DRAFT – DO NOT EXECUTE

SECURITY AGREEMENT

THIS SECURITY AGREEMENT ("***Agreement***") is made as of _____, 200__, by [borrower], a California limited partnership ("***Borrower***"), and [general partner], a California nonprofit public benefit corporation, its general partner ("***General Partner***"), in favor of California Housing Finance Agency ("***Agency***").

R E C I T A L S

A. Borrower proposes to borrow from Agency, pursuant to the terms of a Construction and Term Loan Agreement of even date herewith between Borrower and Agency ("***Loan Agreement***"), the principal sum of _____ Million _____ Hundred _____ Thousand Dollars ($_____) ("***Loan***"), to pay certain costs to construct a ___-unit affordable multifamily apartment complex (identified in the Loan Agreement as the "***Improvements***") on certain real property (collectively, the "***Development***"). Capitalized terms not otherwise defined herein shall have the meanings given them in the Loan Agreement.

B. The California Tax Credit Allocation Committee ("***TCAC***"), in its role as administrator of the Federal and California Low Income Housing Tax Credit programs, has reserved for the Development certain low income housing tax credits pursuant to that certain Tax-Exempt Reservation Letter dated _____, as extended from time to time (the "***Reservation***") (which tax credits, together with any other document evidencing such Reservation or allocation, or any carry over, continuation or finalization of such Reservation or allocation of tax credits, are collectively called herein, the "***Tax Credits***"). The Tax Credits will be available to Borrower when the Development is placed in service, subject to the terms and conditions of the Reservation and the allocation of Tax Credits made pursuant thereto.

C. Pursuant to the Partnership Agreement, Tax Credit Investor has agreed to make capital contributions in the approximate amount of $_____ ("***Capital Contributions***") under the terms and conditions contained herein. Tax Credit Investor intends through its investment in Borrower to benefit from the Tax Credits allocated to Borrower and certain other tax benefits.

D. Agency would not make the Loan to Borrower absent the agreement of Tax Credit Investor to make the Capital Contributions pursuant to the Partnership Agreement and the execution and delivery of this Agreement by the parties hereto.

E. Borrower and General Partner intend hereby to assign to Agency all of their right, title, and interest under the Partnership Agreement and other collateral defined below, upon the terms and conditions set forth below.

NOW, THEREFORE, Borrower and General Partner hereby represent, warrant and agree to the following:

1. **Grant Of Security Interest**. Borrower and General Partner hereby grant, assign and transfer to Agency a security interest in all of their right, title and interest in and to all of the following, whether now existing or hereafter arising (collectively, the "***Collateral***"):

1.1 the Partnership Agreement and all rights to enforce the obligations of Tax Credit Investor pursuant to and under the Partnership Agreement;

1.2 all rights of Borrower and General Partner to receive the Capital Contributions and any other payments to be paid by the Tax Credit Investor pursuant to the Partnership Agreement;

1.3 all security, security interests and pledge agreements given by Tax Credit Investor to General Partner or Borrower, whether included within the Partnership Agreement or otherwise (the "***Pledge Agreements***"), and all collateral described in any such Pledge Agreements, including without limitation, any interests of Tax Credit Investor in Borrower (the "***Interests***") and all promissory notes and other instruments, if any, given or to be given by Tax Credit Investor to Borrower or General Partner pursuant to the Partnership Agreement, to evidence or secure and/or fulfill Tax Credit Investor's obligations under the Partnership Agreement;

1.4 all allocations, Reservations, carryovers, and commitments of Tax Credits for the Improvements and all tax losses, to the extent assignable under applicable law;

1.5 all of the Interests in the Borrower held by General Partner and the proceeds and products thereof, all rights of General Partner as partner of Borrower, including without limitation, General Partner's rights to vote on partnership matters and General Partner's rights, now existing or hereafter arising or acquired, to receive from time to time, all payments due or paid to General Partner, or any of their affiliates, by Borrower as fees, returns of capital, distributions, share of profits, losses, tax credits, income, surplus, repayment of loans or advances or for any other purpose, except for the Exception Payments described below, and other property rights and interests that General Partner may be at entitled at any time to receive on account of such interests;

1.6 all accounts, deposit accounts, accounts receivable, chattel paper (whether electronic or tangible), instruments, documents, general intangibles or rights to payment, in each case with respect to any of the foregoing;

1.7 all proceeds of any of the foregoing Collateral, all renewals of any of the foregoing, including without limitation all securities, guaranties, warranties, indemnity agreements, insurance policies and other agreements pertaining to the same or the property described therein, together with whatever is receivable or received when any of the above-described properties or proceeds are sold, collected, exchanged or otherwise disposed of, whether such disposition is voluntary or involuntary, including without limitation, all rights to payment with respect to any cause of action affecting or relating to any of the foregoing, and all partnership interests or other equity interests now owned or hereafter acquired by Borrower or General Partners as a result of exchange offers, direct investments or contributions or otherwise and any options or other rights of Borrower or General Partners with respect to any of the foregoing (collectively, the property described in this Section 1.7 is called the "***Proceeds***").

All of the following and the Proceeds thereof (collectively, the "***Exception Payments***") are excluded from the Collateral: all payments due to either General Partner or its affiliates as a Developer Fee (as defined in the Partnership Agreement but not to exceed the amount shown as the Developer Fee in Exhibit F of the Loan Agreement), and all payments due to any

General Partner under any partnership management agreement to be entered into by Borrower and any General Partner.

2. **Obligations Secured**. The "Obligations Secured" hereby are the payment and performance of: (a) the Indebtedness (as defined below) of Borrower to Agency evidenced by the Loan Agreement and the Note [(but only with respect to the Construction Loan)]; (b) all obligations of Borrower and General Partner and all rights of Agency under this Agreement; and (c) all present and future obligations of Borrower to Agency that expressly provide that they are secured hereby. The word "Indebtedness" is used herein in its most comprehensive sense and includes any and all advances, debts, obligations and liabilities of Borrower pursuant to the Loan Agreement and other Loan Documents (as defined in the Loan Agreement) that are executed by Borrower for the benefit of Agency, or any of them, heretofore, now or hereafter made, incurred or created, whether voluntary or involuntary and however arising, whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, and whether Borrower may be liable individually or jointly, or whether recovery upon such Indebtedness may be or hereafter become unenforceable.

3. **Termination**. This Agreement will terminate upon the later of (a) the performance of all obligations of all parties under the Loan Documents to Agency with respect to the Construction Loan, including without limitation the payment of all Indebtedness of Borrower to Agency and the conversion of the unpaid portion of the Construction Loan to the Permanent Loan pursuant to the Loan Agreement, or (b) payment in full by Tax Credit Investor of the Capital Contributions.

4. **Assignment And Endorsement**. Borrower and General Partner hereby assign and endorse to Agency all payments payable to any of them on account of the Collateral. This Agreement shall constitute written instructions by Borrower and General Partner to Tax Credit Investor to pay directly to Agency the Capital Contributions payable by Tax Credit Investor pursuant to Partnership Agreement during the term of this Agreement or such lesser amount as may be necessary to pay all sums due Agency under the Loan Documents. Such payments shall be made directly to Agency or to a title company with instructions consistent with this Agreement for payment to Agency, whether or not a Default or Event of Default has occurred under the Loan Documents. If any sum of money or property is paid or distributed on account of any of the Collateral, then the party receiving such payment or property shall, until such money or property is paid or delivered to Agency, hold such money or property in trust for Agency, segregated from other funds, as additional security for the Obligations Secured.

5. **Authority; Application**. Borrower and General Partner hereby direct, authorize and request Agency to apply all and any Collateral received by Agency, to repay a part of the principal, interest, fees, costs and expenses owing to Agency under the Loan Agreement, the Note and other Loan Documents, in such order as Agency may determine in Agency's sole discretion, whether or not a Default or Event of Default has occurred under the Loan Documents. In this regard, Borrower and General Partner acknowledge that the Collateral is a source of repayment of the Construction Loan. [and the Bridge Loan.]

6. **Representations And Warranties Of Borrower and General Partner**. Borrower and General Partner represent and warrant to Agency:

6.1 Except for the rights of Tax Credit Investor, Borrower and General Partner are the sole owners and have control of the Tax Credits and Collateral;

6.2 Borrower and General Partner have the full power, authority and right to grant a security interest in the Collateral, and Borrower has the full power, authority and right to grant a security interest in the collateral described in the Deed of Trust;

6.3 the Tax Credits and the Collateral are genuine, free from liens, adverse claims, setoffs, prepayment, defenses and conditions precedent of any kind or character, except as expressly stated in the Commitment;

6.4 whichever of Borrower and General Partner appear to be obligated on the Collateral have authority and capacity to contract and are bound as they appear to be;

6.5 all statements herein and, where applicable, in the Collateral made by Borrower or General Partner are true and complete;

6.6 no financing statement covering any of the Collateral or Proceeds and naming any secured party other than Agency, is on file in any public office;

6.7 Borrower has delivered to Agency a full, true and correct copy of the Partnership Agreement, which has not been modified, amended, extended or otherwise changed in any respect;

6.8 the Partnership Agreement is in full force and effect, is enforceable in accordance with its terms, and has not been terminated or suspended;

6.9 Borrower and General Partner are not in default of any of their obligations or duties under or pursuant to the Partnership Agreement and no event has occurred that with the passage of time will be a default by Borrower or General Partner under the Partnership Agreement;

6.10 neither Borrower nor General Partner has previously assigned or agreed to assign the Capital Contributions or the other Collateral or any interest therein or any of its rights or interests in the Tax Credits or the other Collateral;

6.11 the person or persons executing this Agreement on behalf of Borrower and General Partner are fully empowered to do so and, in so doing, to make a complete assignment and bind Borrower and General Partner according to the terms hereof;

6.12 the making of this Agreement will not violate any law or any agreement to which either Borrower or General Partner is a party and will not impair in any way Borrower's or General Partner's rights to receive the Capital Contributions or to complete the Development; and

6.13 the Tax Credits are valid and in full force and effect in accordance with the terms of all documents and instruments applicable thereto, and Borrower is in full compliance, as of the date hereof, with all of the requirements, terms, conditions and covenants, under the Internal Revenue Code (the "***Code***") and otherwise, required to obtain the Tax Credits.

7. **General Covenants Of Borrower**. Borrower agrees in general: (a) to pay the Obligations secured hereby when due; (b) to indemnify Agency against all losses, claims, demands, liabilities and expenses of every kind caused by the property subject hereto, except for any claims

arising out of the gross negligence or willful misconduct of Agency; (c) to pay all costs and expenses, including reasonable attorneys' fees, expended or incurred by Agency in the perfection, preservation, realization, enforcement and exercise of its rights, powers and remedies hereunder; (d) not to withdraw any funds from any deposit account pledged to Agency hereunder without Agency's prior written consent; and (e) not to change its chief place of business or the place where Borrower keeps its records concerning Collateral or Proceeds without first giving Agency written notice of the address to which Borrower is moving same.

8. **Borrower's and General Partner's Covenants Regarding Interests And Collateral**. Borrower and General Partner agree as follows with regard to the Interests and the Collateral:

8.1 not to permit any lien on Interests, Collateral or Proceeds, except in favor of Agency (including, without limitation, any subordinate lien);

8.2 not to sell, hypothecate or otherwise dispose of any Interests, Collateral or Proceeds or any interest therein, without the prior written consent of Agency;

8.3 without Agency's prior written consent, not to consent to the sale, transfer, hypothecation, disposal or other transfer of any of Tax Credit Investor's Interests except as expressly permitted pursuant to the Loan Agreement or Regulatory Agreement, and not to agree to dissolve Borrower or terminate the Partnership Agreement;

8.4 not to commingle Collateral or Proceeds, or collections thereunder, with other property;

8.5 to permit Agency to exercise its powers;

8.6 to execute and deliver such documents as Agency deems necessary to create, perfect and continue the security interests contemplated by this Agreement;

8.7 to keep, in accordance with generally accepted accounting principles consistently applied, complete and accurate books and records regarding all Collateral and the Development, as may be required by the Reservation or for the Tax Credits to become and remain effective;

8.8 to permit Agency and its designees at all reasonable times to inspect Borrower's and General Partner's books and records relating to the Interests and the Collateral, and to audit and make copies or extracts from such books and records;

8.9 to pay all expenses incurred by Agency in connection with receiving payments under the Collateral, including, without limitation, expenses of accounting, correspondence, collection efforts, reporting to account or contract debtors, filing, recording, record keeping and expenses incidental thereto;

8.10 to provide any service and do any other acts or things necessary to keep the Interests and the Collateral free and clear of all defenses, rights of offset and counterclaims;

8.11 not to amend, modify, supplement, cancel or alter in any material way the Partnership Agreement or agree to do any of the foregoing without Agency's prior written

consent, which may be withheld for any reason; provided, when the change would have no material effect on the Agency's Collateral, Agency will not unreasonably withhold its consent;

8.12 at Borrower's and General Partner's expense, to promptly and timely do and perform all acts required of Borrower and General Partner pursuant to the Partnership Agreement;

8.13 to promptly notify Agency in writing of any default by Tax Credit Investor, General Partner or Borrower, or any failure or delay by any of Tax Credit Investor, Borrower or General Partner to do and perform any acts required of any of them pursuant to the Partnership Agreement;

8.14 at Borrower's expense, to enforce the performance of all obligations of Tax Credit Investor pursuant to the Partnership Agreement to prosecute and defend any action, arbitration or other controversy relating to the Partnership Agreement;

8.15 to indemnify, defend (by counsel acceptable to Agency) and hold harmless Agency from and against any claim, action, liability, cause of action, arbitration, loss, damage or injury, including reasonable attorneys' fees and costs, arising by reason of or related to the Reservation, the Tax Credits or any loss or impairment of the availability of the Tax Credits, the Partnership Agreement or this Agreement including, but not limited to, any claim or action by Tax Credit Investor or any of its partners;

8.16 without Agency's prior written consent, not to vote to (i) enable, or take any other action to permit, Borrower to issue any partnership interests or other equity interest of any nature (except to Tax Credit Investor), (ii) dissolve Borrower, (iii) cause or permit the replacement or removal of General Partner except as expressly permitted pursuant to the Regulatory Agreement, or (iv) impair the Collateral or any portion thereof or which would be inconsistent with or result in any violation of any provision of this Agreement;

8.17 to execute, acknowledge (if required), and deliver to Agency such other and further documents and instruments as may in Agency's judgment be necessary or desirable in order to carry out the purposes or to effectuate this Agreement, including but not limited to an endorsement of, and assignment and delivery to Agency of any other promissory note or notes, if any, or Pledge Agreements executed or to be executed in the future by Tax Credit Investor for the benefit of Borrower or General Partner, to evidence or secure Tax Credit Investor's obligations under the Commitment and a UCC-1 financing statement regarding the Collateral.

9. **Covenants Regarding Tax Credits**. Borrower hereby covenants and agrees to do and perform all of the following:

9.1 **Performance**. To observe and perform completely and in a timely manner all actions and meet all requirements to maintain and perfect the reservation and allocation or otherwise in connection with the Tax Credits and to preserve the Tax Credits in full force and effect for the benefit of Agency.

9.2 **Submittals**. To timely furnish to TCAC all of the items required to be furnished to TCAC by no later than the dates agreed upon between Borrower, General Partner

and TCAC or such later date as may be agreed to by both Borrower and TCAC and approved by Agency, in order to prevent the expiration of the reservation and allocation of Tax Credits.

9.3 **Place in Service**. To place the Improvements in service by the date necessary to obligate Tax Credit Investor to make the full Capital Contributions to Borrower pursuant to the Partnership Agreement and to meet all requirements of TCAC for the allocation of the Tax Credits.

9.4 **Reapplication**. To promptly reapply for Tax Credits for the following year, if Agency determines, in its sole and absolute discretion that Borrower will not meet one or more of the requirements necessary to comply with the conditions and covenants described in this Section in a timely manner.

9.5 **Operations**. To operate the residential units of the Improvements or to use Borrower's best efforts to cause the appropriate parties to operate the same in accordance with the provisions of the Agency's Regulatory Agreement and any other regulatory agreements or restrictions recorded against the Property and consented to by Agency, all statutes and regulations governing the Tax Credits, and any regulatory agreement required by TCAC.

9.6 **Leasing**. Not to execute any lease of all or any portion of the Improvements that does not fully comply with all requirements and regulations governing the Tax Credits, except with the prior written consent of Agency, which consent Agency may give or withhold in its sole discretion.

9.7 **No Modification**. Not to alter, amend or modify its rights to the Tax Credits without the prior written consent of Agency, which consent Agency may give or withhold in its sole discretion.

9.8 **No Release**. Not to release or forego Borrower's rights to the Tax Credits without the prior written consent of Agency, which consent Agency may give or withhold in Agency's sole discretion.

9.9 **Records**. To cause to be kept all records, and cause to be made all elections and certifications, pertaining to the number and size of apartment units, occupancy thereof by tenants, income levels of tenants, set-asides for low-income tenants, and any other matters now or hereafter required to qualify for and maintain the Tax Credits in connection with the low-income occupancy of the Improvements. Upon Agency's request, Borrower shall deliver to Agency copies of all documentation, including, without limitation, all income verifications pursuant to which any tenant(s) have qualified for occupancy of any of the Improvements.

9.10 **Elections**. To elect the appropriate minimum low-income set-aside requirement within twelve (12) months after placement in service of the Improvements or such other time period as may hereafter be required by the Code or regulations thereunder and all California laws and regulations ("***State Laws***") as applicable to the creation, maintenance and continued availability of the Tax Credits.

9.11 **Certify Compliance**. To certify compliance with the elected set-aside requirement and report the dollar amount of qualified basis and maximum applicable percentage under housing credit agency allocations, date of placement in service, and any other information required for the Tax Credits at such time periods as may hereafter be

required by the Code or regulations thereunder or the State Laws for such Tax Credits and to concurrently deliver to Agency a copy of such certification and supporting material.

9.12 **Set Aside.** Except for __ manager unit(s), to set aside not less than 100% of the units for households with incomes meeting the required standards of the applicable county median income to qualify for the Tax Credits (as determined pursuant to Section 42 of the Code and/or the State Laws), adjusted for family size, and to operate and maintain all such units as "low income units" within the meaning of Section 42(i)(3) of the Code and/or the State Laws, which units qualify for the Tax Credits.

9.13 **Good Faith**. To exercise good faith in all activities relating to the operation and maintenance of the Improvements in accordance with the requirements of Section 42 of the Code, the laws of the State of California and the Regulatory Agreement.

9.14 **Notices**. To promptly deliver to Agency true and correct copies of all notices or other documents or communications received by Borrower with regard to or relating in any way to the Tax Credits from TCAC, Tax Credit Investor or the Internal Revenue Service.

9.15 **Form 8609**. If requested by Agency, to promptly deliver to Agency a copy of the Form 8609 when received by Borrower.

10. **Powers Of Agency**. Each of Borrower and General Partner appoints Agency its true attorney in fact to perform any of the following powers, which are coupled with an interest, are irrevocable until the termination of this Agreement and may be exercised from time to time by Agency's officers and employees, or any of them, whether or not a Default has occurred and is continuing under this Agreement or the Loan Agreement (except as specifically provided below):

10.1 after an Event of Default, to perform any obligation of Borrower or General Partner hereunder in Borrower's or General Partner's name or otherwise;

10.2 after an Event of Default, to give notice of Agency's rights under the Collateral, to enforce the same and make extension agreements with respect thereto;

10.3 after an Event of Default, to liquidate any time deposit pledged to Agency hereunder prior to its maturity date and apply the proceeds thereof to repayment of the Indebtedness, notwithstanding the fact that such liquidation may give rise to penalties for early withdrawal of funds;

10.4 to release persons liable on the Collateral or the Proceeds and to ask, demand, collect, sue for, recover, compromise, give receipts and acquittances and receipts for monies due or to become due under any of the Collateral and to compromise disputes in connection therewith;

10.5 to release security;

10.6 to resort to security in any order;

10.7 after an Event of Default, or, if there is no Event of Default, after three (3) business days' prior written notice to Borrower, to prepare, execute, file, record or deliver notes, assignments, schedules, designation statements, financing statements, continuation

statements, termination statements, statements of assignment, applications for registration or like papers to perfect, preserve or release Agency's interest in Collateral;

10.8 to take cash, instruments for the payment of money and other property to which Agency is entitled;

10.9 to verify facts concerning Collateral by inquiry of obligors thereon, or otherwise, in Agency's own name or a fictitious name;

10.10 to endorse, collect, deliver and receive payment under drafts, documents, chattel paper or other instruments for the payment of money, or any other agreements or other general intangibles that are a part of the Collateral;

10.11 to prepare, adjust, execute, deliver and receive payment under insurance claims relating to the Collateral, and to collect and receive payment of and endorse any instrument in payment of loss or returned premiums or any other insurance refund or return relating to the Collateral, and to apply such amounts received by Agency, at Agency's sole option, toward repayment of the Indebtedness;

10.12 after an Event of Default, to exercise all rights, powers and remedies which Borrower or General Partner would have, but for this Agreement, under all Collateral subject to this Agreement;

10.13 after an Event of Default, or, if there is no Event of Default, after three (3) business days' prior written notice to Borrower, to do all acts and things and execute all documents in the name of Borrower or General Partner or otherwise, deemed by Agency as necessary, proper and convenient in connection with the preservation, perfection or (only after an Event of Default) enforcement of its rights hereunder;

10.14 to file any claims or take any action or institute any proceedings that Agency may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of Agency with respect to any of the Collateral; and

10.15 after an Event of Default, or, if there is no Event of Default, after three (3) business days' prior written notice to Borrower, on behalf of General Partner and/or Borrower, to give notices to General Partner and any limited partner to make additional capital contributions pursuant to the terms of the Partnership Agreement, to enforce any or all obligations of General Partner under the Partnership Agreement and to exercise all rights and remedies of General Partner and/or Borrower under the Partnership Agreement, including the right to enforce any or all obligations of Tax Credit Investor under the Partnership Agreement.

Notwithstanding the foregoing, Agency shall have no duty, and shall not be liable for any failure, to realize upon the Collateral or for any failure to take any action whatsoever with regard to the Collateral. Borrower and General Partner hereby ratify, to the extent permitted by law, all that said attorneys shall lawfully do or cause to be done by virtue of the powers of attorney granted in this Agreement.

11. **Payment Of Premiums, Taxes, Charges, Liens And Assessments**. Borrower agrees to pay, prior to delinquency, all insurance premiums, taxes, charges, liens and assessments, if any, against the Collateral and upon the failure of Borrower to do so, Agency at its option may pay any of

them and shall be the sole judge of the legality or validity thereof and the amount necessary to discharge the same. Notwithstanding the foregoing, Borrower shall have the right to contest taxes, charges, liens and assessments if, and to the extent, permitted in the Loan Agreement. Any such payments made by Agency shall be obligations of Borrower to Agency, due and payable immediately without demand, together with interest at a rate determined in accordance with the provisions of Section 26 herein, and shall be secured by the Collateral, subject to all terms and conditions of this Agreement.

12. **Events Of Default**. The occurrence of any of the following shall constitute an "***Event of Default***" under this Agreement:

12.1 any Default or Event of Default under the Loan Agreement or any of the other Loan Documents, as defined therein;

12.2 any representation or warranty made by Borrower or General Partner herein or by Tax Credit Investor in any estoppel agreement made for the benefit of Agency shall prove to be incorrect in any material respect when made;

12.3 Borrower or General Partner shall fail either to observe or perform any obligation or agreement contained herein;

12.4 any attachment or like levy on any portion of the Interests and Collateral or Proceeds; or

12.5 Agency, in good faith, believes that: (i)(A) the Reservation has been revoked, or (B) the amount of the Tax Credits has been reduced, or, for any reason, the full amount of the Tax Credits will be unavailable to Borrower after completion of the Development and satisfaction of the conditions in the Reservation, and (ii) because of such reduction or unavailability, there are insufficient funds to repay Agency at the maturity of the Construction Loan and/or to complete the Development, and (iii) Borrower has failed to pay, from sources other than the Collateral and the Proceeds, any deficiency in the sources of funds Agency deems necessary to repay the Loan, within ten (10) days after Agency's demand.

13. **Remedies**. Upon the occurrence of any Event of Default, Agency shall have the right to declare immediately due and payable all or any Indebtedness secured hereby and to terminate any commitment to make the Loan or otherwise extend credit to Borrower. Agency shall have all other rights, privileges, powers and remedies granted to a secured party upon default under the California Uniform Commercial Code or otherwise provided by law, including without limitation, the right to contact all persons obligated to Borrower on the Collateral and to instruct such persons to deliver all Collateral directly to Agency. All rights, privileges, powers and remedies of Agency shall be cumulative. No delay, failure or discontinuance of Agency in exercising any right, privilege, power or remedy under this Agreement shall affect or operate as a waiver of such right, privilege, power or remedy; nor shall any single or partial exercise of any such right, privilege, power or remedy preclude, waive or otherwise affect any other or further exercise thereof or the exercise of any other right, privilege, power or remedy. Any waiver, permit, consent or approval of any kind by Agency of any default hereunder, or any such waiver of any provisions or conditions hereof, must be in writing and shall be effective only to the extent set forth in writing. While an Event of Default exists, all rights of General Partner to exercise the voting, partnership and other rights under the Partnership Agreement shall cease and all such rights shall become vested in Agency or its nominee, which shall have the exclusive right to exercise all voting, partnership and other rights pertaining to the Interests. Upon the

transfer of any Interests resulting from the exercise of any of Agency's rights or remedies under this Agreement, the transferee shall assume the obligations of the General Partner under the Partnership Agreement, provided that:

(i) the restrictions on transfer of Interests pursuant to the Partnership Agreement shall be superseded by this Agreement, as may be necessary or convenient for the enforceability of this Agreement according to its terms; and

(ii) if Agency or any parent, subsidiary, sister or affiliate company of Agency is the transferee upon such foreclosure, then Agency's or such entity's obligations under the Partnership Agreement as such transferee shall terminate upon the subsequent sale, assignment or other transfer of such Interest.

Any cure tendered by Tax Credit Investor shall have the same effect as a cure tendered by Borrower. Notwithstanding anything to the contrary herein, prior to a foreclosure or transfer in lieu of foreclosure, Agency shall not transfer, sell, convey or hypothecate the Tax Credits other than in connection with the transfer, sale, conveyance or hypothecation of the Deed of Trust (as that term is defined in the Loan Agreement).

14. **Sales Of Collateral**. Borrower and General Partner agree that public or private sales of the Collateral, or any portion thereof, for cash or on credit, to a wholesaler or retailer or investor, or user of property of the types subject to this Agreement, or public auction, are all commercially reasonable since differences in the sales prices generally realized in the different kinds of sales are ordinarily offset by the differences in the costs and credit risks of such sales. Borrower and General Partner further agree that in any sale of the Collateral (where such Collateral may be deemed to constitute a security), Agency is hereby authorized to comply with any limitation or restriction in connection with such sale as it may be advised by counsel is necessary in order to comply with any federal or state security law or the Partnership Agreement or to obtain any required approval of the purchase by any governmental regulatory authority or officer, including but not limited to restrictions on the number of prospective purchasers or the qualification of the purchasers as accredited investors, or a requirement that a purchaser be a tax exempt organization under Internal Revenue Code Section 501(c)(3), and that such compliance shall not result in such sale being considered or deemed not to have been made in a commercially reasonable manner, nor shall Agency be liable or accountable to Borrower or General Partner for any discount resulting from the fact that the Collateral, or any portion thereof, is sold in compliance with any such limitation or restriction.

15. **Disposition Of Collateral**. Upon the transfer of all or any part of the Obligations Secured, Agency may transfer all or part of the Collateral, and shall be fully discharged thereafter from all liability and responsibility with respect to any of the foregoing so transferred, and the transferee shall be vested with all the rights of Agency hereunder with respect to any of the foregoing so transferred; but with respect to any Collateral not so transferred, Agency shall retain all rights, powers, privileges and remedies herein given. Any Proceeds of any disposition of any of the Collateral or any part thereof, may be applied by Agency to the payment of expenses incurred by Agency in connection with the foregoing, including reasonable attorneys' fees, and the balance of such Proceeds may be applied by Agency toward the payment of the Obligations Secured and in such order of application as Agency may from time to time elect.

16. **Limitations On Agency's Duties**. Agency's sole duty with respect to the custody, safekeeping and preservation of the Collateral in its possession, if any, under Section 9-207 of the UCC or otherwise, shall be to deal with it in the same manner as Agency deals with similar securities

and property for its own account. Neither Agency nor any of its directors, officers, employees or agents shall be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of General Partner or otherwise. Agency shall have no obligation or liability for the performance of General Partner of its obligations to Borrower by reason of or arising out of this Agreement, the grant to Agency of the security interests provided for herein or Agency's receipt of any payment related to the Collateral.

17. **Reinstatement**. This Agreement shall remain in full force and effect and continue to be effective should any petition be filed by or against Tax Credit Investor, Borrower, General Partner or any limited partner for liquidation or reorganization, should Tax Credit Investor, Borrower, General Partner, or any other partner in Borrower become insolvent or make an assignment for the benefit of creditors or should a receiver or trustee be appointed for all or any significant part of Tax Credit Investor's, Borrower's, General Partner's or any limited partner's assets, and shall continue to be effective or be reinstated, as the case may be, if at any time payment and performance of the Obligations Secured, or any part thereof, is, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by any obligee of the Obligations Secured, whether as a "voidable preference," "fraudulent conveyance," or otherwise, all as though such payment or performance had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, restored or returned, the Obligations Secured shall be reinstated and shall be deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

18. **Subrogation**. Notwithstanding any payment by General Partner, General Partner irrevocably waives any right it now has or may hereafter acquire by way of subrogation or by any indemnity, reimbursement or other agreement until the Construction Loan has been repaid in full and converted to the Permanent Loan.

19. **Renewal And Extension**. General Partner authorizes Agency, without notice to, demand of, or consent from General Partner, and without affecting General Partner's liability to Agency hereunder, from time to time to:

19.1 renew, extend, accelerate or otherwise change the time or place for payment of, or otherwise change the terms of, the Obligations Secured or any part thereof including, without limitation, increase or decrease of the rate of interest thereon;

19.2 take and hold security for the payment or performance of the Obligations Secured or this Agreement, and exchange, enforce, waive, surrender, modify, impair, change, alter, renew, continue, compromise or release in whole or in part any such security, or fail to perfect Agency's interest in any such security or to establish Agency's priority with respect thereof;

19.3 apply such security and direct the order or manner of sale thereof as Agency in its sole discretion may determine;

19.4 release Borrower, in whole or in part, from any or all of the Obligations Secured or substitute any or all of the Obligations Secured;

19.5 settle or compromise any or all of the Obligations Secured with Borrower or any endorser or guarantor of the Obligations Secured; and

19.6 subordinate any or all of the Obligations Secured to any other obligations of or claim against Borrower, whether owing to or existing in favor of Agency or any other party.

General Partner shall be and remain bound hereunder notwithstanding any such renewal, extension, acceleration, change, taking, holding, exchange, enforcement, waiver, surrender, modification, impairment, alteration, renewal, continuation, compromise, release, failure, application, direction, substitution, settlement or subordination. Agency may upon written notice to General Partner assign this Agreement in whole or in part.

20. **Rights And Remedies**. To the fullest extent permitted by applicable law, General Partner waives any and all rights which it may otherwise have to require Agency to (a) proceed against Borrower; (b) proceed against or exhaust any security held from Borrower; or (c) pursue any other remedy in Agency's power whatsoever. Agency may exercise any right or remedy it may have against Borrower or any security now or hereafter held by or for the benefit of Agency including, without limitation, the right to foreclose upon any such security by judicial or nonjudicial sale, without affecting or impairing in any way the liability of General Partner hereunder (except to the extent the Obligations Secured may thereby be paid, subject to Section 17). In the event of a judicial foreclosure sale, the Obligations Secured shall be reduced only by the amount bid and actually received by Agency at such sale, and not by the fair market value of the property sold at that sale or any other amount that Agency may be deemed to have paid under law (the parties having agreed that General Partner's sole remedy if General Partner believes that any property is being sold at a foreclosure sale for less than its fair value is to bid at that sale). To the fullest extent permitted by applicable law, Borrower and General Partner waive any defense arising out of the absence, impairment or loss of any right of reimbursement or subrogation or other right or remedy of General Partner against Borrower or any such security, whether resulting from the election by Agency to exercise any right or remedy it may have against Borrower, any defect in, failure of, or loss or absence of priority with respect to Agency's interest in such security, or otherwise. In the event that any foreclosure sale is deemed to be not commercially reasonable, to the fullest extent permitted by applicable law, Borrower and General Partner waive any right that any of them may have to have any portion of the obligations discharged, except to the extent of the amount actually bid and received by Agency at any such sale. Agency shall not be required to institute or prosecute proceedings to recover any deficiency as a condition of payment hereunder or enforcement hereof.

21. **Separate Obligation**. The obligations of General Partner hereunder are independent of the obligations of Borrower and of each other, and a separate action or actions may be brought and prosecuted against General Partner whether or not action is brought against Borrower or any other person. General Partner waives the benefit of any statute of limitations affecting its liability hereunder or the enforcement thereof, to the fullest extent permitted by law. General Partner understands that Agency would not make the Loan under the Loan Agreement in the absence of the foregoing covenants by General Partner and the other covenants of General Partner contained in this Agreement.

22. **Waiver Of Notices And Demands**. To the fullest extent permitted by applicable law, General Partner waives all presentments, demands for performance, notices of nonperformance, protests, notices of protest, notices of dishonor, notices of default, and notices of acceptance of this Agreement and of the existence, creation or incurring of new or additional indebtedness or obligation. At Agency's option, General Partner may be joined in any action or proceeding commenced by Agency against Borrower in connection with or based upon the obligations or any security therefor and recovery may be had against General Partner in such action or proceeding, without any requirement that Agency first assert, prosecute or exhaust any remedy or claim against Borrower.

Without limiting the foregoing, General Partner acknowledges that repeated and successive demands may be made and payments or performance made hereunder in response to such demands as and when, from time to time, Borrower may default in performance of the Obligations Secured. Notwithstanding any such performance hereunder, this Agreement shall remain in full force and effect and shall apply to any and all subsequent defaults by Borrower in payment or performance of the Obligations Secured. General Partner consents to extensions, forbearances or alterations of the terms of Indebtedness, the release or substitution of security, and the release of guarantors with respect to the Collateral.

23. **Additional Waivers**. To the fullest extent permitted by applicable law, General Partner waives any defense arising by reason of any disability or other defense of Borrower or by reason of the cessation from any cause whatsoever of the liability of Borrower, including without limitation, the following:

23.1 any setoff, defense or counterclaim which General Partner may have or claim to have against Agency;

23.2 any right to direct the application of payments or security for Indebtedness of Borrower hereunder, regardless of whether such payments or security is made or delivered by Borrower, Borrower's tenants, guarantors or any other party;

23.3 any right to require proceedings against others or to require exhaustion of security;

23.4 any defense arising by reason of any invalidity or unenforceability of any of the Loan Documents or any provision thereof, or any disability of Borrower or any guarantor or of any manner in which Agency has exercised its rights and remedies under the Loan Documents, or by any cessation from any cause whatsoever of the liability of Borrower or any guarantor;

23.5 any defense based on any action taken or omitted by Agency in any insolvency proceeding involving Borrower or any guarantor, including any election to have Agency's claim allowed as being secured, partially secured or unsecured, any extension of credit by Agency to Borrower in any insolvency proceeding and the taking and holding by Agency of any security for any such extension of credit;

23.6 any defense based upon an election of remedies by Agency, including, without limitation, any election to proceed by judicial or nonjudicial foreclosure of any security, whether real property or personal property security, or by deed in lieu thereof, and whether or not every aspect of any foreclosure sale is commercially reasonable, or any election of remedies, including but not limited to, remedies relating to real property or personal property security, which destroys or otherwise impairs the subrogation rights of General Partner or the rights of General Partner to proceed against Borrower or any guarantor for reimbursement, or both (including, without limitation, Code of Civil Procedure Sections 580b, 580d and 726);

23.7 any right General Partner may have under Code of Civil Procedure Section 580a including, without limitation, a right to a hearing with respect to the fair market value of the Development either before or after foreclosure, and any right General Partner may

have to require Agency to proceed against any collateral before seeking to obtain a judgment against General Partner;

23.8 any waiver by Borrower of any of Borrower's rights under California Civil Code Section 2822; and

23.9 without limiting the generality of the foregoing or any other provision of this Agreement, any rights, defenses and benefits which might otherwise be available to General Partner under California Civil Code Sections 2787 to 2855, inclusive, 2899 and 3433, and any successor sections.

24. **Waivers To Be Effective To Maximum Permissible Extent**. General Partner acknowledges and agrees that all waivers of defenses arising from any impairment of General Partner's rights of subrogation, reimbursement, contribution and indemnification and waivers of any other rights, privileges, defenses or protections available to General Partner by reason of Sections 2787 to 2855, inclusive, of the California Civil Code are intended by General Partner to be effective to the maximum extent permitted by Section 2856 of the California Civil Code and other applicable law.

25. **Duty To Keep Informed**. General Partner assumes the responsibility for being and keeping itself informed of the financial condition of Borrower until the termination of all of the Obligations Secured hereunder and of all other circumstances bearing upon the risk of nonpayment or default under the Obligations Secured which diligent inquiry would reveal, and agree that Agency shall have no duty to advise General Partner of information known to Agency regarding such condition or any such circumstances.

26. **Costs, Expenses And Attorneys' Fees**. Borrower and General Partner shall pay to Agency immediately upon demand, the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees (to include outside counsel fees and allocated costs of Agency's in-house counsel), incurred by Agency in exercising any right, power, privilege or remedy conferred by this Agreement or in the enforcement thereof, including any of the foregoing incurred in connection with any bankruptcy proceeding relating to Borrower, General Partner, any limited partner or Tax Credit Investor or the valuation of the Collateral, including without limitation, the seeking of relief from or modification of the automatic stay or the negotiation and drafting of a cash collateral order, and including all costs of a registration under the Securities Act of any Interests or of sale of any Interests pursuant to Regulation A under the Securities Act, brokers' or underwriters' commissions, fees or discounts, accounting and legal fees, costs of printing and other expenses of transfer and sale. All of the foregoing shall be paid by Borrower or General Partner to Agency, with interest at a rate per annum equal to the highest rate then applicable under the Note.

27. **Notices**. All notices or demands of any kind to be served under the terms of this Agreement shall be served by personal service or by mailing a copy thereof by first class mail, postage prepaid, addressed as set forth below (provided that Agency shall have no liability for failure to give notice to any party other than Borrower, which may be given in a single nor shall such failure impair Agency's rights in any manner). Service by mail shall be determined to be complete at the expiration of the second day after the date of mailing. Addresses for notice may be changed pursuant to notice given in accordance with this clause.

Borrower:

General Partner:

Tax Credit Investor:

Agency: California Housing Finance Agency
1415 L Street, Suite 500
Sacramento, CA 95814
Attn: Office of the General Counsel
Loan No.[loan no.]

28. **Governing Law; Successors, Assigns**. This Agreement shall be governed by and construed in accordance with the laws of the State of California. Borrower and General Partner waive, to the fullest extent permitted by applicable law, any objection (including without limitation, any objection to the laying of venue or based on the grounds of forum non conveniens) that it may now or hereafter have to the bringing of any such action or proceeding in any such jurisdiction. This Agreement shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the parties.

29. **Severability Of Provisions**. If any provision of this Agreement shall be held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or any remaining provisions of this Agreement.

30. **Location**. Borrower and General Partner warrant that their chief executive offices are located at the addresses set forth above in Section 27. All of such parties agree that such chief executive office shall not be relocated unless Agency has received at least 30 days prior notice thereof.

IN WITNESS WHEREOF, Borrower and General Partner have executed this Agreement on the day and year first above written to be effective on the Effective Date set forth in the Loan Agreement.

BORROWER:

[borrower],
a California limited partnership

By [general partner], a California
nonprofit public benefit corporation,
its general partner

By _____
Name: _____
Title: _____

GENERAL PARTNER:

[general partner], a California
nonprofit public benefit corporation,

By: _____
Name:_____
Title: _____