
BORROWER LOAN AGREEMENT

by and between the

COUNTY OF CONTRA COSTA, CALIFORNIA

and

**VETERANS SQUARE, L.P.,
a California limited partnership**

dated as of September 1, 2020

relating to:

\$ _____

**County of Contra Costa, California
Multifamily Housing Revenue Note
(Veterans Square),
2020 Series D**

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BORROWER LOAN AGREEMENT

THIS BORROWER LOAN AGREEMENT, dated as of September 1, 2020 (the "Borrower Loan Agreement"), is by and between the County of Contra Costa, California, a public body, corporate and politic organized and existing under the laws of the State of California (together with any successor to its rights, duties and obligations, the "Governmental Lender"), and Veterans Square, L.P., a California limited partnership (the "Borrower").

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

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 1.1. Definitions. The following words and terms as used in this Agreement shall have the following meanings unless the context or use otherwise requires:

"Act" has the meaning given to such term in the Regulatory Agreement.

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

"Additional Borrower Payments" means payments required to be made by the Borrower pursuant to Sections 5.1(b), (d) and (e).

"Assignment Agreement" means that certain Assignment of Deed of Trust and Loan Documents, dated as of September 1, 2020, by the Governmental Lender in favor of the Funding Lender.

"Borrower" means Veterans Square, L.P., a California limited partnership, and its successors and assigns.

"Borrower Loan" means the mortgage loan originated by the Governmental Lender to the Borrower in the principal amount of \$_____, evidenced by the Borrower Note, pursuant to the terms of this Borrower Loan Agreement.

"Borrower Loan Agreement" means this Borrower Loan Agreement, as amended and supplemented from time to time.

"Borrower Note" means the promissory note secured by deed of trust evidencing the Borrower Loan in the principal amount of \$_____, dated as of September 1, 2020, executed by the Borrower and assigned without recourse by the Governmental Lender to the Funding Lender.

"Borrower Representative" means (a) the Chief Executive Officer of the manager of the general partner of the Borrower, or (b) any other person or persons designated by the foregoing person to be a Borrower Representative for purposes of the Loan Documents.

“City” means the City of Pittsburg, California.

“Closing Date” means September __, 2020, being the date of issuance of the Governmental Lender Note for purposes of the Code.

“Code” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Governmental Lender Note and (except as otherwise referenced herein) as it may be amended, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

“Collateral” shall mean all property and assets granted as collateral security for the Borrower Loan, whether real or personal property, whether granted directly or indirectly, whether granted now or in the future, and whether granted in the form of a security interest, mortgage, collateral mortgage, deed of trust, assignment, pledge, crop pledge, chattel mortgage, collateral chattel mortgage, chattel trust, factor’s lien, equipment trust, conditional sale, trust receipt, lien, charge, lien or title retention contract, lease, or consignment intended as a security device, or any other security, or lien interest whatsoever, whether created by law, contract, or otherwise.

“Construction Contract” has the meaning given to the term “Construction Agreement” in the Construction Funding Agreement.

“Construction Funding Agreement” has the meaning given to such term in the Funding Loan Agreement.

“Costs of Issuance” means all fees, costs and expenses directly associated with the authorization, issuance, sale and delivery of the Governmental Lender Note and the making of the Borrower Loan and the Borrower Loan, including fees paid to the Funding Lender in connection with the origination of the Borrower Loan.

“County” means the County of Contra Costa, California.

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

“Extended Use Agreement” means the extended low income housing commitment for the Project between the Borrower and the California Tax Credit Allocation Committee, as described in Section 42(h)(6)(B) of the Code.

“Force Majeure” has the meaning given to such term in the Construction Funding Agreement.

“Funding Lender” means has the meaning given to such term in the Funding Loan Agreement.

“Funding Loan” has the meaning to such term in the Funding Loan Agreement.

“Funding Loan Agreement” means that certain Funding Loan Agreement, dated as of September 1, 2020, by and between the Funding Lender and the Governmental Lender, as amended and supplemented from time to time, pursuant to which the Borrower Loan is being made.

“Governmental Authority” shall mean (i) any governmental municipality or political subdivision thereof, (ii) any governmental or quasi-governmental agency, authority, board, bureau, commission, department instrumentality or public body, or (c) any court, administrative tribunal or public utility.

“Governmental Lender” means the County.

“Governmental Lender Note” means the promissory note evidencing the Funding Loan in the principal amount of \$_____, executed by the Governmental Lender, in the form attached to the Funding Loan Agreement as Exhibit A thereto.

“Improvements” shall mean the improvements to be made to the Property in connection with the Project.

“Loan Documents” means this Borrower Loan Agreement, the Funding Loan Agreement, the Regulatory Agreement, the Borrower Note, the Governmental Lender Note, the Construction Funding Agreement and the Security Instrument.

“Low Income Unit” has the meaning given to such term in the Regulatory Agreement.

“Partnership Agreement” means the Amended and Restated Agreement of Limited Partnership of the Borrower, as executed by the parties thereto or as thereafter amended or restated in accordance with its terms.

“Plans and Specifications” shall mean all final drawings, plans and specifications prepared in connection with the development of the Property and Project and the construction of the Improvements approved by the Funding Lender, that describe and show the labor, materials, equipment, fixtures and furnishings necessary for the construction of the Improvements, including all amendments and modifications thereof as approved by the Funding Lender and made by approved change orders (and also showing minimum grade of finishes and furnishings for all areas of the Improvements to be leased in ready-for-occupancy condition).

“Project” means the residential rental facilities consisting of 30 units of multifamily rental housing located at 901 Los Medanos Street and 295 East 10th Street in the City on the site described in Exhibit A to the Regulatory Agreement.

“Project Costs” means, to the extent authorized by the Act, the Code and the Regulations, any and all costs and expenses incurred by the Borrower with respect to the acquisition, financing, construction and/or operation of the Project, whether paid or incurred prior to or after the Closing Date, including, without limitation, costs for the acquisition of property, the cost of consultant, accounting and legal services, appraisal costs, other expenses necessary or incident to the acquisition of the Project, and administrative expenses, and interest on the Borrower Loan.

“Property” means the site on which the Project is located.

“Purchase Option” means any option or right of first refusal of a partner of the Borrower to purchase the Project and the Property contemplated by the Partnership Agreement.

“Qualified Project Costs” has the meaning given to such term in the Regulatory Agreement.

“Qualified Project Period” has the meaning given to such term in the Regulatory Agreement.

“Regulations” means the income tax regulations promulgated by the United States Department of the Treasury from time to time pursuant to the Code.

“Regulatory Agreement” means the Regulatory Agreement and Declaration of Restrictive Covenants, dated as of September 1, 2020, by and between the Governmental Lender and the Borrower, as it may be amended and supplemented from time to time in accordance with its terms.

“Restrictions” shall mean all conditions, restrictions, reservations, whether or not of record, statutes, regulations and ordinances, including the Americans with Disabilities Act, 42 U.S.C. Section 12101 et seq., as hereafter amended or modified, and all pollution control, environmental protection, zoning, planning and land use requirements, building codes and all restrictions and requirements imposed by the City, the County and any other Governmental Authority, including the requirements of any general plan as amended, any subdivision and parcel map requirements, environmental requirements in connection with use, occupancy and building permits and requirements of public utilities which affect the Property, the Improvements and the construction of the Improvements and the contemplated use of the Property.

“Security Instrument” has the meaning given to such term in the Funding Loan Agreement.

“State” means the State of California.

“Tax Certificate” means the Certificate as to Arbitrage and Tax Compliance Procedures, dated the Closing Date, executed by the Governmental Lender and the Borrower.

“Unassigned Rights” has the meaning given to such term in the Funding Loan Agreement.

Section 1.2. Interpretation. Unless the context clearly requires otherwise, words of masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa. This Borrower Loan Agreement and all the terms and provisions hereof shall be construed to effectuate the purpose set forth herein and to sustain the validity hereof.

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

ARTICLE II

REPRESENTATIONS AND WARRANTIES

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

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

(b) Under the provisions of the Act, the Governmental Lender has the power, and has taken all official actions necessary (i) to enter into this Borrower Loan Agreement and the Regulatory Agreement; (ii) to perform its obligations hereunder and thereunder; and (iii) to consummate all other transactions on its part contemplated by this Borrower Loan Agreement.

(c) The Loan Documents to which the Governmental Lender is a party have been duly executed and delivered by the Governmental Lender, and the Governmental Lender has taken such actions as are necessary to cause the Loan Documents to which it is a party, when executed by the other respective parties thereto, to be valid and binding obligations of the Governmental Lender, enforceable against the Governmental Lender in accordance with their respective terms, except as limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the rights of creditors generally.

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

(e) There is no action, suit, proceeding, inquiry or investigation served upon the Governmental Lender and, to the knowledge of the Governmental Lender, threatened against the Governmental Lender 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 Governmental Lender or the title to office of any members of the Board of Directors of the Governmental Lender; (ii) affects or seeks to prohibit, restrain or enjoin the execution and delivery of this Borrower Loan Agreement, the Regulatory Agreement or the loaning of the amounts herein set forth to the Borrower; (iii) affects or questions the validity or enforceability of this Borrower Loan Agreement or the Regulatory Agreement; or (iv) questions the power or authority of the Governmental Lender to carry out the transactions on its part contemplated by this Borrower Loan Agreement or the Regulatory Agreement.

The Governmental Lender makes no representation or warranty that the Project will be adequate or sufficient for the purposes of the Borrower. Nothing in this Borrower Loan Agreement shall be construed as requiring the Governmental Lender to provide any financing for the Project other than the proceeds of the Borrower Loan, or to provide sufficient moneys for all of the costs of the Project.

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

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

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

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

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

(e) The Borrower is not in default (and no event has occurred and is continuing which with the giving of notice or the passage of time or both could constitute a default) under any document, instrument or commitment to which the Borrower is a party or to which it or any of its property is subject which default would or could affect the ability of the Borrower to carry out its obligations under this Borrower Loan Agreement or the other Loan Documents.

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

(g) The Project is located wholly within the City.

(h) The Borrower will obtain all necessary certificates, approvals, permits and authorizations with respect to the acquisition, construction and operation of the Project from applicable local governmental agencies and agencies of the State of California and the federal government.

(i) The Borrower shall make no changes to the Project or to the operation thereof which would affect the qualification of the Project under the Act or impair the exclusion from gross income for federal income tax purposes of the interest on the Governmental Lender Note. The Borrower intends to utilize the Project as multifamily rental housing during the Qualified Project Period.

(j) Not in excess of two percent (2%) of the proceeds of the Borrower Loan will be used to pay Costs of Issuance.

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

(l) The Borrower acknowledges, represents and warrants that it understands the nature and structure of the Project; that it is familiar with the provisions of all of the documents and instruments relating to the financing of the Project to which it or the Governmental Lender is a party or of which it is a beneficiary; and that it understands the risks inherent in such transactions, including without limitation the risk of loss of the Project.

(m) The Borrower intends to hold the Project for its own account, has no current plans to sell and has not entered into any agreement to sell the Project, except in accordance with the terms of the Regulatory Agreement and a possible sale to a partner of the Borrower as reflected in the Partnership Agreement.

(n) The Borrower has contacted all "related persons" thereof (within the meaning of Section 147(a) of the Code); and none of them shall, at any time, pursuant to any arrangement, formal or informal, acquire any interest in the Governmental Lender Note.

(o) In the event the Borrower Loan proceeds are not sufficient to complete the acquisition and construction of the Project, the Borrower will furnish any additional moneys necessary to complete the acquisition and construction of the Project.

(p) All of the proceeds from the Borrower Loan plus the income from the investment of the proceeds of the Borrower Loan will be used to pay or reimburse the Borrower for Project Costs, and at least 97% of the proceeds of the Borrower Loan will be used to pay or reimburse the Borrower for Qualified Project Costs and less than 25% of the proceeds of the Borrower Loan will be used to pay or reimburse the Borrower for the cost of land or any interest therein. The Borrower shall assure that the proceeds of the Borrower Loan are expended so as to cause the Governmental Lender Note to constitute a "qualified residential rental bond" within the meaning of Section 142(d) of the Code.

(q) The estimated total cost of the financing of the acquisition and construction of the Project is equal to or in excess of the maximum principal amount of the Borrower Loan.

(r) The Borrower has not knowingly taken or permitted to be taken and will not knowingly take or permit to be taken any action which would have the effect, directly or indirectly, of causing interest on the Governmental Lender Note to be included in the gross income of the owner thereof for purposes of federal income taxation.

(s) The Borrower covenants that it shall not take, or permit or suffer to be taken by the Funding Lender or otherwise, any action with respect to the proceeds of the Governmental Lender Note which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken on the Closing Date, would have caused the Governmental Lender Note to be an "arbitrage bond" within the meaning of Section 148(a) of the Code.

(t) The Borrower has examined and is familiar with all the easements, covenants, conditions, restrictions, reservations, building laws, regulations, zoning ordinances, and federal, state, and local requirements affecting the Project. The Project will at all times and in all respects conform to and comply with the requirements of such easements, covenants, conditions, restrictions and reservations.

(u) Each financial statement of Borrower supplied to the Governmental Lender or the Funding Lender truly and completely disclosed Borrower's financial condition as of the date of the statement, and there has been no material adverse change in Borrower's financial condition subsequent to the date of the most recent financial statement supplied to the Funding Lender. Borrower has no material contingent obligations except as disclosed in such financial statements.

(v) The Project costs as set forth by the Borrower to the Governmental Lender and the Funding Lender in writing prior to the date of the first disbursement of the Borrower Loan are true and accurate estimates of the costs necessary to complete the acquisition and construction of the Project.

(w) All utility services appropriate to the use of the Project are being provided to the Project.

(x) The Project is contiguous to publicly dedicated streets, roads, or highways providing access to the Project.

(y) The Borrower Loan is requested by the Borrower for commercial purposes and is not primarily intended for personal, family, or household purposes.

(z) The Borrower has filed all federal, state and local tax returns and reports that are or were required to be filed, have been filed, and all taxes, assessments and other governmental charges have been paid in full, except those presently being or to be contested by the Borrower in good faith in the ordinary course of business and for which adequate reserves have been provided.

(aa) The Borrower possesses all necessary trademarks, servicemarks, patents, copyrights, licenses, permits and franchises to conduct its business as now operated without any known conflict with the valid trademarks, servicemarks, patents, copyrights, and licenses, permits or franchise rights of others.

(bb) The Borrower is in substantial compliance with all laws, regulations, ordinances and rules applicable to the Borrower and its businesses, operations, properties and assets, including without limitation all applicable federal, state and local laws pertaining to occupational safety and employment and seismic standards.

(cc) No written information, certificate, statement, exhibit or report furnished by or on behalf of the Borrower to the Funding Lender in connection with the Loan Documents contains any material misstatement of fact or, when taken as a whole, omits to state a material fact or any fact necessary to make the statements contained therein not misleading.

(dd) Except as contemplated by this Borrower Loan Agreement or as previously disclosed in the Borrower's financial statements or in writing to the Funding Lender and as accepted by the Funding Lender (the "Permitted Encumbrances"), and except for property tax liens for taxes not presently due and payable, the Borrower owns and has good title to all of the Borrower's properties free and clear of all security interests, and has not executed any security documents or financing statements relating to such properties.

(ee) The Borrower is familiar with all governmental and other applicable restrictions to the Property and Improvements and has obtained, or will be able to obtain, all permits, approvals, consents, and other authorizations necessary for the construction, use and occupancy of the Project and as of the date hereof, there is no known violation or asserted violation of any restrictions concerning the Project or the existing or contemplated use thereof.

(ff) Unless otherwise previously disclosed to the Funding Lender in writing, the Borrower has not entered into any security agreements, or permitted the filing or attachment of any security interests on or affecting any of the Collateral directly or indirectly securing repayment of the Borrower Note, that would be prior to or that may in any way be superior to any security interests granted to the Governmental Lender or the Funding Lender and rights in and to such Collateral.

(gg) Each employee benefit plan as to which the Borrower may have any liability complies in all material respects with all applicable requirements of law and regulations, and (i) no Reportable Event nor Prohibited Transaction (as such terms are used in the Employee Retirement Income Security Act, as amended) has occurred with respect to any such plan, (ii) the Borrower has not withdrawn from any such plan or initiated steps to do so, (iii) no steps have been taken to terminate any such plan or to appoint a trustee to administer such a plan, and (iv) there are not unfunded liabilities other than those previously disclosed to the Funding Lender in writing.

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

(ii) The Borrower is not a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

(jj) The Borrower is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulations T and U of the Board of Governors of the Federal Reserve System). No proceeds of the Borrower Loan will be used by the Borrower to purchase or carry any such margin stock or to extend credit to others for the purpose of purchasing or carrying such margin stock.

(kk) There are no defenses or counterclaims, offsets or other adverse claims, demands or actions of any kind, personal or otherwise, that the Borrower could assert with respect to the Borrower Note, the Borrower Loan, this Borrower Loan Agreement, or any of the other Loan Documents.

Section 2.3. Hazardous Waste Covenant. In addition to and without limitation of any other representations, warranties and covenants made by the Borrower under this Borrower Loan Agreement and under the Regulatory Agreement and the Security Instrument, the Borrower further represents, warrants and covenants that (a) the Borrower will not use Hazardous Materials (as defined hereinafter) on, from, or affecting the Project (i) in any manner which violates federal, state or local laws, ordinances, rules, or regulations governing the use, storage, treatment, transportation, manufacture, refinement, handling, production or disposal of Hazardous Materials, or (ii) in a manner that would create a material adverse effect on the Project, and that, (b) to the best of the Borrower's knowledge, no prior owner of the Project or any tenant, subtenant, prior tenant or prior subtenant has used Hazardous Materials on, from, or affecting the Project (i) in any manner which violates Federal, state or local laws, ordinances, rules, or regulations governing the use, storage, treatment, transportation, manufacture, refinement, handling, production or disposal of Hazardous Materials, or (ii) in a manner that would create a material adverse effect on the Project. Without limiting the foregoing, the Borrower shall not cause or knowingly permit the Project or any part thereof to be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce or process Hazardous Materials, except in compliance with all applicable Federal, state and local laws or regulations, nor shall the Borrower cause or knowingly permit, as a result of any intentional or unintentional act or omission on the part of the Borrower or any tenant or subtenant, a release of Hazardous Materials on to the Project or on to any other property in a manner which violates Federal, State, or local laws, ordinances, rules or regulations or in a manner that would create a material adverse effect on the Project. The Borrower shall comply with and require compliance by all tenants and subtenants with all applicable Federal, state and local laws, ordinances, rules and regulations, and shall obtain and comply with, and require that all tenants and subtenants obtain and comply with, any and all approvals, registrations or permits required thereunder. The Borrower shall conduct and complete all investigations, studies, sampling, and testing, and all remedial, removal, and other action required by a Governmental Authority under an applicable statute or regulation to clean up and remove all Hazardous Materials, on, from, or affecting the Project in accordance with all applicable Federal, state, and local laws, ordinances, rules, and regulations. The Borrower shall defend, indemnify, and hold harmless the Governmental Lender from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs, or expenses of whatever kind or nature, known or unknown, contingent or otherwise, arising out of, or in any way related to, (a) the presence, disposal, release, or threatened release of any Hazardous Materials which are on or from the Project which affect, the soil, water, vegetation, buildings, personal property, persons, animals, or otherwise; (b) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such Hazardous Materials on or from the Project, and/or (c) any violation of laws, orders, regulations, requirements or demands of government authorities, or written requirements of the Governmental Lender, which are based upon or in any way related to such Hazardous Materials including, without limitation, attorney

and consultant fees, investigation and laboratory fees, court costs, and litigation expenses. In the event the Project is foreclosed upon, or a deed in lieu of foreclosure is tendered, or this Borrower Loan Agreement is terminated, the Borrower shall deliver the Project in a manner and condition that shall conform with all applicable Federal, state and local laws, ordinances, rules or regulations affecting the Project. For the purposes of this paragraph, "Hazardous Materials" includes, without limit, any flammable explosives, radioactive materials, hazardous materials, hazardous wastes, hazardous or toxic substances, or related materials defined in the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 B.S.C. Sections 9601, et seq.), the Hazardous Materials Transportation Act, as amended (49 B.S.C. Sections 1801 et seq.), the Resource Conservation and Recovery Act, as amended (42 B.S.C. Sections 9601 et seq.), and in the regulations promulgated pursuant thereto, or any other federal, state or local environmental laws, ordinance, rule, or regulation. The provisions of this paragraph: (a) shall be in addition to any and all other obligations and liabilities the Borrower may have to the Governmental Lender at common law, and (b) with respect to any liability or cost arising as a result of acts or omissions of the Borrower during the term of this Borrower Loan Agreement, shall survive the termination of this Borrower Loan Agreement. This paragraph shall not obligate the Borrower in any way with respect to any acts or omissions of any entity to which the Project is sold or transferred in accordance with the provisions of Section 12 of the Regulatory Agreement or which are attributable solely to the willful misconduct of the Governmental Lender or the Funding Lender or their agents or assigns.

The indemnifications and protections set forth in this Section 2.3 (i) shall be extended, with respect to the Governmental Lender, to its members, directors, officers, employees, agents and servants and persons under the Governmental Lender's control or supervision, and (ii) shall be for the full and equal benefit of the Funding Lender, as assignee of the Governmental Lender under the Assignment Agreement.

Anything to the contrary in this Borrower Loan Agreement notwithstanding, the covenants of the Borrower contained in this Section 2.3 shall remain in full force and effect after the termination of this Borrower Loan Agreement until the later of (i) the expiration of the period stated in the applicable statute of limitations during which a claim or cause of action may be brought and (ii) payment in full or the satisfaction of such claim or cause of action and of all expenses and charges incurred by the Governmental Lender relating to the enforcement of the provisions herein specified. This paragraph, however, shall not apply (i) to the Governmental Lender with respect to claims or causes of action resulting solely from the gross negligence or willful misconduct of the Governmental Lender or its agents or assigns, and (ii) to the Funding Lender with respect to claims or causes of action resulting from the gross negligence or willful misconduct of the Funding Lender or its agents or assigns.

For the purposes of this Section 2.3, the Borrower shall not be deemed an employee, agent or servant of the Governmental Lender or person under Governmental Lender's control or supervision.

Section 2.4. Additional Environmental Matters. (a) The Borrower shall require in any management agreement for the Project that the management company shall operate and maintain the Project in material compliance with all applicable federal, state, regional, county or local laws, statutes, rules, regulations or ordinances, concerning the environment, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 B.S.C. Section 9601 et seq., the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976, as amended by the Hazardous and Solid Waste Amendments of 1984, 42 B.S.C. Section 6901 et seq., the Emergency Planning and Community Right-to-Know Act of 1986, 42 B.S.C. Section 11001 et seq., and the Clean Air Act of 1975, 42 B.S.C. Section 4321, and

all rules, regulations and guidance documents promulgated or published thereunder, and any state, regional, county or local statute, law, rule, regulation or ordinance relating (i) to releases, discharges, emissions or disposal to air, water, land or ground water, (ii) to the withdrawal or use of ground water, (iii) to the use, handling or disposal or polychlorinated biphenyls ("PCBs"), asbestos or urea formaldehyde, (iv) to the treatment, storage, disposal or management of hazardous substances (including, without limitation, petroleum, its derivatives, crude oil or any fraction thereof) and any other solid, liquid or gaseous substance, exposure to which is prohibited, limited or regulated, or may or could pose a hazard to the health and safety of the occupants of the Project or the property adjacent to or surrounding the Project, (v) to the exposure of persons to toxic, hazardous or other controlled, prohibited or regulated substances or (vi) to the transportation, storage, disposal, management or release of gaseous or liquid substances and any regulation, order, injunction, judgment, declaration, notice or demand issued thereunder.

(b) The Borrower shall make best efforts to prevent the imposition of any liens or encumbrances against the Project for the costs of any response, removal or remedial action or cleanup of Hazardous Materials.

(c) The Borrower covenants and agrees that it will not knowingly conduct or allow to be conducted any business, operations or activity on the Project, or employ or use the Project to manufacture, treat, store (except with respect to storage in the ordinary operation of the Project), or dispose of any Hazardous Materials (including, without limitation, petroleum, its derivatives, crude oil or any fraction thereof), or any other substance the disposal of which is prohibited, controlled or regulated under applicable law, or which poses a threat or nuisance to safety, health or the environment, including, without limitation, any business, operation or activity which would bring the Project within the ambit of, or otherwise violate, the Resource Conservation and Recovery Act of 1976, as amended by the Hazardous and Solid Waste Amendments of 1984, 42 B.S.C. Section 6901 et seq., or cause or knowingly allow to be caused, a release or threat of release, of a condominiums quantity of hazardous substances on the Project as defined by, and within the ambit of, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 B.S.C. Section 9601 et seq., or any similar state, county, regional or local statute providing for financial responsibility for cleanup for the release or threatened release of substances provided for thereunder.

(d) The Borrower covenants and agrees that it shall take all appropriate response action, including any removal and remedial action, in the event of a release, emission, discharge or disposal of Hazardous Materials in, on, under or about the Project for which the Borrower is liable under state, federal or local environmental rules or regulations.

(e) The Borrower shall, as soon as practical and in any event within 15 days, notify the Governmental Lender and the Funding Lender of any notice, letter, citation, order, warning, complaint, claim or demand that (i) the Borrower or any tenant has violated, or is about to violate, any federal, state, regional, county or local environmental, health or safety statute, law, rule, regulation, ordinance, judgment or order; (ii) there has been a release, or there is a threat of release, of Hazardous Materials (including, without limitation, petroleum, its derivatives, crude oil or any fraction thereof) from the Project; (iii) the Borrower or any tenant may be or is liable, in whole or in part, for the costs of cleaning up, remediating, removing or responding to a release of Hazardous Materials (including, without limitation, petroleum, its derivatives, crude oil or any fraction thereof); or (iv) the Project is subject to a lien in favor of any governmental entity in respect of any environmental law, rule or regulation arising from or costs incurred by such governmental entity in response to a release of Hazardous Materials (including, without limitation, petroleum, its derivatives, crude oil or any fraction thereof).

(f) During the period in which the Borrower Loan Agreement is in effect, the Borrower hereby grants, and will cause any tenants to grant, to the Governmental Lender and the Funding Lender, their respective agents, attorneys, employees, consultants and contractors an irrevocable license and authorization upon reasonable notice of not less than 24 hours to enter upon and inspect the Project and perform such tests, including, without limitation, subsurface testing, soils and ground water testing, and other tests which may physically invade the Project, as the Governmental Lender or the Funding Lender, in its respective reasonable discretion, determines are necessary to protect the lien created by the Security Instrument. The Governmental Lender and the Funding Lender and their officers, employees and agents shall indemnify and hold harmless the Borrower, its partners, employees and agents from any and all claims for damages to persons or property arising from any activity of the Governmental Lender, the Funding Lender, their employees, officers, agents, representatives, contractors, subcontractors or consultants on the Property. The provisions of this Section 2.4 shall be for the full and equal benefit of the Governmental Lender, and of the Funding Lender as assignee of the Governmental Lender under the Assignment Agreement.

(g) The Borrower agrees to protect, defend, hold harmless and indemnify the Governmental Lender and the Funding Lender for, from, against and in respect of any and all claims, losses, liabilities, damages (whether special, consequential or otherwise), settlements, penalties, interest and expenses (including any professional fees and expenses) which may be suffered or incurred by it relating to, arising out of or resulting from or by reason of any and all present or future liabilities or obligations under any current federal, state or local law (including common law), and regulations, orders and decrees relating to pollution control, environmental protection, health, welfare, public safety, personal injury, property damage or any other type of claim relating to the Project, with respect to: (i) the handling, storage, use, transportation or disposal of any Hazardous Materials by the Borrower in or from the Project; (ii) the handling, storage, use, transportation or disposal (whether or not known to the Borrower) of any Hazardous Materials, which Hazardous Materials were products, byproducts or otherwise resulted from operations conducted on the Project; or (iii) any intentional or unintentional emission, discharge or release (whether or not known to the Borrower) of any Hazardous Materials into or upon the air, surface water, ground water or land or any manufacturing, processing, distribution, use, treatment, disposal, transport or handling of such Hazardous Materials. This paragraph shall not obligate the Borrower with respect to any acts or omissions of any entity to whom the Project is sold or transferred in accordance with the provisions of Section 12 of the Regulatory Agreement, or which are attributable to the willful misconduct of the Governmental Lender or the Funding Lender or their agents or assigns.

ARTICLE III

THE BORROWER LOAN

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

(a) the Governmental Lender shall have received an original executed counterpart of this Borrower Loan Agreement, the Regulatory Agreement, the Construction Funding Agreement and the Security Instrument, and a copy of the Borrower Note (the original of the Borrower Note to be endorsed by the Governmental Lender to the Funding Lender without recourse, and is to be delivered to the Funding Lender), as well as evidence satisfactory to the Funding Lender of the recordation of the Regulatory Agreement, the Assignment Agreement and the Security Instrument in the official records of the County Recorder of the County, which may be by telephonic notice from a title company;

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

(c) the conditions to the initial advance set forth in of the Construction Funding Agreement have been satisfied in full;

(d) all legal matters incident to the transactions contemplated by this Borrower Loan Agreement shall be concluded to the reasonable satisfaction of counsel to the Governmental Lender; and

(e) the Governmental Lender and the Funding Lender shall have received an opinion of counsel to the Borrower addressed to the Governmental Lender to the effect that the Loan Documents to which the Borrower is a party are valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with their terms, subject to such exceptions and qualifications as are acceptable to the Governmental Lender.

Section 3.2. Commitment to Execute the Borrower Note. The Borrower agrees to execute and deliver the Borrower Note and the Security Instrument simultaneously with the execution of this Borrower Loan Agreement.

Section 3.3. Amount and Source of Loan. The Governmental Lender hereby makes to the Borrower and agrees to fund, and the Borrower hereby accepts from the Governmental Lender, upon the terms and conditions set forth herein, the Borrower Loan and agrees to have the proceeds of the Borrower Loan applied and disbursed in accordance with the provisions of this Borrower Loan Agreement.

Section 3.4. Disbursement of Borrower Loan Proceeds. (a) The Governmental Lender hereby authorizes and directs the funding and disbursement of the initial principal amount of the Borrower Loan on the Closing Date in the amount set forth in the Funding Lender's Receipt of Governmental Lender Note and Borrower Note and Acknowledgement of Funding of Loan, as executed and delivered by the Funding Lender on the Closing Date, subject to the condition that (i) the Regulatory Agreement and the Security Instrument shall have been executed and signed by the respective parties thereto and duly recorded in the office records of the County

Recorder of the County, and (ii) the Borrower has complied with the conditions to the initial funding set forth in the Construction Funding Agreement.

(b) The Governmental Lender hereby authorizes and directs the funding and disbursement of any remaining principal amount of the Borrower Loan (not referenced in Section 3.4(a) above), as described in Section 2.1(b) of the Funding Loan Agreement, and otherwise as provided and subject to the conditions set forth in the Construction Funding Agreement. Any disbursement of any remaining principal amount of the Borrower Loan shall be used to pay costs of the construction of the Project. No further disbursements of the Borrower Loan shall be made after the date which is three (3) years after the Closing Date, except as may be allowed by the last sentence of Section 2.1(b) of the Funding Loan Agreement.

ARTICLE IV

LIMITED LIABILITY

Section 4.1. Limited Liability. All obligations and any liability of the Governmental Lender incurred hereunder shall be limited, special obligations of the Governmental Lender, payable solely and only from amounts received from the Funding Lender pursuant to the Funding Loan Agreement. All obligations and any liability of the Governmental Lender shall be further limited as provided in Section 5.1 and 5.2 of the Funding Loan Agreement.

ARTICLE V

REPAYMENT OF THE BORROWER LOAN

Section 5.1. Borrower Loan Repayment. (a) The Borrower Loan shall be evidenced by the Borrower Note which shall be executed by the Borrower in the form provided by counsel to the Funding Lender as of the Closing Date. The Borrower agrees to pay to the Funding Lender, as assignee of the Governmental Lender under the Assignment Agreement, principal of and interest on the Borrower Loan at the times, in the manner, in the amount and at the rate of interest provided in the Borrower Note and this Borrower Loan Agreement. During the Construction Period (as defined in the Borrower Note), all payments of interest shall be made by automatic withdrawal from the Account or the Borrower's Funds Account (as such terms are defined in the Construction Funding Agreement).

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

(c) The Borrower hereby acknowledges and consents to the assignment by the Governmental Lender to the Funding Lender of its rights under this Borrower Loan Agreement (excepting only the Unassigned Rights), and the appointment of the Funding Lender as assignee of the Governmental Lender to collect the payments on the Borrower Loan, all as set forth in the Assignment Agreement.

(d) The Borrower hereby agrees to pay the amounts described in Section 20 of the Regulatory Agreement.

(e) The Borrower agrees to pay to the Governmental Lender within fifteen (15) days after receipt of a written request for payment thereof, all expenses of the Governmental Lender (including salaries and wages of Governmental Lender employees and consultants) related to the Project and the financing thereof that are not otherwise required to be paid by the Borrower under the terms of this Borrower Loan Agreement and are not paid from disbursements of the Borrower Loan, including, without limitation, legal fees and expenses incurred in connection with the interpretation, performance, enforcement or amendment of any documents relating to the Project, the Borrower Loan or the Borrower Loan.

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

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

Notwithstanding the foregoing, no limited partner of the Borrower shall be personally liable for the amounts owing under this Agreement, the Borrower Note or the Security Instrument; and the Governmental Lender's remedies in the event of a default under the Borrower Loan shall be limited to those remedies set forth in Section 7.3 hereof and the commencement of foreclosure under the Security Instrument and the exercise of the power of sale or other rights granted thereunder. Notwithstanding the Assignment Agreement, no assignment by the Governmental Lender of its rights hereunder shall preclude the Governmental Lender from proceeding directly against the Borrower in connection with the Unassigned Rights. Nothing in this Section 5.2 shall prohibit the Borrower from contesting in good faith any lien (other than the lien of the Security Instrument).

Section 5.3. No Encumbrances. The Borrower shall not create, permit, file or record against the Project without the prior written consent of the Funding Lender and the Governmental Lender any deed of trust lien or other lien, inferior or superior to the lien of the Security Instrument, other than (i) the grants and loans which are being subordinated concurrently with the making of the Borrower Loan; (ii) the Purchase Option; (iii) the Extended Use Agreement; and (iv) liens for taxes not yet due and payable.

Section 5.4. Exceptions to Non-Recourse Liability. Notwithstanding Section 5.2 or any other provision of this Borrower Loan Agreement, the Governmental Lender (and the Funding Lender, as assignee of the Governmental Lender) shall have the right to recover from the Borrower the following:

(a) any loss, damage or cost (including but not limited to attorneys fees) resulting from fraud or intentional misrepresentation by the Borrower or the Borrower's agents or employees in connection with obtaining the Borrower Loan evidenced by this Borrower Loan Agreement, the Borrower Note, or in complying with any of Borrower's obligations under the Loan Documents;

(b) insurance proceeds, condemnation awards, security deposits from tenants or other sums or payments received by or on behalf of Borrower in its capacity as owner of the Project and not applied in accordance with the provisions of the Security Instrument;

(c) all rents not applied, first, to the payment of the reasonable operating expenses as such operating expenses become due and payable, and then, to the payment of principal and interest then due and payable under this Borrower Loan Agreement, the Borrower Note and any other sums due under the Security Instrument and all other Loan Documents (including but not limited to deposits or reserves payable under any Loan Document);

- (d) transfer fees and charges due under the Security Instrument;
- (e) all rents and profits, and security deposits received by the Borrower after an Event of Default under this Borrower Loan Agreement;
- (f) any loss, damage or cost (including but not limited to attorneys fees) resulting from the commission of material waste by the Borrower (or any officer, director or agent of the Borrower or any guarantor or owner of any collateral) or failure by the Borrower to perform its obligations to maintain the Project in any material respect;
- (g) any loss, damage or cost (including but not limited to attorneys fees) resulting from the presence or release of any "Hazardous Materials" (as defined in Section 2.3) on, in or under the Project;
- (h) all sums owing by the Borrower under all indemnities contained in this Borrower Loan Agreement or the Regulatory Agreement; and
- (i) any loss, damage or cost (including but not limited to attorneys' fees) resulting from failure by the Borrower to pay taxes and charges that may become a lien on the Project, to maintain and pay premiums for insurance required pursuant to this Borrower Loan Agreement or the Security Instrument, or to repay any sums advanced by the Governmental Lender or the Funding Lender for any such purpose; provided, however, this clause (i) shall not preclude the Borrower from contesting liens if it first provides a bond in form and substance satisfactory to the Funding Lender.

The exceptions to non-recourse liability contained in this Section 5.4 shall not limit the rights of the Governmental Lender (or the Funding Lender, as assignee of the Governmental Lender) to:

- (i) name the Borrower as a party defendant in any action, proceeding or arbitration, subject to the limitations of this Section as to personal liability; or
- (ii) assert any unpaid amounts on the Borrower Loan as a defense or offset to or against any claim or cause of action made or alleged against the Governmental Lender or the Funding Lender by the Borrower or any indemnitor with respect to the Borrower Loan; or
- (iii) exercise self-help remedies such as set-off or no judicial foreclosure against, or sale of, any real or personal property collateral security.

No provision of this Section shall (i) affect any guaranty or similar agreement executed in connection with the debt evidenced by the Borrower Note or this Borrower Loan Agreement, (ii) release or reduce the debt evidenced by the Borrower Note or this Borrower Loan Agreement, (iii) impair the right of the Funding Lender to enforce any provisions of the Security Instrument or any other collateral security for the repayment of the Borrower Loan, (iv) impair the lien of the Security Instrument or any other collateral security for the repayment of the Borrower Loan, or (v) impair the right of the Funding Lender to enforce the provisions of any Loan Document other than by collection of the Borrower Note. Nothing herein shall directly or indirectly limit the right of the Funding Lender to collect or recover any collateral from Borrower or any person holding or receiving the same without the written consent of the Funding Lender, including any affiliate who receives the rents and profits assigned to the

Funding Lender after the same become payable to the Funding Lender or under circumstances where the same are recoverable by the Funding Lender under applicable law or by contract. Furthermore, nothing in any other provision of the Borrower Note, this Borrower Loan Agreement or the other Loan Documents shall be deemed to limit the Funding Lender's right to enforce collection from Borrower (or any other person liable therefor) of all reasonable attorneys' fees, costs, expenses, indemnity liabilities and other amounts payable to the Funding Lender apart from principal or interest owing under the Borrower Note.

Nothing in this Section 5.4 shall be interpreted to subordinate any obligation or liability of Borrower to the Funding Lender to any operating expenses, and upon an Event of Default the Funding Lender may apply revenues derived from the Project to any secured or unsecured obligation owing to the Funding Lender, in any order.

ARTICLE VI

FURTHER AGREEMENTS

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

Section 6.2. Borrower Not to Dispose of Assets; Conditions Under Which Exceptions Permitted. The Borrower agrees that during the term of this Borrower Loan Agreement it will not dispose of all or substantially all of its assets nor consolidate with nor merge into any entity unless (i) the Governmental Lender and the Funding Lender shall consent to the disposition, consolidation or merger, (ii) the acquirer of its assets or the entity with which it shall consolidate or into which it shall merge shall be an individual or a corporation, partnership or other legal entity organized and existing under the laws of the United States of America or one of the states of the United States of America and shall be qualified and admitted to do business in the State; and (iii) such acquiring or remaining entity shall assume in writing all of the obligations of the Borrower under the Loan Documents. The consent of Funding Lender and the Governmental Lender shall not be required for any transfers pursuant to the Partnership Agreement provided that the Borrower and any transferee comply with the requirements set forth in Section 12 of the Regulatory Agreement (other than any requirement in said Section 12 for the consent of the Governmental Lender or the Funding Lender).

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

- (a) to comply with all provisions of the Regulatory Agreement;
- (b) to advise the Governmental Lender in writing promptly upon learning of any default with respect to the covenants, obligations and agreements of the Borrower set forth in the Regulatory Agreement;
- (c) upon written direction by the Governmental Lender, to cooperate fully and promptly with the Governmental Lender in enforcing the terms and provisions of the Regulatory Agreement; and
- (d) to file in accordance with the time limits established by the Regulatory Agreement all reports and certificates required thereunder, and Forms 8703 to the Secretary of the Treasury required by Section 4(f) of the Regulatory Agreement.

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

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

Section 6.5. Books and Records. The Borrower hereby covenants to permit the Governmental Lender and the Funding Lender or their duly authorized representatives access during normal business hours and upon reasonable notice to the books and records of the Borrower pertaining to the Borrower Loan and the Project, and to make such books and records available for audit and inspection, at reasonable times and under reasonable conditions to the Governmental Lender, the Funding Lender and their duly authorized representatives and at the sole expense of the Borrower.

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

Section 6.7. Indemnification of the Governmental Lender and Funding Lender. (a) To the fullest extent permitted by law, the Borrower agrees to indemnify, hold harmless and defend (by counsel approved by the indemnitee in its reasonable discretion) the Governmental Lender, the Administrator (as defined in the Regulatory Agreement), if not the same as the Governmental Lender, and the Funding Lender, and each of their respective officers, members, directors, officials, employees, attorneys and agents (collectively, the "Indemnified Parties"), against any and all losses, damages, claims, actions, liabilities, costs and expenses of any conceivable nature, kind or character (including, without limitation, reasonable attorneys' fees, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) to which the Indemnified Parties, or any of them, may become subject arising out of or based upon or in any way relating to:

(i) the Loan Documents or the execution or amendment thereof or in connection with transactions contemplated thereby, including the issuance and sale of the Governmental Lender Note;

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

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

(iv) any violation of any environmental law, rule or regulation with respect to, or the release of any hazardous materials from, the Project or any part thereof;

(v) the payment or prepayment, in whole or in part, of the Borrower Note;

(vi) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact by the Borrower contained in any closing certificate or disclosure document for the Borrower Note or any of the

documents relating to the Borrower Loan to which the Borrower is a party, or any omission or alleged omission from any disclosure document for the Borrower Loan of any material fact necessary to be stated therein in order to make the statements made therein by the Borrower, in the light of the circumstances under which they were made, not misleading;

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

(viii) the Funding Lender's acceptance of the assignment under the Assignment Agreement or administration of any of the Loan Documents, or the exercise or performance of any of its powers or duties thereunder or under any of the Loan Documents to which it is a party;

except in the case of the foregoing indemnification of the Funding Lender or any its officers, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the gross negligence or willful misconduct of such Indemnified Party; and provided that this Section 6.7(a) is not intended to give rise to a right of the Governmental Lender or the Funding Lender to claim payment of the principal and accrued interest with respect to the Borrower Loan as a result of an indemnified third party claim. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, the Borrower, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the Borrower shall pay the reasonable fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of the Borrower if in the judgment of such Indemnified Party a conflict of interest exists by reason of common representation or if all parties commonly represented do not agree as to the action (or inaction) of counsel.

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

(b) The rights of any persons to indemnity hereunder and rights to payment of fees and reimbursement of expenses pursuant to Sections 5.1 and 7.4 hereof shall survive the final payment or defeasance of the Borrower Note. The provisions of this Section shall survive the termination of this Borrower Loan Agreement.

(c) In the event of any conflict between the provisions of this Section 6.7 and the provisions of Section 9 of the Regulatory Agreement, the provisions providing the most benefit and protection to the Governmental Lender and the Funding Lender shall prevail.

Section 6.8. Consent to Assignment. The Governmental Lender has made an assignment to the Funding Lender of all rights and interest of the Governmental Lender in and to this Borrower Loan Agreement (except the Unassigned Rights), the Borrower Note and the Security

Instrument and has appointed the Funding Lender as its agent to collect the payments by the Borrower on the Borrower Loan; and the Borrower hereby consents to all such assignments and such appointment.

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

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

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

Section 6.10. Title to the Project. The Borrower shall concurrently with the closing of the Borrower Loan have fee title to the site on which the Project is to be constructed free and clear of any lien or encumbrance except for (i) liens for nondelinquent assessments and taxes not yet due or which are being contested in good faith by appropriate proceedings; (ii) the Security Instrument; (iii) encumbrances described in Section 5.3; and (iv) any Permitted Encumbrances. Concurrently with the closing of the Borrower Loan, the Borrower shall cause to be delivered to the Funding Lender one or more title policies, naming the Funding Lender as the insured, as its interests may appear with endorsements specified in the Funding Lender's escrow instructions, as more fully described in the Construction Funding Agreement.

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

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

Section 6.13. Insurance. The Borrower shall provide policies of property damage (fire, extended coverage, vandalism and malicious mischief), loss of rent, public liability and worker's compensation insurance with respect to the Project and the operation thereof as more fully described in the Construction Funding Agreement and the Security Instrument.

Section 6.14. Tax Exempt Status of the Governmental Lender Note.

(a) It is the intention of the Governmental Lender and the Borrower that interest on the Governmental Lender Note shall be and remain excludable from the gross income of the owner of the Governmental Lender Note for federal income taxation purposes, and to that end the covenants and agreements of the Borrower in this Section 6.14 are for the benefit of the Funding Lender and the Governmental Lender.

(b) The Borrower covenants and agrees that it will not knowingly and willingly use or permit the use of any of the funds provided by the Governmental Lender hereunder or any other funds of the Borrower, directly or indirectly, in such manner as would, or enter into, or allow any "related person" (as defined in Section 147(a)(2) of the Code) to enter into, any arrangement, formal or informal, for the purchase of an Governmental Lender Note that would, or take or omit to take any other action that would cause the Governmental Lender Note to be an "arbitrage bond" within the meaning of Section 148 of the Code or "federally guaranteed" within the meaning of Section 149(b) of the Code and applicable regulations promulgated from time to time thereunder.

(c) In the event that at any time the Borrower is of the opinion or becomes otherwise aware that for purposes of this Section 6.14 it is necessary to restrict or to limit the yield on the investment of any moneys held by the Funding Lender, the Borrower shall determine the limitations and so instruct the Funding Lender in writing and cause the Funding Lender to comply with those limitations.

(d) The Borrower will take such action or actions as may be reasonably necessary in the opinion of counsel to the Governmental Lender, or of which it otherwise becomes aware, to fully comply with all applicable rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the United States Department of the Treasury or the Internal Revenue Service under Section 142 of the Code which is applicable to the Governmental Lender Note.

(e) The Borrower further agrees that it shall not discriminate on the basis of race, creed, color, sex, sexual preference, source of income (e.g. AFDC, SSI), physical disability, national origin or marital status in the lease, use or occupancy of the Project or in connection with the employment or application for employment of persons for the construction, operation and management of the Project, to the extent required by applicable State or federal law. It is acknowledged that the Borrower will be giving preference to seniors in the rental of units in the Project.

(f) The Borrower further warrants and covenants that it has not executed and will not execute any other agreement, or any amendment or supplement to any other agreement, with provisions contradictory to, or in opposition to, the provisions of this Borrower Loan Agreement and of the Regulatory Agreement, and that in any event, the requirements of this Borrower Loan Agreement and the Regulatory Agreement are paramount and controlling as to the rights and obligations herein set forth and supersede any other requirements in conflict herewith and therewith.

(g) The Borrower shall not purchase, and shall use its best efforts to prevent any guarantor of the Borrower from purchasing, pursuant to an arrangement, formal or informal, the Governmental Lender Note or any interest therein.

(h) The Borrower will use due diligence to complete the acquisition and construction of the Project and reasonably expects to fully expend the full authorized principal of the Borrower Loan within ____ months of the date of execution of this Borrower Loan Agreement.

(i) The Borrower will take such action or actions as necessary to ensure compliance with the Tax Certificate and Sections 2.2(j), (n), (p), (r) and (s) hereof.

(j) The Borrower will make timely payment of any rebate amount due to the federal government by reason of any investment of the proceeds of the Borrower Note or any moneys pledged to the repayment of the Borrower Note or the Governmental Lender Note, at a yield in excess of the yield on the Governmental Lender Note, or otherwise as required under the Code.

Section 6.15. Regulatory Agreement. In order to maintain the exclusion from gross income under federal tax law of interest on the Governmental Lender Note and to assure compliance with the laws of the State and the Act, the Borrower hereby agrees that it shall, concurrently with or before the execution and delivery of the Governmental Lender Note, execute and deliver and cause to be recorded the Regulatory Agreement.

The Borrower shall comply with every term of the Regulatory Agreement, and the Borrower hereby acknowledges that in the event of a default under the Regulatory Agreement the Borrower Loan may be accelerated. The Borrower agrees to cause any amendments to the Regulatory Agreement to be recorded in the appropriate official public records. The books and records of the Borrower pertaining to the incomes of tenants residing in the Low Income Units shall be open to inspection by any authorized representative of the Governmental Lender and the Funding Lender.

Section 6.16. Useful Life. The Borrower hereby represents and warrants that, within the meaning of Section 147(a)(14) of the Code, the average maturity of the Governmental Lender Note does not exceed 120 percent of the average reasonably expected remaining economic life of the facilities being financed with the proceeds of the Governmental Lender Note.

Section 6.17. Federal Guarantee Prohibition. The Borrower shall take no action, nor permit nor suffer any action to be taken if the result of the same would be to cause the Governmental Lender Note to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

Section 6.18. Prohibited Facilities. The Borrower represents and warrants that no portion of the proceeds of the Borrower Loan shall be used to provide any airplane, skybox or other private luxury box, health club facility, facility primarily used for gambling, or store the principal business of which is the sale of alcoholic beverages for consumption off premises, and no portion of the proceeds of the Borrower Loan shall be used for an office unless (i) the office is located on the premises of the facilities constituting the Project and (ii) not more than a de minimus amount of the functions to be performed at such office is not related to the day-to-day operations of the Project.

Section 6.19. Election of Applicable Income Limit. The Governmental Lender hereby elects to have the Project meet the requirements of section 142(d)(1)(B) of the Code in that forty percent (40%) or more of the residential units in the Project shall be Low Income Units.

Section 6.20. Construction Funding Agreement. The Borrower agrees to comply with all of the covenants and agreements set forth in the Construction Funding Agreement, which

covenants and agreements shall supplement and be in addition to the covenants and agreements set forth in this Borrower Loan Agreement.

Section 6.21. Removal of General Partner. Notwithstanding anything to the contrary contained in the Loan Documents, removal, or withdrawal in lieu of removal, of the Borrower's general partner(s) for cause in accordance with the Partnership Agreement as in effect from time to time shall not require the consent of the Governmental Lender. If such general partner is removed, or withdraws in lieu of removal, the Funding Lender shall not unreasonably withhold its consent (no consent of the Governmental Lender being needed in any event) to the admission of a substitute general partner; provided that no such consent shall be required for a substitute general partner that is an affiliate of the Borrower's investor limited partner. Any amendment to the Partnership Agreement to effectuate such removal and/or withdrawal and such admission of the substitute general partner shall not require consent of the Governmental Lender.

Section 6.22. Assignment of Limited Partner Interests. Notwithstanding anything to the contrary contained in the Loan Documents, no consent of the Governmental Lender shall be required for any transfer of the respective interests in any investor limited partner of the Borrower or any amendment to the Partnership Agreement to effectuate any such transfers.

Section 6.23. Insurance and Condemnation Proceeds. Subject to the terms of the Construction Funding Agreement and the Security Instrument, in the event of any fire or other casualty to the Project or eminent domain proceedings resulting in condemnation of the Project, or any part thereof, the Borrower shall have the right to rebuild the Project, and to use all available insurance or condemnation proceeds therefor, provided that (a) such proceeds are sufficient to rebuild the Project in a manner that provides adequate security to the Governmental Lender (as determined by the Funding Lender) for repayment of the Borrower Loan, or if such proceeds are insufficient, then the Borrower shall have funded any deficiency, (b) the Funding Lender shall have the right to approve plans and specifications for any major rebuilding and the right to approve disbursements of insurance or condemnation proceeds for rebuilding under a construction escrow or similar arrangement, and (c) no continuing material default then exists by the Borrower under the Loan Documents. If the casualty or condemnation affects only part of the Project and total rebuilding is infeasible, then proceeds may be used for partial rebuilding and partial repayment of the Borrower Loan in a manner that provides adequate security to the Governmental Lender (as determined by the Funding Lender) for repayment of the remaining balance of the Borrower Loan.

Section 6.24. Purchase Option. Subject to the terms of the Construction Funding Agreement and the Security Instrument, the exercise of the Purchase Option shall not constitute a default under the Loan Documents or accelerate the maturity of the Borrower Loan thereunder. Any requisite consent of the Governmental Lender or the Funding Lender to (a) the exercise of the Purchase Option by the optioned thereunder, and (b) the assumption without penalty of the Borrower Loan obligations by the optioned thereunder, and the release of the Borrower from such obligations, shall not be unreasonably withheld. Subject to any such consent requirement, the exercise of the Purchase Option and any rights related thereto shall not constitute a default or accelerate the maturity of the Borrower Loan.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

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

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

(b) The Borrower shall fail to perform or observe any of its covenants or agreements contained in this Borrower Loan Agreement, the Regulatory Agreement, the Borrower Note or the Security Instrument, other than as specified in paragraph (a) above, and such failure shall continue during and after the period specified in Section 7.2; or

(c) Any representation or warranty of the Borrower hereunder shall be determined by the Funding Lender or the Governmental Lender to have been false or misleading in any material respect when made; or

(d) If there is, in the reasonable determination of the Funding Lender, any material or adverse change in the financial condition of the Borrower affecting the Borrower's ability to repay the Loan or a filing of a complaint for receivership against the Borrower, or a filing of a voluntary or involuntary petition for bankruptcy or for a reorganization and, as to any involuntary petition, such proceeding is not terminated or dismissed within ninety (90) days of its commencement, or if the Borrower becomes insolvent or makes a general assignment for the benefit of creditors or consents to the appointment of a receiver of all or any of its assets, or voluntarily suspends its usual business; or

(e) the occurrence of an Event of Default under and as defined in Section 9.1 of the Funding Loan Agreement or under the Construction Funding Agreement; or

(f) this Agreement or any of the Loan Documents ceases to be in full force and effect (including failure of any collateral document to create a valid and perfected security interest or lien) at any time and for any reason; or

(g) any sale, transfer, hypothecation, assignment or conveyance of the Project or any portion thereof or interest therein by the Borrower except in accordance with the requirements set forth in the Construction Funding Agreement, the Security Instrument and the Regulatory Agreement; or

(h) all or any material portion of the Project is condemned, seized, or appropriated without compensation, and the Borrower does not within thirty (30) days after such condemnation, seizure, or appropriation, initiate and diligently prosecute appropriate action to contest in good faith the validity of such condemnation, seizure, or appropriation; or

(i) the commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of

Borrower or by any governmental agency against any collateral securing the Borrower Loan, including a garnishment of any of the Borrower's accounts, including deposit accounts, with the Funding Lender; however, this Event of Default shall not apply if there is a good faith dispute by the Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if the Borrower gives the Funding Lender written notice of the creditor or forfeiture proceeding and deposits with the Funding Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by the Funding Lender, in its sole discretion, as being an adequate reserve or bond for the dispute; or

(j) the Improvements are not constructed in accordance with the Plans and Specifications or in accordance with the terms of the Construction Contract.

Section 7.2. Notice of Default; Opportunity to Cure. If the Borrower has not been given notice of a similar default within the past twelve (12) months, default under Section 7.1(b), (c), (g), (h), (i) or (j) hereof shall not constitute an Event of Default until:

(a) The Governmental Lender or the Funding Lender, by registered or certified mail, shall give notice to the Borrower of such default specifying the same and stating that such notice is a "Notice of Default"; and

(b) The Borrower shall have had 15 days after receipt of such notice to correct the default and shall not have corrected it; provided, however, that if the default stated in the notice is of such a nature that it cannot be corrected within 15 days, such default shall not constitute an Event of Default hereunder so long as (i) the Borrower institutes corrective action within said 15 days and diligently pursues such action until the default is corrected, but in no event later than 60 days after the occurrence of such Event of Default, and (ii) in the opinion of Bond Counsel to the Governmental Lender, the failure to cure said default within 15 days will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Governmental Lender Note.

The limited partner of the Borrower shall have the right, but not the obligation, to cure any default on behalf of the Borrower, and the Governmental Lender and the Funding Lender shall accept any such cure as if made by the Borrower.

Section 7.3. Remedies. Whenever any Event of Default under Section 7.1 hereof shall have happened and be continuing, the Governmental Lender and the Funding Lender may take whatever remedial steps as may be allowed under the law, this Borrower Loan Agreement and the other Loan Documents. By reason of the Assignment Agreement, and otherwise with respect to the Unassigned Rights, all remedies shall be exercised solely at the discretion and direction of the Funding Lender or the Servicer.

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

Section 7.5. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Governmental Lender or the Funding Lender is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Borrower Loan Agreement or now or hereafter existing at law or in equity or by statute; provided, that the remedies are subject to the

provisions of Section 5.2 of this Agreement. 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 Governmental Lender or the Funding Lender to exercise any remedy reserved to either of them in this Article VII, it shall not be necessary to give any notice, other than such notice as may be herein expressly required. Such rights and remedies as are given the Governmental Lender hereunder shall also extend to the Funding Lender, as assignee of the Governmental Lender's interests in the Borrower Note, the Security Instrument and this Borrower Loan Agreement, and the Funding Lender, as assignee of the Governmental Lender's interests in the Borrower Note, the Security Instrument and this Borrower Loan Agreement shall be deemed a third party beneficiary of all covenants and agreements herein contained.

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

ARTICLE VIII
MISCELLANEOUS

Section 8.1. Entire Agreement. This Borrower Loan Agreement, the Borrower Note, the Regulatory Agreement, the Security Instrument and the other Loan Documents to which the Borrower is a party constitute the entire agreement and supersede all prior agreements and understandings, both written and oral, between the Governmental Lender and the Borrower with respect to the subject matter hereof.

Section 8.2. Notices. All notices, certificates or other communications shall be in writing and shall be sufficiently given and shall be deemed given on the second day following the date on which the same have been personally delivered or mailed by first class mail postage prepaid, addressed as set forth in Section 12.1 of the Funding Loan Agreement.

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

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

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

Section 8.6. Amendments, Changes and Modifications. Except as otherwise provided in this Borrower Loan Agreement, subsequent to the issuance of the Borrower Note and prior to its payment in full, this Borrower Loan Agreement may not be effectively amended, changed, modified, altered or terminated without the written consent of the parties hereto and the Funding Lender.

Section 8.7. Governing Law. This Borrower Loan Agreement shall be governed by the laws of the State applicable to contracts made and performed in the State.

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

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

Section 8.10. Binding Effect; Third Party Beneficiary. This Borrower Loan Agreement shall inure to the benefit of and shall be binding upon the Governmental Lender, the Borrower and their respective successors and assigns. The Funding Lender is intended to be a third party beneficiary of this Borrower Loan Agreement.

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

COUNTY OF CONTRA COSTA, CALIFORNIA

By: _____

Its: _____

03007.51;J16964

[CMFA signature page to Borrower Loan Agreement – Veterans Square]

VETERANS SQUARE, L.P.,
a California limited partnership

By: Veterans Square LLC,
a California limited liability company,
its general partner

By: Satellite Affordable Housing Associates,
a California nonprofit public benefit
corporation,
its manager

By: _____
Susan Friedland,
Chief Executive Officer

03007.51:J16964

[Borrower signature page to Borrower Loan Agreement – Veterans Square]