or if all costs associated with any existing Event of Default (including, without limitation, late fees, penalties, costs of enforcement, protective advances, interest on such amounts) which are then due and owing under the Loan Documents are paid in full in connection with such prepayment.

Section 6.2. Mandatory Prepayment. The Note and amounts due under Section 3.2(a) hereof shall be prepaid in whole or in part in order to effect the mandatory redemption of the Bonds at the times and in the amounts specified in Section 4.01 of the Indenture.

Section 6.3. Amounts Required for Prepayment.

(a) The amount payable by the Borrower hereunder upon either (i) the exercise of the option granted to the Borrower in Section 6.1 hereof, or (ii) the mandatory prepayment of the Note by the Borrower in Section 6.2 hereof shall be, to the extent applicable and except as otherwise provided, the sum of the following:

(i) the amount of money necessary to pay the redemption price of the Bonds to be redeemed specified in Section 4.03 of the Indenture, in the case of optional redemption and Section 4.02 of the Indenture in the case of mandatory redemption, together with all interest specified therein payable up to and including said redemption date and all expenses of the redemption; plus

(ii) in the event of a redemption in whole, an amount of money equal to the Trustee's and Issuer's fees and expenses under the Indenture accrued and to accrue until the final payment and redemption of the Bonds; plus

(iii) in the event of any prepayment during the existence and continuance of an Event of Default, the amounts described in Section 6.1(c)(ii) hereof.

(b) Any prepayment made pursuant to Section 6.1 or 6.2 hereof shall be deposited into the Revenue Fund. No prepayment or investment of the proceeds thereof shall be made which shall cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

Section 6.4. Cancellation at Expiration of Term. At the acceleration, termination or expiration of the term of this Agreement and following full payment of the Bonds or provision for payment thereof in accordance with Article XI of the Indenture and of all other fees and charges of all parties having been made in accordance with the provisions of this Agreement and the Indenture, the Issuer shall deliver to the Borrower any documents and take or cause the Trustee to take such actions as may be necessary to effectuate the cancellation and evidence the termination of this Agreement and the Loan Documents (other than the Regulatory Agreement, which shall not terminate except in accordance with the terms thereof).

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

Section 7.1. Events of Default. The following shall be "Events of Default" under this Agreement, and the term "Event of Default" shall mean, whenever it is used in this Agreement, any one or more of the following events:

(a) Failure by the Borrower to pay any amounts required to be paid on the Note or under Section 3.2 (a) or (b) hereof when due;

(b) Any failure by the Borrower to pay as and when due and payable any other sums to be paid by the Borrower under this Agreement and the continuation of such failure for a period of five (5) days the same are due; or

(c) Any breach by the Borrower of any representation or warranty made in this Agreement or any Requisition or any failure by the Borrower to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder, other than as referred to in subsections (a) or (b) of this Section, for a period of thirty (30) days after written notice specifying such breach or failure and requesting that it be remedied, given to the Borrower by the Trustee or the Majority Owner; provided, however, that in the event such breach or failure be such that it can be corrected but cannot be corrected within said 30-day period, the same shall not constitute an Event of Default hereunder if (x) corrective action is instituted by the Borrower or on behalf of the Borrower within said 30-day period and, in the sole opinion of the Majority Owner, is being diligently pursued and (y) in the opinion of Bond Counsel delivered to the Majority Owner, failure to correct such breach or failure indefinitely (or such shorter time as shall be established as a limitation on the period of time during which correction may be pursued) will not adversely affect the exclusion from gross income of interest on the Bonds for federal income taxation purposes or violate State law; or

(d) Any Event of Default (as defined or otherwise set forth in the Indenture or any of the Loan Documents, the General Partner Documents or the Guarantor Documents) or a default under the Subordinate Debt Documents, the Housing Assistance Payments Contract or the IRP Documents shall have occurred and shall remain uncured beyond any applicable curative period provided in the applicable document; or

(e) The Borrower shall make any new or additional mortgage of the Project or otherwise encumbers the Project or the Leases (or the rents, issues and profits therefrom) or create, permit or suffer any lien, claim, charge or encumbrance of any kind (including a mechanic's lien), other than a Permitted Encumbrance, to be recorded against the Project and, in the case of a judgment or mechanic's lien only, such matter is not cured or removed (by bonding or otherwise) within twenty (20) days after notice thereof from the Trustee, the Majority Owner or the Servicer to the Borrower; or

(f) Any dissolution, termination, partial or complete liquidation, merger or consolidation of the Borrower, or any sale, transfer or other disposition of the Project or of all or substantially all of the assets of Borrower; or

(g) Any failure by the Borrower to obtain any Project Approvals, or the revocation or other invalidation of any Project Approvals previously obtained; or

(h) Any change in the legal or beneficial ownership of the Borrower or the General Partner other than as expressly permitted by the terms hereof or by reason of the death of the owner of such interests; or

(i) Any failure by the Borrower to pay at maturity, or within any applicable period of grace, any Indebtedness, or any failure to observe or perform any material term, covenant or agreement contained in any agreement by which it is bound, evidencing or securing any Indebtedness, for such period of time as would permit (assuming the giving of appropriate notice if required) the holder or holders thereof or of any obligations issued thereunder to accelerate the maturity thereof; or

(j) Any Obligor shall file a voluntary petition in bankruptcy under Title 11 of the United States Code, or an order for relief shall be issued against any such Obligor in any involuntary petition in bankruptcy under Title 11 of the United States Code, or any such Obligor shall file any petition or answer seeking or acquiescing in any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief for itself under any present or future federal, state or other law or regulation relating to bankruptcy, insolvency or other relief of debtors, or such Obligor shall seek or consent to or acquiesce in the appointment of any custodian, trustee, receiver, conservator or liquidator of such Obligor, or of all or any substantial part of its respective property, or such Obligor shall make an assignment for the benefit of creditors, or such Obligor shall give notice to any governmental authority or body of insolvency or pending insolvency or suspension of operation; or

(k) An involuntary petition in bankruptcy under Title 11 of the United States Code shall be filed against any Obligor and such petition shall not be dismissed within sixty (60) days of the filing thereof; or

(l) A court of competent jurisdiction shall enter any order, judgment or decree approving a petition filed against any Obligor seeking any reorganization, arrangement, composition, readjustment, liquidation or similar relief under any present or future federal, state or other law or regulation relating to bankruptcy, insolvency or other relief for debtors, or appointing any custodian, trustee, receiver, conservator or liquidator of all or any substantial part of its property; or

(m) Any uninsured final judgment shall be rendered against the Borrower and shall remain in force, undischarged, unsatisfied and unstayed, for more than thirty (30) days, whether or not consecutive; or

(n) Any of the Loan Documents, the General Partner Documents or the Guarantor Documents, the IRP Documents, the Housing Assistance Payments Contract or the Subordinate Debt Documents shall be canceled, terminated, revoked or rescinded otherwise than in accordance with the terms thereof or with the express prior approval of the Majority Owner, or any action at law, suit in equity or other legal proceeding to cancel, revoke or rescind any of the Loan Documents, the General Partner Documents, the Guarantor Documents, the IRP Documents, the Housing Assistance Payments Contract or the Subordinate Debt Documents shall be commenced by or on behalf of any Obligor which is a party thereto, any lender in respect of the Subordinate Debt, or any other counterparty to any such document or any of their respective stockholders, partners or beneficiaries, or any court or any other governmental or regulatory authority or agency of competent jurisdiction shall make a determination that, or issue a judgment, order, decree or ruling to the effect that, any one or more of the Loan Documents, the

General Partner Documents or the Guarantor Documents, the Housing Assistance Payments Contract, the IRP Documents or the Subordinate Debt Documents is illegal, invalid or unenforceable in accordance with the terms thereof; or

(o) Any action or failure to take action by the Borrower which adversely affects the exclusion from gross income of interest on the Bonds; or

(p) Any Obligor shall be indicted for a federal crime, a punishment for which could include the forfeiture of any of its assets; or

(q) Any refusal by the Title Insurance Company to insure that any advance is secured by the Mortgage as a valid lien and security interest on the Project and the continuation of such refusal for a period of twenty (20) days after notice thereof by Servicer to the Borrower; or

(r) Completion shall not have been attained by the Completion Date; or

(s) Any cessation at any time in rehabilitation of the Improvements for more than twenty (20) consecutive days except for strikes, acts of God, fire or other casualty, or other causes entirely beyond the Borrower's control, or any cessation at any time in construction of the Improvements for more than sixty (60) consecutive days, regardless of the cause thereof.

Section 7.2. Remedies on Default.

(a) Whenever any Event of Default referred to in Section 7.1 hereof shall have occurred and be continuing, the Trustee, at the direction of the Majority Owner and subject to the provisions of the Indenture, shall:

(i) declare the obligations of the Servicer to approve Requisitions to be terminated, whereupon such obligations shall terminate; and

(ii) by notice in writing to the Borrower and the General Partner, require removal and replacement of the General Partner with a new general partner approved by the Majority Owner, subject to and in compliance with the requirements for replacement of the General Partner under the Organizational Documents of the Borrower (but without the need for any consent of the General Partner); and

(iii) by notice in writing to the Borrower declare the unpaid indebtedness under the Loan Documents to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable; and

(iv) take whatever action at law or in equity or under any of the Loan Documents, the General Partner Documents or the Guarantor Documents, as may appear necessary or desirable to collect the payments and other amounts then due and thereafter to become due hereunder or thereunder or under the Note, or to exercise any right or remedy or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under this Agreement, the Note or any other Loan Document, any General Partner Document or any Guarantor Document; and

(v) cause the Project to be completed and rehabilitate, equip and complete the Project in accordance with the Plans and Specifications, with such changes therein as the Majority Owner may, from time to time, and in its sole discretion, deem appropriate.

(b) Any amounts collected pursuant to action taken under this Section (other than amounts collected by the Issuer pursuant to the Reserved Rights) shall, after the payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, the Servicer or Majority Owner and their respective Counsel, be paid into the Revenue Fund (unless otherwise provided in this Agreement) and applied in accordance with the provisions of the Indenture. No action taken pursuant to this Section 7.2 shall relieve the Borrower from the Borrower's obligations pursuant to Section 3.2 hereof.

Section 7.3. No Remedy Exclusive. No remedy conferred herein or in any other Loan Document upon or reserved to the Trustee or the Majority Owner is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee or the Majority Owner to exercise any remedy reserved to it herein or in any other Loan Document, it shall not be necessary to give any notice, other than such notice as may be herein expressly required.

Section 7.4. Agreement to Pay Fees and Expenses of Counsel. If an Event of Default shall occur under this Agreement or the other Loan Documents and the Issuer, the Trustee, the Servicer or the Majority Owner should employ counsel or incur other expenses for the collection of the indebtedness or the enforcement of performance or observance of any obligation or agreement on the part of the Borrower herein or therein contained, the Borrower agrees that it will on demand therefor pay to any such party, or, if so directed by any such party, to its counsel, the fees of such Counsel and all other out-of-pocket expenses incurred by or on behalf of the Issuer, the Trustee, the Servicer or the Majority Owner.

Section 7.5. No Additional Waiver Implied by One Waiver; Consents to Waivers. In the event any agreement contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder. No waiver shall be effective unless in writing and signed by the party making the waiver.

Section 7.6. Remedies Subject to Applicable Law. All rights, remedies, and powers provided by this Article may be exercised only to the extent that the exercise thereof does not violate any applicable provisions of law in the Land, and all the provisions of this Article are intended to be subject to all applicable mandatory provisions of law which may be controlling in the Land and to be limited to the extent necessary so that they will not render this Agreement invalid, unenforceable, or not entitled to be recorded, registered, or filed under the provisions of any applicable law.

Section 7.7. Cure by Special Limited Partner. The Issuer, the Trustee the Servicer of and the Majority Owner hereby agree that cure of any Event of Default made or tendered by the

Special Limited Partner shall be deemed to be a cure by the Borrower and shall be accepted or rejected on the same basis as if made or tendered by the Borrower.

Section 7.8. Issuer Exercise of Remedies. Notwithstanding anything to the contrary contained herein, the Issuer may enforce its rights under the Regulatory Agreement and its Reserved Rights hereunder and exercise the permitted remedies with respect thereto against the Borrower; provided that the Issuer shall not commence or direct the Trustee to commence any action to declare the outstanding balance of the Bonds or the Loan to be due and neither the Issuer nor the Trustee shall take any action in respect of Reserved Rights (i) to foreclose to take similar action under the Mortgage or otherwise in respect of any liens upon or security interests in the Project or other property pledged to secure the Borrower's obligations under the Loan Documents; (ii) to appoint a receiver; (iii) to enforce any similar remedy against the Project or other property pledged to secure the Borrower's obligations under the Loan Documents; (iv) to appoint a receiver; (v) to enforce any similar remedy against the Project or other property pledged to secure the Borrower's obligation under the Loan Documents; or (vi) to enforce any other remedy which would cause any liens or security interests granted under the Loan Documents to be discharged or materially impaired thereby.

RESOLUTION NO. 2005 -

Adopted by the Housing Authority of the City of Sacramento

RESOLUTION OF THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO AUTHORIZING THE ISSUANCE, EXECUTION AND DELIVERY OF MULTIFAMILY HOUSING REVENUE BONDS, AUTHORIZING THE EXECUTION AND DELIVERY OF A MASTER PLEDGE AND ASSIGNMENT, A MASTER AGENCY AGREEMENT, A REGULATORY AGREEMENT AND DELCARATION OF RESTRICTIVE COVENANTS AND OTHER DOCUMENTS RELATING THERETO; AND APPROVING OTHER ACTIONS AND MATTERS RELATING THERETO

BACKGROUND

- A. The Housing Authority of the City of Sacramento (the "Authority") is authorized pursuant to Chapter 1 of Part 2 of Division 24 of the California Health and Safety Code (the "Act") to issue revenue bonds and make loans for the purpose of financing multifamily rental housing projects to be occupied in whole or in part by persons of low and very low income; and
- B. Creekside Village Senior Apartments, L.P., a California limited partnership (the "Borrower"), has requested the Authority to issue revenue bonds designated as the Housing Authority of the City of Sacramento Multifamily Housing Revenue Bonds (Creekside Village Senior Apartments) 2005 Issue E (the "Bonds") and to loan the proceeds from the sale thereof to the Borrower to finance the acquisition and rehabilitation of a 296-unit multifamily rental housing development located in the City of Sacramento, California and to be commonly known as the Creekside Village Senior Apartments (the "Project"); and
- C. On May 17, 2005, the City Council of the City of Sacramento held public hearings on the proposed issuance of the Bonds, as required under the Internal Revenue Code of 1986, following published notice of such hearings, and, following such public hearings approved the issuance of the Bonds; and
- D. The Authority hereby finds and declares that this resolution is being adopted pursuant to the powers granted by the Act; and
- E. All conditions, things and acts required to exist, to have happened and to have been performed precedent to and in connection with the issuance of the Bonds as contemplated by this resolution and the documents referred to herein will exist, have happened and have been performed in due time, form and manner as required by the laws of the State of California, including the Act;

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO RESOLVES AS FOLLOWS:

- Section 1. The Authority hereby finds and declares that the above recitals are true and correct.
- Section 2. Pursuant to the Act and the Pledge and Assignment (as defined below), the issuance of the Bonds, in an aggregate principal amount not to exceed \$16,000,000, is hereby authorized. The Chairperson or Executive Director of the Authority, or their designee (the "Authorized Officer"), each acting alone, are hereby authorized and directed to execute the Bonds for and in behalf of the Authority by manual or facsimile signature, in the form set forth in the Pledge and Assignment (defined below), with such changes, deletions and insertions as may be approved by such Authorized Officers and legal counsel to the Authority, such approvals being conclusively evidenced by the execution and delivery thereof, and the Clerk of the Sacramento Housing and Redevelopment Agency or her designee (the "Clerk") is hereby authorized and directed to attest the Bonds in said form and otherwise in accordance with the Pledge and Assignment.
- Section 3. The Master Pledge and Assignment by and among the Authority, Union Bank of California, N.A., as Agent, and Union Bank of California, N.A., as Holder (the "Pledge and Assignment"), in the form on file with the Clerk, is hereby approved. The Authorized Officers, each acting alone, are hereby authorized for and in behalf of the Authority to execute and deliver the Pledge and Assignment with such changes, additions or deletions as may be approved by such Authorized Officer and legal counsel to the Authority, such approvals to be conclusively evidenced by the execution and delivery thereof.
- Section 4. The Master Agency Agreement by and among the Authority and Union Bank of California, N.A., as Agent (the "Agency Agreement"), in the form on file with the Clerk, is hereby approved. The Authorized Officers, each acting alone, are hereby authorized for and in behalf of the Authority to execute and deliver the Agency Agreement with such changes, additions and deletions as may be approved by such Authorized Officer and legal counsel to the Authority, such approvals to be conclusively evidenced by the execution and delivery thereof.
- Section 5. The Regulatory Agreement and Declaration of Restrictive Covenants by and between the Authority and the Borrower (the "Regulatory Agreement"), in the form on file with the Clerk, is hereby approved. The Authorized Officers, each acting alone, are hereby authorized for and in behalf of the Authority to execute and deliver the Regulatory Agreement with such changes, additions or deletions as may be approved by such

Authorized Officer and legal counsel to the Authority, such approvals to be conclusively evidenced by the execution and delivery thereof.

Section 6. The Bonds, when executed, shall be delivered to Union Bank of California, N.A., as the initial holder thereof, upon the funding of the Loan (as defined in the Pledge and Assignment) with the purchase price for the Bonds.

Section 7. All actions heretofore taken by the officers and agents of the Authority with respect to the sale and issuance of the Bonds are hereby approved, confirmed and ratified, and the proper officers of the Authority, including the Authorized Officers, are hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute any and all certificates, agreements and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bonds in accordance with this Resolution, including but not limited to those certificates, agreements and other documents described in the Pledge and Assignment, the Agency Agreement, the Regulatory Agreement, and other documents herein approved.

Section 8. This Resolution shall take effect immediately upon its adoption.

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Adopted by the Housing Authority of the City of Sacramento on _____, 2005 by the following vote:

Ayes:

Noes:

Abstain:

Absent:

Chair

Attest:

Secretary

Resolution No. 2005-_____ adopted on ____-____-2005.

(9)

MASTER PLEDGE AND ASSIGNMENT

Amongst

**HOUSING AUTHORITY OF THE CITY OF SACRAMENTO,
as Issuer**

and

**UNION BANK OF CALIFORNIA, N.A.,
as Agent**

and

**UNION BANK OF CALIFORNIA, N.A.,
as Holder**

Dated as of August 1, 2005

Relating to

**\$16,000,000
Housing Authority of the City of Sacramento
Multifamily Housing Revenue Bonds
(Creekside Village Senior Apartments)
2005 Issue E**

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