RESOLUTION AUTHORIZING THE PRESIDENT AND CEO TO ENTER INTO A DISPOSITION AND DEVELOPMENT AGREEMENT, A LONG-TERM GROUND LEASE, PURCHASE OPTION AND RIGHT OF FIRST REFUSAL, AUTHORITY ACQUISITION LOAN AGREEMENT, AUTHORITY BRIDGE LOAN AGREEMENT WITH JORDAN DOWNS PHASE S3, LP AND A RAD USE AGREEMENT WITH THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT AND JORDAN DOWNS PHASE S3, LP FOR THE DEVELOPMENT OF JORDAN DOWNS PHASE S3, A 92-UNIT AFFORDABLE RESIDENTIAL DEVELOPMENT WITH COMMUNITY AMENITIES, AUTHORIZING UP TO $5,600,000 TOWARDS THE FINANCING OF THIS PHASE, AND THE EXECUTION OF RELATED DOCUMENTS AND AGREEMENTS AND TO UNDERTAKE VARIOUS ACTIONS IN CONNECTION THEREWITH

Douglas Guthrie  
President & Chief Executive Officer

Jenny Scanlin  
Chief Development Officer

Purpose: To execute the DDA and Ground Lease with the Developer for the development of Phase S3 the ("Project") of the Jordan Downs Redevelopment Project and execute all other Authority documents connected with the Project, as required by HUD and effectuate the financial construction closing for the Project. The DDA will establish the terms and conditions between the Authority and the Developer for the development of a 92-unit affordable residential development (with one manager unit), with amenities. To enter into a RAD Use Agreement with HUD and the Developer for the development of 25 RAD units as part of the 92-unit development.

Regarding: In continuing the phased redevelopment of Jordan Downs, currently broken up into 16 residential developments, Phase S3 represents the fourth residential phase to meet construction closing ("Project" or "Phase S3") and is part of what the Authority calls Phase II. Area H which was approved by the board in January 2020 was the first project in Phase II of Jordan Downs.

After a competitive solicitation of a developer, on June 28, 2012, the Authority's Board of Commissioners authorized the execution of a Master Development Agreement ("MDA") and funding of a Predevelopment Loan with Jordan Downs Community Partners, LLC, ("Master Developer"), a joint venture of the BRIDGE Housing Corporation, a California nonprofit public benefit corporation ("BRIDGE"), and The Michaels Development Company I, L.P., a New Jersey limited partnership ("Michaels" or "Developer"), for the redevelopment of Jordan Downs (Resolution 8969).

On September 27, 2018, the Board of Commissioners approved the commitment of 48 project-based vouchers to the Project in order for the Jordan Downs Phase S3, LP, a California limited partnership ("Owner") to be competitive for a 9% low-income housing tax credit application (Resolution 9457) which was successfully awarded.

This Project will be the second in the Jordan Downs redevelopment to be constructed 100% on the existing public housing site and the fourth residential phase in the overall
Jordan Downs redevelopment efforts. The timing of its construction aligns with HACLA’s Build First Plan for Jordan Downs. In January 2017, the Board of Commissioners approved the Relocation Plan for Jordan Downs by Resolution 9326 which was updated in 2018 under Resolution 9438. In November 2017 (Resolution 9395) the Board of Commissioners approved a consultant contract with Del Richardson and Associates, who initiated relocation activities with residents of the public housing buildings underlying the footprint for the Phase S3 development over a year ago and have been working diligently to ensure residents receive the support and services necessary for their successful relocation.

Additionally, on December 19, 2019 the Board of Commissioners (Resolution 9560) approved a contract for demolition services for the Authority to meet its obligation to deliver a clean and buildable site to the Owner. The demolition requires the removal of five residential buildings comprising of 25 units and the community center, both of which were vacated. The tenants were relocated into new units in Phase 1A or will be moving to Phase 1B once completed, some have chosen to take a Section 8 voucher and move off-site.

The Board of Commissioners has heard similar terms and reviewed similar documents for the previous three residential projects of Jordan Downs. Staff believes the terms outlined in the various documents contained in this report are consistent with the terms previously approved.

Issues:

Background

The Authority desires to transform Jordan Downs into an environmentally friendly, vibrant, urban village, conducive to healthy living and economically progressive conditions. The redevelopment plan for Jordan Downs is intended to ignite a renewal in the greater community. The Authority initiated a long-range plan to redevelop Jordan Downs in 2008. These efforts included acquiring an adjacent 21-acre site and establishing the Jordan Downs Community Advisory Committee in 2008, preparing a Community-Based Master Plan in 2009, which ultimately led to the drafting and adoption of a Specific Plan and Environmental Impact Report (EIR) in 2011.

On June 28, 2012, the Authority’s Board of Commissioners unanimously authorized the President and CEO to execute a Master Development Agreement with Jordan Downs Community Partners, LLC, (“Master Developer”), a joint venture of BRIDGE Housing Corporation, a California nonprofit public benefit corporation (“BRIDGE”), and The Michaels Development Company I, L.P., a New Jersey limited partnership (“Michaels”), for the redevelopment of Jordan Downs. The Master Development Agreement was executed on August 1, 2012 and subsequently amended with Board Approval on December 22, 2016 by Resolution No. 9327 (together, the “MDA”).

The Authority and Master Developer have been working closely pursuant to the MDA to implement the vision of a redeveloped Jordan Downs. This collaboration has involved conducting site plan and architectural studies, pursuing competitive and non-competitive financing for the multiple phases, adoption of a relocation plan in compliance with all regulatory requirements, and meeting with the residents on redevelopment progress to ensure consistency and transparency.
The Financing Plan for Phase S3 has progressed steadily in the past couple of years. In August 2019, the Authority was awarded a HUD commitment of 25 RAD vouchers for the conversion of public housing assistance to PBV RAD. The Authority has met or will meet prior to closing HUD required milestones associated with the RAD award for Phase S3. On September 2019, the Developer received notice of award of competitive 9% tax credits from the California Tax Credit Allocation Committee in the amount of $2.5M in annual federal tax credits. In July 2019 the developer was awarded a $7.5M AHSC program funds from the Department of Housing and Community Development (HCD).

The actions recommended in this report are specific to Phase S3 and its owner, Jordan Downs Phase S3, LP and provide for a detailed technical and structural approach to the DDA, Ground Lease, and various loan and regulatory documents to conform Phase S3 scope of development, financing plan, operations and ownership to the vision of a redeveloped Jordan Downs originated by the Authority, Jordan Downs residents and the Watts Community. The Authority staff, assisted by the Authority’s outside legal counsel, Reno & Cavanaugh, PLLC, and Financial Advisor, CSG Advisors, have negotiated the deal points and drafted the documents referenced in this report. These actions cover the unique approvals required by the Authority in this development as a fee land owner, ground lessor, lender subsidy provider and regulatory body.

In a separate action, staff will also seek approval from the La Cienega LOMOD, Inc. (“LOMOD”) Board of Directors, to enter into the Jordan Downs Phase S3, LP as the Managing General Partner, and to authorize and approve the execution of the Jordan Downs Phase S3, LP ownership documents, financing documents and related documents and agreements.

**Replacement Units**

Phase S3 development is comprised of 92-units of affordable residential housing (including one manager’s unit) with a total of sixty-seven (67) replacement units (“Replacement Units”) for Jordan Downs. Twenty-five (25) of those Replacement Units will be converted from ACC units and demolished at the existing Jordan Downs site to Section 8 RAD units (“RAD Units”) and forty-two (42) units will be assisted by the Section 8 Project Based Housing Choice Voucher Program (“PBV Units”). The Project also includes Six (6) non-replacement PBV Units and an additional 18 Low Income Housing Tax Credit Units (LITHC) Units to assist with underwriting the Project. The Authority will select right-sized and income eligible families to move into appropriate units as they become available.

<table>
<thead>
<tr>
<th>Unit Size</th>
<th>Phase S3</th>
<th>RAD</th>
<th>PBV</th>
<th>LITHC</th>
<th>Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>One Bedroom</td>
<td>22</td>
<td>1</td>
<td>19</td>
<td>2</td>
<td></td>
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<tr>
<td>Two Bedroom</td>
<td>41</td>
<td>10</td>
<td>15</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>Three Bedroom</td>
<td>24</td>
<td>11</td>
<td>12</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Four Bedroom</td>
<td>5</td>
<td>3</td>
<td>2</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Five Bedroom</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>92</td>
<td>25</td>
<td>48</td>
<td>18</td>
<td>1</td>
</tr>
</tbody>
</table>

All 48 PBV Units will be subject to HUD affordability requirements for 20 years under a Housing Assistance Payment (“HAP”) contract, pursuant to the authority granted under the HUD Notice PIH-2017-21. As allowed by PBV regulations, the Authority will provide a 20-year extension subject to the future availability of appropriated funds, HUD
regulations, the requirements of the Authority’s Section 8 Administrative Plan and the Owner’s continued compliance with the HAP Contract. 45 PBV Units and 18 LIHTC-only units will be restricted to tenants at or below 80% area median income for 30 years in accordance with the HUD Section 18 Demolition and Disposition Approval.

All 25 RAD Units will be subject to HUD affordability requirements for 20 years under a separate HAP contract. Subject to the above restrictions, the Authority will provide an automatic 20-year extension, as permitted under HUD’s RAD Notice PIH-2019-23 and the PBV HUD regulations. A HUD RAD Use Agreement will be recorded against the Authority’s fee interest in the Project Property in favor of HUD. The RAD Use Agreement will be recorded superior to all other liens on the Project property, run for the same term as the initial term of the RAD HAP contract, automatically renew upon each extension or renewal of the RAD HAP contract for a term that runs with each renewal term of the RAD HAP contract, and remain in effect even in the case of abatement or termination of the RAD HAP contract.

Through its Agency Plan and Relocation Plan, the Authority has adopted a Right to Retain Tenancy and Build First Policy for Jordan Downs, allowing Jordan Downs Public Housing households in good standing under their lease, a right to relocate to the replacement units being built as part of the Jordan Downs redevelopment. Phase S3’s 67 Replacement Units will be made available to Jordan Downs’ households through the relocation process. The Authority is responsible for all relocation activities and will be identifying a relocation company to assist with selected tenant households on their relocation choices as well as coordinate all relocation activities with the Authority and Owner’s respective on-site management teams. Jordan Downs’ public housing residents will not be re-screened as part of the lease up process as permitted by applicable law and the Authority will ensure that all Replacement Units be held and filled by Jordan Downs’ households.

Affordability

All 92 housing units, excluding one manager units, will be subject to occupancy and affordability restrictions imposed by TCAC, RAD and/or Section 8 regulations, HCD’s restrictions, restrictions applicable from other financing sources and lenders, and other statutory or regulatory restrictions. The Developer and the Authority intend that all residential units within the Project (other than the one manager unit) will be restricted for occupancy by households of low, very low and extremely low-income (“Restricted Units”) for the entire term of the Ground Lease and in perpetuity for the RAD component in accordance with the following:

**Affordability Restrictions**

<table>
<thead>
<tr>
<th></th>
<th>30% AMI</th>
<th>50% AMI</th>
<th>60% AMI</th>
<th>80% AMI</th>
<th>Manager</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>One Bedroom</td>
<td>8</td>
<td>13</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>22</td>
</tr>
<tr>
<td>Two Bedroom</td>
<td>7</td>
<td>31</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>41</td>
</tr>
<tr>
<td>Three Bedroom</td>
<td>3</td>
<td>20</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>24</td>
</tr>
<tr>
<td>Four Bedroom</td>
<td>2</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>Five Bedroom</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>67</strong></td>
<td><strong>2</strong></td>
<td><strong>2</strong></td>
<td><strong>1</strong></td>
<td><strong>92</strong></td>
</tr>
</tbody>
</table>

Various sources of funding have been utilized by the Developer for the Project, including 9% tax credits, conventional and soft loans as well as grants, deferred developer fee and investor equity contributions to assist with construction financing. Long-term rent subsidies like RAD and PBV are essential to the permanent financing plan and
instrumental in obtaining the capital necessary to realize the vision of new construction. The chart below provides a sense of the subsidy program:

<table>
<thead>
<tr>
<th>Subsidy Program</th>
<th>30% AMI</th>
<th>50% AMI</th>
<th>60% AMI</th>
<th>80% AMI</th>
<th>Manager</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>RAD</td>
<td>9</td>
<td>12</td>
<td>2</td>
<td>2</td>
<td></td>
<td>25</td>
</tr>
<tr>
<td>PBV</td>
<td>11</td>
<td>37</td>
<td>0</td>
<td></td>
<td></td>
<td>48</td>
</tr>
<tr>
<td>Unrestricted</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Tax Credit (LITHC)</td>
<td></td>
<td>18</td>
<td></td>
<td></td>
<td></td>
<td>18</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>67</strong></td>
<td><strong>2</strong></td>
<td><strong>2</strong></td>
<td><strong>1</strong></td>
<td><strong>92</strong></td>
</tr>
</tbody>
</table>

The monthly Rent charged to Tenants of the Restricted Units shall not exceed one-twelfth of thirty percent (30%) of the maximum qualifying income, adjusted for household size. The Authority will require that the affordability restrictions by household size and income included here, shall remain in place for the term of the Ground Lease and cannot be modified even when subsidies expire or terminate without prior authorization of the Authority’s Board of Commissioners after consideration of a Feasibility Plan submitted by the Owner, which shall propose how to maintain affordability and ensure property operations and obligations can be supported.

Developer/Ownership

Jordan Downs Community Partners, LLC has assigned its rights and obligations to develop and own Phase S3 in conformance with Section 5.1 of the Master Development Agreement to Jordan Downs Phase S3, LP. The general partner of Jordan Downs Phase S3, LP, a California limited partnership, is Jordan S3-Michaels LLC, a California limited liability company, and the initial limited partner is a placeholder individual for the initial partnership creation who will withdraw upon closing and execution of the new Limited Partnership Agreement. La Cienega LOMOD, Inc., a California nonprofit public benefit corporation will be admitted into the Owner as the managing general partner and Jordan S3-Michaels LLC will become the administrative general partner of the Owner. The LIHTC equity provider, Berkadia Jordan Downs S3 Investor, LP, a Delaware limited partnership, will be admitted as the investor limited partner of Jordan Downs Phase S3, LP at the execution of an Amended and Restated Agreement of Limited Partnership.

Ground Lease

Under the terms of the Ground Lease, the Authority will lease approximately 1.13 acres of land for the Project (“Property”) to the Owner for a period of 75 years for the Fair Market Value of $3,400,000. The Property being leased is located on the Jordan Downs Public housing site, however, 1.13 acres of that land is being conveyed as part of the ground lease to Phase S3. This acreage was previously approved by HUD for disposition under a Section 18 Demolition and Disposition Application. HUD amended its disposition approval to remove this acreage so that it could be included as part of the RAD transaction. Upon HUD approval of the RAD transaction, HUD will allow for the release of the public housing Declaration of Trust on the portion of the public housing property, which will be replaced by the RAD Use Agreement.

The Project/Developer cannot afford to make the ground lease payment upfront, requiring the Authority to provide the Owner with an Acquisition Loan and the Owner to deliver an Acquisition Note to the Authority in the amount of $3.4M. Section 5.2.1 of the MDA authorizes the Authority to accept promissory notes and deferred payments for the value
of the ground lease, if required to support the economics of the transaction. The Acquisition Loan has a 55-year term starting at permanent conversion. The loan carries a 4% simple interest and will be repaid out of 30% of the Project residual receipt cash flow until all principal and interest is repaid. A Right of First Refusal and Purchase Option for the Authority or its affiliate will be recorded, providing the Authority the right to purchase the Project or the Owner's partnership interests any time after the end of the 15-year Low Income Housing Tax Credit compliance period for at least two years. Independent of any transfer or sale during the ground lease term, at the end of the 75-year ground lease term, the Project property and all improvements revert to the ownership of the Authority.

Management & Operations

The ground lease carries with it strong provisions for the Authority's oversight of the Project and its management and operations during the term of the ground lease. The Authority must approve the Project’s annual operating budget and will review and monitor all management practices regularly to ensure they are consistent with the affordability restrictions, prioritization of Jordan Down residents for occupancy of replacement units, support of resident leadership, tenant protections and application of grievance procedures. The Authority will work with on-site management to ensure residents are receiving adequate and appropriate services, implementing Section 3 hiring and contracting opportunities and maintaining the physical property to the highest standard. The Authority will be provided all rights to review and audit the Owner and its property manager and has strong legal rights and remedies including early termination of the ground lease and replacement of on-site management if it finds cause to do so subject to the rights of lenders or investors. The Authority will receive a fee of ten thousand dollars ($10,000) (“Authority Compliance Fee”) paid annually to the Authority not later than one hundred twenty (120) days following the end of each fiscal year to assist in covering simple administrative costs associated with managing ground lease compliance. The Authority Compliance Fee shall increase annually by a rate of three percent (3%) and shall be paid as an Operating Expense prior to the distribution of Net Cash Flow.

In order to ensure that the Project is managed in a manner that promotes fairness, equity and prioritizes resident leadership, the Authority is requiring that all tenant protections and opportunities granted through the Rental Assistance Demonstration Program under HUD are applied across the board in all leases, as well as grievance and management procedures. These provisions shall be uniformly applied to the residential units through the inclusion of tenant protection provisions in all tenant leases. Some of these provisions include recognition of legitimate resident organizations, allowing protected activities including leaflet distribution, door to door surveys, posting information on boards related to the establishment or operation of a resident organization, providing meeting space and grievance procedures for lease violations and evictions. The Authority’s Asset Management Department and Section 8 staff will monitor these obligations and related agreements as well as provide unit inspection and review of all obligations.

Michaels Management-Affordable, LLC will provide property management services for Phase S3. Michaels Management-Affordable, LLC (an affiliate of the Developer) is a leading manager of affordable and mixed-income housing communities across the United States including Michaels Development Company housing developments. The regional property manager assigned to Phase S3 project presently manages approximately 1,000 affordable housing units in two states. The property manager has over five years of experience managing affordable housing supported by various federal, state and local
subsidies including HUD, tax-exempt obligations and federal low-income housing tax credits.

**Horizontal Development**

As a result of Phase S3 being part of the second phase of Jordan Downs redevelopment, and the first in the existing southern part of the housing community that has little existing street access, considerable off-site improvements to relocate infrastructure and create new streets in an urban village style requiring LEED Neighborhood Development standards are a critical component of the Project.

As a condition of the development of the Project, the City of Los Angeles requires that certain off-site B-Permit improvements and utility infrastructure be constructed, which includes the extension and creation of a new street which will continue the backbone infrastructure constructed in Phase 1 along Century Boulevard. Phase S3 is complicated by the need to coordinate and continue utility service to the remaining campus, while simultaneously building and sizing infrastructure for the future Jordan Downs phases. Phase S3 off-site B-Permit improvements include extending Lou Dillon from its terminus to 101st Street, reconstructing 101st Street to specific plan standards, and other utility improvements to Grape Street in conjunction with serving the current and future Jordan Downs campus. In addition, the street improvements/reconstruction provide other pedestrian infrastructure improvements compared to the existing campus to ensure the accessibility and connectivity of Phase S3 with the redeveloped Phase 1 projects and the existing Jordan Downs housing community.

Phase S3 is receiving funds from the State of California Affordable Housing Sustainable Communities program in conjunction with the City of Los Angeles, the co-applicant. The award includes improvements to the Watts community including bike lane improvements to Wilmington Ave., pedestrian crossing improvements to Grape Street, 103rd and 105th as well as sidewalk repairs to the community to the south of Jordan Downs. The program is also providing funding for the construction of Phase S3.

The design for the street extension includes 6-foot parkways on each side of the street. The parkways will be improved with a combination of landscaping that includes native Californian vegetation and drought tolerant plants and locations for installation of Modular Wetland Systems (MWS). The MWS Linear system selected is a versatile storm water bio filtration system and uniquely designed to replicate natural processes to remove a variety of pollutants from storm water runoff.

**Authority Bridge Loan**

The Authority will provide the Owner a $2.2M Authority Bridge Loan with a 55-year term at 3% simple interest and will be repaid out of approximately 11% of Project residual receipts (based on a pro rata split between HCD and the Authority of 50% of Project residual receipts) until all principal and interest is repaid. The Authority Bridge Loan will be governed by an Authority Loan Agreement loan and other customary loan documents executed by the Authority and Owner and secured by a deed of trust. The Authority Bridge Loan funds will come from non-federal and unrestricted proceeds generated by the HACLA-owned non-public housing portfolio.

The Authority Loan Agreement requires the Developer to make best efforts to apply for and obtain an Affordable Housing Program Loan (“AHP Loan”) from the Federal Home Loan Bank during construction. It is anticipated that the Project could competitively
receive approximately $900,000 in AHP Loan funds. Additionally, terms of the loan require that any cost savings attained at conversion to permanent financing will be provided to HACLA to be applied against the Authority's bridge loan, subject to other funding requirements and after payment of the Developer fee allowed under HCD and TCAC regulations.

Given the Project utilizes conventional bank loans, the Authority will be required to subordinate its loans to the Project’s construction and permanent lenders. Prior to agreeing to conventional lender subordination, the Authority will require that the subordination agreements contain notice and cure provisions which reasonably protect the Authority’s interests in the event of the Developer’s default under any of the senior loans.

**Development Structure & Obligations**

A number of the deal terms under the DDA, Ground Lease and Authority Loan Agreement are technical in nature and intended to ensure that there are sufficient guarantees during construction of the development; protection of the Authority’s rights and remedies in the Project; and provide a means for the Authority to ensure the property is well-managed, insured and maintained during the 75-year ground lease period. The structuring recognizes the various hierarchy of rights between and among the lenders, investors and leaseholders.

In connection with the development and construction of Phase S3, the Developer will follow the requirements of the MDA, including providing local job opportunities, job training, public art, and meeting sustainable development goals.

Phase S3 financing is currently scheduled to occur in March, subject to HUD approval of the RAD closing, and other lender financing closing.

The final draft versions of the RAD Use Agreement, the various Authority Loan Documents, the ground lease (collectively, the “Authority Financing Documents”), the Purchase Option and Right of First Refusal, incorporated by reference here to may require finalization of non-key provisions which the President and CEO, with the support of the Authority’s staff, senior staff attorneys and outside legal counsel, will finalize prior to their execution. Examples of such non-key provisions include compilation and insertion of various supporting exhibits and documents, selection of specific terminology to appropriately refer and identify parties, events and periods and clarification of other references and concepts. The final language of such non-key provisions will not materially alter the negotiated Authority Financing Documents or other ancillary documents or key business terms.

This transaction will have a positive impact on the community, lead to the addition of much needed affordable rental housing in the City of Los Angeles and will improve the lives of residents of Jordan Downs and the Watts community.

**Vision Plan:**  **PLACE Strategy #1: Stabilize the physical and financial viability of the conventional public housing portfolio.**

The development of Phase S3 will allow for the construction of 92 new housing units, 91 of which will be deeply affordable and 67 of which are replacement units for the existing
Jordan Downs residents. This development will further HACLA’s goals of improving its affordable housing stock as well as improved ADA-compliant, modern, and sustainably designed units with improved amenities. This action will help the Authority extend the life of critical, deeply affordable housing in the City of Los Angeles to serve existing public housing residents and future income-qualified households from the Authority’s active public housing and Section 8 wait lists as well as the Watts Community.

**Funding:**

The Chief Administrative Officer confirms the following:

*Source of Funds:*

The Developer have obtained funds necessary to finance the approximately $58,686,295 in costs associated with the development of Phase S3 including approximately $38,411,867 in construction financing to be provided through a loan by CIT Bank, N.A.; approximately $11,730,000 in permanent debt financed through Greystone Servicing Company LLC; approximately $7,500,000 in financing with Affordable Housing and Sustainable Communities (HCD); approximately $33,142,460 will be generated in nine percent (9%) low-income housing tax credit (“LIHTC”) equity with Berkadia as the equity investor; and forty-eight (48) Section 8 Project Based Vouchers and twenty-five (25) Rental Assistance Demonstration (RAD) Section 8 Project Based Vouchers.

Subject to the Board of Commissioners’ approval, the Authority will provide the Project with up to $2,200,000 in a bridge loan and $3,400,000 acquisition takeback loan on the Owner’s ground lease payment, consisting of the following funding streams for the vertical development of the Project, and certain off-site improvements:

<table>
<thead>
<tr>
<th>Source of Funds</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>HACLA Bridge Loan- Non-Federal Funding</td>
<td>$2,200,000</td>
</tr>
<tr>
<td>Acquisition Loan / Carryback Note</td>
<td>$3,400,000</td>
</tr>
<tr>
<td><strong>Total Request</strong></td>
<td><strong>$5,600,000</strong></td>
</tr>
</tbody>
</table>

The Chief Administrative Officer confirms that $2,200,000 in funds are available from uncommitted proceeds from the non-federal HACLA-owned properties’ portfolio.

*Budget and Program Impact:* The Authority will receive a $20,000 Davis Bacon/Labor Compliance Monitoring Fee and $30,000 construction compliance monitoring fee during the construction period. The transaction incorporates payments to the La Cienega LOMOD, Inc. equivalent to 25% of any developer fee paid to Developer or its affiliates. The Authority will receive a reimbursement not to exceed of ($150,000) at construction loan closing of the project. These funds will be applied towards Project costs incurred by Authority directly for various third party legal and consulting costs, as well as Coordination Fees for coordination of predevelopment, development and relocation functions performed directly by the Authority. A complete pay-off of the outstanding Phase S3 Predevelopment Loan in the amount of approximately $65,465.80 including interest earned; and a payment towards the Multi-Phase Predevelopment Loan provided to Jordan Downs Community Partners, LLC for master planning activities of approximately $98,158.46 including interest earned will also be made at construction closing.

All predevelopment funds received by the Authority at financial closing will be utilized to replenish the $3.0 million Predevelopment Cost Ceiling Commitment required under Section 7.4.2 of the Master Development Agreement and Board Resolution No. 8969. Staff have negotiated prioritizing repayment of the bridge loan out of cost savings or additional funding received during construction.
The Authority Bridge Loan payments will be made from approximately 11% of cash flow during operations until paid in full. The Authority Acquisition Loan payments will be made from 30% of cash flow until fully paid. In the case of a capital event the Housing Authority will receive to 50% of any profit or cash flow.

Environmental Review:

**CEQA**

The City of Los Angeles is the lead agency for the JD Redevelopment for purposes of the California Environmental Quality Act (CEQA). The City of Los Angeles, acting through its Planning Department, approved a larger project under the Jordan Downs Urban Village Specific Plan (1,800 residential units; up to 250,000 square feet of commercial/retail/office plus up to 20,000 square feet of community-service retail and services in mixed use buildings; a network of parks totaling 8.9 acres; and new community facilities), and its associated Environmental Impact Report (“EIR”) and required findings on April 17, 2013 (ENV-2010-32-EIR). Two addendums to the FEIR were prepared on January 11, 2016 and April 4, 2016 respectively to address any additional impacts not considered in the EIR as the result of a proposed Specific Plan Amendment. On April 14, 2016, the City Planning Commission found based on the whole of the administrative record that no subsequent or supplemental EIR or negative declaration was required. The Phase S3 redevelopment as contemplated in the Disposition and Development Agreement and Ground Lease is consistent with the Specific Plan and its Amendment (CPC-2015-3990-GPA-ZC-SP) and will be subject to the imposition of various measures contained in the Specific Plan’s conditions of approval, including Mitigation Monitoring. On November 29, 2016, the Department of City Planning, through the authority of its Planning Director, issued a Specific Plan Project Permit Adjustment, to allow for minor changes to setbacks, common open space and parking area shading for the Phase S3 development. This Specific Plan Project Permit Adjustment was approved in compliance with CEQA and did not find any additional environmental evaluation or mitigations required.

No further environmental review is required for the Authority’s recommended actions because based on the project record there has been no change to the JD Redevelopment or substantial changes in circumstances or new information that would warrant subsequent environmental analysis in accordance with CEQA, including but not limited to Public Resources Code section 21166 and State CEQA Guidelines sections 15162, 15163 and 15164. Based on this, the Authority will file a Notice of Determination after the Board of Commissioners has acted on this item. The mitigation measures and related conditions of approval applicable to the JD Redevelopment have been reviewed and will be monitored for compliance.

**NEPA**

Pursuant to 24 CFR Part 58, the City of Los Angeles, through its Housing and Community Investment Department serves as the environmentally responsible entity in preparation of the Environmental Assessment and Finding of No Significant Impact (EA/FONSI) for the Jordan Downs Public Housing Community Project. The EA/FONSI was circulated for public review on June 13, 2014 through July 2, 2014. On December 22, 2015 a technical memorandum was prepared to review any changes to the project description. Based on this memorandum HCID/LA found that changes to the project description did not result in changes to the conclusion of the EA/FONSI. On February 11, 2016 the U.S. Department of Housing and Urban Development’s Office of the Field Office Director issued approval of the Housing Authority’s Request for Release of Funds and Environmental Certification.
Section 3:
The Developer will ensure that the residents of Jordan Downs public housing, other low-income Watts neighborhood residents, participants of Youth-Build, and qualifying residents in the City of Los Angeles have the opportunity to share in the economic benefits generated by the proposed development. Local Hire and Section 3 requirements for the Developer and their General Contractor will require the use of best efforts to set aside at least thirty percent (30%) of all new construction and post-construction jobs generated by the redevelopment, first for residents of Jordan Downs, second for residents of Watts, third to HUD’s Youth-Build Program in the City, and finally to residents of the City to the maximum extent feasible. Furthermore, the Developer and their General Contractor shall strive and use best efforts to set aside at least ten percent (10%) of their overall 30% Section 3 commitment for disadvantaged workers. Additionally, the Owner is committed to providing 10% of the total dollar amount of building trades work for all construction contracts and 3% of the total dollar amount of all non-construction contracts to Section 3 Businesses.

Attachments:
1. Resolution
2. Site Plan
3. List and description of all Financing Documents signed by the Authority
4. Authority Financing Documents
   a. RAD Documents
   b. Ground Lease (with all Exhibits)
   c. Disposition and Development Agreement (with all Exhibits)
   d. Authority Loan Agreement (with all Exhibits)
   e. Authority Bridge Note
   f. Authority Acquisition Note
   g. Authority Leasehold Deed of Trust (Bridge)
   h. Authority Leasehold Deed of Trust (Acquisition)
   i. Subordination Agreements (where HACLA is signatory)
   j. Purchase Option and Right of First Refusal
ATTACHMENT 1

RESOLUTION
RESOLUTION NO.________________

RESOLUTION TITLE

WHEREAS, the Housing Authority of the City of Los Angeles ("Authority") intends to transform the Jordan Downs public housing community into a mixed-income, mixed-use, environmentally friendly, vibrant urban village, conducive to healthy living and economically progressive conditions; and

WHEREAS, on June 28, 2012, the Authority’s Board of Commissioners unanimously authorized the President and CEO to execute a Master Development Agreement ("MDA") with Jordan Downs Community Partners, LLC, “the Master Developer” for the redevelopment of Jordan Downs following which the MDA between the Authority and the Master Developer was executed on August 1, 2012; and

WHEREAS, the Authority and the Master Developer have been working closely since 2012 to implement the vision of a redeveloped Jordan Downs including the vertical residential development of the Phase S3 Residential Project (the "Project") by Jordan Downs Phase S3, LP ("Phase S3 Owner") and meeting with the residents on redevelopment progress to ensure consistency and transparency; and

WHEREAS, the Project is comprised of 92 units in an affordable residential development (including one manager’s unit) of which sixty-seven (67) units will be replacement for public housing units at the existing Jordan Downs site ("Replacement Units") comprised of 25 Rental Assistance Demonstration (RAD) units and forty-two (42) Project Based Voucher (PBV) units; and

WHEREAS, Phase S3 Owner has obtained funding necessary to finance the development including approximately $38,411,867 million in construction financing, $11,730,000 in permanent financing, $7,500,000 in AHSC financing, $33.1 million in 9% Low Income Housing Tax Credit equity, and an allocation of 48 Section 8 Project-Based Vouchers ("PBV") and 25 Rental Assistance Demonstration ("RAD") Section 8 PBV; and

WHEREAS, all residential units within the Project (other than the manager’s unit) will be restricted for occupancy by households of moderate, low, very low and extremely low-income and will receive supportive services; and

WHEREAS, the parties have successfully negotiated a Disposition and Development Agreement, a Ground Lease, various Authority Loan Documents, a Right of First Refusal and Purchase Option Agreement and other ancillary documents, subject to non-material editorial revisions as approved by legal counsel, for Board consideration and recommended approval at this time; and

WHEREAS, forms of the following major Authority transaction documents have been presented at this meeting:

1. RAD Documents
2. Ground Lease (with all Exhibits)
3. Disposition and Development Agreement (with all Exhibits)
4. Authority Loan Agreement (with all Exhibits)
5. Authority Bridge Note
6. Authority Acquisition Note
7. Authority Leasehold Deed of Trust (Bridge Loan)
8. Authority Leasehold Deed of Trust (Acquisition Loan)
9. Subordination Agreements (where HACLA is signatory)
10. Purchase Option and Right of First Refusal

NOW, THEREFORE, BE IT RESOLVED that the Board of Commissioners does hereby authorize and approve as follows:

A. The form and content of the DDA, the Ground Lease, the RAD Use Agreement, the various Authority Loan Documents attached hereto, and all Authority ancillary transaction documents (collectively, the "Authority Financing Documents") are hereby approved. The President and Chief Executive Officer is hereby authorized and directed, for and on behalf of and in the name of the Authority, to execute and attest the Authority Financing Documents and any other documents, agreements and certificates necessary to accomplish the transaction contemplated by this Resolution, with such changes therein as approved with the advice of legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof; and

B. The commitment and expenditure of up to $2,200,000 bridge funding for the Phase S3 development, from non-federal unrestricted proceeds generated by the HACLA-owned non-public housing portfolio; and a carryback note amounting to $3,400,000 on the Owner’s ground lease payment, for a total commitment of up to $5,600,000; and

C. An initial 20-year PBV HAP contract for 48 regular PBV’s, subject to the future availability of appropriated funds, HUD regulations, the requirements of the Authority Section 8 Administrative Plan and the Owners continued compliance with the HAP Contract with an automatic 20-year extension as permitted under HUD regulations concerning PBV; and

D. An initial RAD PBV contract for 20 years for the 25 RAD units as permitted under HUD’s RAD Notice, with an automatic 20-year extension as permitted under HUD’s RAD Notice and the HUD regulations concerning PBV.

BE IT FURTHER RESOLVED that this Resolution shall take effect immediately.

PASSED AND ADOPTED by the Housing Authority of the City of Los Angeles this 27th day of February 2020.

HOUSING AUTHORITY OF THE
CITY OF LOS ANGELES

By: ________________________
   Chairperson

APPROVED AS TO FORM:

BY: ________________________
   General Counsel

DATE ADOPTED: ______________

(D0940042.DCCX / 2
DC114-113)[be sure your report and attachments are paginated]
ATTACHMENT 2

SITE PLAN
JORDAN DOWNS - PERSPECTIVE - FROM LOU DILLON
ATTACHMENT 3

LIST AND DESCRIPTION
OF ALL FINANCING DOCUMENTS
SIGNED BY THE AUTHORITY
<table>
<thead>
<tr>
<th>TAB</th>
<th>DOCUMENT/ITEM</th>
<th>SIGNATORIES</th>
<th>RECORDABLE</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>I.</td>
<td>RAD PROGRAM DOCUMENTS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>RAD Use Agreement (HUD Form 52625)</td>
<td>HUD; Partnership; HACLA</td>
<td>YES</td>
<td>HUD form applying RAD restrictions and requirements to the Project.</td>
</tr>
<tr>
<td>2</td>
<td>RAD Delayed Conversion Agreement (PBV)</td>
<td>HUD; Partnership; HACLA</td>
<td>NO</td>
<td>Agreement that the HAP Contract will be executed after certain new construction requirements are met and acknowledging that certain actions must be completed to receive the HAP subsidies.</td>
</tr>
<tr>
<td>3</td>
<td>RAD PBV HAP Contract</td>
<td>HACLA; Partnership</td>
<td>NO</td>
<td>HUD form providing for PBV housing assistance payments to the Project.</td>
</tr>
<tr>
<td>II.</td>
<td>SITE CONTROL DOCUMENTS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Ground Lease w/ Memorandum of Ground Lease</td>
<td>HACLA; Partnership</td>
<td>NO/YES</td>
<td>Conveyance document providing for a 75-year lease of the property to the Partnership subject to, among other things, RAD requirements. Includes following indemnification provisions: (a) Partnership indemnifies HACLA from claims, actions, costs, expenses, and attorneys' fees arising out of act or omission by Partnership which breaches the Partnership's obligations under the lease; (b) Partnership agrees to defend HACLA against contractor or subcontractor claims resulting from Partnership's negligence at Partnership's expense; (c) Partnership indemnifies HACLA from claims, losses, damages, liabilities, fines, penalties, charges, administrative and judicial proceedings and orders, judgments, remedial actions, and all costs and expenses incurred in connection with (i) Partnership's failure to comply with applicable environmental laws, (ii) Hazardous Substances and Materials at the Project after commencement of lease, and (iii) Partnership's act or omission regarding handling, treatment, removal, storage, decontamination, cleanup, transport, or disposal of Hazardous Substances and Materials; HACLA indemnifies Partnership from and against any loss, damage, cost, expense, or liability arising out of the presence of Hazardous Substances and Materials or any environmental condition not identified in a Phase 1 or Phase 2 (if applicable) environmental study.</td>
</tr>
<tr>
<td>5</td>
<td>Disposition and Development Agreement</td>
<td>HACLA; Partnership</td>
<td>NO</td>
<td>Agreement governing certain terms of the Project not addressed in the HACLA loan documents or the Ground Lease, including the scope of development, events of default by the Partnership, and cure periods; additionally, incorporating the Project Concept Plan, Financing Plan, and Relocation Plan. Fees: Partnership shall pay HACLA (a) 25% of any developer fee paid for the Project, (b) $30,000 for labor compliance monitoring, (c) $30,000 for construction compliance monitoring and (d) $150,000 for third-party costs, including legal and consulting fees.</td>
</tr>
<tr>
<td>6</td>
<td>Declaration of Annexation – New Century CC&amp;Rs</td>
<td>HACLA; Master Developer</td>
<td>YES</td>
<td>Agreement to annex the Project property under the Declaration of Restrictions (CC&amp;Rs) and the jurisdiction of the New Century Owners Association.</td>
</tr>
<tr>
<td>III.</td>
<td>DEBT DOCUMENTS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>HACLA LOAN DOCUMENTS (ACQUISITION AND BRIDGE LOAN)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Document Title</td>
<td>Parties</td>
<td>Requirement</td>
<td>Description</td>
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<tr>
<td>7</td>
<td>Authority Loan Agreement</td>
<td>HACLA; Partnership</td>
<td>NO</td>
<td>Agreement regarding the HACLA's provision of terms, responsibilities, and requirements related to the Bridge Loan funds. Includes the following indemnification provisions: (a) Partnership indemnifies HACLA from and against any loss, damage, cost, expense, or liability directly or indirectly arising out of or attributable to the Partnership's or any other party other than HACLA's failure to comply with the hazardous materials provisions in the agreement; (b) Partnership indemnifies HACLA from all claims, actions, demands, costs, expenses and attorneys' fees arising out of, attributable to, or otherwise occasioned in whole or in part by an act or omission of the Partnership which constitutes a breach of the Partnership's obligations under the agreement; (c) Partnership will defend at its own expense any suit against HACLA brought by any third-party performing work for the Partnership on the Project and will pay or satisfy any related judgment, claim, and related costs and expenses.</td>
</tr>
<tr>
<td>8</td>
<td>Authority Promissory Note (Bridge Loan)</td>
<td>Partnership</td>
<td>NO</td>
<td>Promissory Note evidencing the Authority Bridge Loan of approximately $2,200,000.00 (subject to change) from HACLA to the Partnership.</td>
</tr>
<tr>
<td>9</td>
<td>Authority Subordinate Deed of Trust (Bridge Loan)</td>
<td>Partnership</td>
<td>YES</td>
<td>Leasehold Mortgage evidencing the Authority Bridge Loan. Includes the following indemnification provision: Partnership indemnifies HACLA against any loss, damage, cost, expense, or liability directly or indirectly attributable to Hazardous Materials on the Project property.</td>
</tr>
<tr>
<td>10</td>
<td>Subordination Agreement (CIT Bank)</td>
<td>HACLA; Partnership; CIT Bank</td>
<td>YES</td>
<td>Agreement to subordinate the Authority Subordinate Deed of Trust (Bridge Loan) and the Authority Subordinate Deed of Trust (Acquisition Loan) to the construction loan deed of trust in favor of CIT Bank.</td>
</tr>
<tr>
<td>11</td>
<td>Subordination Agreement (Feddie Mac Form)</td>
<td>HACLA; Partnership; Greystone</td>
<td>YES</td>
<td>Agreement to subordinate the Authority Subordinate Deed of Trust (Bridge Loan) and the Authority Subordinate Deed of Trust (Acquisition Loan) to the Permanent Loan deed of trust in favor of Greystone Servicing Company LLC.</td>
</tr>
<tr>
<td></td>
<td><strong>HACLA ACQUISITION LOAN DOCUMENTS (GROUND LEASE LOAN)</strong></td>
<td></td>
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</tr>
<tr>
<td>12</td>
<td>Authority Promissory Note (Acquisition Loan)</td>
<td>Partnership</td>
<td>NO</td>
<td>Promissory Note evidencing the Authority Acquisition Loan of $3,400,000.00 by HACLA to the Partnership pursuant to the Ground Lease and representing the fair market value of the Project property.</td>
</tr>
<tr>
<td>13</td>
<td>Authority Subordinate Deed of Trust (Acquisition Loan)</td>
<td>Partnership</td>
<td>YES</td>
<td>Mortgage evidencing the Authority Acquisition Loan. Includes the following indemnification provision: Partnership indemnifies HACLA against any loss, damage, cost, expense, or liability directly or indirectly attributable to Hazardous Materials on the Project property.</td>
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<td><strong>LIHTC EQUITY DOCUMENTS</strong></td>
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<tr>
<td>14</td>
<td>Purchase Option</td>
<td>HACLA; Partnership; General Partner; BRIDGE; Investor</td>
<td>YES</td>
<td>Agreement providing HACLA a option to purchase the Property or all partnership interests in the Partnership.</td>
</tr>
<tr>
<td>15</td>
<td>Right of First Refusal</td>
<td>HACLA; Partnership; General Partner; BRIDGE; Investor</td>
<td>YES</td>
<td>Agreement providing HACLA a right of first refusal to purchase all right, title, and interest held by the Partnership in the Project.</td>
</tr>
</tbody>
</table>
ATTACHMENT 4

AUTHORITY FINANCING DOCUMENTS
TAB I..

RAD PROGRAM DOCUMENTS
TAB 1

RAD Use Agreement (HUD Form 52625)
RENTAL ASSISTANCE DEMONSTRATION USE AGREEMENT

by and between

United States of America, Secretary of Housing and Urban Development, HUD

Housing Authority of the City of Los Angeles, PHA

And

Jordan Downs Phase S3, LP, Project Owner

Dated as of [___] 1, 2020

NOTE: This cover page is for recording purposes only and does not modify or amend the terms of the attached instrument.
This Rental Assistance Demonstration Use Agreement (hereinafter called the “Agreement”) is made as of [____] 1, 2020, for the benefit of and agreed to by the United States Department of Housing and Urban Development, acting by and through the Secretary, his or her successors, assigns or designates (hereinafter called “HUD”) by Jordan Downs Phase S3, LP, a California limited partnership (“Project Owner”), and the Housing Authority of the City of Los Angeles, a public body, corporate and politic (“PHA”).

Whereas, Rental Assistance Demonstration (hereinafter called “RAD”) provides the opportunity to test the conversion of public housing and other HUD-assisted properties to long-term, project-based Section 8 rental assistance to achieve certain goals, including the preservation and improvement of these properties through access to private debt and equity to address immediate and long-term capital needs.

Whereas, the PHA is the fee owner of the real property described on Exhibit A (the “Property”), upon which is or will be located improvements owned or to be owned by Project Owner receiving assistance converted pursuant to RAD, which project will commonly be known as Jordan Downs, Phase S3 (the “Project”). The Project will contain ninety-two (92) dwelling units, of which twenty-five (25) (“Assisted Units”) are subject to a RAD Housing Assistance Payment Contract, as the same may be renewed, amended or replaced from time to time (“RAD HAP Contract”).

Whereas, pursuant to the Consolidated and Further Continuing Appropriations Act of 2012 (Public Law 112-55, approved November 18, 2011, as amended from time to time, the “RAD Statute”); and the corresponding PIH Notice 2012-32, rev-2, as amended from time to time, and any successor document and/or regulations (hereinafter called the “RAD Notice”), which this Agreement incorporates by this reference, the PHA and/or the Project Owner, as applicable, has agreed to encumber the Property and the Project Owner has agreed to operate the Project in accordance with this Agreement in exchange for HUD’s agreement to execute or permit the execution of the RAD HAP Contract and the assistance provided thereby;
Whereas, in accordance with the RAD Statute and RAD Notice, except as otherwise agreed in writing by HUD, this Agreement is to be recorded superior to other liens on the Property, run until the conclusion of the initial term of the RAD HAP Contract, automatically renew upon each extension or renewal of the RAD HAP Contract for a term that runs with each renewal term of the RAD HAP Contract, and remain in effect even in the case of abatement or termination of the RAD HAP Contract for the term the RAD HAP Contract would have run, absent the abatement or termination.

Now Therefore, in consideration of the foregoing, conversion of assistance pursuant to RAD, provision of rental assistance pursuant to the RAD HAP Contract and other valuable consideration, the parties hereby agree as follows:

1. **Definitions.** All terms used in this Agreement and not otherwise defined have the same meaning as set forth in the RAD Notice.

2. **Term.** The initial term of this Agreement commences upon the date this Agreement is entered into and shall run until the conclusion of the initial term of the RAD HAP Contract. The RAD HAP Contract is effective for twenty (20) years. Unless otherwise approved by HUD, this Agreement shall remain in effect through the initial term of the RAD HAP Contract and for additional periods to coincide with any renewal term of the RAD HAP Contract or any replacement RAD HAP Contract. It is the intention of the parties that the RAD HAP Contract and this Agreement shall each renew upon the completion of its initial term. Therefore, this Agreement shall remain in effect until a release is recorded as contemplated by Section 8. Such release shall be the evidence of the non-renewal of the RAD HAP Contract, of the determination not to execute a replacement RAD HAP Contract and of the termination of this Agreement. This Agreement will survive abatement of assistance or termination of the RAD HAP Contract unless otherwise approved by HUD.

3. **Use Restriction and Tenant Incomes.** The Assisted Units shall be leased in accordance with the RAD HAP Contract, including any applicable eligibility and/or income-targeting requirements. In the case that the RAD HAP Contract is terminated prior to the completion of the term or renewal term, if applicable, of this Agreement (by way of illustration and not limitation, for breach or non-compliance), for the remainder of the term of this Agreement new tenants leasing the Assisted Units (except if any of the Assisted Units is a HUD-approved manager unit) must have incomes at or below 80 percent of the Area Median Income (AMI) at the time of admission (“Eligible Tenants”). Additionally, rents for such Assisted Units must not exceed 30% of 80% of the AMI for households of the size occupying an appropriately sized unit. Notwithstanding the foregoing, in the event the Project Owner so requests and is able to demonstrate to HUD’s satisfaction that despite the Project Owner’s good faith and diligent efforts to do so, the Project Owner is unable either (1) to rent a sufficient percentage of Assisted Units to Eligible Tenants in order to satisfy the restrictions in this paragraph, or (2) to otherwise provide for the financial viability of the Project, HUD may, in its sole discretion, agree to reduce the percentage of units subject to the restriction under this paragraph or otherwise modify this restriction in a manner acceptable to the Project Owner and HUD. Any such modification of the restrictions listed in this paragraph shall be evidenced by a written amendment to this Agreement executed by each of the parties hereto.
4. Survival. This Agreement will survive foreclosure and bankruptcy.

5. Fair Housing and Civil Rights Requirements. The Project Owner and its agents, where applicable, shall ensure that the Project complies with applicable federal fair housing and civil rights laws, regulations, and other legal authorities, including those identified at 24 C.F.R. § 5.105.

6. Accessibility Requirements. The Project Owner and its agents, where applicable, shall ensure that the Project complies with all applicable federal accessibility requirements under the Fair Housing Act and implementing regulations at 24 CFR Part 100, Section 504 of the Rehabilitation Act of 1973 and implementing regulations at 24 CFR Part 8, and Titles II and III of the Americans with Disabilities Act and implementing regulations at 28 CFR Parts 35 and 36, respectively.

7. Restrictions on Transfer. HUD has been granted and is possessed of an interest in the above described Project. Except as authorized below, the Project Owner and, if a party hereto, the PHA, shall not transfer, convey, encumber or permit or suffer any transfer, conveyance, assignment, lease, mortgage, pledge or other encumbrance of said Project and/or Property or any part thereof without prior written consent of HUD. Notwithstanding the foregoing, HUD hereby authorizes (a) leases in the normal operation of the Project, (b) subordinate liens contemplated by a RAD Conversion Commitment executed in connection with the Project, whether such liens are recorded concurrent with the recordation of this Use Agreement or recorded subsequent hereto (such as permanent financing to replace construction-period financing), and (c) conveyance or dedication of land for use as streets, alleys, or other public rights-of-way and grants and easements for the establishment, operation and maintenance of public utilities. Except as otherwise approved in writing by HUD, any lien on the Project and/or Property shall be subject and subordinate to this Agreement. Unless this Agreement is released by HUD, any transferee of the Project and/or Property shall take title subject to this Agreement. In the event of a default under the RAD HAP Contract including, without limitation, upon any transfer of the Property or Project without HUD consent, upon expiration of any applicable notice and/or cure periods, HUD may transfer the RAD HAP Contract and the rental assistance contemplated therein to another entity and/or Property and/or Project. The Project Owner has constituted HUD as its attorney-in-fact to effect any such transfer.

8. Amendment or Release. This Agreement may not be amended without HUD consent. This Agreement shall remain as an encumbrance against the Property unless and until HUD executes a release for recording. This Agreement may only be released by HUD in its sole discretion. In the event that the RAD HAP is, in accordance with all applicable laws and RAD program requirements, not renewed or replaced, HUD shall not unreasonably fail to provide such a release upon the completion of the applicable term of this Agreement.

9. Enforcement. In the event of a breach or threatened breach of any of the provisions of this Agreement, any eligible tenant or applicant for occupancy within the Project, or the Secretary or his or her successors or delegates, may institute proper legal action to enforce performance of such provisions, to enjoin any acts in violation of such provisions, to recover whatever damages can be proven, and/or to obtain whatever other relief may be appropriate.
10. **Severability.** The invalidity, in whole or in part, of any of the provisions set forth in this Agreement shall not affect or invalidate any remaining provisions.

11. **Conflicts.** Any conflicts between this Agreement and the RAD HAP Contract or any other applicable HUD program requirements shall be conclusively resolved by the Secretary.

12. **Execution of Other Agreements.** The Project Owner and, if a party hereto, the PHA, agrees that it has not and will not execute any other agreement with provisions contradictory to, or in opposition to, the provisions of this Agreement, and that in any event, the provisions of this Agreement are paramount and controlling as to the rights and obligations set forth and supersede any other conflicting requirements.

13. **Subsequent Statutory Amendments.** If revisions to the provisions of this Agreement are necessitated by subsequent statutory amendments, the Project Owner and, if a party hereto, the PHA, agrees to execute modifications to this Agreement that are needed to conform to the statutory amendments. At HUD’s option, HUD may implement any such statutory amendment through rulemaking.

14. **Lender Provisions.**

   A. Nothing in this Agreement prohibits any holder of a mortgage or other lien against the Property or Project from foreclosing its lien or accepting a deed in lieu of foreclosure. Any lien holder shall give HUD, as a courtesy, written notice prior to declaring an event of default. Any lien holder shall provide HUD concurrent notice with any written filing of foreclosure filed in accordance with state law provided that the foreclosure sale shall not occur sooner than sixty days (60) days after such notice to HUD. The Notice to HUD may be personally delivered or sent by U.S. certified or registered mail, return receipt requested, first class postage prepaid, addressed as follows:

   If for PBRA transactions:
   U.S. Department of Housing and Urban Development
   451 7th Street SW, Room 9100
   Washington, DC 20410
   Attention: Office of the Assistant Secretary for Housing - Rental Assistance Demonstration

   If for PBV transactions:
   U.S. Department of Housing and Urban Development
   451 7th Street SW, Room 4100
   Washington, DC 20410
   Attention: Office of the Assistant Secretary for Public and Indian Housing - Rental Assistance Demonstration

   B. Notwithstanding any lien holder’s foreclosure rights, this Agreement survives foreclosure and any new owners of the Property or the Project take ownership subject to this Agreement.

   C. Transfer of title to the Property or the Project may be grounds for termination of assistance under the RAD HAP Contract. However, HUD may permit, through prior written
consent by HUD, the new owner of the Property or the Project to assume the RAD HAP Contract, subject to the terms included therein, or enter into a new RAD HAP Contract. Any HUD consent to continued HAP assistance is subject to the RAD Statute and other RAD program requirements.

D. Each entity interested in purchasing the Property in a foreclosure sale administered under state foreclosure law may submit a written request to HUD to continue RAD HAP Contract assistance in the event of such entity’s successful acquisition at the foreclosure sale. Such request shall be submitted by the latter of ten business days after first publication of the foreclosure sale or 60 days prior to such foreclosure sale.

15. Successors and Assigns. This Agreement shall be binding upon the Project Owner and, if a party hereto, the PHA, and all future successors and assigns of either with respect to any portion of the Property or the Project.

[signature page(s) to follow]
In Witness Whereof, these declarations are made as of the first date written above.

UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

By: ________________________________
    Thomas R. Davis
    Director, Office of Recapitalization

Date: ________________________________

District of Columbia

Before me, ____________________________, a Notary Public in and for the District of Columbia on this _____ day of _____________, 2020, personally appeared Thomas R. Davis, who is personally known to me to be the person who executed the foregoing instrument by virtue of the authority vested in him by the United States Department of Housing and Urban Development, and did acknowledge the signing thereof to be a free and voluntary act and done on behalf of the Secretary of Housing and Urban Development for the uses, purposes and considerations therein set forth.

Witness my hand and official seal this ___ day of _________________, 2020.

(Seal)

__________________________________________ (Notary Public)

My commission expires ________________________, 20_____.

{D0929595.DOCX / 5
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Form HUD- 52625 (4/2017)
PROJECT OWNER:

JORDAN DOWNS PHASE S3, LP,
a California limited partnership

By: Jordan S3-Michaels LLC,
a California limited liability company
its administrative general partner

By: _______________________________
Milton R. Pratt, Jr.
Vice President

By: La Cienega LOMOD, Inc.,
a California nonprofit public benefit corporation,
its managing general partner

By: _______________________________
Tina Smith-Booth
President

[NOTARY BLOCKS ON NEXT PAGE]
A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA  )
COUNTY OF _____________  )

On ____________________, before me, ________________________________________, a Notary Public, personally __________________________ appeared __________________________ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is / are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature ______________________________
A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA  
COUNTY OF ____________  

On ____________________, before me, ________________________________________, a Notary Public, personally appeared ________________________________________ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is /are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _______________________________
PHI:

HOUSING AUTHORITY OF
THE CITY OF LOS ANGELES,
a public body corporate and politic

By: ___________________________________
Douglas Guthrie
President and Chief Executive Officer
A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA )
COUNTY OF _____________ )

On ____________________, before me, ________________________________________, a Notary Public, personally appeared ______________________________________ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is / are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _______________________________
EXHIBIT A – Property Subject to this RAD Use Agreement

THOSE PORTIONS OF LOTS 4 AND 5, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS SHOWN ON THE MAP OF TRACT NO. 16154, AS PER MAP RECORDED IN BOOK 540, PAGES 48 TO 50, INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

COMMENCING AT THE CENTERLINE INTERSECTION OF ONE HUNDRED FIRST STREET, 30.00 WIDE, AND GRAPE STREET, 30.00 FEET WIDE, AS SHOWN ON SAID TRACT NO. 16154; THENCE ALONG SAID CENTERLINE OF ONE HUNDRED FIRST STREET SOUTH 89°33'07" EAST 403.04 FEET; THENCE NORTH 00°26'53" EAST 30.00 FEET TO A POINT ON THE NORTH LINE OF SAID ONE HUNDRED FIRST STREET, SAID POINT ALSO BEING THE TRUE POINT OF BEGINNING; THENCE CONTINUING NORTH 00°26'53" EAST 221.99 FEET; THENCE SOUTH 89°33'07" EAST 238.26 FEET; THENCE SOUTH 08°31'20" WEST 211.19 FEET TO THE BEGINNING OF A CURVE CONCAVE NORTHWESTERLY, HAVING A RADIUS OF 15.00 FEET; THENCE SOUTHWESTERLY ALONG SAID CURVE 21.45 FEET, THROUGH A CENTRAL ANGLE OF 81°55'33" TO SAID NORTH LINE OF ONE HUNDRED FIRST TO SAID NORTH LINE OF ONE HUNDRED FIRST STREET; THENCE ALONG SAID NORTH LINE NORTH 89°33'07" WEST 193.74 FEET TO THE TRUE POINT OF BEGINNING.

APN: 6046-019-926, 6046-021-908, AND 6046-021-917
TAB 2

RAD Delayed Conversion Agreement
(PBV)
RAD DELAYED CONVERSION AGREEMENT  
(for PBV RAD conversions from Public Housing)  

Jordan Downs Phase S3

This RAD Delayed Conversion Agreement (from PBV RAD conversions from Public Housing) (this “Agreement”) is dated as of [____] 1, 2020, and relates to the form Project-Based Voucher (PBV) Rental Assistance Demonstration (RAD) Housing Assistance Payments Contract between Housing Authority of the City of Los Angeles, a public body, corporate and politic (the “Contract Administrator”), and Jordan Downs Phase S3, LP, a California limited partnership (the “Owner”), attached hereto as Exhibit A (the “HAP Contract”).

To the extent any provisions of this Agreement conflict with any other provisions in the HAP Contract, the provisions of this Agreement shall prevail. Any other terms in the HAP Contract not in conflict with the provisions of this Agreement remain in full force and effect.

The HAP Contract relates to units that have not been constructed as of the date hereof. Therefore, the parties agree as follows:

1. The HAP Contract shall not be executed or become effective until any of the units referenced in the HAP Contract are complete and the Owner certifies to the Contract Administrator and to the U.S. Department of Housing and Urban Development (“HUD”) that:

   a. the units have met all requirements necessary for occupancy, including requirements under 24 CFR part 983 (as amended by the RAD program);
   b. the units meet Housing Quality Standards; and
   c. all necessary certificates of occupancy and other governmental approvals necessary for the occupancy of the units have been received.

2. Upon the satisfaction of the requirements of Paragraph 1 above the Owner and the Contract Administrator shall execute the HAP Contract.

3. The parties hereto acknowledge that certain actions must be completed in order for subsidy to be paid timely pursuant to the HAP Contract; therefore:

   a. The Contract Administrator shall notify the Department of Housing and Urban Development ninety (90) days prior to the expected execution of the HAP Contract so that its Housing Choice Voucher Annual Contributions Contract incorporating the units subject to this HAP Contract as required under RAD can be amended;
   b. The Contract Administrator will provide an application to remove the subject units from the PIH Information Center (PIC) or subsequent applicable database to reflect the conversion of assistance pursuant to RAD of the subject units from the original public housing site known as Jordan Downs. Any residents that will temporarily remain in converted units at the original public housing site known as Jordan Downs following the execution of the HAP
Contract must be placed under a PBV-compliant lease with the Interim Tenancy Addendum attached hereto as Exhibit B; and

c. The Contract Administrator will submit a Form-50058 EOP for every resident at the converting site within fifteen (15) days of HAP Contract execution.

4. The Owner shall not receive any subsidy until the HAP Contract is executed. By way of clarification and not limitation, Paragraph 28 of the HAP Contract is not applicable.

5. It is expected that the HAP Contract execution shall occur by approximately October 1, 2021. If the requirements of paragraph 1 above are not met by April 1, 2022, the parties shall be under no further obligation to enter into the HAP Contract.

6. Nothing herein negates any requirement to comply with the Davis-Bacon Act.

7. This document may be signed in counterparts.

[Signature Page Follows]
OWNER:

JORDAN DOWNS PHASE S3, LP,
a California limited partnership

By: Jordan S3-Michaels LLC,
a California limited liability company
its administrative general partner

By: _______________________________
Milton R. Pratt, Jr.
Vice President

By: La Cienega LOMOD, Inc.,
a California nonprofit public benefit corporation,
its managing general partner

By: _______________________________
Tina Smith-Booth
President
AUTHORITY:

HOUSING AUTHORITY OF THE CITY OF LOS ANGELES
a public body, corporate and politic

By: _______________________________
Douglas Guthrie
President and Chief Executive Officer
To the extent the foregoing relates to HUD consent, HUD acknowledges and agrees to such provisions.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

By: ________________________________
Thomas R. Davis, Director
Office of Recapitalization
EXHIBIT A

HAP Contract

[attached]
1. CONTRACT INFORMATION

a. Parties

This housing assistance payments (HAP) Contract is entered into between:

HOUSING AUTHORITY OF THE CITY OF LOS ANGELES: (Contract Administrator) (CA)\(^2\) and

JORDAN DOWN PHASE S3, LP (owner).

b. Contents of contract

The HAP Contract consists of Part 1, Part 2, and the Contract exhibits listed in paragraph c.

c. Contract exhibits

The HAP Contract includes the following exhibits:

EXHIBIT A: TOTAL NUMBER OF UNITS IN PROJECT COVERED BY THIS HAP CONTRACT; INITIAL RENT TO OWNER; AND THE NUMBER AND DESCRIPTION OF THE CONTRACT UNITS. (See 24 CFR 983.203 for required items.) If applicable as the result of Tenant-Paid Utility Savings in accordance with the provision of the RAD Notice governing such savings for Project Based Voucher Conversions (i.e., Attachment 1C of the RAD Notice), or

---

\(^1\) This form merges HUD 52530A and HUD 52621

\(^2\) In Public Housing to PBV conversions, the Contract Administrator will be the Public Housing Agency that executes the HAP Contract with the Owner and administers the voucher funding under the Consolidated Annual Contributions Contract with HUD.
successor provision, Exhibit A to this HAP Contract shall contain both the initial and revised rent to owner for each contract unit.

EXHIBIT B: SERVICES, MAINTENANCE AND EQUIPMENT TO BE PROVIDED BY THE OWNER WITHOUT CHARGES IN ADDITION TO RENT TO OWNER

EXHIBIT C: UTILITIES AVAILABLE IN THE CONTRACT UNITS, INCLUDING A LISTING OF UTILITIY SERVICES TO BE PAID BY THE OWNER (WITHOUT CHARGES IN ADDITION TO RENT TO OWNER) AND UTILITIES TO BE PAID BY THE TENANTS

EXHIBIT D: FEATURES PROVIDED TO COMPLY WITH PROGRAM ACCESSIBILITY FEATURES OF SECTION 504 OF THE REHABILITATION ACT OF 1973

EXHIBIT E: ADDENDUM TO THE HAP CONTRACT – LABOR STANDARDS

ADDITIONAL EXHIBITS

d. Term of the HAP Contract

1. Beginning of Term

The Contract begins on ___________________.

2. Length of initial term

a. Subject to paragraph 2.b, the initial term of the HAP Contract for any contract unit is 20 years.

b. The initial term of the HAP Contract for any unit may not be less than 15 years, and may be for a term of up to 20 years upon the request of the Owner and with the approval of the CA.

3. Contract Administrator’s Obligation to Offer to Renew and Owner Obligation to Accept Offers to Renew

The CA and the Owner acknowledge and agree upon expiration of the initial term of the HAP Contract, and upon each renewal term of the HAP Contract, the CA shall offer to renew the HAP Contract and the Owner shall accept each offer to renew the HAP Contract, subject to the terms and conditions applicable at the time of each offer, and further subject to the availability of appropriations for each year of each such renewal.
4. **Funding of PBV HAP Contract**

a. **Funding for the Year of Conversion.** In the Year of Conversion, the HAP Contract shall be funded only from public housing amounts obligated prior to the effective date of the HAP Contract, and from any additional public housing amounts that HUD obligates in full or in part, subject to the availability of sufficient appropriated funding, for the remainder of the calendar year in which the HAP Contract becomes effective. Owner acknowledges that this amount for the first year may be less than the contract rent for subsequent years.3

b. **Funding for remainder of the initial term and any renewal term.** Starting in the First Full Year and in each subsequent year in which the HAP Contract is effective, for the remainder of the initial term and any renewal term, subject to the availability of sufficient appropriated funding (budget authority), as provided in appropriations acts and in the CA’s Consolidated Annual Contributions Contract with HUD, the CA will make full payments of housing assistance payments due to an Owner for any contract year in accordance with the HAP Contract. The availability of sufficient funding must be determined by HUD or the CA in accordance with HUD requirements. If it is determined that there may not be sufficient funding to continue housing assistance payments for all contract units and for the full term of the HAP Contract, the CA has the right to terminate the HAP Contract by notice to the Owner for all or any of the Contract units. Such action by the CA shall be implemented in accordance with HUD requirements.

e. **Occupancy and payment**

1. **Payment for occupied unit**

   During the term of the HAP Contract, the CA shall make housing assistance payments to the Owner for the months during which a contract unit is leased to and occupied by an eligible family. If an assisted family moves out of a Contract unit, the Owner may keep the housing assistance payment for the calendar month when the family moves out (“move-out month”). However, the Owner may not keep the payment if the CA determines that the vacancy is the Owner’s fault.

2. **Vacancy payment**

   THE PHA HAS DISCRETION WHETHER TO INCLUDE THE VACANCY PAYMENT PROVISION (PARAGRAPH f.2), OR TO STRIKE THIS PROVISION FROM THE HAP CONTRACT FORM.

---

3 Note that new definitions of First Full Year, HUD requirements and Year of Conversion are added to Section 2 of Part 2 of the HAP Contract.
a. If an assisted family moves out of a Contract unit, the CA may provide vacancy payments to the Owner for a CA-determined vacancy period extending from the beginning of the first calendar month after the move-out month for a period not exceeding two full months following the move-out month.

b. The vacancy payment to the Owner for each month of the maximum two-month period will be determined by the CA, and cannot exceed the monthly rent to Owner under the assisted lease, minus any portion of the rental payment received by the Owner (including amounts available from the tenant’s security deposit). Any vacancy payment may only cover the period the unit remains vacant.

c. The CA may only make vacancy payments to the Owner if:

1. The Owner gives the CA prompt, written notice certifying that the family has vacated the unit and the date when the family moved out (to the best of the Owner’s knowledge and belief);

2. The Owner certifies that the vacancy is not the fault of the Owner and that the unit was vacant during the period for which payment is claimed;

3. The Owner certifies that it has taken every reasonable action to minimize the likelihood and length of vacancy; and

4. The Owner provides any additional information required and requested by the CA to verify that the Owner is entitled to the vacancy payment.

d. The CA must take every reasonable action to minimize the likelihood and length of vacancy.

e. The Owner may refer families to the CA, and recommend selection of such families from the CA waiting list for occupancy of vacant units.

f. The Owner must submit a request for vacancy payments in the form and manner required by the CA and must provide any information or substantiation required by the CA to determine the amount of any vacancy payments.

3. PHA is not responsible for family damage or debt to Owner

Except as provided in this paragraph e (Occupancy and Payment), the CA will not make any other payment to the Owner under the HAP Contract. The CA will not make any payment to Owner for any damages to the unit, or for any other amounts owed by a family under the family’s lease.

f. Non-Applicability of Income Mixing Requirement.
There is no cap on the number of units that may receive PBV assistance in a project.
EXECUTION OF HAP CONTRACT

CONTRACT ADMINISTRATOR:

HOUSING AUTHORITY OF THE CITY OF LOS ANGELES,
a public body, corporate and politic

By: ___________________________
Name: Douglas Guthrie
Its: President and Chief Executive Officer

Date: _______________________________

OWNER:

JORDAN DOWNS PHASE S3, LP,
a California limited partnership

By: Jordan S3-Michaels LLC,
a California limited liability company
its administrative general partner

By: _______________________________
Milton R. Pratt, Jr.
Vice President

By: La Cienega LOMOD, Inc.,
a California nonprofit public benefit corporation,
its managing general partner

By: _______________________________
Tina Smith-Booth
President

Date: _______________________________
U.S. Department of Housing and Urban Development  
Office of Public and Indian Housing  

Rental Assistance Demonstration (RAD)  
for the Conversion of Public Housing to the  
Section 8 Project-Based Voucher (PBV) Program  

PART 2 OF HAP CONTRACT  

2. DEFINITIONS

Contract Administrator (CA). The Public Housing Agency that executes the HAP Contract with the Owner and administers the voucher funding under the Consolidated Annual Contributions Contract with HUD.

Contract units. The housing units covered by this HAP Contract. The contract units are described in Exhibit A.

Family. The persons approved by the CA to reside in a contract unit with assistance under the program.

First Full Year. The first full calendar year of the HAP Contract beginning the year after the calendar year of the effective date. To clarify, in cases in which a project converts in December and the effective date of the HAP Contract is January 1, the Year of Conversion is the calendar year starting on the effective date and the First Full Year begins the year following.

HAP Contract. This housing assistance payments contract between the CA and the owner. The contract consists of Part 1, Part 2, and the contract exhibits (listed in section 1.c of the HAP Contract).

Housing assistance payment. The monthly assistance payment by the CA for a contract unit, which includes: (1) a payment to the Owner for rent to the Owner under the family’s lease minus the tenant rent; and (2) an additional payment to or on behalf of the family if the utility allowance exceeds total tenant payment.

Household. The family and any CA-approved live-in aide.

Housing quality standards (HQS). The HUD minimum quality standards for dwelling units occupied by families receiving project-based voucher program assistance.
HUD. U.S. Department of Housing and Urban Development.

**HUD requirements.** HUD requirements which apply to the project-based voucher program. HUD requirements are issued by HUD headquarters, as regulations, Federal Register notices or other binding program directives. HUD requirements include Notice PIH 2012-32 (HA), “Rental Assistance Demonstration—Final Implementation, Revision 2,” as revised or amended from time to time (or any successor document) (RAD Notice). Any references in this HAP Contract to specific sections of the RAD Notice include any successor provisions whether explicitly stated or not.

**Owner.** Any person or entity who has the legal right to lease or sublease a unit to a participant.

**Premises.** The building or complex in which a contract unit is located, including common areas or grounds.

**Principal or interested party.** This term includes a management agent and other persons or entities participating in project management, and the officers and principal members, shareholders, investors, and other parties having a substantial interest in the HAP Contract, or in any proceeds or benefits arising from the HAP Contract.

**Program.** The project-based voucher program (see authorization for project-based assistance at 42 U.S.C. 1437f(o)(13)).

**PHA.** Public Housing Agency. A public housing agency as defined in the United States Housing Act of 1937 (42 U.S.C. 1437a(b)(6)).

**Rent to Owner.** The total monthly rent payable to the Owner under the lease for a contract unit. Rent to Owner includes payment for any housing services, maintenance and utilities to be provided by the Owner in accordance with the lease. **Tenant.** The person or persons (other than a live-in aide) who executes the lease as a lessee of the dwelling unit.

**Tenant rent.** The portion of the rent to Owner payable by the family, as determined by the CA in accordance with HUD requirements. The CA is not responsible for paying any part of the tenant rent.

**Year of Conversion.** The time from the effective date of the HAP Contract through the end of that calendar year.

### 3. PURPOSE

a. This is a HAP Contract between the CA and the Owner.

b. The purpose of the HAP Contract is to provide housing assistance payments for eligible families who lease contract units that comply with the HUD HQS from the Owner.
c. The CA must make housing assistance payments to the Owner in accordance with the HAP Contract for contract units leased and occupied by eligible families during the HAP Contract term. HUD provides funds to the CA to make housing assistance payments to Owners for eligible families.

4. RENT TO OWNER; HOUSING ASSISTANCE PAYMENTS

a. Amount of initial rent to Owner

The initial rent to Owner for each contract unit is stated in Exhibit A, which is attached to and made a part of the HAP Contract. At the beginning of the HAP contract term, and until rent to Owner is adjusted in accordance with section 5 of the HAP Contract, the rent to Owner for each bedroom size (number of bedrooms) shall be the initial rent to Owner amount listed in Exhibit A.

b. HUD rent requirements

Notwithstanding any other provision of the HAP Contract, the rent to Owner may in no event exceed the amount authorized in accordance with HUD requirements. The CA has the right to reduce the rent to Owner, at any time, to correct any errors in establishing or adjusting the rent to Owner in accordance with HUD requirements. The CA may recover any overpayment from the Owner.

c. CA payment to Owner

1. Each month the CA must make a housing assistance payment to the Owner for a unit under lease to and occupied by an eligible family in accordance with the HAP Contract.

2. The monthly housing assistance payment to the Owner for a contract unit is equal to the amount by which the rent to Owner exceeds the tenant rent.

3. Payment of the tenant rent is the responsibility of the family. The CA is not responsible for paying any part of the tenant rent, or for paying any other claim by the Owner against a family. The CA is only responsible for making housing assistance payments to the Owner on behalf of a family in accordance with the HAP Contract.

4. The Owner will be paid the housing assistance payment under the HAP Contract on or about the first day of the month for which payment is due, unless the Owner and the CA agree on a later date.

5. To receive housing assistance payments in accordance with the HAP contract, the Owner must comply with all the provisions of the HAP contract. Unless the Owner complies with all the provisions of the HAP contract.
Contract, the Owner does not have a right to receive housing assistance payments.

6. If the CA determines that the Owner is not entitled to the payment or any part of it, the CA, in addition to other remedies, may deduct the amount of the overpayment from any amounts due the Owner, including amounts due under any other housing assistance payments contract.

7. The Owner will notify the CA promptly of any change of circumstances that would affect the amount of the monthly housing assistance payment, and will return any payment that does not conform to the changed circumstances.

8. Notwithstanding anything else in this HAP Contract, in the Year of Conversion, any housing assistance payments shall equal amounts funded in accordance with Part 1, Section 1.d.4.a (Funding for the Year of Conversion) of this HAP Contract.

d. Termination of assistance for family

The CA may terminate housing assistance for a family under the HAP Contract in accordance with HUD requirements. The CA must notify the Owner in writing of its decision to terminate housing assistance for the family in such case.

5. ADJUSTMENT OF RENT TO OWNER

a. PHA determination of adjusted rent

1. Subject to section 5.b. of the HAP Contract, at each anniversary date during the term of the HAP Contract, the CA will adjust the rent to Owner by applying HUD's operating cost adjustment factor (OCAF), subject to the availability of appropriations for each year of the HAP Contract term.

2. The adjustment of rent to Owner shall always be determined in accordance with all HUD requirements. The amount of the rent to Owner may be adjusted up or down, in the amount defined by the CA in accordance with HUD requirements.

b. Reasonable rent

The rent to Owner for each contract unit may at no time exceed the reasonable rent charged for comparable units in the private unassisted market, as determined by the CA in accordance with 24 C.F.R. § 983.303. However, the rent to Owner shall not be reduced below the initial rent to Owner for dwelling units under the HAP Contract except in the following cases: (1) to correct errors in calculations in accordance with HUD requirements; (2) if additional housing assistance has been combined with PBV assistance after the execution of the HAP Contract and a rent
decrease is required pursuant to 24 C.F.R. § 983.55; or (3) if a decrease in rent to Owner is required based on changes in the allocation of responsibility for utilities between the Owner and the tenant.

c. **No special adjustments**

The CA will not make any special adjustments of the rent to Owner.

d. **Owner compliance with HAP contract**

The CA shall not approve, and the Owner shall not receive, any increase of rent to Owner unless all contract units are in accordance with the HQS, and the Owner has complied with the terms of the assisted leases and the HAP Contract.

e. **Notice of rent adjustment**

Rent to Owner shall be adjusted by written notice by the CA to the Owner in accordance with this section. Such notice constitutes an amendment of the rents specified in Exhibit A.

6. **OWNER RESPONSIBILITY**

The Owner is responsible for:

a. Performing all management and rental functions for the contract units.

b. Maintaining the units in accordance with HQS.

c. Complying with equal opportunity requirements.

d. Enforcing tenant obligations under the lease.

e. Paying for utilities and housing services (unless paid by the family under the lease).

f. Collecting from the tenant:

1. Any security deposit;

2. The tenant rent; and

3. Any charge for unit damage by the family.

7. **OWNER CERTIFICATION**

The owner certifies that during the term of the HAP Contract:

a. All contract units meet HQS, or successor standard, or will meet HQS no later than the date of completion of the “Work” (including any environmental mitigation
measures) as indicated in the RAD Conversion Commitment (RCC) which will be no later than ______________.

b. The Owner is providing all the services, maintenance and utilities as agreed to under the HAP Contract and the leases with assisted families.

c. Each contract unit for which the Owner is receiving housing assistance payments is leased to an eligible family referred by the CA, and the lease is in accordance with the HAP Contract and HUD requirements.

d. To the best of the Owner’s knowledge, the members of the family reside in each contract unit for which the Owner is receiving housing assistance payments, and the unit is the family’s only residence.

e. The Owner (including a principal or other interested party) is not the parent, child, grandparent, grandchild, sister, or brother of any member of a family residing in a contract unit.

f. The amount of the housing assistance payment is the correct amount due under the HAP Contract.

g. The rent to Owner for each contract unit does not exceed rents charged by the Owner for other comparable unassisted units.

h. Except for the housing assistance payment and the tenant rent as provided under the HAP Contract, the Owner has not received and will not receive any payments or other consideration (from the family, the CA, HUD, or any other public or private source) for rental of the contract unit.

i. The family does not own, or have any interest in the contract unit. If the Owner is a cooperative, the family may be a member of the cooperative.

8. CONDITION OF UNITS

a. Owner maintenance and operation

The Owner must maintain and operate the contract units and premises to provide decent, safe and sanitary housing in accordance with the HQS, including performance of ordinary and extraordinary maintenance. The Owner must provide all the services, maintenance and utilities set forth in Exhibits B and C, and in the lease with each assisted family.

b. PHA inspections

1. The CA must inspect each Contract unit after rehabilitation is completed in accordance with the RCC.
2. Before providing assistance to a new family in a contract unit, the CA must inspect the unit. The CA may not provide assistance on behalf of the family until the unit fully complies with the HQS.

3. At least annually during the term of the HAP Contract, the CA must inspect a random sample, consisting of at least 20 percent of the contract units in each building, to determine if the contract units and the premises are maintained in accordance with the HQS. Turnover inspections pursuant to paragraph 2 of this section are not counted towards meeting this annual inspection requirement.

4. If more than 20 percent of the annual sample of inspected contract units in a building fail the initial inspection, the CA must reinspect 100 percent of the contract units in the building.

5. The CA must inspect contract units whenever needed to determine that the contract units comply with the HQS and that the Owner is providing maintenance, utilities, and other services in accordance with the HAP Contract. The CA must take into account complaints and any other information that comes to its attention in scheduling inspections.

c. Violation of the housing quality standards

1. If the CA determines a contract unit is not in accordance with the HQS, the CA may exercise any of its remedies under the HAP Contract for all or any contract units. Such remedies include termination, suspension or reduction of housing assistance payments, and termination of the HAP Contract.

2. The CA may exercise any such contractual remedy respecting a contract unit even if the family continues to occupy the unit.

3. The CA shall not make any housing assistance for a dwelling unit that fails to meet the HQS, unless the Owner corrects the defect within the period specified by the CA and the CA verifies the correction. If a defect is life threatening, the Owner must correct the defect within no more than 24 hours. For other defects, the owner must correct the defect within no more than 30 calendar days (or any CA-approved extension).

d. Maintenance and replacement—owner’s standard practice

Maintenance and replacement (including redecoration) must be in accordance with the standard practice for the building concerned as established by the Owner.

9. LEASING CONTRACT UNITS
a. Selection of tenants

1. During the term of the HAP Contract, the Owner must lease all Contract units to eligible families selected and referred by the CA from the CA’s waiting list. The waiting list shall be established and maintained in accordance with HUD requirements, including the special PBV waiting list provisions in the RAD Notice (including Section 1.6.D.4 or successor provision).

2. The Owner is responsible for adopting written tenant selection procedures that are consistent with the purpose of improving housing opportunities for very low-income families and reasonably related to program eligibility and an applicant’s ability to perform the lease obligations.

3. Consistent with HUD requirements, the Owner may apply its own admission procedures in determining whether to admit a family referred by the CA for occupancy of a contract unit. The Owner may refer families to the CA, and recommend selection of such families from the CA waiting list for occupancy of vacant units.

4. The Owner must promptly notify in writing any rejected applicant of the grounds for rejection.

5. The CA must determine family eligibility in accordance with HUD requirements.

4. The contract unit leased to each family must be appropriate for the size of the family under the CA’s subsidy standards.

5. If a contract unit was occupied by an eligible family at the time the unit was selected by the CA, or is so occupied on the effective date of the HAP Contract, the Owner must offer the family the opportunity to lease the same or another appropriately-sized contract unit with assistance under the HAP Contract.

6. The Owner is responsible for screening and selecting tenants from the families referred by the CA from its waiting list.

b. Vacancies

1. The Owner must promptly notify the CA of any vacancy in a contract unit. After receiving the Owner notice, the CA shall make every reasonable effort to refer a sufficient number of families for Owner to fill the vacancy.

2. The Owner must rent vacant contract units to eligible families on the CA waiting list referred by the CA.
3. The CA and the Owner must make reasonable good faith efforts to minimize the likelihood and length of any vacancy.

4. If any contract units have been vacant for a period of 120 or more days since Owner notice of vacancy (and notwithstanding the reasonable good faith efforts of the CA to fill such vacancies), the CA may give notice to the Owner amending the HAP Contract to reduce the number of contract units by subtracting the number of contract units (by number of bedrooms) that have been vacant for such period.

10. TENANCY

a. Lease

The lease between the Owner and each assisted family must be in accordance with HUD requirements. In all cases, the lease must include the HUD-required tenancy addendum. The tenancy addendum must include, word-for-word, all provisions required by HUD.

b. Termination of tenancy

1. The Owner may only terminate a tenancy in accordance with the lease and HUD requirements.

2. The Owner must give the CA a copy of any Owner eviction notice to the tenant at the same time that the Owner gives notice to the tenant. Owner eviction notice means a notice to vacate, or a complaint or other initial pleading used to commence an eviction action under State or local law.

3. The Owner shall provide adequate written notice of termination of the lease, which shall be (A) a reasonable period of time, but not to exceed 30 days if the health or safety of other tenants, Owner employees, or persons residing in the immediate vicinity of the premises is threatened; or in the event of any drug-related or violent criminal activity or any felony conviction; (B) Not less than 14 days in the case of nonpayment of rent; and (C) Not less than 30 days in any other case, except that if a State or local law provides for a shorter period of time, such shorter period shall apply.

4. The Owner must renew all tenant leases upon expiration, unless good cause under 24 C.F.R. § 983.257(a) exists for non-renewal of a lease.

c. Family payment

1. The portion of the monthly rent to Owner payable by the family (“tenant rent”) will be determined by the CA in accordance with HUD
requirements. The amount of the tenant rent is subject to change during the term of the HAP Contract. Any changes in the amount of the tenant rent will be effective on the date stated in a notice by the CA to the family and the Owner.

2. The amount of the tenant rent as determined by the CA is the maximum amount the Owner may charge the family for rent of a contract unit, including all housing services, maintenance and utilities to be provided by the Owner in accordance with the HAP Contract and the lease.

3. The Owner may not demand or accept any rent payment from the tenant in excess of the tenant rent as determined by the CA. The Owner must immediately return any excess rent payment to the tenant.

4. The family is not responsible for payment of the portion of the contract rent covered by the housing assistance payment under the HAP Contract. The Owner may not terminate the tenancy of an assisted family for nonpayment of the CA housing assistance payment.

5. The CA is only responsible for making the housing assistance payments to the Owner on behalf of the family in accordance with the HAP Contract. The CA is not responsible for paying the tenant rent, or any other claim by the Owner.

d. Other Owner charges

1. Except as provided in paragraph 2, the Owner may not require the tenant or family members to pay charges for meals or supportive services. Nonpayment of such charges is not grounds for termination of tenancy.

2. In assisted living developments receiving project-based voucher assistance, Owners may charge tenants, family members, or both for meals or supportive services. These charges may not be included in the rent to Owner, nor may the value of meals and supportive services be included in the calculation of reasonable rent. Non-payment of such charges is grounds for termination of the lease by the Owner in an assisted living development.

3. The Owner may not charge the tenant or family members extra amounts for items customarily included in rent in the locality or provided at no additional cost to the unsubsidized tenant in the premises.

e. Security deposit

1. The Owner may collect a security deposit from the family.
2. The Owner must comply with HUD and CA requirements, which may change from time to time, regarding security deposits from a tenant.

3. The CA may prohibit security deposits in excess of private market practice, or in excess of amounts charged by the Owner to unassisted families.

4. When the family moves out of the contract unit, the Owner, subject to State and local law, may use the security deposit, including any interest on the deposit, in accordance with the lease, as reimbursement for any unpaid tenant rent, damages to the unit or other amounts which the family owes under the lease. The Owner must give the family a written list of all items charged against the security deposit and the amount of each item. After deducting the amount used as reimbursement to the Owner, the Owner must promptly refund the full amount of the balance to the family.

5. If the security deposit is not sufficient to cover amounts the family owes under the lease, the Owner may seek to collect the balance from the family. However, the CA has no liability or responsibility for payment of any amount owed by the family to the Owner.

11. FAMILY RIGHT TO MOVE
   a. The family may terminate its lease at any time after the first year of occupancy. The family must give the Owner advance written notice of intent to vacate (with a copy to the CA) in accordance with the lease. If the family has elected to terminate the lease in this manner, the CA must offer the family the opportunity for tenant-based rental assistance in accordance with HUD requirements.

   b. Before providing notice to terminate the lease under paragraph a, the family must first contact the CA to request tenant-based rental assistance if the family wishes to move with continued assistance. If tenant-based rental assistance is not immediately available upon lease termination, the CA shall give the family priority to receive the next available opportunity for tenant-based rental assistance.

12. OVERCROWDED, UNDER-OCCUPIED, AND ACCESSIBLE UNITS

   The CA subsidy standards determine the appropriate unit size for the family size and composition. The CA and Owner must comply with the requirements in 24 CFR 983.259.

13. PROHIBITION OF DISCRIMINATION
   a. The Owner may not refuse to lease contract units to, or otherwise discriminate against any person or family in leasing of a contract unit, because of race, color, religion, sex, national origin, disability, age or familial status.

c. The CA and the Owner must cooperate with HUD in the conducting of compliance reviews and complaint investigations pursuant to all applicable civil rights statutes, Executive Orders, and all related rules and regulations.

14. PHA DEFAULT AND HUD REMEDIES
If HUD determines that the CA has failed to comply with the HAP Contract, or has failed to take appropriate action to HUD’s satisfaction or as directed by HUD, for enforcement of the CA’s rights under the HAP Contract, HUD may assume the CA’s rights and obligations under the HAP Contract, and may perform the obligations and enforce the rights of the CA under the HAP Contract.

15. OWNER DEFAULT AND PHA REMEDIES
a. Owner default

Any of the following is a default by the Owner under the HAP Contract:

1. The Owner has failed to comply with any obligation under the HAP Contract, including the Owner’s obligations to maintain all contract units in accordance with the housing quality standards.

2. The Owner has violated any obligation under any other housing assistance payments contract under Section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f).
3. The Owner has committed any fraud or made any false statement to the CA or HUD in connection with the HAP Contract.

4. The Owner has committed fraud, bribery or any other corrupt or criminal act in connection with any Federal housing assistance program.

5. If the property where the contract units are located is subject to a lien or security interest securing a HUD loan or a mortgage insured by HUD and:
   
   A. The Owner has failed to comply with the regulations for the applicable mortgage insurance or loan program, with the mortgage or mortgage note, or with the regulatory agreement; or
   
   B. The Owner has committed fraud, bribery or any other corrupt or criminal act in connection with the HUD loan or HUD-insured mortgage.

6. The Owner has engaged in any drug-related criminal activity or any violent criminal activity.

b. CA remedies

   1. If the CA determines that a breach has occurred, the CA may exercise any of its rights or remedies under the HAP Contract.
   
   2. The CA must notify the Owner in writing of such determination. The notice by the CA to the Owner may require the Owner to take corrective action (as verified by the CA) by a time prescribed in the notice.
   
   3. The CA’s rights and remedies under the HAP Contract include recovery of overpayments, termination or reduction of housing assistance payments, and termination of the HAP Contract.

   c. CA remedy is not waived

   The CA’s exercise or non-exercise of any remedy for Owner breach of the HAP Contract is not a waiver of the right to exercise that remedy or any other right or remedy at any time.

16. OWNER DUTY TO PROVIDE INFORMATION AND ACCESS REQUIRED BY HUD OR PHA

a. Required information

   The Owner must prepare and furnish any information pertinent to the HAP Contract as may reasonably be required from time to time by the CA or HUD. The Owner shall furnish such information in the form and manner required by the CA or HUD.
b. **PHA and HUD access to premises**

The Owner must permit the PHA or HUD or any of their authorized representatives to have access to the premises during normal business hours and, for the purpose of audit and examination, to have access to any books, documents, papers and records of the Owner to the extent necessary to determine compliance with the HAP Contract, including the verification of information pertinent to the housing assistance payments or the HAP Contract.

17. **CA AND OWNER RELATION TO THIRD PARTIES**
   a. **Injury because of Owner action or failure to act**

   The CA has no responsibility for or liability to any person injured as a result of the Owner’s action or failure to act in connection with the implementation of the HAP Contract, or as a result of any other action or failure to act by the Owner.

   b. **Legal relationship**

   The Owner is not the agent of the CA. The HAP Contract does not create or affect any relationship between the CA and any lender to the Owner or any suppliers, employees, contractors or subcontractors used by the Owner in connection with the implementation of the HAP Contract.

   c. **Exclusion of third party claims**

   Nothing in the HAP Contract shall be construed as creating any right of a family or other third party (other than HUD) to enforce any provision of the HAP Contract, or to assert any claim against HUD, the CA or the Owner under the HAP Contract.

   d. **Exclusion of Owner claims against HUD**

   Nothing in the HAP Contract shall be construed as creating any right of the Owner to assert any claim against HUD.

18. **PHA-OWNED UNITS**

   Notwithstanding Section 17 of the HAP Contract, a CA may own units assisted under the PBV program, subject to the special requirements in 24 CFR 983.59 regarding PHA-owned units and all other HUD requirements governing PHA ownership of PBV units.

19. **CONFLICT OF INTEREST**
   a. **Interest of members, officers, or employees of CA, members of local governing body, or other public officials**
1. No present or former member or officer of the CA (except tenant-commissioners), no employee of the CA who formulates policy or influences decisions with respect to the housing choice voucher program or project-based voucher program, and no public official or member of a governing body or State or local legislator who exercises functions or responsibilities with respect to these programs, shall have any direct or indirect interest, during his or her tenure or for one year thereafter, or in the HAP Contract.

2. HUD may waive this provision for good cause.

b. Disclosure

The Owner has disclosed to the CA any interest that would be a violation of the HAP Contract. The Owner must fully and promptly update such disclosures.

c. Interest of member of or delegate to Congress

No member of or delegate to the Congress of the United States of America or resident-commissioner shall be admitted to any share or part of this HAP Contract or to any benefits arising from the contract.

20. EXCLUSION FROM FEDERAL PROGRAMS

a. Federal requirements

The Owner must comply with and is subject to requirements of 2 CFR part 2424.

b. Disclosure

The Owner certifies that:

1. The Owner has disclosed to the CA the identity of the Owner and any principal or interested party.

2. Neither the Owner nor any principal or interested party is listed on the U.S. General Services Administration list of parties excluded from Federal procurement and nonprocurement programs; and none of such parties are debarred, suspended, subject to a limited denial of participation or otherwise excluded under 2 CFR part 2424.

21. TRANSFER OF THE CONTRACT OR PROPERTY

a. When consent is required

1. The Owner and the CA agree that neither the HAP Contract nor the premises may be transferred without the written consent of CA and HUD.
2. “Transfer” includes:
   
   A. Any sale or assignment or other transfer of ownership, in any form, of the HAP Contract or the property;
   
   B. The transfer of any right to receive housing assistance payments that may be payable pursuant to the HAP Contract;
   
   C. The creation of a security interest in the HAP Contract or the property:
   
   D. Foreclosure or other execution on a security interest;
   
   E. A creditor’s lien, or transfer in bankruptcy; or
   
   F. Any refinancing or restructuring of permanent debt imposing liens on the property by the Owner of the project, except to such extent permitted pursuant to that certain Rental Assistance Demonstration Use Agreement entered into in connection with the premises.

3. Owner, CA and HUD hereby agree that:
   
   A. CA and HUD hereby consent to any transfer of a passive or non-controlling interest in the Owner entity, including (by way of illustration and not of limitation, such transfers include transfers of the interests of limited partners in a limited partnership, transfers of the interests of members other than managing members or managers in a limited liability company, and transfers of interests in a corporation that cumulatively represent less than half the beneficial interest in the HAP Contract or the premises).
   
   B. The Owner must obtain advance consent of CA and HUD for transfer of any interest of a general partner of a limited partnership or for the transfer, elimination or addition of a manager or managing member of a limited liability company. If such assignment is made in connection with any HUD-approved financing for the premises, including without limitation low-income housing tax credits, subject to the provisions of Section 37 of this HAP Contract, HUD and CA hereby consent to: an assignment by a general partner of a limited partnership Owner to a limited partner; and an assignment by the managing member of a limited liability company Owner to another member of Owner.
   
   C. Limited CA and HUD consent to collateral assignments of the HAP Contract to lenders is provided in Section 36 of this HAP Contract.

b. Transferee assumption of HAP Contract

No transferee (including the holder of a security interest, the security holder’s transferee or successor in interest, or the transferee upon exercise of a security interest) shall have any right to receive any payment of housing assistance
payments pursuant to the HAP Contract, or to exercise any rights or remedies under the HAP Contract, unless the CA and HUD has consented in advance, in writing to such transfer, and the transferee has agreed in writing, in a form acceptable to the CA and HUD in accordance with HUD requirements, to assume the obligations of the Owner under the HAP Contract, and to comply with all the terms of the HAP Contract.

c. **Effect of consent to transfer**

1. The creation or transfer of any security interest in the HAP Contract is limited to amounts payable under the HAP Contract in accordance with the terms of the HAP Contract.

2. The CA and HUD’s consent to transfer of the HAP Contract or the property does not to change the terms of the HAP Contract in any way, and does not change the rights or obligations of the PHA or the Owner under the HAP Contract.

3. The CA and HUD’s consent to transfer of the HAP Contract or the property to any transferee does not constitute consent to any further transfers of the HAP Contract or the property, including further transfers to any successors or assigns of an approved transferee.

d. **When transfer is prohibited**

The CA and HUD will not consent to the transfer if any transferee, or any principal or interested party is debarred, suspended subject to a limited denial of participation, or otherwise excluded under 2 CFR part 2424, or is listed on the U.S. General Services Administration list of parties excluded from Federal procurement or nonprocurement programs.

22. **SUBSIDY LAYERING**

a. **Owner disclosure**

The Owner must disclose to the PHA, in accordance with HUD requirements, information regarding any related assistance from the Federal Government, a State, or a unit of general local government, or any agency or instrumentality thereof, that is made available or is expected to be made available with respect to the contract units. Such related assistance includes, but is not limited to, any loan, grant, guarantee, insurance, payment, rebate, subsidy, credit, tax benefit, or any other form of direct or indirect assistance.

b. **Limit of payments**

Housing assistance payments under the HAP Contract must not be more than is necessary, as determined in accordance with HUD requirements, to provide
affordable housing after taking account of such related assistance. The CA will adjust in accordance with HUD requirements the amount of the housing assistance payments to the Owner to compensate in whole or in part for such related assistance.

23. OWNER LOBBYING CERTIFICATIONS
   a. The Owner certifies, to the best of Owner’s knowledge and belief, that:

      1. No Federally appropriated funds have been paid or will be paid, by or on behalf of the Owner, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of the HAP Contract, or the extension, continuation, renewal, amendment, or modification of the HAP Contract.

      2. If any funds other than Federally appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the HAP Contract, the Owner must complete and submit Standard Form-LLL, “Disclosure Form to Report Lobbying,” in accordance with its instructions.

   b. This certification by the Owner is a prerequisite for making or entering into this transaction imposed by 31 U.S.C. 1352.

24. Intentionally Omitted.

25. TERMINATION OF HAP CONTRACT FOR WRONGFUL SELECTION OF CONTRACT UNITS

   The HAP Contract may be terminated upon at least 30 days’ notice to the Owner by the CA or HUD if the CA or HUD determines that the contract units were not eligible for selection in conformity with HUD requirements.

26. NOTICES AND OWNER CERTIFICATIONS
   a. Where the Owner is required to give any notice to the CA pursuant to the HAP Contract or any other provision of law, such notice must be in writing and must be given in the form and manner required by the CA.

   b. Any certification or warranty by the Owner pursuant to the HAP Contract shall be deemed a material representation of fact upon which reliance was placed when this transaction was made or entered into.
27. ENTIRE AGREEMENT; INTERPRETATION

a. The HAP Contract, including the exhibits, is the entire agreement between the CA and the Owner.

b. The HAP Contract must be interpreted and implemented in accordance with all statutory requirements, and with all HUD requirements, including amendments or changes in HUD requirements during the term of the HAP Contract. The Owner agrees to comply with all such laws and HUD requirements.

28. RAD REHAB ASSISTANCE PAYMENTS

For any unit (1) that is vacant during the period of Work pursuant to the RCC; and (2) for which the Owner is not otherwise receiving housing assistance payments in accordance with section 4(c) of this HAP Contract; the Owner is entitled to receive a monthly RAD Rehab Assistance Payment calculated in accordance with the provision of the RAD Notice governing RAD Rehab Assistance Payments (i.e., Notice PIH 2012-32 (HA), REV-2, section 1.7.A.9. or successor provision), in the amount of $___ per unit, as determined by HUD; shall apply to no more than _______ units in any given month; and shall commence upon the effective date of this HAP Contract, so long as the Owner is in compliance with the approved repair schedule as provided in the RCC. All RAD Rehab Assistance Payments shall end, and the Owner will cease to be entitled to any such payments, (1) on __________ ; or (2) upon actual completion of the Work, if sooner. Provided, however, during the Year of Conversion (as defined in Section 2), any RAD Rehab Assistance Payments shall not exceed amounts funded pursuant to Section 1.d.4(a).

29. CA BOARD APPROVAL

The CA’s Board must approve the operating budget for the covered project annually in accordance with HUD requirements.

30. PROPERTY AND LIABILITY INSURANCE

The Owner agrees that the project shall be covered at all times by commercially available property and liability insurance to protect the project from financial loss. To the extent insurance proceeds permit, or as determined feasible by the first mortgage lender, the Owner agrees to promptly restore, reconstruct, and/or repair any damaged or destroyed property of a project, except with the written approval of HUD to the contrary.

31. RESIDENT PROCEDURAL RIGHTS’ GRIEVANCE PROCESS

The Owner and the CA must comply with the grievance process requirements in the RAD Notice (including section 1.6.C.7.ii. or successor provision) for projects converting to PBV assistance.
32. **RESIDENT PARTICIPATION AND FUNDING**

In accordance with Attachment 1B.2.B. of the RAD Notice, captioned “PBV Resident Participation and Funding,” families in projects that convert to PBV assistance have the right to establish and operate resident organizations for the purpose of addressing issues related to their living environment. The Attachment details all of the requirements governing Resident Participation and Funding, with which the Owner must comply.

33. **FLOOD INSURANCE**

If the project is located in an area that has been identified by the Federal Emergency Management Agency as an area having special flood hazards and if the sale of flood insurance has been made available under the National Flood Insurance Program, the Owner agrees that: (1) the project will be covered, during the life of the property, by flood insurance in an amount at least equal to its development or project cost (less estimated land cost) or to the limit of coverage made available with respect to the particular type of property under the National Flood Insurance Act of 1968, whichever is less; and (2) that it will advise any prospective purchaser or transferee of the property in writing of the continuing requirement to maintain such flood insurance during the life of the property.

34. **REPLACEMENT RESERVE REQUIREMENT**

The Owner shall establish and maintain a replacement reserve in accordance with the RCC.

35. **LABOR STANDARDS**

By execution of this HAP Contract, the Owner warrants that construction or repair Work on the project that is initiated within eighteen (18) months of the effective date of the HAP Contract shall be in compliance with applicable labor standards, including Davis-Bacon wage requirements, as stated in the “Addendum to the HAP Contract—Labor Standards.” The “Addendum to the HAP Contract—Labor Standards” shall be included as an “Additional Exhibit” under Part 1, Section 1.c. of the HAP Contract.

36. **LENDER PROVISIONS**

Notwithstanding anything else in this HAP Contract:

a. The holder of any HUD-approved mortgage against the project may take action against the Owner and the project that results in the holder of the mortgage or its designee (either referred to herein as “Lender Temporary Custodian”) coming into ownership of the project or assuming the role of “Owner” under this HAP Contract. Transfer of the project or the HAP Contract from the Owner is grounds for termination of the HAP Contract assistance unless otherwise approved by HUD.
HUD and CA hereby consent to a collateral assignment of this contract to any Lender Temporary Custodian and pre-approve any Lender Temporary Custodian as a temporary custodian of the project and as a new “Owner” pursuant to this HAP Contract, and continued assistance to the project pursuant to this HAP Contract, subject to the following conditions:

1. HUD and CA must receive thirty (30) days prior written notice of the transfer of the project to the Lender Temporary Custodian and the form of the documents necessary to effect such transfer.

2. In connection with the transfer, Lender Temporary Custodian must execute and deliver to HUD and CA an assumption on the HAP Contract, in such form as acceptable to HUD.

3. Such approval and consent to continue assistance pursuant to this HAP Contract is expressly limited to a period of only 90 days that commences the date of such transfer of the project, provided that HUD in its sole discretion may extend such 90-day period by an additional 30 days, or for so long as HUD deems reasonably necessary for Lender to find a permanent replacement Owner. Consistent with Public Law 112-55, in the event that the Lender Temporary Custodian comes into ownership of the project, the Lender Temporary Custodian shall use such interim period to identify a proposed permanent Owner determined by HUD to be capable of abiding by the HAP Contract, Use Agreement, and any and all applicable RAD program requirements. The provision of housing assistance payments to any proposed permanent replacement Owner is subject to HUD’s consent.

4. Prior to a transfer of the project to a Lender Temporary Custodian, HUD may at any time by written notice to a Lender Temporary Custodian revoke the approvals given herein if HUD becomes aware of any conditions or circumstances (by way of illustration and not limitation, such conditions or circumstances may include debarment, suspension or limited denial of participation) that would disqualify or compromise the ability of Lender Temporary Custodian from acting as an interim custodian of the project pursuant to the HAP Contract.

37. LOW-INCOME HOUSING TAX CREDIT PROVISIONS

Notwithstanding anything else in this HAP Contract:

a. Notice. As long as the equity investor identified below (“Equity Investor”) is a partner or member of Owner, HUD shall endeavor as a courtesy to Equity Investor to deliver to Equity Investor a copy of any notice of default that is delivered to Owner under the terms of the HAP Contract. Use Agreement or RAD Conversion Commitment (RCC). Equity Investor’s Address for such purposes is:
b. **Right to Cure.** Any cure of any default by Owner under the HAP Contract, Agreement or RCC offered by Equity Investor shall be treated the same as if offered by Owner.

c. **Transfer of Investor Members/Partners.** Equity Investor, and each successor member or partner in Owner, may transfer its interest in the Owner without prior written consent of HUD if:

1. HUD receives prior written notice of such transfer; and

2. HUD receives executed copies of any and all documents necessary to effect such transfer, including any and all amendments to Owner’s organizational documents.

d. **Removal of General Partner/Managing Member**

1. HUD and CA have pre-approved the replacement of the Owner’s general partner or managing member with an affiliate of Equity Investor, or any successor equity investor (“Interim Replacement GP/MM”) as a temporary replacement general partner/managing member of the Owner, in the event Owner’s general partner or managing member is removed for cause in accordance with Owner’s organizational documents.

2. Interim Replacement GP/MM may remove Owner’s general partner or managing member in accordance with the Owner’s organizational documents without further written consent from HUD or CA and HUD and CA shall continue assistance to the project in accordance with the HAP Contract, provided that Interim Replacement GP/MM provide HUD and CA with prior written notice of such replacement and HUD and CA receive executed copies of any and all documents necessary to effect such replacement.

3. Such approval of such Interim Replacement GP/MM is expressly limited to a period of only 90 days that commences the date of such removal, provided that HUD in its sole discretion may extend such 90-day period by an additional 30 days, or for so long as HUD deems reasonably necessary to provide for a permanent replacement of the general partner or managing member. After such interim period, any proposed permanent replacement for the Owner’s general partner or managing member is subject to HUD’s consent.
4. HUD may at any time by written notice to Equity Investor or any successor revoke the approvals given herein if HUD becomes aware of any conditions or circumstances that would disqualify or compromise the ability of Interim Replacement GP/MM from acting as an interim general partner/managing member pursuant to this HAP Contract.

38. CONTINUATION OF HAP CONTRACT

Except where otherwise approved by HUD, this HAP Contract shall continue in effect and housing assistance payments will continue in accordance with the terms of the HAP Contract in the event: (1) Of assignment, sale, or other disposition of this HAP Contract; (2) Of foreclosure, including foreclosure by HUD; (3) Of assignment of the mortgage or deed in lieu of foreclosure; (4) HUD or the CA takes over possession, operation or ownership; or (5) The Owner prepays the mortgage.

39. ALTERNATIVE REQUIREMENTS

a. Owner Proposal Selection Procedures. Projects will be selected for assistance in accordance with the provisions in the RAD Notice. Therefore, 24 C.F.R. § 983.51 does not apply.

b. Percentage Limitation. Section 8(o)(13)(B) of the 1937 Act and 24 C.F.R. § 983.6 do not apply to assistance provided under RAD.

c. Consistency with PHA Plan and Other Goals. Section 8(o)(13)(ii) of the 1937 Act and 24 C.F.R. §§ 983.57(b)(1) and (c) do not apply.

Signatures:
Contract Administrator

Owner

HOUSING AUTHORITY OF THE CITY OF LOS ANGELES,
a public body, corporate and politic

By: ________________________________
Name: Douglas Guthrie
Its: President and Chief Executive Officer

Date: ______________________________

JORDAN DOWNS PHASE S3, LP,
a California limited partnership

By: Jordan S3-Michaels LLC,
a California limited liability company
its administrative general partner

By: ________________________________
Milton R. Pratt, Jr.
Vice President

By: La Cienega LOMOD, Inc.,
a California nonprofit public benefit corporation,
its managing general partner

By: ________________________________
Tina Smith-Booth
President

HUD 52530A (04/2015) and HUD 52621 (4/2017)
EXHIBIT A
IDENTIFICATION OF UNITS BY SIZE AND INITIAL CONTRACT RENTS

- Project name: **Jordan Downs Phase S3**
- The project’s street address is: 2101 East 101st Street
  Los Angeles, CA 90002
- Description of contract units: 92 of the units as depicted in plans and specifications on file with the Owner.
- Total number of units covered by this Agreement: **25**
- Number of contract units by area and other contract rent information:

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<th>Proposed Rents</th>
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<td>4 Bedroom</td>
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EXHIBIT B
SERVICES, MAINTENANCE AND EQUIPMENT PROVIDED BY THE OWNER

Maintenance and Repairs.

Owner shall:

1. cause the development to be maintained in a decent, safe, and sanitary condition and in a rentable and tenantable state of repair, all in accordance with public housing and Project Based Voucher requirements and the Rental Assistance Demonstration requirements;

2. comply with requirements of applicable building codes, housing codes, and federal regulations materially affecting health and safety;

3. keep all building, facilities and common areas, not otherwise assigned to tenants for maintenance and upkeep, in a clean and safe condition;

4. maintain in good and safe working order and condition electrical, plumbing, sanitary, heating, ventilating and other facilities and appliances supplied or required to be supplied by Owner; and

5. provide and maintain appropriate receptacles and facilities (except containers for exclusive use by an individual tenant household) for the deposit of garbage, rubbish and other waste removed from the dwelling unit by the tenant.

Services, maintenance, and equipment paid by owner

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<td>Laundry Facilities</td>
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EXHIBIT C

UTILITIES AND SERVICES

Project name: Jordan Downs Phase S3

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EXHIBIT D

Jordan Downs Phase S3 includes 3 Project-Based Voucher Units designed for the mobility-impaired, and an additional 1 units designed for hearing or sight impaired in accordance with the requirements of 24 CFR 8.22 and Section 504 of the Rehabilitation Act of 1973.
EXHIBIT B

INTERIM TENANCY ADDENDUM TO TENANT LEASE

Jordan Downs Phase S3

This Interim Tenancy Addendum to the Resident’s Lease with Landlord (“Addendum”) is made a part of the lease between JORDAN DOWNS S3, LP, a California limited partnership (the “Landlord”) and the individual(s) referenced as Resident or Tenant (hereinafter collectively referred to as “Resident”) Section [____] of the [Title of Tenant Lease] (the “Lease”) and accepted by the HOUSING AUTHORITY OF THE CITY OF LOS ANGELES, a public body, corporate and politic organized and existing under the laws of the State of California (“PHA” or “Interim Landlord”). Landlord, Resident and Interim Landlord understand and agree as follows:

1. **Unavailability of RAD Project.** The property known or to be known as Jordan Downs Phase S3 (the “RAD Project”) is undergoing development which will involve the substantial rehabilitation and/or new construction of the unit leased to the Resident pursuant to the Lease (the “RAD Unit”). It is anticipated that the RAD Unit shall be available for occupancy by Resident approximately on [______________].

2. **Interim Tenancy.** Pending completion of the RAD Unit and the RAD Project, and Resident’s move to the RAD Unit, Resident shall occupy the unit (the “Temporary Unit”) located at _________________ (“Interim Tenancy”). During such Interim Tenancy, Interim Landlord shall be deemed the Landlord under the Lease and shall administer the Lease with all rights and responsibilities as Landlord thereunder.

3. **Housing Assistance Payments.** In consideration for Interim Landlord providing Resident with the Temporary Unit during the Landlord’s preparation of the RAD Unit for occupancy, the Landlord shall pay over to the Interim Landlord any payments actually received relating to the RAD Unit pursuant to the Housing Assistance Payment Contract approved by the U.S. Department of Housing and Urban Development (“HUD”) entered into in connection with the RAD Project (“HAP Contract”). Landlord and Interim Landlord hereby stipulate that they have reviewed such HAP Contract and that such anticipated payments, when added to the rent actually received from Resident, are necessary and sufficient to pay all costs and expenses attributable to or incurred in connection with the leasing, maintenance, management and occupancy of the Temporary Unit.

4. **HAP Contract terms.** In addition to abiding by and administering the terms of the Lease during the Interim Tenancy, Interim Landlord agrees to abide by the requirements of the HAP Contract. In the event any federal, state or local requirement requires Landlord to make any certification with respect to the Temporary Unit, if requested by Landlord, Interim Landlord will make such certification directly with full responsibility for the contents thereof (except for any statement relating specifically to the status of Landlord). Interim Landlord shall, at its own cost and expense, comply with all applicable reporting
requirements and obligations with respect to the Temporary Unit for which it is responsible. At the request of Landlord, Interim Landlord shall provide a copy of such reports to Landlord at least ten (10) days in advance of the submission thereof to the extent practicable. Landlord shall have access at all times to the tenant files for the Temporary Unit, with respect to matters pertaining to occupancy during the term of this Addendum.

5. **Recognition and Attornment.** During the Interim Tenancy, Landlord, Interim Landlord and Resident agree that the Lease shall be deemed to be a lease between Interim Landlord and Resident as the Landlord and Resident thereunder, respectively. Interim Landlord recognizes Resident as its Resident under the Lease on the terms and conditions contained therein and agrees to abide by and perform the terms and conditions of the Lease as the Landlord thereunder except as may be otherwise expressly set forth herein. Resident attorns to and recognizes Interim Landlord as its Landlord under the Lease and assumes and agrees to abide by and perform the terms and conditions of the Lease as the Resident thereunder, including, but not limited to, the payment of rent required by the Lease.

6. **Full Force and Effect.** During the Interim Tenancy, the terms, covenants and conditions of the Lease, except as otherwise expressly modified by this Addendum, shall be deemed to be in full force and effect and a binding agreement between Landlord, Interim Landlord and Resident.

7. **Indemnification.** During the Interim Tenancy, the Landlord shall have no responsibilities as Landlord under the Lease. The Landlord shall be indemnified by the Interim Landlord, and shall have no liability to the Interim Landlord for any loss suffered by the Interim Landlord, for any losses, judgments, liabilities, expenses and amounts paid in settlement of any claims sustained by the Landlord during the Interim Tenancy (and not arising at any other time), provided that the matters for which the Landlord is seeking indemnification were not the result of or otherwise did not directly or indirectly arise out of or in connection with any negligence or misconduct on the part of the Landlord or any affiliate thereof. Furthermore, without limiting the foregoing, the Landlord shall not be indemnified for any such losses, judgments, liabilities, expenses or settlement amounts unless and until (1) the Landlord becomes subject to a final and non-appealable order, judgment or ruling by a court of competent jurisdiction with respect to all matters with respect to which indemnification is being sought, (2) all such claims have been dismissed with prejudice on the merits by a court of competent jurisdiction in favor of the Landlord, or (3) a court of competent jurisdiction approves a settlement with respect to the Landlord fully covering all matters with respect to which indemnification is being sought. Only non-federal funds shall be available to Interim Landlord to satisfy the indemnification obligations hereunder.

8. **Notice of Move to RAD Unit.** The Interim Landlord shall provide Resident with at least thirty (30) days prior written notice of the anticipated date for moving from the Interim Unit to the RAD Unit. Upon such notice, Resident agrees to relocate to the RAD Unit and acknowledges that failure to move in the time specified may be considered a violation of the Lease. Upon Resident's move to the RAD Unit, the Interim Landlord’s obligations hereunder shall cease and this addendum shall be of no further force or effect.
9. **Packing and Moving Assistance.** If Resident prefers to pack his or her own personal possessions and items of value, the Interim Landlord will provide him or her with packing boxes and tape for the move. If Resident needs assistance in packing, he or she should contact the Interim Landlord for assistance.

10. **Utility Costs.** The Interim Landlord is responsible for covering the expenses related to disconnecting and reconnecting necessary utilities. If Resident has telephone, cable service or Internet access, the Interim Landlord is responsible for covering the expenses involved in transferring existing service to the RAD Unit from the Temporary Unit. The Interim Landlord may also pay utility deposits, if required, at the Temporary Unit.

[Signatures Follow on Next Pages]
IN WITNESS WHEREOF, the parties hereto have executed this Interim Tenancy Addendum to Lease effective as of ______________.

RESIDENT:

By: _______________________________
Name: _______________________________

LANDLORD:

JORDAN DOWNS PHASE S3, LP,
a California limited partnership

By: Jordan S3-Michaels LLC,
a California limited liability company
its administrative general partner

By: Milton R. Pratt, Jr.
Vice President

By: La Cienega LOMOD, Inc.,
a California nonprofit public benefit corporation,
its managing general partner

By: Tina Smith-Booth
President

INTERIM LANDLORD:

HOUSING AUTHORITY OF THE CITY OF LOS ANGELES, a public body, corporate and politic

By: Douglas Guthrie
President and Chief Executive Officer
TAB 3

RAD PBV HAP Contract
U.S. Department of Housing and Urban Development  
Office of Public and Indian Housing  

Rental Assistance Demonstration (RAD)  
for the Conversion of Public Housing to the  
Section 8 Project-Based Voucher (PBV) Program1  

PART 1 OF HAP CONTRACT

1. **CONTRACT INFORMATION**

a. **Parties**

This housing assistance payments (HAP) Contract is entered into between:

HOUSING AUTHORITY OF THE CITY OF LOS ANGELE:  
(Contract Administrator) (CA)2 and

JORDAN DOWNS PHASE S3, LP  
(owner).

b. **Contents of contract**

The HAP Contract consists of Part 1, Part 2, and the Contract exhibits listed in paragraph c.

c. **Contract exhibits**

The HAP Contract includes the following exhibits:

EXHIBIT A: TOTAL NUMBER OF UNITS IN PROJECT COVERED BY THIS HAP CONTRACT; INITIAL RENT TO OWNER; AND THE NUMBER AND DESCRIPTION OF THE CONTRACT UNITS.  
(See 24 CFR 983.203 for required items.) If applicable as the result of Tenant-Paid Utility Savings in accordance with the provision of the RAD Notice governing such savings for Project Based Voucher Conversions (i.e., Attachment 1C of the RAD Notice), or

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1 This form merges HUD 52530A and HUD 52621  
2 In Public Housing to PBV conversions, the Contract Administrator will be the Public Housing Agency that executes the HAP Contract with the Owner and administers the voucher funding under the Consolidated Annual Contributions Contract with HUD.
successor provision, Exhibit A to this HAP Contract shall contain both the initial and revised rent to owner for each contract unit.

EXHIBIT B: SERVICES, MAINTENANCE AND EQUIPMENT TO BE PROVIDED BY THE OWNER WITHOUT CHARGES IN ADDITION TO RENT TO OWNER

EXHIBIT C: UTILITIES AVAILABLE IN THE CONTRACT UNITS, INCLUDING A LISTING OF UTILITIY SERVICES TO BE PAID BY THE OWNER (WITHOUT CHARGES IN ADDITION TO RENT TO OWNER) AND UTILITIES TO BE PAID BY THE TENANTS

EXHIBIT D: FEATURES PROVIDED TO COMPLY WITH PROGRAM ACCESSIBILITY FEATURES OF SECTION 504 OF THE REHABILITATION ACT OF 1973

EXHIBIT E: ADDENDUM TO THE HAP CONTRACT – LABOR STANDARDS

ADDITIONAL EXHIBITS

d. Term of the HAP Contract

1. Beginning of Term

   The Contract begins on _________________.

2. Length of initial term

   a. Subject to paragraph 2.b, the initial term of the HAP Contract for any contract unit is __20 years__.

   b. The initial term of the HAP Contract for any unit may not be less than 15 years, and may be for a term of up to 20 years upon the request of the Owner and with the approval of the CA.

3. Contract Administrator’s Obligation to Offer to Renew and Owner Obligation to Accept Offers to Renew

   The CA and the Owner acknowledge and agree upon expiration of the initial term of the HAP Contract, and upon each renewal term of the HAP Contract, the CA shall offer to renew the HAP Contract and the Owner shall accept each offer to renew the HAP Contract, subject to the terms and conditions applicable at the time of each offer, and further subject to the availability of appropriations for each year of each such renewal.
4. Funding of PBV HAP Contract

a. Funding for the Year of Conversion. In the Year of Conversion, the HAP Contract shall be funded only from public housing amounts obligated prior to the effective date of the HAP Contract, and from any additional public housing amounts that HUD obligates in full or in part, subject to the availability of sufficient appropriated funding, for the remainder of the calendar year in which the HAP Contract becomes effective. Owner acknowledges that this amount for the first year may be less than the contract rent for subsequent years.³

b. Funding for remainder of the initial term and any renewal term. Starting in the First Full Year and in each subsequent year in which the HAP Contract is effective, for the remainder of the initial term and any renewal term, subject to the availability of sufficient appropriated funding (budget authority), as provided in appropriations acts and in the CA’s Consolidated Annual Contributions Contract with HUD, the CA will make full payments of housing assistance payments due to an Owner for any contract year in accordance with the HAP Contract. The availability of sufficient funding must be determined by HUD or the CA in accordance with HUD requirements. If it is determined that there may not be sufficient funding to continue housing assistance payments for all contract units and for the full term of the HAP Contract, the CA has the right to terminate the HAP Contract by notice to the Owner for all or any of the Contract units. Such action by the CA shall be implemented in accordance with HUD requirements.

e. Occupancy and payment

1. Payment for occupied unit

During the term of the HAP Contract, the CA shall make housing assistance payments to the Owner for the months during which a contract unit is leased to and occupied by an eligible family. If an assisted family moves out of a Contract unit, the Owner may keep the housing assistance payment for the calendar month when the family moves out (“move-out month”). However, the Owner may not keep the payment if the CA determines that the vacancy is the Owner’s fault.

2. Vacancy payment

THE PHA HAS DISCRETION WHETHER TO INCLUDE THE VACANCY PAYMENT PROVISION (PARAGRAPH f.2), OR TO STRIKE THIS PROVISION FROM THE HAP CONTRACT FORM.

³ Note that new definitions of First Full Year, HUD requirements and Year of Conversion are added to Section 2 of Part 2 of the HAP Contract.
a. If an assisted family moves out of a Contract unit, the CA may provide vacancy payments to the Owner for a CA-determined vacancy period extending from the beginning of the first calendar month after the move-out month for a period not exceeding two full months following the move-out month.

b. The vacancy payment to the Owner for each month of the maximum two-month period will be determined by the CA, and cannot exceed the monthly rent to Owner under the assisted lease, minus any portion of the rental payment received by the Owner (including amounts available from the tenant’s security deposit). Any vacancy payment may only cover the period the unit remains vacant.

c. The CA may only make vacancy payments to the Owner if:
   1. The Owner gives the CA prompt, written notice certifying that the family has vacated the unit and the date when the family moved out (to the best of the Owner’s knowledge and belief);
   2. The Owner certifies that the vacancy is not the fault of the Owner and that the unit was vacant during the period for which payment is claimed;
   3. The Owner certifies that it has taken every reasonable action to minimize the likelihood and length of vacancy; and
   4. The Owner provides any additional information required and requested by the CA to verify that the Owner is entitled to the vacancy payment.

d. The CA must take every reasonable action to minimize the likelihood and length of vacancy.

e. The Owner may refer families to the CA, and recommend selection of such families from the CA waiting list for occupancy of vacant units.

f. The Owner must submit a request for vacancy payments in the form and manner required by the CA and must provide any information or substantiation required by the CA to determine the amount of any vacancy payments.

3. **PHA is not responsible for family damage or debt to Owner**

   Except as provided in this paragraph e (Occupancy and Payment), the CA will not make any other payment to the Owner under the HAP Contract. The CA will not make any payment to Owner for any damages to the unit, or for any other amounts owed by a family under the family's lease.

**f. Non-Applicability of Income Mixing Requirement.**
There is no cap on the number of units that may receive PBV assistance in a project.
EXECUTION OF HAP CONTRACT

CONTRACT ADMINISTRATOR:

HOUSING AUTHORITY OF THE CITY OF LOS ANGELES,
a public body, corporate and politic

By: ___________________________
Name: Douglas Guthrie
Its: President and Chief Executive Officer

Date: __________________________

OWNER:

JORDAN DOWNS PHASE S3, LP,
a California limited partnership

By: Jordan S3-Michaels LLC,
a California limited liability company
its administrative general partner

By: ___________________________
Milton R. Pratt, Jr.
Vice President

By: La Cienega LOMOD, Inc.,
a California nonprofit public benefit corporation,
its managing general partner

By: ___________________________
Tina Smith-Booth
President

Date: __________________________
2. DEFINITIONS

**Contract Administrator (CA).** The Public Housing Agency that executes the HAP Contract with the Owner and administers the voucher funding under the Consolidated Annual Contributions Contract with HUD.

**Contract units.** The housing units covered by this HAP Contract. The contract units are described in Exhibit A.

**Family.** The persons approved by the CA to reside in a contract unit with assistance under the program.

**First Full Year.** The first full calendar year of the HAP Contract beginning the year after the calendar year of the effective date. To clarify, in cases in which a project converts in December and the effective date of the HAP Contract is January 1, the Year of Conversion is the calendar year starting on the effective date and the First Full Year begins the year following.

**HAP Contract.** This housing assistance payments contract between the CA and the owner. The contract consists of Part 1, Part 2, and the contract exhibits (listed in section 1.c of the HAP Contract).

**Housing assistance payment.** The monthly assistance payment by the CA for a contract unit, which includes: (1) a payment to the Owner for rent to the Owner under the family’s lease minus the tenant rent; and (2) an additional payment to or on behalf of the family if the utility allowance exceeds total tenant payment.

**Household.** The family and any CA-approved live-in aide.

**Housing quality standards (HQS).** The HUD minimum quality standards for dwelling units occupied by families receiving project-based voucher program assistance.
HUD. U.S. Department of Housing and Urban Development.

HUD requirements. HUD requirements which apply to the project-based voucher program. HUD requirements are issued by HUD headquarters, as regulations, Federal Register notices or other binding program directives. HUD requirements include Notice PIH 2012-32 (HA), “Rental Assistance Demonstration—Final Implementation, Revision 2,” as revised or amended from time to time (or any successor document) (RAD Notice). Any references in this HAP Contract to specific sections of the RAD Notice include any successor provisions whether explicitly stated or not.

Owner. Any person or entity who has the legal right to lease or sublease a unit to a participant.

Premises. The building or complex in which a contract unit is located, including common areas or grounds.

Principal or interested party. This term includes a management agent and other persons or entities participating in project management, and the officers and principal members, shareholders, investors, and other parties having a substantial interest in the HAP Contract, or in any proceeds or benefits arising from the HAP Contract.

Program. The project-based voucher program (see authorization for project-based assistance at 42 U.S.C. 1437f(o)(13)).

PHA. Public Housing Agency. A public housing agency as defined in the United States Housing Act of 1937 (42 U.S.C. 1437a(b)(6)).

Rent to Owner. The total monthly rent payable to the Owner under the lease for a contract unit. Rent to Owner includes payment for any housing services, maintenance and utilities to be provided by the Owner in accordance with the lease. Tenant. The person or persons (other than a live-in aide) who executes the lease as a lessee of the dwelling unit.

Tenant rent. The portion of the rent to Owner payable by the family, as determined by the CA in accordance with HUD requirements. The CA is not responsible for paying any part of the tenant rent.

Year of Conversion. The time from the effective date of the HAP Contract through the end of that calendar year.

3. PURPOSE
a. This is a HAP Contract between the CA and the Owner.

b. The purpose of the HAP Contract is to provide housing assistance payments for eligible families who lease contract units that comply with the HUD HQS from the Owner.
c. The CA must make housing assistance payments to the Owner in accordance with
the HAP Contract for contract units leased and occupied by eligible families during
the HAP Contract term. HUD provides funds to the CA to make housing assistance
payments to Owners for eligible families.

4. RENT TO OWNER; HOUSING ASSISTANCE PAYMENTS

a. Amount of initial rent to Owner

The initial rent to Owner for each contract unit is stated in Exhibit A, which is
attached to and made a part of the HAP Contract. At the beginning of the HAP
contract term, and until rent to Owner is adjusted in accordance with section 5 of the
HAP Contract, the rent to Owner for each bedroom size (number of bedrooms) shall
be the initial rent to Owner amount listed in Exhibit A.

b. HUD rent requirements

Notwithstanding any other provision of the HAP Contract, the rent to Owner may in
no event exceed the amount authorized in accordance with HUD requirements. The
CA has the right to reduce the rent to Owner, at any time, to correct any errors in
establishing or adjusting the rent to Owner in accordance with HUD requirements.
The CA may recover any overpayment from the Owner.

c. CA payment to Owner

1. Each month the CA must make a housing assistance payment to the Owner
   for a unit under lease to and occupied by an eligible family in accordance
   with the HAP Contract.

2. The monthly housing assistance payment to the Owner for a contract unit is
equal to the amount by which the rent to Owner exceeds the tenant rent.

3. Payment of the tenant rent is the responsibility of the family. The CA is not
   responsible for paying any part of the tenant rent, or for paying any other
   claim by the Owner against a family. The CA is only responsible for
   making housing assistance payments to the Owner on behalf of a family in
   accordance with the HAP Contract.

4. The Owner will be paid the housing assistance payment under the HAP
   Contract on or about the first day of the month for which payment is due,
   unless the Owner and the CA agree on a later date.

5. To receive housing assistance payments in accordance with the HAP
   contract, the Owner must comply with all the provisions of the HAP
   contract. Unless the Owner complies with all the provisions of the HAP
Contract, the Owner does not have a right to receive housing assistance payments.

6. If the CA determines that the Owner is not entitled to the payment or any part of it, the CA, in addition to other remedies, may deduct the amount of the overpayment from any amounts due the Owner, including amounts due under any other housing assistance payments contract.

7. The Owner will notify the CA promptly of any change of circumstances that would affect the amount of the monthly housing assistance payment, and will return any payment that does not conform to the changed circumstances.

8. Notwithstanding anything else in this HAP Contract, in the Year of Conversion, any housing assistance payments shall equal amounts funded in accordance with Part 1, Section 1.d.4.a (Funding for the Year of Conversion) of this HAP Contract.

d. **Termination of assistance for family**

The CA may terminate housing assistance for a family under the HAP Contract in accordance with HUD requirements. The CA must notify the Owner in writing of its decision to terminate housing assistance for the family in such case.

5. **ADJUSTMENT OF RENT TO OWNER**

a. **PHA determination of adjusted rent**

1. Subject to section 5.b. of the HAP Contract, at each anniversary date during the term of the HAP Contract, the CA will adjust the rent to Owner by applying HUD’s operating cost adjustment factor (OCAF), subject to the availability of appropriations for each year of the HAP Contract term.

2. The adjustment of rent to Owner shall always be determined in accordance with all HUD requirements. The amount of the rent to Owner may be adjusted up or down, in the amount defined by the CA in accordance with HUD requirements.

b. **Reasonable rent**

The rent to Owner for each contract unit may at no time exceed the reasonable rent charged for comparable units in the private unassisted market, as determined by the CA in accordance with 24 C.F.R. § 983.303. However, the rent to Owner shall not be reduced below the initial rent to Owner for dwelling units under the HAP Contract except in the following cases: (1) to correct errors in calculations in accordance with HUD requirements; (2) if additional housing assistance has been combined with PBV assistance after the execution of the HAP Contract and a rent
decrease is required pursuant to 24 C.F.R. § 983.55; or (3) if a decrease in rent to Owner is required based on changes in the allocation of responsibility for utilities between the Owner and the tenant.

c. **No special adjustments**

The CA will not make any special adjustments of the rent to Owner.

d. **Owner compliance with HAP contract**

The CA shall not approve, and the Owner shall not receive, any increase of rent to Owner unless all contract units are in accordance with the HQS, and the Owner has complied with the terms of the assisted leases and the HAP Contract.

e. **Notice of rent adjustment**

Rent to Owner shall be adjusted by written notice by the CA to the Owner in accordance with this section. Such notice constitutes an amendment of the rents specified in Exhibit A.

6. **OWNER RESPONSIBILITY**

The Owner is responsible for:

a. Performing all management and rental functions for the contract units.

b. Maintaining the units in accordance with HQS.

c. Complying with equal opportunity requirements.

d. Enforcing tenant obligations under the lease.

e. Paying for utilities and housing services (unless paid by the family under the lease).

f. Collecting from the tenant:

1. Any security deposit;

2. The tenant rent; and

3. Any charge for unit damage by the family.

7. **OWNER CERTIFICATION**

The owner certifies that during the term of the HAP Contract:

a. All contract units meet HQS, or successor standard, or will meet HQS no later than the date of completion of the “Work” (including any environmental mitigation...
measures) as indicated in the RAD Conversion Commitment (RCC) which will be no later than _________________.

b. The Owner is providing all the services, maintenance and utilities as agreed to under the HAP Contract and the leases with assisted families.

c. Each contract unit for which the Owner is receiving housing assistance payments is leased to an eligible family referred by the CA, and the lease is in accordance with the HAP Contract and HUD requirements.

d. To the best of the Owner’s knowledge, the members of the family reside in each contract unit for which the Owner is receiving housing assistance payments, and the unit is the family’s only residence.

e. The Owner (including a principal or other interested party) is not the parent, child, grandparent, grandchild, sister, or brother of any member of a family residing in a contract unit.

f. The amount of the housing assistance payment is the correct amount due under the HAP Contract.

g. The rent to Owner for each contract unit does not exceed rents charged by the Owner for other comparable unassisted units.

h. Except for the housing assistance payment and the tenant rent as provided under the HAP Contract, the Owner has not received and will not receive any payments or other consideration (from the family, the CA, HUD, or any other public or private source) for rental of the contract unit.

i. The family does not own, or have any interest in the contract unit. If the Owner is a cooperative, the family may be a member of the cooperative.

8. CONDITION OF UNITS

a. Owner maintenance and operation

The Owner must maintain and operate the contract units and premises to provide decent, safe and sanitary housing in accordance with the HQS, including performance of ordinary and extraordinary maintenance. The Owner must provide all the services, maintenance and utilities set forth in Exhibits B and C, and in the lease with each assisted family.

b. PHA inspections

1. The CA must inspect each Contract unit after rehabilitation is completed in accordance with the RCC.
2. Before providing assistance to a new family in a contract unit, the CA must inspect the unit. The CA may not provide assistance on behalf of the family until the unit fully complies with the HQS.

3. At least annually during the term of the HAP Contract, the CA must inspect a random sample, consisting of at least 20 percent of the contract units in each building, to determine if the contract units and the premises are maintained in accordance with the HQS. Turnover inspections pursuant to paragraph 2 of this section are not counted towards meeting this annual inspection requirement.

4. If more than 20 percent of the annual sample of inspected contract units in a building fail the initial inspection, the CA must reinspect 100 percent of the contract units in the building.

5. The CA must inspect contract units whenever needed to determine that the contract units comply with the HQS and that the Owner is providing maintenance, utilities, and other services in accordance with the HAP Contract. The CA must take into account complaints and any other information that comes to its attention in scheduling inspections.

c. **Violation of the housing quality standards**

1. If the CA determines a contract unit is not in accordance with the HQS, the CA may exercise any of its remedies under the HAP Contract for all or any contract units. Such remedies include termination, suspension or reduction of housing assistance payments, and termination of the HAP Contract.

2. The CA may exercise any such contractual remedy respecting a contract unit even if the family continues to occupy the unit.

3. The CA shall not make any housing assistance for a dwelling unit that fails to meet the HQS, unless the Owner corrects the defect within the period specified by the CA and the CA verifies the correction. If a defect is life threatening, the Owner must correct the defect within no more than 24 hours. For other defects, the owner must correct the defect within no more than 30 calendar days (or any CA-approved extension).

d. **Maintenance and replacement—owner’s standard practice**

   Maintenance and replacement (including redecoration) must be in accordance with the standard practice for the building concerned as established by the Owner.

9. **LEASING CONTRACT UNITS**
a. Selection of tenants

1. During the term of the HAP Contract, the Owner must lease all Contract units to eligible families selected and referred by the CA from the CA’s waiting list. The waiting list shall be established and maintained in accordance with HUD requirements, including the special PBV waiting list provisions in the RAD Notice (including Section 1.6.D.4 or successor provision).

2. The Owner is responsible for adopting written tenant selection procedures that are consistent with the purpose of improving housing opportunities for very low-income families and reasonably related to program eligibility and an applicant’s ability to perform the lease obligations.

3. Consistent with HUD requirements, the Owner may apply its own admission procedures in determining whether to admit a family referred by the CA for occupancy of a contract unit. The Owner may refer families to the CA, and recommend selection of such families from the CA waiting list for occupancy of vacant units.

4. The Owner must promptly notify in writing any rejected applicant of the grounds for rejection.

5. The CA must determine family eligibility in accordance with HUD requirements.

4. The contract unit leased to each family must be appropriate for the size of the family under the CA’s subsidy standards.

5. If a contract unit was occupied by an eligible family at the time the unit was selected by the CA, or is so occupied on the effective date of the HAP Contract, the Owner must offer the family the opportunity to lease the same or another appropriately-sized contract unit with assistance under the HAP Contract.

6. The Owner is responsible for screening and selecting tenants from the families referred by the CA from its waiting list.

b. Vacancies

1. The Owner must promptly notify the CA of any vacancy in a contract unit. After receiving the Owner notice, the CA shall make every reasonable effort to refer a sufficient number of families for Owner to fill the vacancy.

2. The Owner must rent vacant contract units to eligible families on the CA waiting list referred by the CA.
3. The CA and the Owner must make reasonable good faith efforts to minimize the likelihood and length of any vacancy.

4. If any contract units have been vacant for a period of 120 or more days since Owner notice of vacancy (and notwithstanding the reasonable good faith efforts of the CA to fill such vacancies), the CA may give notice to the Owner amending the HAP Contract to reduce the number of contract units by subtracting the number of contract units (by number of bedrooms) that have been vacant for such period.

10. TENANCY

a. Lease

The lease between the Owner and each assisted family must be in accordance with HUD requirements. In all cases, the lease must include the HUD-required tenancy addendum. The tenancy addendum must include, word-for-word, all provisions required by HUD.

b. Termination of tenancy

1. The Owner may only terminate a tenancy in accordance with the lease and HUD requirements.

2. The Owner must give the CA a copy of any Owner eviction notice to the tenant at the same time that the Owner gives notice to the tenant. Owner eviction notice means a notice to vacate, or a complaint or other initial pleading used to commence an eviction action under State or local law.

3. The Owner shall provide adequate written notice of termination of the lease, which shall be (A) a reasonable period of time, but not to exceed 30 days if the health or safety of other tenants, Owner employees, or persons residing in the immediate vicinity of the premises is threatened; or in the event of any drug-related or violent criminal activity or any felony conviction; (B) Not less than 14 days in the case of nonpayment of rent; and (C) Not less than 30 days in any other case, except that if a State or local law provides for a shorter period of time, such shorter period shall apply.

4. The Owner must renew all tenant leases upon expiration, unless good cause under 24 C.F.R. § 983.257(a) exists for non-renewal of a lease.

c. Family payment

1. The portion of the monthly rent to Owner payable by the family (“tenant rent”) will be determined by the CA in accordance with HUD
requirements. The amount of the tenant rent is subject to change during
the term of the HAP Contract. Any changes in the amount of the tenant
rent will be effective on the date stated in a notice by the CA to the family
and the Owner.

2. The amount of the tenant rent as determined by the CA is the maximum
amount the Owner may charge the family for rent of a contract unit,
including all housing services, maintenance and utilities to be provided by
the Owner in accordance with the HAP Contract and the lease.

3. The Owner may not demand or accept any rent payment from the tenant in
excess of the tenant rent as determined by the CA. The Owner must
immediately return any excess rent payment to the tenant.

4. The family is not responsible for payment of the portion of the contract
rent covered by the housing assistance payment under the HAP Contract.
The Owner may not terminate the tenancy of an assisted family for
nonpayment of the CA housing assistance payment.

5. The CA is only responsible for making the housing assistance payments to
the Owner on behalf of the family in accordance with the HAP Contract.
The CA is not responsible for paying the tenant rent, or any other claim by
the Owner.

d. Other Owner charges

1. Except as provided in paragraph 2, the Owner may not require the tenant or
family members to pay charges for meals or supportive services.
Nonpayment of such charges is not grounds for termination of tenancy.

2. In assisted living developments receiving project-based voucher assistance,
Owners may charge tenants, family members, or both for meals or
supportive services. These charges may not be included in the rent to
Owner, nor may the value of meals and supportive services be included in
the calculation of reasonable rent. Non-payment of such charges is grounds
for termination of the lease by the Owner in an assisted living development.

3. The Owner may not charge the tenant or family members extra amounts
for items customarily included in rent in the locality or provided at no
additional cost to the unsubsidized tenant in the premises.

e. Security deposit

1. The Owner may collect a security deposit from the family.
2. The Owner must comply with HUD and CA requirements, which may change from time to time, regarding security deposits from a tenant.

3. The CA may prohibit security deposits in excess of private market practice, or in excess of amounts charged by the Owner to unassisted families.

4. When the family moves out of the contract unit, the Owner, subject to State and local law, may use the security deposit, including any interest on the deposit, in accordance with the lease, as reimbursement for any unpaid tenant rent, damages to the unit or other amounts which the family owes under the lease. The Owner must give the family a written list of all items charged against the security deposit and the amount of each item. After deducting the amount used as reimbursement to the Owner, the Owner must promptly refund the full amount of the balance to the family.

5. If the security deposit is not sufficient to cover amounts the family owes under the lease, the Owner may seek to collect the balance from the family. However, the CA has no liability or responsibility for payment of any amount owed by the family to the Owner.

11. FAMILY RIGHT TO MOVE
   a. The family may terminate its lease at any time after the first year of occupancy. The family must give the Owner advance written notice of intent to vacate (with a copy to the CA) in accordance with the lease. If the family has elected to terminate the lease in this manner, the CA must offer the family the opportunity for tenant-based rental assistance in accordance with HUD requirements.

   b. Before providing notice to terminate the lease under paragraph a, the family must first contact the CA to request tenant-based rental assistance if the family wishes to move with continued assistance. If tenant-based rental assistance is not immediately available upon lease termination, the CA shall give the family priority to receive the next available opportunity for tenant-based rental assistance.

12. OVERCROWDED, UNDER-OCCUPIED, AND ACCESSIBLE UNITS

   The CA subsidy standards determine the appropriate unit size for the family size and composition. The CA and Owner must comply with the requirements in 24 CFR 983.259.

13. PROHIBITION OF DISCRIMINATION
   a. The Owner may not refuse to lease contract units to, or otherwise discriminate against any person or family in leasing of a contract unit, because of race, color, religion, sex, national origin, disability, age or familial status.

c. The CA and the Owner must cooperate with HUD in the conducting of compliance reviews and complaint investigations pursuant to all applicable civil rights statutes, Executive Orders, and all related rules and regulations.

14. PHA DEFAULT AND HUD REMEDIES

If HUD determines that the CA has failed to comply with the HAP Contract, or has failed to take appropriate action to HUD’s satisfaction or as directed by HUD, for enforcement of the CA’s rights under the HAP Contract, HUD may assume the CA’s rights and obligations under the HAP Contract, and may perform the obligations and enforce the rights of the CA under the HAP Contract.

15. OWNER DEFAULT AND PHA REMEDIES

a. Owner default

Any of the following is a default by the Owner under the HAP Contract:

1. The Owner has failed to comply with any obligation under the HAP Contract, including the Owner’s obligations to maintain all contract units in accordance with the housing quality standards.

2. The Owner has violated any obligation under any other housing assistance payments contract under Section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f).
3. The Owner has committed any fraud or made any false statement to the CA or HUD in connection with the HAP Contract.

4. The Owner has committed fraud, bribery or any other corrupt or criminal act in connection with any Federal housing assistance program.

5. If the property where the contract units are located is subject to a lien or security interest securing a HUD loan or a mortgage insured by HUD and:
   
   A. The Owner has failed to comply with the regulations for the applicable mortgage insurance or loan program, with the mortgage or mortgage note, or with the regulatory agreement; or
   
   B. The Owner has committed fraud, bribery or any other corrupt or criminal act in connection with the HUD loan or HUD-insured mortgage.

6. The Owner has engaged in any drug-related criminal activity or any violent criminal activity.

b. CA remedies

1. If the CA determines that a breach has occurred, the CA may exercise any of its rights or remedies under the HAP Contract.

2. The CA must notify the Owner in writing of such determination. The notice by the CA to the Owner may require the Owner to take corrective action (as verified by the CA) by a time prescribed in the notice.

3. The CA’s rights and remedies under the HAP Contract include recovery of overpayments, termination or reduction of housing assistance payments, and termination of the HAP Contract.

c. CA remedy is not waived

The CA’s exercise or non-exercise of any remedy for Owner breach of the HAP Contract is not a waiver of the right to exercise that remedy or any other right or remedy at any time.

16. OWNER DUTY TO PROVIDE INFORMATION AND ACCESS REQUIRED BY HUD OR PHA

a. Required information

The Owner must prepare and furnish any information pertinent to the HAP Contract as may reasonably be required from time to time by the CA or HUD. The Owner shall furnish such information in the form and manner required by the CA or HUD.
b. **PHA and HUD access to premises**

The Owner must permit the PHA or HUD or any of their authorized representatives to have access to the premises during normal business hours and, for the purpose of audit and examination, to have access to any books, documents, papers and records of the Owner to the extent necessary to determine compliance with the HAP Contract, including the verification of information pertinent to the housing assistance payments or the HAP Contract.

17. **CA AND OWNER RELATION TO THIRD PARTIES**

a. **Injury because of Owner action or failure to act**

The CA has no responsibility for or liability to any person injured as a result of the Owner’s action or failure to act in connection with the implementation of the HAP Contract, or as a result of any other action or failure to act by the Owner.

b. **Legal relationship**

The Owner is not the agent of the CA. The HAP Contract does not create or affect any relationship between the CA and any lender to the Owner or any suppliers, employees, contractors or subcontractors used by the Owner in connection with the implementation of the HAP Contract.

c. **Exclusion of third party claims**

Nothing in the HAP Contract shall be construed as creating any right of a family or other third party (other than HUD) to enforce any provision of the HAP Contract, or to assert any claim against HUD, the CA or the Owner under the HAP Contract.

d. **Exclusion of Owner claims against HUD**

Nothing in the HAP Contract shall be construed as creating any right of the Owner to assert any claim against HUD.

18. **PHA-OWNED UNITS**

Notwithstanding Section 17 of the HAP Contract, a CA may own units assisted under the PBV program, subject to the special requirements in 24 CFR 983.59 regarding PHA-owned units and all other HUD requirements governing PHA ownership of PBV units.

19. **CONFLICT OF INTEREST**

a. **Interest of members, officers, or employees of CA, members of local governing body, or other public officials**
1. No present or former member or officer of the CA (except tenant-commissioners), no employee of the CA who formulates policy or influences decisions with respect to the housing choice voucher program or project-based voucher program, and no public official or member of a governing body or State or local legislator who exercises functions or responsibilities with respect to these programs, shall have any direct or indirect interest, during his or her tenure or for one year thereafter, or in the HAP Contract.

2. HUD may waive this provision for good cause.

b. Disclosure

The Owner has disclosed to the CA any interest that would be a violation of the HAP Contract. The Owner must fully and promptly update such disclosures.

c. Interest of member of or delegate to Congress

No member of or delegate to the Congress of the United States of America or resident-commissioner shall be admitted to any share or part of this HAP Contract or to any benefits arising from the contract.

20. EXCLUSION FROM FEDERAL PROGRAMS

a. Federal requirements

The Owner must comply with and is subject to requirements of 2 CFR part 2424.

b. Disclosure

The Owner certifies that:

1. The Owner has disclosed to the CA the identity of the Owner and any principal or interested party.

2. Neither the Owner nor any principal or interested party is listed on the U.S. General Services Administration list of parties excluded from Federal procurement and nonprocurement programs; and none of such parties are debarred, suspended, subject to a limited denial of participation or otherwise excluded under 2 CFR part 2424.

21. TRANSFER OF THE CONTRACT OR PROPERTY

a. When consent is required

1. The Owner and the CA agree that neither the HAP Contract nor the premises may be transferred without the written consent of CA and HUD.
2. “Transfer” includes:

A. Any sale or assignment or other transfer of ownership, in any form, of the HAP Contract or the property;

B. The transfer of any right to receive housing assistance payments that may be payable pursuant to the HAP Contract;

C. The creation of a security interest in the HAP Contract or the property:

D. Foreclosure or other execution on a security interest;

E. A creditor’s lien, or transfer in bankruptcy; or

F. Any refinancing or restructuring of permanent debt imposing liens on the property by the Owner of the project, except to such extent permitted pursuant to that certain Rental Assistance Demonstration Use Agreement entered into in connection with the premises.

3. Owner, CA and HUD hereby agree that:

A. CA and HUD hereby consent to any transfer of a passive or non-controlling interest in the Owner entity, including (by way of illustration and not of limitation, such transfers include transfers of the interests of limited partners in a limited partnership, transfers of the interests of members other than managing members or managers in a limited liability company, and transfers of interests in a corporation that cumulatively represent less than half the beneficial interest in the HAP Contract or the premises).

B. The Owner must obtain advance consent of CA and HUD for transfer of any interest of a general partner of a limited partnership or for the transfer, elimination or addition of a manager or managing member of a limited liability company. If such assignment is made in connection with any HUD-approved financing for the premises, including without limitation low-income housing tax credits, subject to the provisions of Section 37 of this HAP Contract, HUD and CA hereby consent to: an assignment by a general partner of a limited partnership Owner to a limited partner; and an assignment by the managing member of a limited liability company Owner to another member of Owner.

C. Limited CA and HUD consent to collateral assignments of the HAP Contract to lenders is provided in Section 36 of this HAP Contract.

b. Transferee assumption of HAP Contract

No transferee (including the holder of a security interest, the security holder’s transferee or successor in interest, or the transferee upon exercise of a security interest) shall have any right to receive any payment of housing assistance
payments pursuant to the HAP Contract, or to exercise any rights or remedies under the HAP Contract, unless the CA and HUD has consented in advance, in writing to such transfer, and the transferee has agreed in writing, in a form acceptable to the CA and HUD in accordance with HUD requirements, to assume the obligations of the Owner under the HAP Contract, and to comply with all the terms of the HAP Contract.

c. Effect of consent to transfer

1. The creation or transfer of any security interest in the HAP Contract is limited to amounts payable under the HAP Contract in accordance with the terms of the HAP Contract.

2. The CA and HUD’s consent to transfer of the HAP Contract or the property does not to change the terms of the HAP Contract in any way, and does not change the rights or obligations of the PHA or the Owner under the HAP Contract.

3. The CA and HUD’s consent to transfer of the HAP Contract or the property to any transferee does not constitute consent to any further transfers of the HAP Contract or the property, including further transfers to any successors or assigns of an approved transferee.

d. When transfer is prohibited

The CA and HUD will not consent to the transfer if any transferee, or any principal or interested party is debarred, suspended subject to a limited denial of participation, or otherwise excluded under 2 CFR part 2424, or is listed on the U.S. General Services Administration list of parties excluded from Federal procurement or nonprocurement programs.

22. SUBSIDY LAYERING

a. Owner disclosure

The Owner must disclose to the PHA, in accordance with HUD requirements, information regarding any related assistance from the Federal Government, a State, or a unit of general local government, or any agency or instrumentality thereof, that is made available or is expected to be made available with respect to the contract units. Such related assistance includes, but is not limited to, any loan, grant, guarantee, insurance, payment, rebate, subsidy, credit, tax benefit, or any other form of direct or indirect assistance.

b. Limit of payments

Housing assistance payments under the HAP Contract must not be more than is necessary, as determined in accordance with HUD requirements, to provide
affordable housing after taking account of such related assistance. The CA will adjust in accordance with HUD requirements the amount of the housing assistance payments to the Owner to compensate in whole or in part for such related assistance.

23. **OWNER LOBBYING CERTIFICATIONS**
   a. The Owner certifies, to the best of Owner’s knowledge and belief, that:

   1. No Federally appropriated funds have been paid or will be paid, by or on behalf of the Owner, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of the HAP Contract, or the extension, continuation, renewal, amendment, or modification of the HAP Contract.

   2. If any funds other than Federally appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the HAP Contract, the Owner must complete and submit Standard Form-LLL, “Disclosure Form to Report Lobbying,” in accordance with its instructions.

   b. This certification by the Owner is a prerequisite for making or entering into this transaction imposed by 31 U.S.C. 1352.

24. **Intentionally Omitted.**

25. **TERMINATION OF HAP CONTRACT FOR WRONGFUL SELECTION OF CONTRACT UNITS**

   The HAP Contract may be terminated upon at least 30 days’ notice to the Owner by the CA or HUD if the CA or HUD determines that the contract units were not eligible for selection in conformity with HUD requirements.

26. **NOTICES AND OWNER CERTIFICATIONS**
   a. Where the Owner is required to give any notice to the CA pursuant to the HAP Contract or any other provision of law, such notice must be in writing and must be given in the form and manner required by the CA.

   b. Any certification or warranty by the Owner pursuant to the HAP Contract shall be deemed a material representation of fact upon which reliance was placed when this transaction was made or entered into.
27. ENTIRE AGREEMENT; INTERPRETATION

a. The HAP Contract, including the exhibits, is the entire agreement between the CA and the Owner.

b. The HAP Contract must be interpreted and implemented in accordance with all statutory requirements, and with all HUD requirements, including amendments or changes in HUD requirements during the term of the HAP Contract. The Owner agrees to comply with all such laws and HUD requirements.

28. RAD REHAB ASSISTANCE PAYMENTS

For any unit (1) that is vacant during the period of Work pursuant to the RCC; and (2) for which the Owner is not otherwise receiving housing assistance payments in accordance with section 4(c) of this HAP Contract; the Owner is entitled to receive a monthly RAD Rehab Assistance Payment calculated in accordance with the provision of the RAD Notice governing RAD Rehab Assistance Payments (i.e., Notice PIH 2012-32 (HA), REV-2, section 1.7.A.9. or successor provision), in the amount of $___ per unit, as determined by HUD; shall apply to no more than ______ units in any given month; and shall commence upon the effective date of this HAP Contract, so long as the Owner is in compliance with the approved repair schedule as provided in the RCC. All RAD Rehab Assistance Payments shall end, and the Owner will cease to be entitled to any such payments, (1) on __________; or (2) upon actual completion of the Work, if sooner. Provided, however, during the Year of Conversion (as defined in Section 2), any RAD Rehab Assistance Payments shall not exceed amounts funded pursuant to Section 1.d.4(a).

29. CA BOARD APPROVAL

The CA’s Board must approve the operating budget for the covered project annually in accordance with HUD requirements.

30. PROPERTY AND LIABILITY INSURANCE

The Owner agrees that the project shall be covered at all times by commercially available property and liability insurance to protect the project from financial loss. To the extent insurance proceeds permit, or as determined feasible by the first mortgage lender, the Owner agrees to promptly restore, reconstruct, and/or repair any damaged or destroyed property of a project, except with the written approval of HUD to the contrary.

31. RESIDENT PROCEDURAL RIGHTS’ GRIEVANCE PROCESS

The Owner and the CA must comply with the grievance process requirements in the RAD Notice (including section 1.6.C.7.ii. or successor provision) for projects converting to PBV assistance.
32. **RESIDENT PARTICIPATION AND FUNDING**

In accordance with Attachment 1B.2.B. of the RAD Notice, captioned “PBV Resident Participation and Funding,” families in projects that convert to PBV assistance have the right to establish and operate resident organizations for the purpose of addressing issues related to their living environment. The Attachment details all of the requirements governing Resident Participation and Funding, with which the Owner must comply.

33. **FLOOD INSURANCE**

If the project is located in an area that has been identified by the Federal Emergency Management Agency as an area having special flood hazards and if the sale of flood insurance has been made available under the National Flood Insurance Program, the Owner agrees that: (1) the project will be covered, during the life of the property, by flood insurance in an amount at least equal to its development or project cost (less estimated land cost) or to the limit of coverage made available with respect to the particular type of property under the National Flood Insurance Act of 1968, whichever is less; and (2) that it will advise any prospective purchaser or transferee of the property in writing of the continuing requirement to maintain such flood insurance during the life of the property.

34. **REPLACEMENT RESERVE REQUIREMENT**

The Owner shall establish and maintain a replacement reserve in accordance with the RCC.

35. **LABOR STANDARDS**

By execution of this HAP Contract, the Owner warrants that construction or repair Work on the project that is initiated within eighteen (18) months of the effective date of the HAP Contract shall be in compliance with applicable labor standards, including Davis-Bacon wage requirements, as stated in the “Addendum to the HAP Contract—Labor Standards.” The “Addendum to the HAP Contract—Labor Standards” shall be included as an “Additional Exhibit” under Part 1, Section 1.c. of the HAP Contract.

36. **LENDER PROVISIONS**

Notwithstanding anything else in this HAP Contract:

a. The holder of any HUD-approved mortgage against the project may take action against the Owner and the project that results in the holder of the mortgage or its designee (either referred to herein as “Lender Temporary Custodian”) coming into ownership of the project or assuming the role of “Owner” under this HAP Contract. Transfer of the project or the HAP Contract from the Owner is grounds for termination of the HAP Contract assistance unless otherwise approved by HUD.
HUD and CA hereby consent to a collateral assignment of this contract to any Lender Temporary Custodian and pre-approve any Lender Temporary Custodian as a temporary custodian of the project and as a new “Owner” pursuant to this HAP Contract, and continued assistance to the project pursuant to this HAP Contract, subject to the following conditions:

1. HUD and CA must receive thirty (30) days prior written notice of the transfer of the project to the Lender Temporary Custodian and the form of the documents necessary to effect such transfer.

2. In connection with the transfer, Lender Temporary Custodian must execute and deliver to HUD and CA an assumption on the HAP Contract, in such form as acceptable to HUD.

3. Such approval and consent to continue assistance pursuant to this HAP Contract is expressly limited to a period of only 90 days that commences the date of such transfer of the project, provided that HUD in its sole discretion may extend such 90-day period by an additional 30 days, or for so long as HUD deems reasonably necessary for Lender to find a permanent replacement Owner. Consistent with Public Law 112-55, in the event that the Lender Temporary Custodian comes into ownership of the project, the Lender Temporary Custodian shall use such interim period to identify a proposed permanent Owner determined by HUD to be capable of abiding by the HAP Contract, Use Agreement, and any and all applicable RAD program requirements. The provision of housing assistance payments to any proposed permanent replacement Owner is subject to HUD’s consent.

4. Prior to a transfer of the project to a Lender Temporary Custodian, HUD may at any time by written notice to a Lender Temporary Custodian revoke the approvals given herein if HUD becomes aware of any conditions or circumstances (by way of illustration and not limitation, such conditions or circumstances may include debarment, suspension or limited denial of participation) that would disqualify or compromise the ability of Lender Temporary Custodian from acting as an interim custodian of the project pursuant to the HAP Contract.

37. LOW-INCOME HOUSING TAX CREDIT PROVISIONS

Notwithstanding anything else in this HAP Contract:

a. Notice. As long as the equity investor identified below (“Equity Investor”) is a partner or member of Owner, HUD shall endeavor as a courtesy to Equity Investor to deliver to Equity Investor a copy of any notice of default that is delivered to Owner under the terms of the HAP Contract. Use Agreement or RAD Conversion Commitment (RCC). Equity Investor’s Address for such purposes is:
b. **Right to Cure.** Any cure of any default by Owner under the HAP Contract, Use Agreement or RCC offered by Equity Investor shall be treated the same as if offered by Owner.

c. **Transfer of Investor Members/Partners.** Equity Investor, and each successor member or partner in Owner, may transfer its interest in the Owner without prior written consent of HUD if:

1. HUD receives prior written notice of such transfer; and

2. HUD receives executed copies of any and all documents necessary to effect such transfer, including any and all amendments to Owner’s organizational documents.

d. **Removal of General Partner/Managing Member**

1. HUD and CA have pre-approved the replacement of the Owner’s general partner or managing member with an affiliate of Equity Investor, or any successor equity investor (“Interim Replacement GP/MM”) as a temporary replacement general partner/managing member of the Owner, in the event Owner’s general partner or managing member is removed for cause in accordance with Owner’s organizational documents.

2. Interim Replacement GP/MM may remove Owner’s general partner or managing member in accordance with the Owner’s organizational documents without further written consent from HUD or CA and HUD and CA shall continue assistance to the project in accordance with the HAP Contract, provided that Interim Replacement GP/MM provide HUD and CA with prior written notice of such replacement and HUD and CA receive executed copies of any and all documents necessary to effect such replacement.

3. Such approval of such Interim Replacement GP/MM is expressly limited to a period of only 90 days that commences the date of such removal, provided that HUD in its sole discretion may extend such 90-day period by an additional 30 days, or for so long as HUD deems reasonably necessary to provide for a permanent replacement of the general partner or managing member. After such interim period, any proposed permanent replacement for the Owner’s general partner or managing member is subject to HUD’s consent.
4. HUD may at any time by written notice to Equity Investor or any successor revoke the approvals given herein if HUD becomes aware of any conditions or circumstances that would disqualify or compromise the ability of Interim Replacement GP/MM from acting as an interim general partner/managing member pursuant to this HAP Contract.

38. CONTINUATION OF HAP CONTRACT

Except where otherwise approved by HUD, this HAP Contract shall continue in effect and housing assistance payments will continue in accordance with the terms of the HAP Contract in the event: (1) Of assignment, sale, or other disposition of this HAP Contract; (2) Of foreclosure, including foreclosure by HUD; (3) Of assignment of the mortgage or deed in lieu of foreclosure; (4) HUD or the CA takes over possession, operation or ownership; or (5) The Owner prepays the mortgage.

39. ALTERNATIVE REQUIREMENTS

a. _____ Owner Proposal Selection Procedures. Projects will be selected for assistance in accordance with the provisions in the RAD Notice. Therefore, 24 C.F.R. § 983.51 does not apply.

b. _____ Percentage Limitation. Section 8(o)(13)(B) of the 1937 Act and 24 C.F.R. § 983.6 do not apply to assistance provided under RAD.

c. _____ Consistency with PHA Plan and Other Goals. Section 8(o)(13)(ii) of the 1937 Act and 24 C.F.R. §§ 983.57(b)(1) and (c) do not apply.

Signatures:

Contract Administrator

Owner

By: Jordan S3-Michaels LLC,
a California limited liability company
its administrative general partner
By: Jordan Downs Phase S3, LP,
a California limited partnership
its managing general partner
By: La Cienega LOMOD, Inc.,
a California nonprofit public benefit corporation
its managing general partner

HUD 52530A (04/2015) and HUD 52621 (4/2017)
EXHIBIT A
IDENTIFICATION OF UNITS BY SIZE AND INITIAL CONTRACT RENTS

- Project name: **Jordan Downs Phase S3**

- The project’s street address is: 2101 East 101st Street
  Los Angeles, CA 90002

- Description of contract units: **92** of the units as depicted in plans and specifications on file with the Owner.

- Total number of units covered by this Agreement: **25**

- Number of contract units by area and other contract rent information:

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<th>Unit Size</th>
<th>Number of Units</th>
<th>Contract Rent</th>
<th>Utility Allowance</th>
<th>Net Rent</th>
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<td>$712</td>
</tr>
<tr>
<td>2 Bedroom</td>
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<tr>
<td>3 Bedroom</td>
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EXHIBIT B

SERVICES, MAINTENANCE AND EQUIPMENT PROVIDED BY THE OWNER

Maintenance and Repairs.

Owner shall:

1. cause the development to be maintained in a decent, safe, and sanitary condition and in a rentable and tenantable state of repair, all in accordance with public housing and Project Based Voucher requirements and the Rental Assistance Demonstration requirements;

2. comply with requirements of applicable building codes, housing codes, and federal regulations materially affecting health and safety;

3. keep all building, facilities and common areas, not otherwise assigned to tenants for maintenance and upkeep, in a clean and safe condition;

4. maintain in good and safe working order and condition electrical, plumbing, sanitary, heating, ventilating and other facilities and appliances supplied or required to be supplied by Owner; and

5. provide and maintain appropriate receptacles and facilities (except containers for exclusive use by an individual tenant household) for the deposit of garbage, rubbish and other waste removed from the dwelling unit by the tenant.

Services, maintenance, and equipment paid by owner

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<td>General Maintenance</td>
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<td>Water &amp; Sewer</td>
<td>Owner</td>
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<td>Refrigerator</td>
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<td>Range</td>
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<td>Laundry Facilities</td>
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EXHIBIT C

UTILITIES AND SERVICES

Project name: **Jordan Downs Phase S3**

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<td>Internet</td>
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EXHIBIT D

Jordan Downs Phase S3 includes 3 Project-Based Voucher Units designed for the mobility-impaired, and an additional 1 units designed for hearing or sight impaired in accordance with the requirements of 24 CFR 8.22 and Section 504 of the Rehabilitation Act of 1973.
TAB II.

SITE CONTROL DOCUMENTS
TAB 4.

Ground Lease w /Memorandum of Ground Lease
GROUND LEASE AGREEMENT

by and between

HOUSING AUTHORITY OF THE CITY OF LOS ANGELES

and

JORDAN DOWNS PHASE S3, LP

DATED AS OF [_______] 1, 2020
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**ARTICLE 1 DEFINITIONS**
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GROUND LEASE AGREEMENT

Jordan Downs Phase S3

THIS GROUND LEASE AGREEMENT (this “Lease”) is entered into as of [__________] 1, 2020 by and between the HOUSING AUTHORITY OF THE CITY OF LOS ANGELES, a public body, corporate and politic organized and existing under the laws of the State of California (“Landlord”), and JORDAN DOWNS PHASE S3, LP, a California limited partnership (“Tenant”).

RECITALS

A. Landlord owns that certain real property situated in Los Angeles, California, as more particularly described on Exhibit A attached hereto (the “Leased Premises”).

B. Tenant is a California limited partnership duly formed and authorized to do business in the State of California having Jordan Downs Phase S3-Michaels, LLC, a California limited liability company, as its administrative general partner (the “Administrative General Partner”) and La Cienega LOMOD, Inc., a California nonprofit public benefit corporation, as its managing general partner (the “Managing General Partner”).

C. Tenant and Landlord entered into that certain Disposition and Development Agreement (“DDA”) of approximately even date herewith for the development of the Leased Premises.

D. Tenant intends to construct a multifamily residential complex on the Leased Premises with approximately ninety-two (92) units of rental housing (the “Residential Units”) and other ancillary improvements (collectively, the “Improvements”). The Residential Units shall be comprised of ninety-one (91) units that will be operated and maintained as qualified low-income housing tax credit units (the “Tax Credit Units”) and one (1) manager’s units. Twenty-five (25) units will be operated pursuant to a RAD HAP Contract and the RAD Requirements (the “RAD Units”) and forty-eight (48) units will be operated pursuant to a PBV HAP Contract (the “PBV Units”). The RAD Units and [___] (___) PBV Units are designated as “replacement units” for public housing units that will be demolished at the existing Jordan Downs site.

E. Landlord desires to lease the Leased Premises to Tenant for a period of seventy-five (75) years pursuant to the terms of this Lease.

F. Capitalized terms which are referred to and utilized throughout this Lease, including in these Recitals, are defined in Article 1 of this Lease.

NOW, THEREFORE, for and in consideration of the foregoing premises, the covenants, representations, warranties, and agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto do hereby agree as follows:
ARTICLE 1  DEFINITIONS

Section 1.1  Definitions.

For the purposes of this Lease, the following defined terms shall have the meanings ascribed thereto in this Article 1.

(a) “Act” shall mean the United States Housing Act of 1937, as amended.

(b) “Applicable CC&Rs & Easements” shall mean all covenants, conditions, restrictions, and easements that are now or hereafter recorded against the Leased Premises and/or the Project and (i) are identified as exceptions to coverage in the Owner’s Title Policy issued to Tenant on the Commencement Date; (ii) are required by the City or one or more other Governmental Authorities in connection with the construction or development of (A) the Project, (B) other land comprising a part of the Jordan Downs Master Project, or (C) infrastructure financed with proceeds of the HCD Loan; (iii) are contemplated by the Master Development Agreement, including without limitation, the Declaration of Restrictions (CC&Rs), (iv) arise by, through, or under Tenant or Tenant’s contractors, agents, or licensees; or (v) are otherwise approved by Tenant in writing.

(c) “Approved Financing” shall mean all of the following loans and financing acquired by Tenant and approved by Landlord for the purpose of financing the acquisition and construction of the Project (and future refinancing of the Approved Financing with the prior written approval of Landlord pursuant to Section 3.2):

(1) A construction loan from CIT Bank, N.A., in the total approximate amount of [Thirty-Six Million Eight Hundred Thousand Dollars ($36,800,000)] (the “Construction Loan”), including without limitation any sales, participations or other transfers from time to time of any Mortgagee’s interest in or to the Construction Loan (which, for the avoidance of doubt, shall not require any approval of Landlord notwithstanding any provision in Section 3.2 or otherwise);

(2) A Freddie Mac permanent loan from Greystone Servicing Company LLC, a Delaware limited liability company in the approximate amount of [Ten Million Two Hundred Seventy Thousand Dollars ($10,270,000)] (the “Permanent Loan”) [which amount is subject to Freddie Mac underwriting requirements at conversion and which Permanent Loan shall be sold and assigned to Freddie Mac at conversion];

(3) An acquisition loan from the Landlord in the in the approximate amount of Three Million Four Hundred Thousand Dollars ($3,400,000) (the “Authority Acquisition Loan”), which loan represents the fair market value of the Leased Premises;

(4) A bridge loan from the Landlord in the approximate original principal amount of Two Million Two Hundred Thousand Dollars ($2,200,000) (the “Authority Bridge Loan”);
(5) Investor equity funds generated from Low Income Housing Tax Credits in the approximate amount of Thirty-Three Million One Hundred Forty-Two Thousand One Hundred Twenty-nine Dollars ($33,142,129) (the “Tax Credit Equity”);

(6) An Affordable Housing and Sustainable Communities loan in the approximate amount of [Seven Million Five Hundred Thousand Dollars ($7,500,000)] (the “HCD Loan”); and

(7) If obtained by Tenant, an Affordable Housing Program loan from the Federal Home Loan Bank in the approximate amount of _________ Dollars ($_______) (the “AHP Loan”).

(d) “Approved Financing Documents” shall mean the documents that evidence the Approved Financing.

(e) “Authority Acquisition Deed of Trust” shall mean that certain Authority Subordinate Leasehold Deed of Trust with Assignment of Rents, Security Agreement, and Fixture Filing – Authority Acquisition Loan of substantially even date herewith, securing the Authority Acquisition Note and recorded against the Leased Premises.

(f) “Authority Acquisition Note” shall mean that certain Authority Acquisition Note executed by Tenant in favor of Landlord for the full fair market value of the Leased Premises and evidencing the Authority Acquisition Loan.

(g) “Authority Compliance Fee” shall mean a Ten Thousand Dollar ($10,000.00) fee paid annually to the Landlord beginning the first day of the first month following construction completion of the Project. The Authority Compliance Fee shall be paid not later than one hundred twenty (120) days following the end of each fiscal year (a pro-rata Authority Compliance Fee shall be paid for any partial fiscal year). The Authority Compliance Fee shall increase annually by a rate of three percent (3%) and shall be paid as an Operating Expense prior to the distribution of Net Cash Flow.

(h) “Authority Loan Agreement” shall mean that certain Authority Loan Agreement by and between the Landlord, as lender, and the Tenant, as borrower, governing the Authority Bridge Loan.

(i) “Casualty” shall have the meaning set forth in Article 12 hereof.

(j) “City” shall mean Los Angeles, California.

(k) “Closing” shall mean the date on which the Memorandum of Lease and the Approved Financing Documents, except the documents pertaining to the Permanent Loan and the AHP Loan, are executed and recorded, as applicable, against the Leased Premises.

(l) “Commencement Date” shall mean the date of Closing.
(m) “Construction Loan” shall have the meaning set forth in section 1.1(c)(1) hereof.

(n) “Declaration of Restrictions (CC&Rs)” shall mean the New Century Declaration of Restrictions (CC&Rs) recorded on June 14, 2018, as Document No. 20180590854 in the Official Records, as amended by (i) First Amendment to New Century Declaration of Restrictions (CC&Rs) recorded on September 17, 2018, as Document No. 20180948407 in the Official Records, and (ii) Second Amendment to New Century Declaration of Restrictions (CC&Rs) recorded on September 26, 2019, as Document No. 20191010229 in the Official Records, and as may be further amended and/or restated.

(o) “Event of Default” shall have the meaning set forth in Article 13 hereof.

(p) “First Mortgage Loan” shall mean the Construction Loan or the Permanent Loan during the respective term of each or, if both have been paid off and the deed of trust related to such loans have been released, the loan that is next in priority order.

(q) “First Mortgagee” shall mean the holder of the First Mortgage Loan.

(r) “Governmental Authorities” shall mean any applicable federal, state, or local governmental or quasi-governmental entities, subdivisions, agencies, authorities, or instrumentalities having jurisdiction over the Leased Premises, the Improvements, Landlord, or Tenant.

(s) “Hazardous Substances and Materials” shall mean any oil or any fraction thereof or petroleum products or “hazardous substance” as defined in Section 101(14) of CERCLA (42 U.S.C. Section 9601(14) or Section 25281(h) or 25316 of the California Health and Safety Code at such time; any “hazardous waste,” “infectious waste” or “hazardous material” as defined in Section 25117, 25117.5, or 25501(j) of the California Health and Safety Code at such time; any other waste, substance or material designated or regulated in any way as “toxic” or “hazardous” in the RCRA (42 U.S.C. § 6901 et seq.), CERCLA Federal Water Pollution Control Act (33 U.S.C. § 1251 et seq.), Safe Drinking Water Act (42 U.S.C. § 300(f) et seq.), Toxic Substances Control Act (15 U.S.C. § 2601 et seq.), Clean Air Act (42 U.S.C. § 7401 et seq.), California Health and Safety Code (Section 25100 et seq., Section 39000 et seq.), or California Water Code (Section 13000 et seq.), at such time; and any additional wastes, substances, or material which at such time are classified, considered or regulated as hazardous or toxic under any other present or future environmental or other similar laws relating to the Leased Premises, but excluding any substances or materials used in the construction or the maintenance or operation of the Project, so long as the same are used in accordance with all applicable laws.

(t) “HCD” shall mean the California Department of Housing and Community Development.

(u) “HUD” shall mean the U.S. Department of Housing and Urban Development.
(v) “Impositions” shall mean all taxes including property taxes, assessments, water and sewer charges, charges for public utilities, excises, levies, license and permit fees and other charges that shall or may be assessed, levied, or imposed during the Term by any Governmental Authorities upon the Leased Premises or any part thereof, including the buildings or improvements now or hereafter located thereon; provided, however, that the term “Impositions” shall not include any income tax, capital levy, estate, succession, inheritance, transfer, or similar taxes of Tenant, or any franchise tax imposed upon any owner of the fee estate of the Leased Premises, or any income, profits, or revenue tax, assessment, or charge imposed upon the rent or other benefit received by Tenant under this Lease by any Governmental Authorities.

(w) “Improvements” shall mean the ninety-two (92) Residential Units to be constructed on the Leased Premises, including, without limitation, tenant related space and related ancillary facilities, together with any and all replacements or substitutions therefor or modifications thereto.

(x) “Insurance Requirements” shall mean the requirements, whether now or hereafter in force, of any insurer or insurance carrier, any board of fire underwriters or any other company, bureau, organization, or entity performing the same or similar functions, applicable to the Leased Premises and/or the Improvements, or any portion thereof, to the extent so applicable.

(y) “Investor” shall mean Berkadia Jordan Downs S3 Investor, LP, a Delaware limited partnership, the investor limited partner of Tenant, together with the beneficiaries, successors, and assigns of same.

(z) “Jordan Downs Master Project” shall mean the redevelopment of the Jordan Downs public housing community and 9901 Alameda Site (as defined in the Master Development Agreement) as contemplated by the Master Development Agreement.

(aa) “Landlord’s Estate” shall mean Landlord’s fee estate in the land constituting the Leased Premises.

(bb) “Lease” shall mean this Ground Lease Agreement.

(cc) “Lease Year” shall mean a calendar year.

(dd) “Leased Premises” shall mean that certain land located in the City, as more particularly described on Exhibit A attached hereto and made a part hereof.

(ee) “Legal Requirements” shall mean all applicable laws, statutes, codes, ordinances, orders, rules, regulations, and requirements of all Governmental Authorities and the appropriate agencies, officers, departments, boards, and commissions thereof, whether now or hereafter in force, applicable to Landlord, Tenant, the Leased Premises, the Improvements, or any portion thereof, to the extent so applicable.

(ff) “Management Agent” shall mean the Person designated from time to time as “Management Agent” of all or any portion of the Improvements under any management
agreement entered into from time to time with Tenant. [Michaels Management-Affordable, LLC, a New Jersey limited liability company], shall serve as the initial Management Agent for the Project.

(gg) "Master Development Agreement” shall mean that certain Master Development Agreement for the Redevelopment of the Jordan Downs Public Housing Community, dated August 1, 2012, as amended.

(hh) “Memorandum of Lease” shall mean the memorandum of this Lease to be recorded against the Leased Premises in the Official Records in the form attached hereto as Exhibit B.

(ii) “Mortgage” shall mean any mortgage, deed of trust, security agreement, or collateral assignment executed in connection with the Approved Financing encumbering Tenant’s Estate created hereunder as a leasehold deed of trust lien.

(jj) “Mortgagee” shall mean the holder, mortgagee, grantee, or secured party under any Mortgage and its successors and assigns.

(kk) “Net Cash Flow” shall mean the sum of (i) all cash received from rents, lease payments and all other sources, including payments received pursuant to any RAD PBV HAP Contract or PBV HAP Contract, but excluding (A) tenant security or other deposits (except to the extent forfeited to the Tenant), (B) Tax Credit Equity and interest thereon (other than if used to pay for an item deducted below in determining Net Cash Flow), (C) proceeds from Capital Transactions (as defined in the Partnership Agreement) and (D) interest on reserves not available for distribution, plus (ii) the net proceeds of any insurance (including rental interruption insurance), other than fire and extended coverage and title insurance, to the extent not used for rebuilding of the Project, plus (iii) any other funds deemed available for distribution by Administrative General Partner with the consent of the Investor and the Approved Financing lenders, if required, minus the sum of (x) all cash expenditures, and all expenses unpaid but properly accrued, which have been incurred in the operation of the Tenant’s business (whether or not such expenditure is deducted, amortized or capitalized for tax purposes), including the management fee to the management agent (excluding any deferred portion thereof), plus (y) all payments on account of any loans made to the Tenant (whether such loan is made by a partner of Tenant or otherwise), but not including any amounts to be paid pursuant to the Development Agreement (as defined in the Partnership Agreement) or pursuant to any loans made by any of Tenant’s partners where repayment of such loans is to be made out of Net Cash Flow, plus (z) any cash reserves for, among other purposes, working capital, capital expenditures, repairs, replacements and anticipated expenditures, in such amounts as may be required by the Approved Financing lenders or the Investor, or may be determined from time to time by Administrative General Partner with the consent of the Investor and the Approved Financing lenders, if required, to be advisable for the operation of the Tenant.

(ll) “Net Condemnation Award” shall mean the net amounts owed or paid to the Parties and Mortgagee(s), if any, or to which either of the Parties and Mortgagee(s), if any, may be or become entitled by reason of any Taking or pursuant to any agreement with any
condemning authority which has been made in settlement of any proceeding relating to a Taking, less any costs and expenses incurred by the Parties and Mortgagee(s), if any, in collecting such award or payment.

(mm) “New Lease” shall have the meaning set forth in Section 9.7 hereof.

(nn) “Official Records” shall mean the official land records of Los Angeles County, California.

(oo) “Operating Budget” shall mean the annual operating budget for the Project that sets forth the projected Operating Expenses for the upcoming year, that is subject to and shall be submitted for review and reasonable approval of Landlord’s chief executive officer, or his designee, each year during the Term as set forth in Section 4.6 hereof.

(pp) “Operating Expenses” shall mean actual, reasonable, and customary (for comparable rental housing developments in Los Angeles County) costs, fees, and expenses directly incurred, paid, and attributable to the operation, maintenance, and management of the Project in a calendar year, including, without limitation: painting, cleaning, repairs, alterations, landscaping, utilities, refuse removal, certificates, permits and licenses, debt service, amounts required to be deposited into reserves by the Approved Financing, sewer charges, real and personal property taxes, assessments, insurance, security, advertising and promotion, janitorial services, cleaning and building supplies, purchase, repair, servicing and installation of appliances, equipment, fixtures and furnishings, fees and expenses of property management, fees and expenses of accountants, attorneys and other professionals, the cost of social services and other housing supportive services provided at the Project, the Authority Compliance Fee, Authority Coordination Fee (as defined in the Authority Loan Agreement of even date herewith), extraordinary expenses approved by Landlord, and other actual, reasonable, and customary operating costs and capital costs which are directly incurred and paid by Tenant, but which are not paid from any reserve accounts for the Project.

(qq) “Partnership Agreement” shall mean the Tenant’s Amended and Restated Agreement of Limited Partnership dated as of [March 1], 2020, as it may be amended or supplemented from time to time.

(rr) “PBV HAP Contract” shall mean one or more Section 8 PBV Housing Assistance Payments Contracts which may be entered into by and between Landlord and Tenant with respect to the PBV Units.

(ss) “PBV Units” shall mean the forty-eight (48) units operated and maintained in accordance with any PBV HAP Contract of which [___] (__) units (“PBV Replacement Units”) are designated replacement units for the public housing units to be demolished at the existing Jordan Downs public housing site. The PBV Replacement Units are subject to the Section 18 Restriction set forth in Section 3.6(b).

(tt) “Party” shall mean Landlord or Tenant, as applicable. Landlord and Tenant shall be referred to collectively as the “Parties”. 
“Person” shall mean an individual, partnership, corporation, limited liability company, trust, unincorporated association, or other entity or association.

“Post-Foreclosure Rent Restriction” shall mean, following foreclosure or deed in lieu of foreclosure of Tenant’s interest in the Project by any Mortgagee, the gross rent with respect to such Tax Credit Unit in the Project does not exceed thirty percent (30%) of the imputed income limitation applicable to such unit as calculated pursuant to 26 U.S.C. § 42(g)(2). For purposes of this definition, the income imputed limitation applicable to any unit in the Project shall be deemed to be eighty percent (80%) of area median income.

“Project” shall mean the Improvements and Tenant’s Estate.

“RAD HAP Contract” shall mean one or more RAD PBV Housing Assistance Payments Contracts which may be entered into by and between Landlord and Tenant with respect to the twenty-five (25) RAD Units, together with certain Rental Assistance Demonstration Rider thereto, and any additional riders and/or amendments approved by HUD, Investor, and Mortgagees.

“RAD Requirements” shall include, but not be limited to: (i) the Consolidated and Further Continuing Appropriations Act of 2012, as amended by the Consolidated Appropriations Act, 2014 (Pub. L. No. 113-76, approved January 17, 2014), the Consolidated and Further Continuing Appropriations Act, 2015 (Pub. L. No. 113-235, approved December 6, 2014), and Division L, Title II, Section 237 of the Consolidated Appropriations Act (Pub. L. No. 114-113, enacted December 18, 2015), and all applicable statutes and any regulations issued by HUD for the RAD program, as they become effective, except that changes subject to notice and comment rulemaking shall become effective only upon completion of the rulemaking process; and (ii) all current requirements in HUD handbooks, guides, notices (including but not limited to, HUD Notice H-2019-09 PIH-2019-23 (HA), as it may be amended from time to time) and Mortgagee Letters (if any) for the RAD program, and all future updates, changes, and amendments thereto, as they become effective, except that changes subject to notice and comment rulemaking shall become effective only upon completion of the rulemaking process, and provided that such future updates, changes, and amendments shall be applicable to the Leased Premises and Improvements only to the extent that they interpret, clarify, and implement terms in the applicable closing document rather than add or delete provisions from such document.

“RAD Units” shall mean the twenty-five (25) units operated and maintained in accordance with any RAD HAP Contract entered into.

“RAD Use Agreement” shall mean that certain Rental Assistance Demonstration Use Agreement executed by Landlord, Tenant and HUD to be recorded with respect to permitted uses of the Leased Premises and rights of potential beneficiaries and any riders or amendments thereto, approved by HUD, Investor, and Mortgagees. In the event of any conflict between the provisions of the RAD Use Agreement and this Lease, the RAD Use Agreement shall govern.
(bbb) “Regulatory Agreements” shall mean, collectively, the Tax Credit Regulatory Agreement and any regulatory agreement(s) executed by Tenant in connection with the Approved Financing, and any other regulatory agreement reasonably determined to be necessary or advisable by Tenant (with the reasonable consent of Landlord) during the Term. To the extent that any regulatory agreement or covenant is extinguished through foreclosure (or otherwise terminated or expired), such regulatory agreement(s) or covenant shall no longer be applicable to this Lease.

(ccc) “Rent” shall have the meaning set forth in Section 4.1 hereof.

(ddd) “Residential Units” shall mean the ninety-two (92) multifamily residential units to be developed on the Tenant’s Estate (including the managers’ units).

(eee) “Resident(s)” shall mean any tenant, sub-tenant, or licensee of Tenant under any Residential Lease(s).

(fff) “Resident Lease(s)” shall mean any lease or license agreement entered into by Tenant with residents of the Residential Units to be constructed on the Leased Premises.

(ggg) “Right of First Refusal/Purchase Option” shall mean the purchase option and right of first refusal described in the Partnership Agreement and Section 17.7 herein that provides Landlord or its designee with a right of first refusal and purchase option related to the Project.

(hhh) “Section 3” shall have the meaning set forth in Section 3.7(d) hereof.

(iii) “Section 18 Restriction” shall have the meaning set forth in Section 3.6(b) hereof.

(jjj) “Section 42” shall mean Section 42 of the Internal Revenue Code of 1986, as amended.

(kkk) “Taking” shall mean a taking during the Term hereof of all or any part of the Leased Premises and/or the Improvements, or any interest therein or right accruing thereto, as a result of the exercise of the right of condemnation or eminent domain or a change in grade materially affecting the Leased Premises or any part thereof. A conveyance in lieu of or in anticipation of the exercise of any such right of condemnation or eminent domain shall be considered a Taking. Any such Taking shall be deemed to have occurred upon the earlier to occur of (a) the date on which the property, right, or interest so taken must be surrendered to the condemning authority, or (b) the date title vested in a condemning authority or other party pursuant to any Taking. If a Mortgage exists, the Mortgagors, to the extent permitted by law and pursuant to such Mortgagors loan documents, shall be made parties to any Taking or Taking proceeding.
(iii) **“Tax Credit Eligible Household”** shall mean a household that is eligible to rent and occupy a qualified low-income dwelling unit under Section 42 and any Legal Requirements of the State of California or TCAC relating to low-income housing tax credits.

(mmm) **“Tax Credit Regulatory Agreement”** shall mean that certain agreement with TCAC to be executed by Tenant and properly recorded in the Official Records, setting forth certain terms and conditions under which the Project will be operated.

(nnn) **“Tax Credit Units”** shall mean ninety-one (91) of the Residential Units located on the Leased Premises, which are to be restricted for use during the “compliance period” and any “extended use period” (as such terms are defined in Section 42) solely by Tax Credit Eligible Households.

(ooo) **“TCAC”** shall mean the California Tax Credit Allocation Committee.

(ppp) **“Tenant’s Estate”** shall mean Tenant’s leasehold interest in the Leased Premises acquired pursuant to this Lease, the Authority Acquisition Loan Note and the Authority Acquisition Deed of Trust, and Tenant’s ownership of the Improvements during the Term.

(qqq) **“Term”** shall mean the period of time set forth in Section 2.3 hereof.

(rrr) **“Transfer”** shall mean any sale, assignment, transfer, conveyance, encumbrance, mortgage, or hypothecation, in any manner or form or any agreement to do any of the foregoing.

Section 1.2 **Exhibits.** The Exhibits referred to in this Lease and attached hereto are expressly a part of this Lease as if fully set forth herein:

- Exhibit A: Leased Premises
- Exhibit B: Memorandum of Lease
- Exhibit C: Affordability Restrictions and Tenant Protections
- Exhibit C-1: HUD Disposition Approval Letter
- Exhibit D: Sustainability Plan
- Exhibit E-1: Construction Section 3 Plan
- Exhibit E-2: Section 3 Plan
- Exhibit E-3: Local Hire and Section 3 Requirements Rider
- Exhibit E-4: HACLA Section 3 Guide and Compliance Plan
- Exhibit F: Feasibility Plan Requirements
- Exhibit G: Property Management and Re-occupancy Plan
- Exhibit H: Supportive Services Plan
- [Exhibit I-1: Mitigation Measures]
- [Exhibit I-2: Waste Soil Management Plan]

**ARTICLE 2 LEASE OF THE LEASED PREMISES**

Section 2.1 **Leased Premises.** Subject to the terms hereof and in consideration of the covenants of payment and performance stipulated herein, Landlord has leased, demised, and let,
and by these presents does hereby lease, demise, and let unto Tenant, and Tenant hereby leases and takes from Landlord, the Leased Premises. Tenant has compensated Landlord for the purchase of the 75-year leasehold interest created by this Lease in the amount of Three Million Four Hundred Thousand Dollars ($3,400,000.00), pursuant to the following documents entered into as of even date herewith: the DDA, Authority Acquisition Note, and Authority Acquisition Deed of Trust. Landlord and Tenant acknowledge and agree that the principal amount of the Authority Acquisition Note, Three Million Four Hundred Thousand Dollars ($3,400,000.00), represents the purchase price, at the appraised fair market value, of the Leased Premises.

Section 2.2 Authority Compliance Fee. The Tenant shall pay the Authority Compliance Fee to the Landlord as and when due.

Section 2.3 Term. Unless sooner terminated pursuant to the provisions hereof, this Lease shall continue in full force and effect for a term ("Term"), commencing on the Commencement Date and expiring on ___________, 2095.

Section 2.4 Use. Tenant shall, throughout the Term, continuously use the Leased Premises and the Improvements only for the construction, operation, marketing for lease, and leasing of the Residential Units, and such other uses as are reasonably and customarily attendant to such uses, subject to the Regulatory Agreements and this Lease, including but not limited to the restrictions and requirements set forth in Article 3 hereof. The Project shall be used, operated, and devoted for the entire Term as required by Exhibit C and for no other use or purpose. Further, Tenant agrees:

(a) not to use the Leased Premises for any disorderly or unlawful purpose;

(b) to use commercially reasonable efforts to prevent any action by any Residents from committing or maintaining any nuisance or unlawful conduct on or about the Leased Premises;

(c) to use commercially reasonable efforts to prevent any action by any Resident that would cause Tenant to violate any of the covenants and conditions of this Lease with respect to the Project;

(d) upon reasonable prior notice from Landlord, to take reasonable action, if necessary, to abate any action by any Resident that would cause Tenant to violate this Lease; and

(e) subject to the rights of Residents, to permit Landlord and its agents upon not less than forty-eight (48) hours’ prior written notice to inspect the Leased Premises or any part thereof at any reasonable time during the Term.

Section 2.5 Possession. Landlord agrees to and shall provide possession of the Leased Premises to Tenant on the Commencement Date.
Section 2.6 Memorandum of Lease. The Parties shall execute and acknowledge the Memorandum of Lease, in the form attached hereto as Exhibit B, which Tenant shall cause to be immediately recorded in the Official Records at Tenant’s expense.

ARTICLE 3 THE IMPROVEMENTS

Section 3.1 Construction. Tenant shall cause the commencement and completion of construction of the Improvements on or before the dates set forth in the Authority Loan Agreement. Tenant shall cause the Improvements to be constructed in substantial compliance with the plans and specifications that have been approved by Landlord pursuant to the Authority Loan Agreement. The construction of the Improvements shall be conducted in a good and worker-like manner, in compliance with all requirements set forth in this Lease, the requirements of the Approved Financing, all permits and approvals issued for the Project, all construction documents as approved by Landlord, and all applicable laws (including without limitation, the federal Davis-Bacon Act and Section 3, Tenant’s obligations set forth in Section 3.7 below and all directions, rules and regulations of any fire marshal, health officer, building inspector, or other officer of every governmental agency now having or hereafter acquiring jurisdiction. The work shall proceed only after procurement of each permit, license, or other authorization that may be required by any Governmental Authority having jurisdiction, and the Tenant shall be responsible to the Landlord for the procurement and maintenance thereof, as may be required of the Tenant and all entities engaged in work on the Project. In designing and constructing the Project, the Tenant shall comply with accessibility requirements, shall meet Section 3 requirements, and shall use sustainable construction materials and techniques in accordance with Exhibit D attached hereto, such that the Project shall at a minimum be eligible for United States Green Building Council Certification. Tenant shall take no action to effectuate any material amendments, modifications, or alterations to the plans and specifications unless Landlord has approved such, in writing and in advance.

Section 3.2 No Liens. Tenant shall not have any right, authority, or power to bind Landlord, Landlord’s Estate, or any other interest of Landlord in the Leased Premises, for any claim for labor or material or for any other charge or expense, lien, or security interest incurred in connection with the construction or operation of the Improvements or any change, alteration, or addition thereto. Tenant shall not have any right to encumber Tenant’s Estate without the written consent of Landlord, other than for Approved Financing and the Regulatory Agreements, utility easements, and other customary easements or agreements necessary and incidental to the construction and operation of the Improvements, which easements are subject to the approval of Landlord, which shall not be unreasonably withheld. Notwithstanding the forgoing and subject to the prior written approval of the Landlord, which approval shall not be unreasonably withheld, conditioned or delayed, the Tenant may refinance the Approved Financing loans. Any refinancing of the Approved Financing loans shall be on commercially reasonable terms in an amount not to exceed the then outstanding principal balance of such Approved Financing loans plus reasonable costs. The Tenant shall reimburse the Landlord for any costs it incurs related to the refinancing of the Approved Financing loans.

Tenant shall promptly pay and discharge all claims for work or labor done, supplies furnished, or services rendered at the request of Tenant and shall keep the Leased Premises free
and clear of all mechanics’ and materialmen’s liens in connection therewith. If any claim of lien is filed against the Leased Premises or a stop notice is served on Landlord or other third party in connection with the construction or operation of the Improvements or any change, alteration, or addition thereto, then Tenant shall, within thirty (30) days after such filing of service, either pay and fully discharge the lien or stop notice, effect the release of such lien or stop notice by delivering to Landlord a surety bond in sufficient form and amount, or provide Landlord with other assurance reasonably satisfactory to Landlord that the claim of lien or stop notice will be paid or discharged, provided that Landlord provides written notice of such claim of lien or stop notice to Tenant promptly upon receipt by Landlord.

If Tenant fails to discharge any lien, encumbrance, charge, or claim in the manner required in this Section, then in addition to any other right or remedy, Landlord may (but shall be under no obligation to) discharge such lien, encumbrance, charge, or claim at Tenant’s expense, and Tenant shall pay to Landlord as Additional Rents (as defined in Section 4.2) any such amounts expended by Landlord within thirty (30) days after written notice is received from Landlord of the amount expended. Alternately, Landlord may require Tenant to immediately deposit with Landlord the amount necessary to satisfy such lien or claim and any costs, pending resolution thereof. Landlord may use such deposit to satisfy any claim or lien that is adversely determined against Tenant.

Tenant shall file a valid notice of cessation or notice of completion upon cessation of construction on the Improvements for a continuous period of thirty (30) days or more, except in the event such cessation of construction is caused by adverse weather conditions, and shall take all other reasonable steps to forestall the assertion of claims of lien against the Leased Premises. Landlord shall have the right to post or keep posted on the Leased Premises, or in the immediate vicinity thereof any notices of non-responsibility for any construction, alteration, or repair of the Leased Premises by Tenant. Tenant authorizes Landlord, but without any obligation, to record any notices of completion or cessation of labor, or any other notice that Landlord deems necessary or desirable to protect its interest in the Leased Premises.

Section 3.3 Permits, Licenses and Easements.

(a) Tenant shall be responsible for obtaining any and all permits, licenses, easements, and other authorizations required by any Governmental Authority with respect to any construction or other work to be performed on the Leased Premises and to grant or cause to be granted all permits, licenses, easements, and other governmental authorizations that are necessary or helpful for electric, telephone, gas, cable television, water, sewer, drainage, access, and such other public or private utilities or facilities as may be reasonably necessary or desirable in connection with the construction or operation of the Improvements. Tenant shall be entitled, without separate payment to Landlord for tap or connection fees, to tap into the existing lines, facilities, and systems of applicable electric, gas, cable, water, sewer, sewer treatment, and other utilities serving the Leased Premises, provided Tenant remains responsible for payment of fees and costs required by the City for such services. Landlord agrees to use Landlord’s reasonable efforts to assist Tenant to obtain waiver, reduction, or deferral, as applicable, of all fees and other charges otherwise payable in connection with obtaining any permits, licenses, easements, and other authorizations required by any Governmental Authority with respect to any construction or
other work to be performed on the Leased Premises in connection with the Improvements. Tenant covenants and agrees to comply with the terms and conditions of all Applicable CC&Rs & Easements which apply to the Leased Premises and/or the Project, excluding any obligation specifically allocated to and undertaken by Landlord pursuant to the terms of a separate agreement between Landlord and Tenant.

(b) On or before Closing, the Leased Premises and Project shall be annexed into the Development (as defined in the Declaration of Restrictions (CC&Rs)) under the Declaration of Restrictions (CC&Rs) and a declaration of annexation accomplishing same shall be recorded in the Official Records.

Section 3.4 Title to Improvements.

(a) **During the Term.** Notwithstanding any provision in this Lease to the contrary, the Improvements and all alterations, additions, equipment, and fixtures built, made, or installed by Tenant in, on, under, or to the Leased Premises or the Improvements shall be the sole property of Tenant until the expiration of the Term or other termination of this Lease and subject to the Right of First Refusal/Purchase Option.

(b) **After the Term.** Upon the expiration of the Term or other termination of this Lease, the Improvements and all alterations, additions, equipment, and fixtures shall be deemed to be and shall automatically become the property of Landlord, without cost or charge to Landlord. Landlord agrees that Tenant, at any time prior to the seventy-fifth (75th) day after the expiration or other termination of this Lease, may remove from the Leased Premises any and all equipment which Tenant has furnished for maintenance purposes or for the use of the Management Agent, provided that Tenant shall repair any physical damage to the Leased Premises caused by the removal of such equipment and property. Tenant agrees to execute, at the request of Landlord at the end of the Term, a quitclaim deed of the Improvements to Landlord to be recorded at Landlord’s option and expense and any other documents that may be reasonably required by Landlord or Landlord’s title company to provide Landlord title to the Leased Premises and the Improvements free and clear of all monetary liens and monetary encumbrances not caused or agreed to by Landlord.

Section 3.5 Benefits of Improvements During Term. Landlord acknowledges and agrees that any and all depreciation, amortization, and other tax attributes of ownership, including without limitation, tax credits for federal or state tax purposes relating to the Improvements located on the Leased Premises and any and all additions thereto, substitutions therefor, fixtures therein, and other property relating thereto shall be deducted or credited exclusively to Tenant as the sole owner of such Improvements during the Term and for the tax years during which the Term begins and ends.

Section 3.6 Regulatory Agreements.

(a) Tenant shall, at all times throughout the Term, comply with all applicable requirements of the Regulatory Agreements as required herein. Tenant will cause all Tax Credit Units to be operated and maintained in accordance with the Tax Credit Regulatory Agreement,
and Tenant shall so operate and maintain such Tax Credit Units for the term set forth in the Tax Credit Regulatory Agreement, unless such Tax Credit Regulatory Agreement is released from the Leased Premises pursuant to a foreclosure upon a Mortgage; provided, however, (i) that in no event will any action be taken which violates Section 42(h)(6)(E)(ii) of the U.S. Internal Revenue Code of 1986, as amended, regarding prohibitions against evicting, terminating tenancy, or increasing rent of residential tenants for a period of three (3) years after acquisition of a building by foreclosure or deed-in-lieu of foreclosure, and (ii) following foreclosure or deed in lieu of foreclosure of a Mortgage, the Project shall thereafter be subject to the Post-Foreclosure Rent Restriction.

(b) Pursuant to the HUD Disposition Approval Letter, as amended, attached hereto as Exhibit C-1, relating to the Leased Premises, all of the PBV Replacement Units [and _____ (__) of the Tax Credit Units] shall be operated as affordable for families at or below eighty percent (80%) of the area median income for not less than (30) years following the Commencement Date (the “Section 18 Restriction”). The Section 18 Restriction is a covenant that runs with the land, and shall bind and inure to the benefit Landlord and HUD, their successors and assigns and every party now or hereafter acquiring any right title or interest in the Leased Premises or any part thereof. The Section 18 Restriction shall survive and remain in effect following foreclosure of any Mortgage. During the Section 18 Restriction period, except as permitted in the HUD Disposition Approval Letter, the Tenant (i) shall remain the lessee under this Lease and (ii) shall not convey, sublease or transfer the Leased Premises without the prior approval of the Authority and HUD.

Section 3.7 Equal Opportunity; Section 3. The Tenant, for itself and its successors and assigns, and transferees agrees that in the construction, operation and management of the Project:

(a) Tenant will not discriminate against any employee or applicant for employment because of race, color, creed, religion, national origin, ancestry, disability, medical condition, age, marital status, gender identity status, sex, sexual orientation, HIV status or Acquired Immune Deficiency Syndrome (AIDS) condition or perceived condition, or retaliation for having filed a discrimination complaint (nondiscrimination factors). The Tenant will take affirmative action to ensure that applicants are considered for employment by the Tenant without regard to the nondiscrimination factors, and that Tenant's employees are treated without regard to the nondiscrimination factors during employment including, but not limited to, activities of: upgrading, demotion or transfer; recruitment or recruitment advertising, layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Tenant agrees to post in conspicuous places, available to its employees and applicants for employment, the applicable nondiscrimination clause set forth herein;

(b) Tenant will ensure that its solicitations or advertisements for employment are in compliance with the aforementioned nondiscrimination factors;

(c) Tenant will cause the foregoing provisions to be inserted in all contracts for the construction, operation and management of the Project entered into after the date of this Lease;
provided, however, that the foregoing provisions shall not apply to contracts or subcontracts for standard commercial supplies or raw material;

(d) Tenant will comply with Section 3 of the Housing and Urban Development Act of 1968 and its implementing regulations 24 CFR Part 135 (“Section 3”), as such may be amended from time to time. Section 3 requires that employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible, and consistent with existing Federal, State, and local laws and regulations, be directed toward low- and very low-income persons, particularly those who are recipients of government assistance for housing, and to business concerns which provide economic opportunities to low- and very low-income persons. During construction of the Project, Tenant shall comply with the Section 3 requirements set forth in the Construction Section 3 Plan (the “Construction Section 3 Plan”) attached hereto as Exhibit E-1, the Local Hire and Section 3 Rider attached hereto as Exhibit E-3 (the “Section 3 Rider”) and the Section 3 Guide and Compliance Plan attached hereto as Exhibit E-4 (the “HACLA Section 3 Plan”). Following completion of construction and for the remainder of the Term of this Lease, Tenant shall comply with the Section 3 commitments set forth in the Section 3 Rider, HACLA Section 3 Plan and the Section 3 Plan approved by Landlord attached hereto as Exhibit E-2 (the “Section 3 Plan” and collectively, with the Construction Section 3 Plan, Section 3 Rider and HACLA Section 3 Plan, the “Section 3 Documents”),

(e) Tenant agrees to demonstrate good faith efforts to comply, to the greatest extent feasible with Section 3 and meet the numerical goals for contracting with Section 3 business concerns and provide employment, training or other economic opportunities to Section 3 residents in accordance with the Section 3 Documents. These responsibilities include ensuring that all of Tenant’s contractors and subcontractors comply with Section 3, and managing and monitoring their compliance;

(f) The Tenant shall provide to the Landlord such information and documentation as reasonably requested by the Landlord to determine compliance with the Section 3 Documents, as applicable, during the Term of this Lease.

(g) Tenant agrees that prior to hiring any management or maintenance employees for the Project, Tenant shall cause the Management Agent to notify the Landlord and the Watts/Los Angeles WorkSource Center (“WSC”) or its designee of its need for employees. The Tenant shall strongly consider the qualifications of all interested WSC referrals and existing Landlord employees as it makes hiring decisions for the management and maintenance of the Project. To that end, the Tenant shall cause the Management Agent to give these applicants the first opportunity to interview for all available positions, before undertaking outreach activities or providing notice to the public of such opportunities.

The Tenant shall use reasonable efforts to monitor and enforce, or shall cause its general contractor to monitor and enforce, the equal opportunity requirements imposed by this Lease. As requested, the Landlord shall provide such technical assistance necessary to implement this Section 3.7.
Section 3.8  Covenants Applicable to RAD Units.

(a) Landlord acknowledges that the RAD Units shall be benefited by the terms and conditions of any RAD HAP Contract that may be entered into. For so long as such a RAD HAP Contract or the RAD Use Agreement is in effect, with respect to the RAD Units, the RAD Requirements shall be binding upon Landlord and Tenant and each of their respective successors and assigns, including, without limitation, any entity that succeeds to Tenant’s interest in the Leased Premises by foreclosure or an instrument in lieu of foreclosure.

(b) Except as otherwise provided in the RAD Requirements or as otherwise waived, modified, or amended as applied to the Improvements, the RAD Units shall be operated pursuant to the RAD Requirements for so long as any RAD HAP Contract or RAD Use Agreement is in effect.

(c) Neither the Tenant nor any of its partners shall have any authority to: (i) take any action in violation of the RAD Use Agreement, or (ii) fail to renew the RAD HAP Contract upon such terms and conditions applicable at the time of renewal when offered for renewal by the Landlord as contract administrator.

(d) If the RAD HAP Contract and any related Project subsidies are terminated or reduced, or termination or reduction is reasonably anticipated based on federal government appropriations or other changes to the RAD or Project-Based Voucher Programs, through no fault of the Tenant, the Tenant shall notify Landlord in writing immediately and the following provisions shall apply:

(i) At least sixty (60) days before the expected termination of Project subsidies, Tenant shall submit to Landlord a financial feasibility plan that proposes management measures designed to maintain the financial feasibility of the Project, which may include rent increases and Operating Expense reductions for the continued viability of the Project (the “Feasibility Plan”) and shall satisfy the following requirements:

A. At a minimum, the Feasibility Plan submitted by Tenant to Landlord shall meet the requirements of Exhibit F attached hereto. Where possible, and subject to the Approved Financing Documents and Regulatory Agreements, the Feasibility Plan shall include skewing rents higher on portions of the Residential Units in order to preserve affordability for other Residential Units regulated by the Regulatory Agreements. Any necessary rent increases shall be phased in gradually, consistent with maintaining the Project’s financial feasibility.

B. The Feasibility Plan is subject to Landlord’s review and approval, which approval shall not be unreasonably withheld or delayed. Landlord shall review and approve or disapprove a complete proposed Feasibility Plan, in writing, within twenty-one (21) days of receipt from Tenant, unless such longer period is required to obtain approval of Landlord’s Board of Commissioners. In the event, Landlord disapproves the Feasibility Plan, it shall include, with the notice of disapproval, the specific reasons for its disapproval. In the event
Landlord disapproves the Feasibility Plan, the Tenant shall provide a revised Feasibility Plan within twenty-one (21) days of the notice of disapproval and the process for review and approval shall continue until such time as the Landlord approves the Feasibility Plan. If the Landlord fails to provide an approval or disapproval within the times stated above, the last Feasibility Plan submitted by Tenant shall be deemed approved.

C. In the event Landlord disapproves the third (3rd) Feasibility Plan submitted by Tenant in accordance with Section 3.8(d)(i)B, Landlord and Tenant shall enter mediation to reach agreement on a Feasibility Plan. The parties agree that the mediator shall be chosen no later than thirty (30) days after Landlord’s disapproval of such third (3rd) Feasibility Plan. If the parties cannot agree on the selection of a mediator, one shall be selected by American Arbitration Association. The fees and expenses of the mediator shall be borne equally by the parties. To the extent the parties fail to reach agreement on a Feasibility Plan through mediation, no less than thirty (30) days following the initiation of mediation, either party may commence litigation to resolve disputes arising under this Section 3.8(d)(i).

(ii) Upon the termination of the RAD HAP Contract or loss of related Project subsidy (each a “RAD Subsidy Event”), Tenant may draw from any available subsidy reserves to temporarily maintain the Project’s existing affordability.

(iii) During Tenant’s development of the Feasibility Plan and Landlord’s review of same, Landlord and Tenant shall collaborate and make commercially reasonable efforts to find alternative subsidies or financing structures, including applying for Project-Based Voucher Section 8 assistance that would maintain the deeper income targeting contained in the Regulatory Agreements. Upon the date that is three (3) months following a RAD Subsidy Event or such efforts to find alternative subsidies or financing structures are unsuccessful in whole or in part, as reasonably agreed to by Landlord and Tenant:

A. In the event Tenant has proposed and Landlord has approved a Feasibility Plan, the Tenant may increase rents and income targeting for the RAD Units above the levels allowed by the Regulatory Agreements up to the maximum rents allowed by TCAC under its Tax Credit Regulatory Agreement, if applicable. Rents shall be raised only to the extent required in the Feasibility Plan and as permitted, if at all, by HUD.

B. In the event Tenant has proposed, but Landlord has not yet approved, a Feasibility Plan, then upon the earlier to occur of (I) the date that is three (3) months following a RAD Subsidy Event and (II) the depletion of more than 25% of any available subsidy reserves, the Tenant may increase rents as necessary to cover Operating Expenses in the then approved Operating Budget up to the limits of the Tax Credit Regulatory Agreement, or if outside of the Tax Credit Compliance period, the Post-Foreclosure Rent Restrictions, and as
permitted, if at all, by HUD. Any necessary rent increases shall be phased in gradually and effective only upon turnover of the Residential Units, consistent with maintaining the Project’s financial feasibility; provided, however, if (i) the termination or reduction of Project subsidies is caused solely by act or omission of Landlord or (ii) Tenant has depleted 50% of any available subsidy reserves, the Tenant may increase rents prior to turnover of the Residential Units up to the limits of the Tax Credit Regulatory Agreement, or if outside of the Tax Credit Compliance period, the Post-Foreclosure Rent Restrictions, and as permitted, if at all, by HUD.

(iv) Notwithstanding the provisions of this Section 3.8(d), the RAD Use Agreement shall remain in full force and effect. The Tenant (or its partners) shall not be obligated to make a loan to the Project or deplete reserves as part of a Feasibility Plan, except as provided in this Section 3.8(d). Subject to the RAD Requirements, the RAD HAP Contract and applicable law, Landlord shall make best efforts to (1) mitigate the loss or reduction in subsidy at the Project by prioritizing the Project in its allocation of additional or replacement Housing Choice Vouchers, RAD subsidy, or comparable subsidy; (2) cause any unavoidable reduction in subsidy to occur gradually; and (3) coordinate with the Tenant in planning and implementing such reduction.

Section 3.9 Covenants Applicable to PBV Units.

(a) Landlord acknowledges that the PBV Units shall be benefited by the terms and conditions of any PBV HAP Contract that may be entered into. For so long as such a PBV HAP Contract is in effect, the PBV Units shall comply with all applicable HUD regulations and guidelines, including, without limitation, all applicable regulations governing Project-Based Voucher Section 8 assistance.

(b) Except as otherwise provided in the HUD Disposition Approval attached hereto as Exhibit C-1 or as otherwise waived, modified, or amended as applied to the Improvements, the PBV Replacement Units shall be operated pursuant to the Section 18 Restriction for so long as the Section 18 Restriction is in effect.

(c) If the PBV HAP Contract and any related Project subsidies are terminated or reduced, or termination or reduction is reasonably anticipated based on federal government appropriations or other changes to the Housing Choice Voucher Program, through no fault of the Tenant, the Tenant shall notify Landlord in writing immediately and the following provisions shall apply:

(i) At least sixty (60) days before the expected termination of Project subsidies, Tenant shall submit to Landlord a Feasibility Plan and shall satisfy the following requirements:

A. At a minimum, the Feasibility Plan submitted by Tenant to Landlord shall meet the requirements of Exhibit F attached hereto. Where possible, and subject to the Approved Financing Documents and Regulatory
Agreements, the Feasibility Plan shall include skewing rents higher on portions of the Residential Units in order to preserve affordability for other Residential Units regulated by the Regulatory Agreements. Any necessary rent increases shall be phased in gradually, consistent with maintaining the Project’s financial feasibility.

B. The Feasibility Plan is subject to Landlord’s review and approval, which approval shall not be unreasonably withheld or delayed. Landlord shall review and approve or disapprove a complete proposed Feasibility Plan, in writing, within twenty-one (21) days of receipt from Tenant, unless such longer period is required to obtain approval of Landlord’s Board of Commissioners. In the event, Landlord disapproves the Feasibility Plan, it shall include, with the notice of disapproval, the specific reasons for its disapproval. In the event the Landlord disapproves the Feasibility Plan, the Tenant shall provide a revised Feasibility Plan within twenty-one (21) days of the notice of disapproval and the process for review and approval shall continue until such time as the Landlord approves the Feasibility Plan. If the Landlord fails to provide an approval or disapproval within the times stated above, the last Feasibility Plan submitted by Tenant shall be deemed approved.

C. In the event Landlord disapproves the third (3rd) Feasibility Plan submitted by Tenant in accordance with Section 3.9(c)(i)B, Landlord and Tenant shall enter mediation to reach agreement on a Feasibility Plan. The parties agree that the mediator shall be chosen no later than thirty (30) days after Landlord’s disapproval of such third (3rd) Feasibility Plan. If the parties cannot agree on the selection of a mediator, one shall be selected by American Arbitration Association. The fees and expenses of the mediator shall be borne equally by the parties. To the extent the parties fail to reach agreement on a Feasibility Plan through mediation, no less than thirty (30) days following the initiation of mediation, either party may commence litigation to resolve disputes arising under this Section 3.9(c)(i).

(ii) Upon the termination of the PBV HAP Contract or loss of related Project Subsidy (each a, “PBV Subsidy Event”), Tenant may draw from any available subsidy reserves to temporarily maintain the Project’s existing affordability.

(iii) During Tenant’s development of the Feasibility Plan and Landlord’s review of same, Landlord and Tenant shall collaborate and make commercially reasonable efforts to find alternative subsidies or financing structures that would maintain the deeper income targeting contained in the Regulatory Agreements. Upon the date that is three (3) months following a PBV Subsidy Event or such efforts to find alternative subsidies or financing structures are unsuccessful in whole or in part, as reasonably agreed to by Landlord and Tenant:

A. In the event Tenant has proposed and Landlord has approved a Feasibility Plan, the Tenant may increase rents and income targeting for the PBV Units above the levels allowed by the Regulatory Agreements up to the maximum
rents allowed by TCAC under its Tax Credit Regulatory Agreement, if applicable. Rents shall be raised only to the extent required in the Feasibility Plan and as permitted, if at all, by HUD.

B. In the event Tenant has proposed, but Landlord has not yet approved, a Feasibility Plan, then upon the earlier to occur of (I) the date that is three (3) months following a PBV Subsidy Event and (II) the depletion of more than 25% of any available subsidy reserves, the Tenant may increase rents as necessary to cover Operating Expenses in the then approved Operating Budget up to the limits of the Tax Credit Regulatory Agreement, or if outside of the Tax Credit Compliance period, the Post-Foreclosure Rent Restrictions, and as permitted, if at all, by HUD. Any necessary rent increases shall be phased in gradually and effective only upon turnover of the Residential Units, consistent with maintaining the Project’s financial feasibility; provided, however, if (i) the termination or reduction of Project subsidies is caused solely by act or omission of Landlord or (ii) Tenant has depleted 50% of any available subsidy reserves, the Tenant may increase rents prior to turnover of the Residential Units up to the limits of the Tax Credit Regulatory Agreement, or if outside of the Tax Credit Compliance period, the Post-Foreclosure Rent Restrictions, and as permitted, if at all, by HUD.

(iv) Notwithstanding the provisions of this Section 3.9(c), the Tenant (or its partners) shall not be obligated to make a loan to the Project or deplete reserves as part of a Feasibility Plan, except as provided in this Section 3.9(c). Subject to the PBV HAP Contract and applicable law, Landlord shall make best efforts to (1) mitigate the loss or reduction in subsidy at the Project by prioritizing the Project in its allocation of additional or replacement Housing Choice Vouchers or comparable subsidy, (2) cause any unavoidable reduction in subsidy to occur gradually, and (3) coordinate with the Tenant in planning and implementing such reduction.

Section 3.10 Prevailing Wages To the extent required with respect to the Improvements, Tenant shall pay and assure that all contractors and subcontractors working on the Project pay the general prevailing rate of per diem wages, as determined by the U.S. Labor Department, pursuant to the federal Davis-Bacon Act and implementing rules and regulations. Tenant shall comply with all applicable reporting and recordkeeping requirements.

Section 3.11 Payment and Performance Bonds In connection with the Improvements, Tenant shall require its general contractor to procure and deliver to Landlord copies of labor and material (payment) bonds and performance bonds, or a dual bond which covers both payment and performance obligations, in a penal sum each of not less than one hundred percent (100%) of the scheduled cost of the Improvements, and one hundred percent (100%) payment bond. Said bonds shall be issued by an insurance company which is licensed to do business in the State of California and has a rating equivalent to AAA or AA+ by an insurance company listed in the current year’s Federal Register or as otherwise approved by Landlord. The labor and materials (payment) bond shall name Landlord as a co-obligee or assignee.
Section 3.12  Landlord Review  Tenant shall be solely responsible for all aspects of Tenant’s conduct in connection with the Improvements, including, but not limited to, the quality and suitability of the specifications, the supervision of construction work, and the qualifications, financial condition, and performance of all engineers, contractors, subcontractors, suppliers, consultants, and property managers. Any review or inspection undertaken by Landlord with reference to the Improvements, in accordance with the terms of this Lease, is solely for the purpose of determining whether Tenant is properly discharging its obligations to Landlord, and should not be relied upon by Tenant or by any third parties as a warranty or representation by Landlord as to the quality of the design or performance of the Improvements.

Section 3.13  Accessibility Requirements  The design and the operation of the Project shall meet the program accessibility requirements of Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and implementing regulations at 24 CFR Part 8 or any applicable successor regulation, the Americans with Disabilities Act, and the Fair Housing Act and their implementing regulations. In addition, the Tenant shall ensure that the percentage of accessible dwelling units complies with the requirements of Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and implementing regulations at 24 CFR Part 8, subpart C or any applicable successor regulation.

ARTICLE 4 RENTS

Section 4.1  Rent. Upon execution of this Lease, Tenant has compensated Landlord for the acquisition of the leasehold interest created by this Lease in the amount of Three Million Four Hundred Thousand Dollars ($3,400,000.00) attributable to the fair market value of the Leased Premises ("Rent"). Payment of Rent shall be made by execution of the Authority Acquisition Note.

Section 4.2  Additional Rents. In addition to the Rent specified in Section 4.1 hereof, any and all of the payments that Tenant is required to make hereunder to or for the benefit of Landlord shall be deemed to be “Additional Rents.” All such Additional Rents shall be payable in accordance with the provisions of this Lease specifying the payment of such Additional Rents, including, but not limited to, Section 4.3 herein. The Rent specified in Section 4.1 hereof and Additional Rents payable hereunder shall be deemed “Rents” reserved by Landlord, and any remedies now or hereafter given to Landlord under the laws of the State of California for collection of the Rents shall exist in favor of Landlord, in addition to any and all other remedies specified in this Lease.

Section 4.3  Payments. All Rents or other sums, if any, due Landlord hereunder shall be paid by Tenant to Landlord at the address of Landlord set forth herein for notices, or to such other person and/or at such other address as Landlord may direct. All Rents shall be paid promptly when due without demand, offset or deduction in lawful money of the United States. If Tenant fails to make any payment of Rents on or before the date such payment is due and payable in accordance with the terms of this Lease, then the Landlord shall have the right to impose upon Tenant a late charge of five percent (5%) of the amount of such payment. Any payment due to the Landlord hereunder which is not made when due shall bear interest from the date due to the date paid at the Default Rate (as defined in the Authority Loan Agreement).
Section 4.4  **Net Lease and Assumption of Risk.** This Lease is intended to be, and shall be, construed as an absolute net lease, whereby under all circumstances and conditions (whether now or hereafter existing or within the contemplation of the Parties), the Rents provided for herein shall be absolutely net to Landlord over and above all costs, expenses, and charges of every kind or nature whatsoever related to the Leased Premises, including, without limitation, taxes, utility costs, insurance premiums, operating expenses, costs of repairs, maintenance, restorations, and replacements of the Project, except as may otherwise be expressly set forth herein.

Section 4.5  **Financial Statements.** Tenant shall provide to Landlord annual and monthly financial statements.

(a) Within one hundred twenty (120) days after the end of each Lease Year but in no event later than April 1 of each Lease Year, Tenant shall prepare and deliver to Landlord a statement (the “**Annual Statement**”), in form and containing such details as are reasonably satisfactory to Landlord, showing the total amount of Net Cash Flow received during such Lease Year, itemizing all revenues and expenditures used to compute Net Cash Flow, and specifying the total amount of the annual Net Cash Flow payment due pursuant to the terms of the Authority Acquisition Note, if any. Tenant shall make any required Net Cash Flow payment to Landlord on the date that it delivers the Annual Statement to Landlord. Concurrent with delivery of each Annual Statement, Tenant shall also deliver to Landlord the audited financial statements of Tenant, as of the end of the prior Lease Year, with the report of Tenant’s accountants thereon stating that the audit of such financial statements has been made in accordance with generally accepted audit standards.

(b) Within forty-five (45) days after the end of each calendar month, Tenant shall prepare and deliver to Landlord a statement (the “**Monthly Statement**”), in form and containing such details as are reasonably satisfactory to Landlord. At a minimum, each Monthly Statement for the Project shall include: (i) an income statement, (ii) a balance sheet, and (iii) rent rolls.

Section 4.6  **Operating Budget.** Not less than thirty (30) days prior to the completion of the Improvements, and not less than annually thereafter on or before October 1 of each year, Tenant shall submit to Landlord on not less than an annual basis an Operating Budget for the Project, which budget shall be subject to the written approval of Landlord’s president/chief executive officer or his designee (the “**Executive Officer**”), which approval shall not be unreasonably withheld, conditioned, or delayed. The proposed Operating Budget shall include a description of anticipated repairs and capital replacements to be undertaken during such year. The Executive Officer’s discretion in review and approval of each proposed Operating Budget shall include, without limitation, authority to review individual categories, line items, and accounts, such as the following: extent, type, and amount for social services at or associated with the Project; existing balance(s) in and proposed deposits to any reserve accounts to evaluate shortfalls and/or cumulative unexpended/unencumbered deposits and reasonableness and conformity to prevailing market rates in Los Angeles County. Expressly excluded from Landlord’s review under this section 4.6 are [Investor’s Asset Management Fee and Managing General Partner’s MGP Partnership Management Fee] (each as defined in the Partnership
Agreement). Landlord shall respond promptly, but in any event on or before December 1 of each year, to Tenant’s request for approval of its Operating Budget. If Landlord fails to respond in any form to Tenant’s request for approval of its Operating Budget on or before December 1, then Tenant may consider the Operating Budget approved (the “Default Approval”). In the event Default Approval does not apply and Landlord and Tenant fail to reach agreement on an Operating Budget by the beginning of the fiscal year, the Operating Budget of the previous fiscal year shall apply to the Project without any increase or change. Changes to the Operating Budget over five percent (5%) during the year must be approved by the Landlord.

ARTICLE 5  TAXES AND OTHER IMPOSITIONS; UTILITIES

Section 5.1  Payment of Impositions. Prior to delinquency, Tenant will pay or cause to be paid all of the Impositions, except that if any Imposition that Tenant is obligated to pay in whole or in part is permitted by law to be paid in installments, Tenant may pay or cause to be paid such Imposition (or its proportionate part thereof) in installments prior to delinquency. Upon the written request of Landlord, Tenant shall exhibit and deliver to Landlord evidence satisfactory to Landlord of payment of all Impositions. During the first and last years of the Term, all Impositions that shall become payable during each calendar, fiscal, tax, or Lease Year, as applicable, shall be ratably adjusted on a per diem basis between Landlord and Tenant in accordance with the respective portions of such calendar, fiscal, tax, assessment, or Lease Year during the Term. If any special assessments are payable in installments, Tenant shall pay only those installments that are due and for which the delinquency date occurs during the Term for periods occurring during the Term. The Parties acknowledge that Tenant intends to apply for a partial exemption for ad valorem taxes under Section 214(g) of the California Revenue and Taxation Code. Nothing in this Section 5.1 shall prohibit the Tenant from depositing such Imposition payments into an escrow account maintained by the First Mortgagee for the purposes of paying such Impositions.

Section 5.2  Contested Taxes and Other Impositions. Tenant, at its sole cost and expense, in its own name or in the name of Landlord and subject to the consent of any Mortgagee, may contest the validity or amount of any Imposition relating to all or any portion of the Leased Premises, in which event the payment thereof may be deferred during the pendency of such contest, if diligently prosecuted.

(a)  As may be necessary or desirable, Landlord or Tenant, as applicable, upon the request of the other Party, shall use its best reasonable efforts to assist in any such proceeding to contest the validity or amount of any Imposition.

(b)  Nothing contained in this Section 5.2, however, shall be construed to allow any such contested Imposition to remain unpaid for a length of time which shall permit the Leased Premises, or any part thereof, to be sold by any Governmental Authorities for the nonpayment of such Imposition. Tenant shall promptly furnish Landlord copies of all notices, appeals, pleadings, motions, and orders in any proceedings commenced with respect to such contested Imposition. During such contest, Tenant shall (by the payment of such disputed taxes, assessments, or charges, if necessary) prevent any advertisement of tax sale, any foreclosure of,
or any divesting thereby of Landlord’s title, reversion, or other interest in or to the Leased Premises and the Improvements.

Section 5.3 Valuation Assessment. If applicable, Tenant, at its expense, may attempt to obtain a lowering of the assessed valuation of the Leased Premises for any year for the purpose of reducing taxes thereon.

Section 5.4 Failure to Pay Impositions. If Tenant fails to pay any Impositions before the same become delinquent, or as otherwise required pursuant to Section 5.1 hereof, Landlord, at its election, may pay such Impositions (but shall not be obligated to pay same), together with any interest and penalties due thereon, and the amount so paid by Landlord shall be repayable to Landlord by Tenant within forty-five (45) days after Landlord’s demand therefor.

Section 5.5 Utilities. Tenant shall pay all utilities used, rendered, or supplied upon or in connection with the Improvements and the construction thereof including, but not limited to, all charges for gas, electricity, light, heat, or power, all telephone and other communications services, all water rents and sewer service charges, and all sanitation fees or charges levied or charged against the Leased Premises during the Term; provided, however, that Tenant shall have no responsibility hereunder for the payment of utilities supplied by the respective providers directly to residential tenants for such residential tenants’ use in connection with the occupancy of their respective Residential Units. Landlord shall have no responsibility for the payment of utility costs.

ARTICLE 6 INSURANCE

Section 6.1 Tenant’s Insurance. During the Term, Tenant shall keep and maintain in force, at no cost or expense to Landlord, the following insurance, all of which shall be provided by companies and/or agencies authorized to do business in the State of California; provided, however, that in the event of conflict between the following requirements and the requirements in the Approved Financing Documents, the stricter requirements shall control:

(a) Leased Premises Insurance. Property insurance covering all risks of direct physical loss or damage to the Improvements not scheduled to be demolished, with limits of not less than one hundred percent (100%) of the “full replacement value” thereof, which insurance shall be provided by Tenant upon Closing. Such policies shall be broad form and shall include, but shall not be limited to, coverage for fire, extended coverage, vandalism, malicious mischief, and storm. Perils customarily excluded from all risk insurance, e.g., earthquake and flood, may be excluded. The term “full replacement value” shall exclude the cost of excavation, foundations, and footings. The amount of such insurance shall be adjusted by reappraisal of the Project by the insurer or its designee not more than once every five (5) years after construction during the Term, if requested in writing by Landlord.

(b) General Liability Insurance. Commercial general liability and automobile liability insurance, covering loss or damage resulting from accidents or occurrences on or about or in connection with the Improvements or any work, matters, or things under, or in connection with, or related to this Lease, with personal injury, death, and property damage combined single limit
liability of not less than One Million Dollars ($1,000,000.00) for general liability and One Million Dollars ($1,000,000.00) for automobile liability for each accident or occurrence and an aggregate limit of not less than Two Million Dollars ($2,000,000.00) for general liability and One Million Dollars ($1,000,000.00) for automobile liability, and umbrella/excess liability insurance of Five Million Dollars ($5,000,000.00). Coverage under any such comprehensive policy shall be broad form and shall include, but shall not be limited to, operations, contractual, elevators, owner’s and contractor’s protective, products and completed operations, and the use of all owned, non-owned, and hired vehicles.

(c) **Workers’ Compensation Insurance.** Tenant shall carry or cause to be carried Workers’ Compensation insurance with limits as required by the State of California and Employer’s Liability limits of One Million Dollars ($1,000,000.00) for bodily injury by accident and One Million Dollars ($1,000,000.00) per person and in the annual aggregate for bodily injury by disease covering all persons employed by Tenant in connection with the Improvements and with respect to whom death, bodily injury, or sickness insurance claims could be asserted against Landlord or Tenant.

(d) **Builders’ Risk Insurance.** As of Closing, during the course of any construction, alteration, or reconstruction of the Improvements, the cost for which exceed the capacity of Tenant’s permanent/operating property insurance carrier, then Tenant shall provide builders’ risk insurance for not less than the value of the construction contract, combined single limit for bodily injury or property damage insuring the interests of Landlord, Tenant, and any contractors and subcontractors.

Section 6.2 **General Requirements.** All policies described in Section 6.1 shall include Landlord, together with Mortgagees and the Investor (pursuant to the requirements provided by the Investor), as their respective interests may appear. All policies described in Section 6.1 shall contain: (a) the agreement of the insurer to give Landlord and Mortgagees, as applicable, at least thirty (30) days’ notice prior to cancellation (including, without limitation, for non-payment of premium) or any material change in said policies, however if such notice cannot be provided by the carrier, then responsibility of such notice shall be borne by the Tenant; (b) an agreement that such policies are primary and non-contributing with any insurance that may be carried by Landlord; (c) a waiver by the insurer of all rights of subrogation against Landlord and its authorized parties in connection with any loss or damage thereby insured against; and (d) terms providing that any loss covered by such insurance may be adjusted with Landlord and Tenant according to their interests in the Leased Premises, but shall, to the extent required by the loan documents of a Mortgage, be payable to the holder of a Mortgage, who shall agree to receive and disburse all proceeds of such insurance, subject to the duty of Tenant to repair or restore, as set forth in Sections 12.1 and 12.2 hereof.

Section 6.3 **Evidence of Insurance.** Certificates of insurance for all insurance required to be maintained by Tenant prior to Closing under this Article 6 shall be furnished by Tenant to Landlord on or before the date of this Lease. Landlord reserves the right to require complete, certified copies of all required insurance policies, including endorsements demonstrating the coverage required by this Lease at any time.
Section 6.4  Failure to Maintain. If Tenant fails to maintain such insurance, Landlord, at its election, may procure such insurance as may be necessary to comply with the above requirements (but shall not be obligated to procure same), and Tenant agrees to repay to Landlord as Additional Rents the cost of such insurance.

Section 6.5  Acceptability of Insurers. Insurance is to be placed with insurers with a current A.M. Best’s rating of no less than A-: VII or such other rating as may be reasonably acceptable to Landlord.

ARTICLE 7 MAINTENANCE, ALTERATIONS, REPAIRS AND REPLACEMENTS

Section 7.1  Maintenance of Leased Premises. During the Term at Tenant’s sole cost and expense, Tenant shall keep and maintain the Leased Premises, all Improvements, and all appurtenances thereunto belonging, in good and safe order, condition, and repair. In addition, all maintenance and repair of the Residential Units shall conform and comply with the Legal Requirements affecting the Leased Premises.

Section 7.2  Alterations to Leased Premises. Following construction of the Improvements, Tenant may make any additions, alterations, or changes (sometimes collectively referred to herein as “Alterations”) in or to the Improvements subject, however, to the following conditions:

(a) No Alterations shall be made that are likely to materially impair the structural soundness of the Improvements;

(b) No Alterations of the Leased Premises shall be undertaken which have a cost greater than Two Hundred Fifty Thousand Dollars ($250,000.00) that would materially affect the design of the Improvements, or demolition of any portion thereof, without first presenting to Landlord complete plans and specifications therefor and obtaining Landlord’s written consent thereto (which consent shall be given so long as, in Landlord’s judgment, such Alterations will not violate the Legal Requirements, this Lease, the Regulatory Agreements, or impair the value of the Improvements);

(c) No Alterations shall be undertaken until Tenant shall have procured, to the extent the same may be required from time to time, all permits and authorizations of all applicable Governmental Authorities, all required consents of Mortgagee, and the consent of Landlord if required pursuant to subsection (b), above, if applicable. Landlord shall join in the application for such permits or authorizations whenever such action is necessary or helpful and is requested by Tenant, and shall use Landlord’s reasonable best efforts to obtain such permits or authorizations; and

(d) Any Alterations shall be performed in a good and worker-like manner and in compliance with the Legal Requirements, Regulatory Agreements, all applicable RAD Requirements, and all applicable Insurance Requirements.
Section 7.3 Indemnifications. Notwithstanding any other provision of this Lease to the contrary, Tenant shall defend, indemnify and hold harmless Landlord and its commissioners, its officer(s), employee(s), agent(s), contractor(s), and director(s) (including directors or employees of any Landlord instrumentalities or affiliates) from all claims, actions, demands, costs, expenses and attorneys' fees arising out of, attributable to or otherwise occasioned, in whole or in part, by an act or omission of the Tenant, its agent(s), contractor(s), servant(s), or employee(s) which constitutes a breach of the Tenant’s obligations under this Lease. If any third-party performing work for the Tenant on the Project shall assert any claim against the Landlord on account of any damage alleged to have been caused by reason of the negligent acts or intentional misconduct of the Tenant, its agent(s), servant(s), employee(s) or contractor(s) (including, without limitation, its general contractor), the Tenant shall defend at its own expense any suit based upon such claim; and if any such judgment or claim against the Landlord shall be allowed, the Tenant shall pay or satisfy such judgment or claim and pay all reasonable costs and expenses in connection therewith including reasonable attorneys’ fees.

In addition, if any contractor or subcontractor which performed preconstruction work or any construction work for Tenant or Tenant’s affiliates on the Improvements shall assert any claim against Landlord on account of any damage alleged to have been caused by reason of acts of negligence of Tenant or Tenant’s affiliates, their members, partners, officers, directors, affiliates, agents, or employees, or their construction contractors, Tenant shall defend at its own expense any suit based upon such claim; and if any such judgment or claim against Landlord shall be allowed, Tenant shall pay or cause to be paid or satisfied such judgment or claim and pay all costs and expenses in connection therewith.

The obligations, indemnities, and liabilities of the Tenant under this Section 7.3 shall not extend to any liability caused by the negligence or misconduct of HUD, Landlord, or their employee(s), contractor(s), or agent(s). The Tenant’s liability shall not be limited by any provisions or limits of insurance set forth in this Lease. This indemnity shall survive the termination of this Lease.

Section 7.4 Management. Tenant shall at all times use its best efforts to keep the Leased Premises fully leased, in good condition and repair and in accordance with this Lease. Tenant shall: (a) carefully and efficiently operate, lease, and manage the Leased Premises; (b) maintain separate books and records for the Leased Premises; (c) timely collect all rents, and pay and discharge all costs, expenses, liabilities, and obligations of or relating to the Leased Premises; (d) use commercially reasonable efforts to operate and maintain the Leased Premises substantially in accordance with the Operating Budget approved by Landlord pursuant to Section 4.6; (e) maintain such reserves as may be required by the Mortgagee; and (f) timely furnish Landlord with accounting documents and other information regarding the Project and the operation thereof as may be reasonably required by Landlord.

Section 7.5 Delegation of Management Duties. The Leased Premises shall be managed by the Management Agent approved by Landlord. Each management contract relating to the Leased Premises shall (a) be subject to the Landlord’s approval, (b) provide that it may be terminated by Landlord at any time after the termination of this Lease upon thirty (30) days’ notice to the Management Agent and (c) allow Tenant to terminate the management contract
following Management Agent’s failure to materially comply with the management, leasing, and occupancy requirements of Sections 7.4, 7.5 and 7.6 of this Lease. If Landlord determines that the Management Agent has failed to materially comply with the management, leasing, and occupancy requirements of Sections 7.4, 7.5 and 7.6 of this Lease, Landlord shall notify Tenant. Tenant shall then have sixty (60) days beyond the cure periods in the management contract to cause the Management Agent to correct the non-compliance. If, following such sixty (60) day period, Management Agent has not corrected the non-compliance and Tenant has not terminated the management contract then, Landlord shall have the right, subject to any applicable Mortgagee or Investor approvals, to remove Management Agent. All service and supply contracts shall also by their terms be terminable by Landlord at any time after the termination of this Lease upon thirty (30) days’ notice. Tenant shall not enter into any commercially unreasonable contract for services or supplies. Landlord’s approval of any management agent shall not be construed as a representation, endorsement, or warranty by Landlord as to the reputation, ability, or qualifications of the same. In addition, the Landlord expressly reserves the right to approve the fees and/or compensation of the Management Agent. As of the date hereof, Landlord has approved the initial Management Agent, the initial Management Agreement, and the initial management fee.

Section 7.6 Management and Operation of the Residential Units.

(a) Tenant shall be responsible, at its sole cost and expense, for the repair and maintenance of the Residential Units in full compliance with this Lease and all Legal Requirements (including, without limitation, any applicable HUD regulations and guidelines applicable to the RAD Units and the PBV Units), and for paying all costs relating to such Residential Units (including, without limitation, taxes, insurance, and any homeowner’s association fees or special assessments). Landlord shall have the right to inspect, monitor, and audit the operations of Tenant (including, but not limited to, evaluating housing quality standards and the tenant selection process) with respect to the operation and maintenance of the Residential Units in its capacity as contract administrator for HUD of any PBV HAP Contract or RAD HAP Contract, and Tenant shall cooperate fully with respect to such activities by Landlord (including, without limitation, providing Landlord with such information regarding the operation and maintenance of the Residential Units as may reasonably be requested by Landlord).

(b) Tenant and Landlord shall comply with the provisions of Exhibit G hereto, the Property Management and Re-Occupancy Plan, which requires: (i) Tenant to rent all vacant RAD Units and PBV Units to eligible families referred and approved by Landlord; (ii) Landlord and Tenant to determine tenant eligibility in accordance with any applicable HUD regulations and guidelines; (iii) the Parties to cooperate in good faith with respect to the lease up process to ensure, among other matters that lease up and occupancy occurs in a timely manner and complies with the requirements of Approved Financing and the Regulatory Agreements; and (iv) the Parties to cooperate in good faith with respect to the New Century Owner’s Association, as defined in the Declaration of Restrictions (CC&Rs).

(c) Subject to the RAD Requirements applicable to Resident(s) of the RAD Units and PBV Units, Landlord and Tenant agree that the Tax Credit Units developed on the Leased Premises must be rented to Resident(s) who meet the eligibility requirements of TCAC and HCD.
(to the extent restricted by HCD), and the Investor and other Project lenders in connection with their Regulatory Agreements and Approved Financing Documents. Landlord shall only refer to Tenant those Resident(s) who meet the requirements of TCAC, HCD and the RAD Requirements, as applicable. The referral process shall be detailed in the Property Management and Re-Occupancy Plan and Landlord shall countersign the Property Management and Re-Occupancy Plan to ensure Landlord's compliance with its obligations thereunder. Tenant shall provide all Resident(s) tenant protections provided at Exhibit C and all occupants of the Residential Units supportive services as provided in the Supportive Services Plan at Exhibit H.

Section 7.7 Certain Limitation on Work. Tenant shall not do or knowingly permit any work which would adversely and materially affect the value, rentability, or rental value of the Leased Premises, and Tenant shall not, without the prior written consent of Landlord, demolish or remove, or cause, knowingly suffer, or knowingly permit the demolition or removal of, the Project other than such demolition and/or removal as may be permitted following any event described in Articles 11 and 12 hereof.

Section 7.8 Alterations Required by Law. Without limitation on the other provisions of this Lease, if any work shall be required with respect to the Leased Premises or any part thereof by any present or future laws, ordinances, or regulations, the same shall be done by and the cost thereof borne by Tenant.

Section 7.9 Landlord Completion of Work. To the extent Tenant is required to complete work pursuant to any Legal Requirement and fails to do so, upon the expiration of sixty (60) days written notice from Landlord to Tenant, or such longer period as is reasonably necessary to complete such work given the circumstances, Landlord shall have the right to complete such work and Tenant shall reimburse Landlord for all reasonable expenses incurred in connection therewith.

ARTICLE 8 MORTGAGE LOANS

Section 8.1 Loan Obligations. Nothing contained in this Lease shall relieve the Tenant of its obligations and responsibilities under any Approved Financing or Approved Financing Documents to operate the Project as set forth therein.

Section 8.2 Liens and Encumbrances Against Tenant’s Interest in the Leasehold Estate. Tenant shall have the right to encumber the leasehold estate created by this Lease and the Improvements with the Regulatory Agreements and all other liens and restrictive covenants related to the Approved Financing. Except as otherwise provided in this Lease, Tenant shall not engage in any financing or any other transaction creating any security interest or other encumbrance or lien upon the Property other than a lien for current taxes, whether by express agreement or operation of law, or allow any encumbrance or lien to be made on or attached to the Property or the Improvements, except with the prior written consent of the Landlord, which approval shall not be unreasonably withheld, delayed or conditioned, and as otherwise permitted under this Lease. The Tenant shall notify the Landlord in writing in advance of any financing secured by any deed of trust, mortgage, or other similar lien instrument that it proposes to enter.
into with respect to the Improvements, and of any encumbrance or lien that has been created on or attached to the Property whether by voluntary act of the Tenant or otherwise.

Section 8.3 Cost of Loans to be Paid by Tenant. The Tenant affirms that, except as otherwise provided in the documents evidencing financing to the Project provided by Landlord, it shall bear all of the costs and expenses in connection with (i) the preparation and securing of the Approved Financing, (ii) the delivery of any instruments and documents and their filing and recording, if required, and (iii) all taxes and charges payable in connection with the Approved Financing.

Section 8.4 Proceeds of Loans. It is expressly understood and agreed that all Approved Financing proceeds shall be paid to and become the property of Tenant, and that the Landlord shall have no right to receive any such Approved Financing proceeds.

Section 8.5 No Subordination of Fee Interest. Subject to the rights of HCD, the Landlord will not approve any subordination of its fee interest in any portion of the Property to the interests of any lender or other entity providing financing for the Project. Landlord agrees to execute lease riders that may be required by HCD or TCAC in connection with the Approved Financing; provided, however, that any required lease riders are consistent with this Lease and approved by Landlord and HUD, as applicable.

Section 8.6 Notice and Right to Cure Defaults Under Loans. The Landlord may record in the Official Records a request for notice of any default under the Approved Financing Documents or other financing secured by the Project. In the event of default by the Tenant under the Approved Financing Documents or other financing secured by the Project, the Landlord shall have the right, but not the obligation, to cure the default within the cure periods available to the Tenant and its partners. Any payments made by the Landlord to cure a default shall be treated as additional indebtedness under the Authority Acquisition Note.

ARTICLE 9 PERMITTED MORTGAGES AND INVESTOR RIGHTS

Section 9.1 Right to Encumber. Tenant shall have the right during the Term to encumber, through one or more Mortgages, Regulatory Agreements, or declaration of covenants, all of Tenant’s right, title, and interest in the Leased Premises, subject to the provisions of this Lease and with prior written Landlord and HUD approval, if required. Landlord shall not encumber its fee interest in the Leased Premises.

Section 9.2 Notice to Mortgagor. During any period in which a Mortgage is in place, Landlord shall give any such Mortgagor of which Landlord has received notice from Tenant a duplicate copy of all notices of default or other notices that Landlord may give to or serve in writing upon Tenant pursuant to the terms of this Lease and all such duplicate copies of notices of default and other notices shall be distributed simultaneously to both Tenant and Mortgagor. No notice by Landlord to Tenant under this Lease shall be effective unless and until a copy of such notice has been delivered to each Mortgagor of which Landlord has received notice from Tenant. Additionally, Landlord shall give Mortgagor written notice of any rejection or other termination of this Lease in bankruptcy or other insolvency proceedings. Landlord shall not serve
a notice of cancellation or termination upon Tenant unless a copy of any prior notice of default shall have been given to Mortgagee and the time for curing such default pursuant to Section 9.3 below shall have expired without the same having been cured, and no such notice of default or notice of cancellation or termination shall be effective as to such Mortgagee not receiving actual notice thereof. Landlord further agrees that it shall notify Mortgagee in writing of the failure of Tenant to cure a default within any applicable grace period under this Lease and of the curing of any default by Tenant under this Lease, and Mortgagee shall have the additional cure periods pursuant to Section 9.3 below. The performance by Mortgagee of any condition or agreement on part of Tenant to be performed hereunder will be deemed to have been performed with the same force and effect as though performed by Tenant. All notices required under this Lease to be given to a Mortgagee shall be given to such Mortgagee pursuant to the requirements of Section 18.12 hereof. The address of Mortgagee originally designated in Section 18.12 may be changed upon written notice delivered to Landlord in the manner specified in Section 18.12 herein. Landlord's failure to give any such notice to any such Mortgagee shall not constitute a default under Section 13.4.

Section 9.3 Right of Mortgagee to Cure. Notwithstanding any default by Tenant under this Lease, Landlord shall have no right to terminate or cancel this Lease unless Landlord shall have given each Mortgagee written notice of such default pursuant to Section 9.2 of this Lease and such Mortgagees shall have failed to remedy such default or acquire Tenant’s leasehold estate created by this Lease or commence foreclosure or other appropriate proceedings as set forth in, and within the time specified by, this Section.

Any Mortgagee which has an outstanding Mortgage shall have the right, but not the obligation, at any time to pay any or all of the Rents due pursuant to the terms of this Lease, and do any other act or thing required of Tenant by the terms of this Lease, to prevent termination of this Lease. After receipt of notice from Landlord that Tenant has failed to cure such default within the period specified in this Lease, Mortgagee shall have ninety (90) days from the receipt of such notice to cure such default. All payments so made and all things so done shall be as effective to prevent a termination of this Lease as the same would have been if made and performed by Tenant instead of by Mortgagee. However, in order to prevent termination of this Lease, a Mortgagee shall not be required to cure: (i) default on obligations of Tenant to satisfy or otherwise discharge any lien, charge, or encumbrance against Tenant’s interest in this Lease caused by a wrongful act or omission of Tenant; or (ii) defaults on obligations of Tenant under any indemnity provision in this Lease arising from acts or omissions of Tenant; or (iii) other past monetary obligations then in default other than the payment of the Rent specified in Section 4.1; or (iv) any default resulting from the acts or omissions of Landlord (“Excluded Defaults”). For purposes of clarification and illustration, it is the intention of the Parties hereto that Excluded Defaults shall include (but not as an exclusive list) claims, damages, liability, and expenses, including personal injury and property damage arising or alleged to be arising from actions or inactions of Tenant such as failure to pay insurance premiums, allowing dangerous conditions to exist at the Leased Premises or failure to operate the Leased Premises in accordance with regulatory restrictions. If the default by Tenant is of such nature that it cannot practically be cured without possession of the Leased Premises, then the ninety (90)-day period set forth above shall be extended for so long as a Mortgagee shall be proceeding with reasonable diligence to foreclose on Tenant’s interest or otherwise obtain possession of the Leased Premises for itself or
a receiver and such cure period shall commence upon the date that Mortgagee obtains possession.

Prior to the expiration of the cure rights of Mortgagees, Landlord shall not result or cause any purported termination of this Lease nor take any action to deny Tenant possession, occupancy, or quiet enjoyment of the Leased Premises or any part thereof.

Without limiting the rights of Mortgagees as stated above, and whether or not there shall be any notice of default hereunder, each Mortgagee shall have the right, but not the obligation, at any time prior to termination of this Lease to pay all of the Rents due hereunder, with all due interest and late charges, to procure any insurance, to pay any taxes or assessments, to make any repairs or improvements, to do any other act or thing required of Tenant hereunder, and to do any act or thing which may be necessary and proper to be done in the performance and observance of the agreements, covenants, and conditions hereof to prevent termination of this Lease. Any Mortgagee and its agents and contractors shall have full access to the Leased Premises for purposes of accomplishing any of the foregoing. Any of the foregoing done by any Mortgagee shall be as effective to prevent a termination of this Lease as the same would have been if done by Tenant.

In addition to the cure period provided above in this Section 9.3, if the default is such that possession of the Leased Premises may be reasonably necessary to remedy the default, any Mortgagee shall have a reasonable time after the expiration of such ninety (90)-day period within which to remedy such default, provided that (i) such Mortgagee shall have fully cured any default in the payment of any monetary obligations of Tenant under this Lease (other than Excluded Defaults) within such ninety (90)-day period and shall continue to pay currently any monetary obligations when the same are due and (ii) such Mortgagee shall have acquired Tenant’s leasehold estate hereunder or commenced foreclosure or other appropriate proceedings prior to or within such period, and shall be diligently prosecuting the same.

Any default under this Lease which by its nature cannot be remedied by any Mortgagee shall be deemed to be remedied if (i) within ninety (90) days after receiving written notice from Landlord that Tenant has failed to cure such default within the period specified in this Lease, or prior thereto, any Mortgagee shall have acquired Tenant’s leasehold estate or commenced foreclosure or other appropriate proceedings or other remedies available to such Mortgagee under the applicable Mortgage, (ii) Mortgagee shall diligently prosecute any such proceedings or remedies referenced in subsection (i) above to completion, and (iii) Mortgagee shall have fully cured any default in the payment of any monetary obligations of Tenant hereunder (other than Excluded Defaults) which does not require possession of the Leased Premises.

If any Mortgagee is prohibited, stayed, or enjoined by any bankruptcy, insolvency, or other judicial proceedings involving Tenant from commencing or prosecuting foreclosure or other appropriate proceedings, the times specified for commencing or prosecuting such foreclosure or other proceedings shall be extended for the period of such prohibition; provided that any Mortgagee shall have fully cured any default in the payment of any monetary obligations of Tenant under this Lease (other than Excluded Defaults) and shall continue to pay currently such monetary obligations when the same fall due; provided, further, that such
Mortgagee shall not interfere with Landlord’s efforts to seek compliance by Tenant with any non-monetary obligation under this Lease.

Section 9.4 Limitation on Liability of Mortgagee. No Mortgagee shall be or become liable to Landlord as an assignee of this Lease or otherwise unless it expressly assumes by written instrument executed by Landlord and Mortgagee such liability (in which event the Mortgagee’s liability shall be limited to the period of time during which it is the owner of the leasehold estate created hereby) and no assumption shall be inferred from or result from foreclosure or other proceedings in the nature thereof or as the result of any other action or remedy provided for by such Mortgage or other instrument or from a conveyance from Tenant pursuant to which the purchaser at foreclosure or grantee shall acquire the rights and interest of Tenant under the terms of this Lease.

Section 9.5 Estoppel Certificates. Landlord and Tenant agree that at any time and from time to time upon not less than twenty (20) days’ prior written notice by the other Party, or upon request from any Mortgagee or Investor or a permitted assignee or other interested party, Landlord or Tenant will execute, acknowledge, and deliver to the other Party or to such Mortgagee or Investor a statement in writing certifying: (a) that this Lease is unmodified and in full force and effect (or specifying any amendments or modifications if applicable); (b) the date through which the Rents have been paid; and (c) that, to the knowledge of the certifier (if such be the case), there is no default (or any conditions existing which, but for the passage of time or the giving of notice, would constitute a default), set-off, defense, or other claim against Landlord or Tenant, as applicable, other than those, if any, so specified under the provisions of this Lease. In addition to clauses (a) through (c) above, if a Mortgagee requires such a statement in writing from Landlord, Landlord, in its statement, shall (x) confirm that Landlord consents to the Mortgage in question; (y) identify all of the relevant documents that evidence this Lease; and (z) provide any other statements or provisions reasonably requested by Mortgagee. It is intended that any such statement may be relied upon by any persons proposing to acquire the interest of Landlord, Tenant, or any Mortgagee or Investor, as the case may be, in this Lease or by any prospective Mortgagee or Investor or permitted assignee of any Mortgage or Investor.

Section 9.6 Registration of Mortgages. Tenant shall, from time to time upon written request by Landlord, provide written notice to Landlord of the name and address of each Mortgagee under this Lease. For purposes of this Lease, the First Mortgagee is a Mortgagee and all references to Mortgagee shall refer to and include (i) the First Mortgagee, together with its successors and assigns including a successor who acquires the First Mortgagee’s interests as a result of foreclosure or acceptance of a deed in lieu of foreclosure and (ii) a holder of any Mortgage. All references to a Mortgage shall include (i) the security instrument granted by Tenant for the benefit of the First Mortgagee and its successors in interest, and (ii) any other mortgages, deeds of trust, security agreements, or collateral assignments permitted by Landlord hereunder encumbering Tenant’s leasehold interest in the Leased Premises. Any Mortgagee or designee thereof that acquires title to the leasehold estate or any part thereof, any person that acquires title to the leasehold estate through any judicial or non-judicial foreclosure sale, deed, or assignment in lieu thereof, or any sale or transfer made under any order of any court to satisfy wholly or in part obligations secured by any Mortgage, and the successors and assigns of any
such Mortgagee, is referred to as a “Transferee.” Each Mortgagee and Transferee is an intended beneficiary of the terms of this Lease.

Section 9.7 New Lease. Notwithstanding any provisions of this Lease to the contrary, in the event of the termination or cancellation of this Lease prior to the natural expiration of the Term of this Lease due to a default of Tenant or operation of law or otherwise (including, without limitation, a rejection or other termination of this Lease pursuant to any bankruptcy filing by or against Tenant or the commencement of any other insolvency proceeding or similar proceeding, an act of condemnation or eminent domain against a portion of the Leased Premises by a government agency or body, the destruction or damage of the Leased Premises, a foreclosure of Tenant’s estate by a Mortgagee or acceptance of a deed in lieu of foreclosure or a change in the control or management of Tenant), Landlord shall also be obligated to give notice to Mortgagee simultaneously with such notice given to Tenant. No such notice to Tenant shall be effective with respect to termination or cancellation of this Lease unless Mortgagee shall also have been so notified. Landlord, upon written request from any Mortgagee within sixty (60) days of receiving such notice of termination or cancellation, shall enter into a new lease with the Mortgagee (or its designee) having a lien with the most senior priority (in accordance with Section 18.16 below) and upon the same terms and conditions as set forth herein and with the same relative priority in time and in right as this Lease (to the extent possible) and having the benefit of and vesting in Mortgagee, or its designee, of all the rights, title, interest, powers, and privileges of Tenant hereunder (the “New Lease”). Notwithstanding the foregoing, in the case of the Permanent Loan, Landlord hereby acknowledges and agrees that such Mortgagee need not request a New Lease and that Landlord shall immediately enter into a New Lease without waiting for the sixty (60) day period to expire.

In addition, without limiting the preceding paragraph, in the event of the filing of a petition in bankruptcy by or against Tenant, and Tenant rejects this Lease under the then applicable provisions of the United States Bankruptcy Code, U.S.C. Title 11 (the “Bankruptcy Code”), Landlord shall notify Mortgagee of such rejection and, upon the request of such Mortgagee, or its designee, within the sixty (60) day time period specified above, affirm this Lease, and Landlord will enter into a New Lease with Mortgagee or its designee. Notwithstanding the foregoing, in the case of the Permanent Loan, Landlord hereby acknowledges and agrees that such Mortgagee need not request a New Lease and that Landlord shall immediately affirm this Lease and enter into a New Lease without waiting for the sixty (60) day period to expire.

In the event of the filing of a petition in bankruptcy by or against Landlord, and Landlord rejects this Lease and Tenant does not affirm it, a Mortgagee will have, within a reasonable amount of time, the authority to affirm this Lease on behalf of Tenant and to keep this Lease in full force and effect (or to enter into a New Lease with Mortgagee or its designee). Nothing in this Section or this Lease shall be construed to imply that this Lease may be terminated by reason of rejection in any bankruptcy proceeding by or against Tenant. The Parties intend, for the protection of Mortgagees, that any such rejection shall not cause a termination of this Lease. Notwithstanding anything to the contrary contained herein, no termination of this Lease shall become effective until, and the lien of each Mortgage on the Leased Premises shall remain effective until, either a New Lease has been made pursuant to this Section 9.7 of this Lease or no Mortgagee, or its designee, has timely accepted (or caused to be accepted) a New Lease, upon the
expiration of the sixty (60) day period as set forth above; provided, however that in the case of the Permanent Loan, Landlord hereby acknowledges and agrees that such Mortgagee need not request a New Lease and that Landlord shall immediately enter into a New Lease without waiting for the sixty (60) day period to expire. Upon entering into a New Lease, such Mortgagee or its affiliated designee shall cure any monetary default by Tenant hereunder, except Excluded Defaults. To the fullest extent permitted by law, both Tenant and Landlord waive any right to reject or otherwise terminate this Lease pursuant to any provisions of the United States Bankruptcy Code or other insolvency laws, unless First Mortgagee has consented thereto in writing.

After cancellation and termination of this Lease and upon compliance with the provisions of this Section 9.7 by Mortgagee, or its designee, within such time, Landlord shall thereupon execute and deliver such New Lease to such Mortgagee or its designee, having the same relative priority in time and right as this Lease (to the extent possible) and having the benefit of all the right, title, interest, powers, and privileges of Tenant hereunder in and to the Leased Premises (other than with respect to Excluded Defaults) and Landlord and the new Tenant shall execute and deliver any deed or other instrument and take such other action as may be reasonably necessary to confirm or assure such right, title, interest, or obligations.

Upon the execution and delivery of the New Lease, title to all Improvements on the Leased Premises shall automatically vest in the Mortgagee or the designee until the expiration or earlier termination of the term of the New Lease.

If Landlord shall, without termination of the Lease, evict Tenant, or if Tenant shall abandon the Leased Premises, then any reletting thereof shall be subject to the liens and rights of Mortgagees, and in any event Landlord shall not relet the Leased Premises or any part thereof, other than renewal of occupancies of residential tenants and leases or other occupancy agreements with new residential tenants consistent with any covenants of record for low-income housing, without sixty (60) days’ advance written notice to all Mortgagees of the intended reletting and the terms thereof, and if any Mortgagee shall, within thirty (30) days of receipt of such notice, give notice to Landlord of such Mortgagee’s intent to pursue proceedings to foreclose on the Leased Premises or otherwise cause the transfer thereof, then so long as the Mortgagee shall diligently pursue such proceedings Landlord shall not proceed with such reletting without the written consent of such Mortgagee.

If a Mortgagee shall elect to demand a New Lease under this Section and only in the event that such Mortgagee is not recognized as a proper plaintiff, Landlord agrees, at the request of, on behalf of, and at the expense of the Mortgagee, to institute and pursue diligently to conclusion any appropriate legal remedy or remedies to oust or remove the original Tenant from the Leased Premises, and those sub-tenants actually occupying the Leased Premises, or any part thereof, as designated by the Mortgagee, subject to the rights of non-defaulting residential tenants in occupancy of apartment units at the Leased Premises. Mortgagees shall cooperate with Landlord in connection with any such actions.

Nothing herein contained shall require any Mortgagee to accept a New Lease.
No Mortgagee shall be liable to Landlord unless it expressly assumes such liability in writing. In the event any Mortgagee or other transferee becomes the “Tenant” under this Lease or under any New Lease obtained pursuant to this Article, Mortgagee or other transferee shall not be liable for the obligations of Tenant under this Lease that do not accrue during the period of time that the Mortgagee or such other transferee, as the case may be, remains the actual Tenant under this Lease or the New Lease, holding record title to the leasehold interest thereunder, other than the requirement that the Mortgagee cure any monetary defaults (other than Excluded Defaults) by Tenant upon entering into a New Lease. In no event shall any Mortgagee or other transferee be: (i) liable for the erection, completion, or restoration of any improvements unless erection, completion, or restoration of any improvements is required as a result of the acts or omissions of the Mortgagee following the date of its acquisition of Tenant’s interest in the Leased Premises; (ii) liable for any condition of the Leased Premises that existed prior to the date of its acquisition of Tenant’s interest in the Leased Premises, or for any damage, loss, or injury caused by such preexisting condition, or for the correction thereof or the compliance with any law related thereto; (iii) bound by any amendment of this Lease made without the prior written consent of the Mortgagee; or (iv) liable for any act or omission of any prior “Tenant” of any portion of the Leased Premises (including Tenant). Any liability of any Mortgagee or other transferee shall be limited to its interests in the leasehold and the Leased Premises, and shall be enforceable solely against those interests.

The Investor, for so long as Investor is a limited partner of Tenant, shall have all of the same rights as a Mortgagee under this Section 9.7 to the extent such rights are not exercised by any Mortgagee; provided, however, that in lieu of foreclosure, Investor shall be attempting with diligence and in good faith to remove the Administrative General Partner of Tenant in accordance with the Partnership Agreement.

Section 9.8 Rights of Investor. Investor shall have the same notice and cure rights as any Mortgagee, which rights shall run concurrently with those of any Mortgagee for so long as Investor is a limited partner of Tenant, provided, however, that Investor shall be deemed to have met any condition relating to the commencement or continuation of a foreclosure proceeding if it is attempting with diligence and in good faith to remove the general partner of Tenant. Notwithstanding anything to the contrary herein, Tenant shall not be permitted to terminate this Lease prior to the expiration of the Term without the prior written consent of the Investor. The address for any notices to same, as of the date hereof, is provided in Section 18.12 hereof. Notwithstanding any other provisions herein:

(a) if a monetary event of default occurs under the terms of this Lease, prior to exercising any remedies hereunder, Landlord shall provide written notice of such default to Investor and Investor shall have a period of sixty (60) days after such notice is given within which to cure the default prior to exercise of remedies by Landlord; or

(b) if a nonmonetary event of default occurs under the terms of this Lease, prior to exercising any remedies hereunder, Landlord shall provide written notice of such default to Investor and Investor shall have a period of ninety (90) days after such notice is given within which to cure the default prior to exercise of remedies by Landlord, unless such cure cannot reasonably be accomplished within such ninety (90) day period, in which event Investor shall
have such time as is reasonably required to cure such default so long as Investor continues in good faith to diligently pursue the cure.

(c) The following provisions are for the benefit of HCD in connection with the HCD Loan:

(1) The Landlord shall not place any mortgage on its fee interest without the prior written consent of HCD.

(2) Landlord hereby consents to any assignment of the Lease by Tenant to HCD, and following such assignment HCD may further assign or transfer the Lease to a third party without the consent of Landlord.

(3) Landlord may not terminate the lease or accelerate the Rent upon a default by Tenant without first providing HCD with the notice and cure period set forth in 8.3 above.

(4) Landlord may not terminate this lease without the prior written consent of HCD and any attempt to take such action without the consent of HCD will be void.

(5) In the event of Casualty, the Lease may not be terminated so long as the Tenant or HCD pursues reconstruction of the Improvements with reasonable diligence.

(6) HCD shall not have any liability for the performance of any of the obligations of Tenant under the Lease until HCD has acquired the leasehold interest, and then only in accordance with the terms of the Lease and only with respect to obligations that accrue during the HCD's ownership of the leasehold interest.

(7) Neither Landlord nor Tenant, in the event of bankruptcy by either, will take the benefit of any provisions in the United States Bankruptcy Code that would cause the termination of the Lease or otherwise render it unenforceable in accordance with its terms.

(8) The leasehold interest under this Lease will not merge into the fee interest in the Property in the event that the Tenant acquires the reversionary interest in the Project.

(9) The acquisition of the Leased Premises by HCD will not result in a termination of the Lease; and upon such event, the Landlord shall enter into a new lease having a term at least as long as the term remaining on the Lease prior to acquisition by the HCD and on substantially the same terms and conditions as this Lease.

Section 9.9 Termination by Tenant. Notwithstanding anything to the contrary herein, no election or action taken by Tenant to terminate this Lease shall have any force or effect unless and until Mortgagee shall have consented to such termination in writing.

**ARTICLE 10 REPRESENTATIONS, WARRANTIES AND COVENANTS**
Section 10.1  Representations, Warranties and Covenants of Tenant. As an inducement to Landlord to enter into and to proceed under this Lease, Tenant warrants and represents to Landlord as follows, which warranties, representations, and covenants are true and correct as of the date of this Lease:

(a) Tenant has the right, power, and authority to enter into this Lease and the right, power, and authority to comply with the terms, obligations, provisions, and conditions contained in this Lease;

(b) The entry by Tenant into this Lease and the performance of all of the terms, provisions, and conditions contained herein will not, or with the giving of notice or the passage of time, or both, would not, violate or cause a breach or default under any other agreements to which Tenant is a party or by which it is bound;

(c) Tenant (i) shall not cause or permit any Hazardous Substances and Materials to be placed, held, located, or released or disposed of on, under, or at the Leased Premises or any part thereof, except in commercially reasonable amounts used in the construction and operation of the Improvements and in accordance with Legal Requirements, and (ii) shall not cause or permit any Hazardous Substances and Materials contamination of the Leased Premises or any part thereof; provided, however, that Tenant shall not be in violation of this Subsection 10.1(c) or otherwise be liable or obligated under this Lease for any of the foregoing to the extent caused by the existence of soils, water, or materials already located on the Leased Premises as of the Commencement Date or that arises from the migration of Hazardous Materials or Substances released from, disposed of, or otherwise placed at, a location other than the Leased Premises by parties and/or circumstances over which Tenant has no control and due to no fault of Tenant (for convenience such event is called an “On-Site Migration” hereinafter); and

(d) At all times during the Term, Tenant or its authorized representative shall use, maintain and operate the Leased Premises and the Improvements thereon in accordance with all Legal Requirements and Regulatory Agreements. The Tenant acknowledges that prior to the date hereof, the City and Landlord certified an Environmental Impact Report (the “EIR”) and its related Mitigation and Monitoring Program attached hereto as Exhibit I-1 (as amended consistent with applicable law from time to time, the “Mitigation Measures”). The Tenant will comply with the terms of the EIR, the Mitigation Measures, the Waste Soil Management Plan attached hereto as Exhibit I-2 and related conditions of approval adopted by the City or Landlord prior to the date hereof to the extent applicable to the Leased Premises and Improvements.

Section 10.2  Representations, Warranties and Covenants of Landlord. As an inducement to Tenant to enter into and to proceed under this Lease, Landlord warrants and represents to Tenant as follows, which warranties, representations, and covenants are true and correct as of the date of this Lease:

(a) Landlord has the right, power, and authority to enter into this Lease and the right, power, and authority to comply with the terms, obligations, provisions, and conditions contained in this Lease;
(b) Landlord has made available prior to execution of this Lease all documents related to the Leased Premises and existing prior to the Commencement Date (the “Property Documents”), and any copies that are furnished to Tenant by Landlord are and will be true, complete and correct copies of the Property Documents; (2) Landlord has received no notices from any Governmental Authority of any zoning, safety, building, fire, environmental, health code or any other violations whatsoever with respect to the Leased Premises other than as disclosed in the Property Documents; (3) there is no litigation or proceeding (including, but not limited to, condemnation or eminent domain proceedings, pending grievances or arbitration proceedings or foreclosure proceedings threatened) or pending unfair labor practice charges or complaints, pending, or threatened, against or relating to the Landlord or the Leased Premises; (4) Landlord has not received notice of any special assessment(s) from any Governmental Authority; (5) except as disclosed in writing to Tenant, the Leased Premises does not contain any Hazardous Substances and Materials; (6) there are no maintenance, operating or other agreements affecting the Leased Premises, except as set forth in the Property Documents and disclosed in writing to the Tenant. Unless otherwise agreed to in writing by the Tenant any service contracts will be terminated by the Landlord prior to Closing; (7) the Landlord has not and will not enter into any contract, agreement, understanding or commitment that will be binding on Tenant or the Leased Premises after the Closing without the approval of the Tenant.

(c) Landlord shall provide all available information relating to the Leased Premises, as expeditiously as necessary, for the orderly progress of the Project. In addition, the Landlord shall coordinate closely with the Tenant regarding all communications with HUD, forward to the Tenant all relevant correspondence, directives, and other written materials either to or from HUD with respect to this Lease. Landlord will respond as promptly as possible, within its management structure, to questions that may arise during Project administration.

(d) The entry by Landlord into this Lease and the performance of all of the terms, provisions, and conditions contained herein will not, or with the giving of notice or the passage of time, or both, would not, violate or cause a breach of default under any other agreements to which Landlord is a party or by which it is bound.

Section 10.3 Hazardous Substances and Materials.

(a) Certain Covenants and Agreements. Tenant hereby covenants and agrees that:

(1) Except as permitted by Section 10.1(c) hereof, Tenant shall not permit the Leased Premises or any portion thereof to be a site for the use, generation, treatment, manufacture, storage, disposal, release, or transportation of Hazardous Substances and Materials or otherwise knowingly permit the presence of Hazardous Substances and Materials in, on, or under the Leased Premises in violation of any applicable law. Provided, however, that if any condition causing non-compliance with this Section existed at the Leased Premises prior to the Commencement Date of this Lease, or arises from an On-Site Migration, Tenant shall not be in default hereunder unless Tenant’s acts or omissions exacerbate such prior existence or On-Site Migration;
(2) Tenant shall keep and maintain the Leased Premises and each portion thereof in compliance with, and shall not cause or permit the Leased Premises or any portion thereof to be in violation of, any applicable environmental laws. Provided, however, that if any condition causing non-compliance with this Section existed at the Leased Premises prior to the date of this Lease, or arises from an On-Site Migration, Tenant shall not be in default hereunder unless Tenant’s acts or omissions exacerbate such prior existence or On-Site Migration;

(3) Upon receiving actual knowledge of any of the following, Tenant shall immediately advise Landlord in writing:

(A) any and all enforcement, cleanup, removal, or other governmental or regulatory actions instituted, completed, or threatened against Tenant or the Leased Premises pursuant to any applicable environmental laws;

(B) any and all claims made or threatened by any third party against Tenant or the Leased Premises relating to damage, contribution, cost recovery, compensation, loss, or injury resulting from any Hazardous Substances and Materials (the matters set forth in the foregoing clause (A) and this clause (B) are hereinafter referred to as “Hazardous Substances and Materials Claims”);

(C) the presence of any Hazardous Substances and Materials in, on or under the Leased Premises in quantities which require reporting to a government agency or in excess of commercially reasonable amounts used in the construction and operation of the Improvements and in accordance with Legal Requirements; or

(4) Tenant shall indemnify Landlord for any and all costs and expenses, and increases thereof, including reasonable attorneys’ fees, reasonable expert witness fees, and reasonable consultant fees, resulting from Tenant’s failure to give Landlord notice as required by subsections (a)(3)(A)-(B) of this Section 10.3.

(5) Landlord shall have the right to join and participate in, as a party if it so elects, any Hazardous Substances and Materials Claims including any legal proceedings or actions (including response actions) initiated in, or in connection therewith. Landlord’s election to so join or participate shall not affect in any manner the indemnity obligations of the Parties as set forth in this Lease.

(6) Without Landlord’s prior written consent, which shall not be unreasonably withheld or delayed, Tenant shall not take any remedial action in response to the presence of any Hazardous Substances and Materials on, under, or about the Leased Premises (other than in emergency situations or as required by Governmental Authorities having jurisdiction), nor enter into any settlement agreement, consent decree, or other compromise in respect to any Hazardous Substances and Materials Claims.

(b) Indemnity. Without limiting the generality or obligations of the indemnification set forth in Section 7.3 above, Tenant hereby agrees to indemnify, protect, hold harmless, and defend (by counsel reasonably satisfactory to Landlord) Landlord, its board members,
commissioners, officers, agents, successors, assigns, and employees (the “Landlord Indemnites”) from and against any and all claims, losses, damages, liabilities, fines, penalties, charges, administrative and judicial proceedings and orders, judgments, remedial action requirements, enforcement actions of any kind, and all costs and expenses incurred in connection therewith (including, but not limited to, reasonable attorney’s fees, expert witness fees, and consultant fees) (“Indemnification Claims”), arising directly or indirectly, in whole or in part, out of:

(1) The failure of Tenant or any other person or entity under Tenant’s control on or after the Commencement Date (or prior to the Commencement Date if and to the extent that the negligence or willful misconduct of Tenant or any other person under the control of Tenant resulted in material harm) to comply with any applicable environmental law relating in any way whatsoever to the handling, treatment, presence, removal, storage, decontamination, cleanup, transportation, or disposal, or investigation or notice thereof, of Hazardous Substances and Materials into, on, under, or from the Leased Premises; provided, however, that the obligations under this subsection (b)(1) shall not extend to the extent any Indemnification Claim arises from conditions existing at the Leased Premises prior to the date of this Lease or an On-Site Migration, except to the extent such conditions or On-Site Migration is exacerbated by the Tenant’s negligence or willful misconduct;

(2) The presence in, on, or under, or the escape, seepage, leakage, spillage, emission, discharge, migration, disposal, release, or threatened release of any Hazardous Substances and Materials in, on, under, or from the Leased Premises on or after the Commencement Date (or prior to the Commencement Date if and to the extent that the negligence or willful misconduct of Tenant or any person under the control of Tenant results in material harm); provided, however, that the obligations under this subsection (b)(2) shall not extend to the extent that any Indemnification Claim arises from conditions existing at the Leased Premises prior to the date of this Lease or an On-Site Migration, except to the extent such condition or On-Site Migration is exacerbated by the Tenant’s negligence or willful misconduct; or

(3) Any act or omission on or off the Leased Premises on or after the Commencement Date (or prior to the Commencement Date if and to the extent that the negligence or willful misconduct of Tenant or any employees, agents, contractors, or subcontractors of Tenant results in material harm), whether by Tenant or any employees, agents, contractors, or subcontractors of Tenant, in connection with the handling, treatment, removal, storage, decontamination, cleanup, transport, or disposal of any Hazardous Substances and Materials. Tenant’s indemnity obligations as they pertain to activities occurring off the Leased Premises shall only extend to activities performed by or arising from activities performed by Tenant or any employees, agents, contractors, or subcontractors of Tenant or parties over which Tenant has control; provided, however, that the obligations under this subsection (b)(3) shall not extend to the extent that any Indemnification Claim arises from conditions existing at the Leased Premises prior to the date of this Lease or an On-Site Migration, except to the extent such condition or On-Site Migration is exacerbated by Tenant’s negligence or willful misconduct.
The foregoing indemnity shall further apply to any residual contamination on or under the Leased Premises, or affecting any natural resources, and to any contamination of any property or natural resources arising in connection with the generation, use, handling, treatment, storage, transport, release, threatened release, or disposal of any such Hazardous Substances and Materials, and irrespective of whether any of such activities were or will be undertaken in accordance with environmental laws. The provisions of this subsection shall survive the expiration of the Term or other termination of this Lease, and shall remain in full force and effect. This indemnity obligation shall not extend to the extent any claim arises from any Landlord Indemnitee’s negligence or willful misconduct, any and all claims arising from any Hazardous Substances and Materials brought onto and/or released at the Leased Premises by any Landlord Indemnitee, or Indemnification Claims arising from conditions existing at the Leased Premises prior to the date of this Lease or arising from an On-Site Migration, except to the extent such conditions or On-Site Migration is exacerbated by Tenant’s negligence or willful misconduct.

(c) Landlord hereby agrees to indemnify, protect, hold harmless and defend (by counsel reasonably satisfactory to the Tenant) the Tenant and any affiliate of Tenant and their respective board members, directors, officers, employees, members, agents, consultants, lenders, volunteers, representatives, successors, and assigns (all the foregoing, the “Tenant Indemnitees”) from and against any loss, damage, cost, expense, or liability to the extent arising out of or attributable to (i) the presence, from prior to the Commencement Date, of any Hazardous Substances and Materials or any environmental condition not identified in any Phase I Environmental Site Assessment and, if applicable, Phase II Environmental Site Assessment for the Leased Premises, (ii) On-Site Migration, or (iii) Tenant’s construction of the Improvements substantially in accordance with the requirements of Article 3 hereof. However, anything in the preceding sentence notwithstanding, the foregoing indemnities shall not extend to claims, losses, fees, damages, costs, or expenses of any kind or nature to the extent Hazardous Substances and Materials or environmental conditions are (y) caused or exacerbated by a Tenant Indemnitee’s intentional wrongful acts, intentional wrongful omissions, gross negligence, or willful misconduct (including grossly negligent deviations from the requirements of Article 3 hereof) or (z) result from any Hazardous Substances and Materials brought onto and/or released at the Leased Premises by any Tenant Indemnitee or with any Tenant Indemnitee’s knowledge or permission (express or implied).

(d) The provisions of subsections (c) and (d) of this section 10.3 shall survive expiration or earlier termination of this Lease, and shall remain in full force and effect. Nothing in this Lease is intended in any way to limit either Party from pursuing any remedies such Party may have with regard to the existence of Hazardous Substances or Materials in, on, under, or about the Leased Premises as against third parties.

(e) No Limitation. Tenant hereby acknowledges and agrees that Tenant’s duties, obligations, and liabilities under this Lease, including, without limitation, under subsection (b) above, are in no way limited or otherwise affected by any information Landlord may have concerning the Leased Premises and/or the presence on the Leased Premises of any Hazardous Substances and Materials, whether Landlord obtained such information from Tenant or from its own investigations, except as provided herein.
Section 10.4 **As-Is Conveyance.** Except as otherwise set forth in this Lease, including but not limited to Sections 10.2 and 10.3, this Lease is made “AS IS,” with no warranties or representations by Landlord concerning the condition of the Leased Premises.

Section 10.5 **Environmental Work.** Tenant shall comply with, and shall cause its agents, employees, and contractors to comply with, all laws regarding the use, removal, storage, transportation, disposal, and remediation of Hazardous Substances and Materials. Notwithstanding the foregoing, the Landlord may not commence an action for Default against Tenant in response or because of a condition existing at the Property prior to the Commencement Date or an On-Site Migration, except to the extent such condition or On-Site Migration is exacerbated by Tenant.

**ARTICLE 11 EMINENT DOMAIN**

Section 11.1 **Termination of Lease.** Landlord and Tenant agree that, in the event of a Taking such that Tenant reasonably determines that the Leased Premises cannot continue to be operated, at reasonable cost, for its then-current use, then, subject to the rights and with the prior written consent of all Mortgagees, this Lease shall, at Tenant’s sole option, terminate as of the Taking Date. Landlord and Tenant agree that the foregoing sentence shall supersede any rights of termination provided under California Code of Civil Procedure Section 1265.130.

Section 11.2 **Continuation of Lease and Presumption of Restoration.** Landlord and Tenant agree that, in the event of a Taking that does not result in the termination of this Lease pursuant to Section 11.1 above, this Lease shall continue in effect as to the remainder of the Leased Preimes, and the Net Condemnation Award subject to the rights and with the prior written consent of all Mortgagees will be disbursed in accordance with Section 11.4 below to Tenant or to Mortgagee and shall be used so as to make the remainder of the Leased Premises a complete, unified, and efficient operating unit as nearly as reasonably possible to the condition existing prior to the Taking, subject to any applicable requirements of Mortgagees (in order of priority, with the First Mortgage Loan having first priority).

Section 11.3 **Temporary Taking.** If there shall be a temporary Taking of a year or less with respect to all or any part of the Leased Premises or of Tenant’s Estate, then the Term shall not be reduced and Tenant shall continue to pay all Rents, Impositions, and other charges required herein, without reduction or abatement thereof at the times herein specified; provided, however, that Tenant shall not be required to perform such obligations that Tenant is prevented from performing by reason of such temporary Taking.

Section 11.4 **Award.** Subject to the rights of Mortgagees, and subject to Section 11.2, if there is a Taking, whether whole or partial, Landlord and Tenant shall be entitled to receive the Net Condemnation Award for the Leased Premises and the Improvements, with the Landlord receiving the portion allocable to the Landlord’s Estate and the Tenant receiving the portion allocable to the Tenant’s Estate (valued as if this Lease remained in full force and effect). If the Leased Premises shall be restored as is contemplated in Section 11.2 above, Tenant shall be entitled to recover the costs and expenses incurred in such restoration out of any Net
Condemnation Award, subject to the Mortgagees’ right to elect to have such Net Condemnation Award paid directly to such Mortgagees, as set forth in the applicable Approved Financing Documents.

Section 11.5 Joinder. If one or more Mortgages exist, the Mortgagees, subject to Section 18.16, (i) to the extent permitted by law, shall be made a party to any Taking proceeding, (ii) must be provided notice and opportunity to participate in any proceedings, discussions or settlements relating to such Taking, and (iii) shall have the approval and other rights provided in their respective Approved Financing Documents. Any Net Condemnation Proceeds allocated to the Tenant under Section 11.4 above and not used for restoration pursuant to Section 11.2 must be applied toward the payment of each Mortgage in order of priority, beginning with the First Mortgage Loan (and such Net Condemnation Proceeds shall be paid to the First Mortgagee or an independent trustee acceptable to the First Mortgagee and shall be disbursed in accordance with the provisions of this Article 11).

ARTICLE 12  DAMAGE OR DESTRUCTION

Section 12.1 Damage or Destruction to Leased Premises. Tenant shall give prompt written notice to Landlord after the occurrence of any fire, earthquake, act of God, or other casualty to or in connection with the Leased Premises, the Improvements, or any portion thereof (hereinafter sometimes referred to as a “Casualty”). Subject to Section 12.2 below, and the rights of any Mortgagees, if during the Term the Improvements shall be damaged or destroyed by Casualty, Tenant shall repair or restore the Improvements, so long as Tenant determines, in its sole discretion, that it is feasible to do so and in such event Tenant provides or causes to be provided sufficient additional funds which, when added to such insurance proceeds, will fully effect such repair or restoration. Upon the occurrence of any such Casualty, Tenant, promptly and with all due diligence, shall apply for and collect all applicable insurance proceeds recoverable with respect to such Casualty (subject, however, any rights of Mortgagees to participate in and control such process and to hold and disburse such proceeds, in the relative order of priority with the First Mortgage Loan having first priority). In the event that Tenant shall determine, subject to the rights and with the prior written consent of Mortgagee, by notice to Landlord given within thirty (30) days after receipt by Tenant of any such insurance proceeds, that it is not economically practical to restore the Improvements and/or the Leased Premises to substantially the same condition in which they existed prior to the occurrence of such Casualty, Tenant may terminate this Lease as of a date that is not less than thirty (30) days after the date of such notice. If Tenant terminates this Lease pursuant to this Section 12.1, Tenant shall surrender possession of the Leased Premises to Landlord immediately. Notwithstanding the foregoing or anything else in this Lease to the contrary (other than upon the expiration of the natural Term of the Lease), this Lease shall not terminate or be terminated in the event of damage or destruction unless all obligations under the First Mortgage Loan have been paid in full.

Section 12.2 Damage or Destruction near End of Term. If, during the last seven (7) years of the Term, the Improvements shall be damaged by Casualty, then Tenant shall have the option, to be exercised within one hundred twenty (120) days after such Casualty:
(a) to repair or restore the Improvements as hereinabove provided in this Article 12; or

(b) subject to the rights of Mortgagees, to terminate this Lease by notice to Landlord, which termination shall be deemed to be effective as of the date of the Casualty. If Tenant terminates this Lease pursuant to this Section 12.2, Tenant shall surrender possession of the Leased Premises to Landlord immediately and assign to Landlord (or, if same has already been received by Tenant, pay to Landlord) all of its right, title, and interest in and to the proceeds from Tenant’s insurance upon the Leased Premises, subject to the prior rights of any Mortgagee therein, as referenced in Section 12.3 below.

Section 12.3 Distribution of Insurance Proceeds. In the event that insurance proceeds are not applied to restoration of the Leased Premises, the Improvements, or any portion thereof and this Lease is terminated pursuant to Sections 12.1 or 12.2 hereof, the insurance proceeds received as the result of such Casualty shall be distributed, in the order provided, to (a) the First Mortgagee in accordance with the First Mortgage Loan for the repayment of the First Mortgage Loan if such Casualty occurs while the First Mortgage Loan is in effect, (b) all other Mortgagees with Mortgages in effect, (c) to Tenant to recover its investment, and (d) Landlord, and otherwise in accordance with Section 12.1 hereof; provided, however, that (subject to the rights of Mortgagees) Tenant may retain the following amount of insurance proceeds: (i) any reasonable costs, fees or expenses incurred by Tenant in connection with the adjustment of the loss or collection of the proceeds; (ii) any reasonable costs incurred by Tenant in connection with the Leased Premises after the Casualty, which costs are eligible for reimbursement from such insurance proceeds; and (iii) the proceeds of any rental loss or business interruption insurance applicable prior to the date of surrender of the Leased Premises to Landlord.

ARTICLE 13 EVENTS OF DEFAULT

Section 13.1 Events of Default. Each of the following shall be an “Event of Default” by Tenant hereunder:

(a) failure by Tenant to pay any Rents when due or to pay or cause to be paid any Impositions, insurance premiums, or other liquidated sums of money herein stipulated to be paid by Tenant, if such failure shall continue for a period of sixty (60) days after written notice thereof has been given by Landlord to Tenant and Investor;

(b) failure by Tenant to perform or observe any of the provisions of this Lease stipulated in this Lease to be observed and performed by Tenant (including, but not limited to the failure to comply with Section 3.6), if such failure shall continue for a period of ninety (90) days after written notice thereof has been given by Landlord to Tenant and Investor; provided, however, that if any such failure cannot reasonably be cured within such ninety (90)-day period, then Landlord shall not have the right to terminate this Lease or Tenant’s right to possession hereunder so long as Tenant or Investor promptly commences the curing of any such failure and thereafter proceeds in good faith and with due diligence to remedy and correct such failure within a reasonable period of time;
(c) the failure of Tenant to cure, within the prescribed time period, any breach or violation of Applicable CC&Rs and Easements with which Tenant is obligated to comply under Section 3.3, following the expiration of any applicable notice and cure periods;

(d) the subjection of any right or interest of Tenant in this Lease to attachment, execution, or other levy, or to seizure under legal process, if not released within one hundred twenty (120) days; provided that the foreclosure of any Mortgage shall not be construed as an Event of Default within the meaning of this Subsection 13.1(d);

(e) the appointment of a receiver, not including receivership pursuant to any Mortgage, to take possession of Tenant’s Estate or of Tenant’s operations on the Leased Premises for any reason, if such receivership is not terminated, dismissed, or vacated within one hundred twenty (120) days after the appointment of the receiver;

(f) the filing by Tenant of a petition for voluntary bankruptcy under the Bankruptcy Code or any similar law, state or Federal, now or hereafter in effect;

(g) the filing against Tenant of any involuntary proceedings under such Bankruptcy Code or similar law, if such proceedings have not been vacated or stayed within ninety (90) days of the date of filing;

(h) the appointment of a trustee or receiver for Tenant or for all or the major part of Tenant’s property or the Leased Premises, in any involuntary proceeding, not including pursuant to any Mortgage, or taking of jurisdiction by any court over all or the major part of Tenant’s property or the Leased Premises in any involuntary proceeding for the reorganization, dissolution, liquidation, or winding up of Tenant, if such trustee or receiver shall not be discharged or such jurisdiction relinquished or vacated or stayed on appeal or otherwise stayed within ninety (90) days;

(i) the Tenant’s failure to pay assessments due pursuant to the Declaration of Restrictions (CC&Rs), unless assessments are disputed in good faith and Tenant deposits a bond sufficient to cover the assessment costs with title company;

(j) a general assignment by Tenant for the benefit of creditors or Tenant’s admittance in writing of its insolvency or inability to pay its debts generally as they become due or Tenant’s consent to the appointment of a receiver or trustee or liquidator for Tenant, all or the major part of its property, or the Leased Premises; or

(k) violation of the RAD Use Agreement in accordance with Section 20.1(c), if such failure shall continue for a period of sixty (60) days after written notice thereof has been given by Landlord to Tenant and Investor.

To the extent cure is permitted hereunder, a partner of Tenant shall have the right to cure any default or breach of this Lease by Tenant, and Landlord agrees to accept a timely cure tendered by a partner.
Section 13.2  Rights and Remedies.

(a) At any time after the occurrence of an Event of Default hereunder, Landlord, subject in all respects to the provisions of this Lease with respect to Landlord’s and Investor’s rights to cure defaults by Tenant and with respect to the rights of any Mortgagors and Investors, and subject further to the provisions of Section 13.3 of this Lease, may terminate this Lease by giving Tenant written notice thereof (with a copy of such notice to the Mortgagors and to Investor), setting forth in such notice an effective date for termination which is not less than thirty (30) days after the date of such notice, in which event this Lease and Tenant’s Estate created hereby and all interest of Tenant and all parties claiming by, through, or under Tenant shall automatically terminate upon the effective date for termination as set forth in such notice, with the same force and effect and to the same extent as if the effective date of such notice had been the date originally fixed in Article 2 hereof for the expiration of the Term. In such event, Landlord, its agents, or representatives, shall have the right, without further demand or notice, to re-enter and take possession of the Leased Premises (including all buildings and other Improvements comprising any part thereof) at any time from and after the effective termination date without being deemed guilty of any manner of trespass and without prejudice to any remedies for arrears of Rents or existing breaches of covenants; provided that Landlord shall not be entitled to disturb possession of any tenants or others in possession pursuant to tenant leases with Tenant so long as such tenants or others are not in default thereunder and attorn to Landlord as their Landlord.

(b) Upon the exercise of Landlord’s remedies pursuant to this Section 13.2, Tenant shall execute such releases, deeds, and other instruments in recordable form as Landlord shall reasonably request in order to accurately set forth of record the then current status of Tenant’s Estate and Tenant’s rights hereunder.

Section 13.3  Deficiency Judgments. Landlord, for itself and for each and every succeeding owner of Landlord’s Estate in the Leased Premises, agrees that it shall never be entitled to seek a personal judgment against Tenant or its members and that (a) upon any Event of Default hereunder, the rights of Landlord to enforce the obligations of Tenant, its successors, or assigns, or to collect any judgment, shall be limited to the termination of this Lease and of Tenant’s Estate and the enforcement of any other rights and remedies specifically granted to Landlord hereunder, provided, however, that the limitations set forth in this Section 13.3 shall not be applicable to (i) fraud, (ii) misappropriation of any Net Condemnation Award or insurance, and (iii) misappropriation of Authority Bridge Loan funds.

Section 13.4  Default by Landlord.

(a) Events of Default. Landlord shall be in default of this Lease if it fails to perform any provision of this Lease that it is obligated to perform or if any of Landlord’s representations or warranties is untrue or becomes untrue in any material respect, and if the failure to perform or the failure of such representation or warranty is not cured within thirty (30) days after written notice of the default has been given to Landlord. If the default cannot reasonably be cured within thirty (30) days, Landlord shall not be in default of this Lease if Landlord commences to cure the
default within such thirty (30)-day period and diligently and in good faith continues to cure the default until completion.

(b) **Right to Cure; Tenant’s Remedies.** Subject to Section 13.5 below, if Landlord shall have failed to cure a default by Landlord after expiration of the applicable time for cure of a particular default, Tenant, at its election, but without obligation therefor (i) may seek specific performance of any obligation of Landlord, after which Tenant shall retain, and may exercise and enforce, any and all rights that Tenant may have against Landlord as a result of such default, (ii) from time to time without releasing Landlord in whole or in part from the obligations to be performed by Landlord hereunder, may cure the default at Landlord’s cost, (iii) may terminate this Lease, and/or (iv) may exercise any other remedy given hereunder or now or hereafter existing at law or in equity. Any reasonable costs incurred by Tenant in order to cure such a default by Landlord shall be due immediately from Landlord, together with interest at the prime rate published in the Wall Street Journal from time to time, and may be offset against any amounts due from Tenant to Landlord.

Section 13.5 **Notices.** Notices given by Landlord under Section 13.1 or by Tenant under Section 13.4 shall specify the alleged default and the applicable Lease provisions, and shall demand that Tenant or Landlord, as applicable, perform the appropriate provisions of this Lease within the applicable period of time for cure. No such notice shall be deemed a forfeiture or termination of this Lease unless expressly set forth in such notice.

Section 13.6 **Bankruptcy of Landlord.** If this Lease is rejected by Landlord or Landlord’s trustee in bankruptcy following the bankruptcy of Landlord under the Bankruptcy Code, as now or hereafter in effect, Tenant shall not have the right to treat this Lease as terminated except with the prior written consent of all Mortgagees, and the right to treat this Lease as terminated in such event shall be deemed assigned to each and every Mortgagee whether or not specifically set forth in any such Mortgage, so that the concurrence in writing of Tenant and each Mortgagee shall be required as a condition to treating this Lease as terminated in connection with any such bankruptcy proceeding.

**ARTICLE 14 QUIET ENJOYMENT AND POSSESSION; INSPECTIONS**

Section 14.1 **Quiet Enjoyment.** Landlord covenants and warrants that Tenant, upon payment of all sums herein provided and upon performance and observance of all of its covenants herein contained, shall peaceably and quietly have, hold, occupy, use, and enjoy, and shall have the full, exclusive, and unrestricted use and enjoyment of, all of the Leased Premises during the Term, subject only to the provisions of this Lease, the RAD Use Agreement, the Regulatory Agreements, and all applicable Legal Requirements.

Section 14.2 **Landlord’s Right of Inspection.** Notwithstanding Section 13.1 above, Landlord, in person or through its agents, upon reasonable prior notice to Tenant, shall have the right, subject to the rights of tenants, to enter upon the Leased Premises for purposes of reasonable inspections performed during reasonable business hours in order to assure compliance by Tenant with its obligations under this Lease. In addition to the aforementioned inspection rights, Tenant grants a right of access to Landlord, or any of its authorized representatives, with
ARTICLE 15 VACATION OF LEASED PREMISES

Tenant covenants that upon any termination of this Lease, whether by lapse of time or because of any of the conditions or provisions contained herein, Tenant will peaceably and quietly yield and surrender possession of the Leased Premises to Landlord. The foregoing, however, will be subject to the rights of tenants or others in possession pursuant to tenant leases with Tenant, provided that such tenants are not in default thereunder and attorn to Landlord as their Landlord. An action of forcible detainer shall lie if Tenant holds over after a demand for possession is made by Landlord. Notwithstanding anything to the contrary herein, Tenant shall not voluntarily vacate or surrender and Landlord shall not accept any voluntary vacating or surrendering of the Leased Premises by Tenant while a Mortgage remains outstanding or while an Investor shall remain a member in Tenant.

ARTICLE 16 NON-MERGER

For so long as any debt secured by a Mortgage upon the leasehold created by this Lease shall remain outstanding and unpaid, or so long as an Investor shall remain a partner in Tenant, unless Mortgagee shall otherwise consent in writing, there shall be no merger of either this Lease or Tenant’s Estate created hereunder with the fee estate of the Leased Premises or any part thereof by reason of the fact that the same person may acquire, own, or hold, directly or indirectly, (a) this Lease, Tenant’s Estate created hereunder, or any interest in this Lease or Tenant’s Estate (including the Improvements), and (b) the fee estate in the Leased Premises or any part thereof or any interest in such fee estate (including the Improvements), unless and until all persons, including any assignee of Landlord, having an interest in (i) this Lease or Tenant’s Estate created hereunder, and (ii) the fee estate in the Leased Premises or any part thereof, shall join in a written instrument effecting such merger and shall duly record the same, and shall have obtained the prior written consent of Mortgagee.

ARTICLE 17 ASSIGNMENTS AND TRANSFERS; FORECLOSURE

Section 17.1 Consent Required. Except as specifically permitted in the RAD Use Agreement and the Regulatory Agreements, no Transfer shall be made without Landlord’s prior written approval; any such Transfer shall be made pursuant to the Regulatory Agreements. This Lease shall be binding upon and inure to the benefit of the successors and assigns of Landlord and Tenant, except that Tenant may not assign or sublet its interest in this Lease without the prior written consent of Landlord and any other consent required by the Regulatory Agreements. Any attempted transfer without such required consents shall be null and void. Any person to whom any Transfer is attempted without such consent shall have no claim, right, or remedy whatsoever hereunder against Landlord, and Landlord shall have no duty to recognize any person claiming under or through the same.

Section 17.2 Limitations on Consent Requirement. Notwithstanding the foregoing:
(a) The consent of Landlord shall not be required for:

1. a lease of any Residential Unit at the Leased Premises, subject to the Landlord’s prior approval of the form of Tenant Lease;

2. transfer of the Tenant’s Estate to a Mortgagee by foreclosure or deed-in-lieu of foreclosure (or the leasehold equivalent thereof), or to a third-party purchaser pursuant to a foreclosure sale (or the leasehold equivalent thereof);

3. after Closing, the transfer by Investor of Investor’s partnership interest in Tenant to an affiliate of Investor or a transfer of an interest in Investor, provided that either Investor remains obligated to fund its equity contribution, or the affiliate assumes the obligations to fund Investor’s equity contribution, in accordance with the terms of the Partnership Agreement (if at the time of the proposed transfer no equity contribution remains unpaid, then consent shall not be required for the transfer of any partner interest);

4. grants and easements for the establishment, operation, and maintenance of utility services; or

5. the removal of a general partner of the Tenant pursuant to the Partnership Agreement and the replacement of such general partner with an affiliate of Investor, provided that the admission of a non-affiliate of Investor shall require the reasonable consent of Landlord.

(b) If Tenant requests the consent of Landlord to an internal reorganization of Tenant, or of any of the partners, members, or stockholders of Tenant, Landlord will not unreasonably withhold or delay such consent.

Section 17.3 Subsequent Assignment. In cases where Landlord’s consent is required, Landlord’s or HUD’s consent to one assignment will not waive the requirement that Landlord and HUD consent to any subsequent assignment.

Section 17.4 Request for Consent. If Tenant requests Landlord’s consent to a specific assignment, Tenant shall provide to Landlord such information as may reasonably be required by Landlord.

Section 17.5 Consent of Landlord Not Required. The foreclosure of a Mortgage or any sale thereunder, whether by judicial proceedings or by virtue of any power contained in any Mortgage, or any conveyance of the Tenant’s Estate to any Mortgagee or its affiliate through, or in lieu of, foreclosure or other appropriate proceedings in the nature thereof, shall not require Landlord’s consent for breach any provision of or constitute an Event of Default under this Lease, and upon such foreclosure, sale, or conveyance, Landlord shall recognize any Mortgagee or such affiliate or designee of any Mortgagee, or any purchaser at any such foreclosure sale, as Tenant hereunder. Provided, however, that Landlord may disapprove a subsequent Transfer after foreclosure, deed in lieu of foreclosure or other appropriate proceedings where (and only where) the proposed transferee has (a) insufficient prior experience in managing affordable multifamily
rental housing, (b) demonstrated poor performance in managing affordable multifamily rental housing, or (c) has been debarred or suspended by HUD.

Section 17.6 Transfer After Foreclosure. This Lease may be transferred, without the consent of Landlord, to any Mortgagee or an affiliate thereof, pursuant to foreclosure or similar proceedings, or pursuant to a Transfer of this Lease to such Mortgagee (or its affiliate) in lieu thereof, and may be thereafter transferred by such Mortgagee (or its affiliate), and any Mortgagee (or its affiliate) shall be liable to perform the obligations herein imposed on Tenant only for and during the period it is in possession or ownership of the leasehold estate created hereby. Provided, however, that Landlord may disapprove a subsequent Transfer after foreclosure, deed in lieu of foreclosure, or other appropriate proceedings by Mortgagee (or its affiliate) where (and only where) the proposed transferee has (a) insufficient prior experience in managing affordable multifamily rental housing, (b) demonstrated poor performance in managing affordable multifamily rental housing, or (c) has been debarred or suspended by HUD. In no event shall any Mortgagee (or its affiliate) be (i) liable for any prior act or omission of Tenant unless and to the extent such act or omission is continuing following the foreclosure or other transfer, or (ii) subject to any offsets or defenses which Landlord may have against Tenant.

Section 17.7 Grant of Purchase Option. Notwithstanding anything to the contrary set forth in any other provision of this Lease, nothing shall prohibit the granting of a purchase option and/or right of first refusal to the Landlord, or its designee, including without limitation, the Managing General Partner, to purchase the Tenant’s Estate as provided in the Right of First Refusal/Purchase Option and/or (ii) the exercise of such Right of First Refusal/Purchase Option in accordance with the Right of First Refusal/Purchase Option (and the assignment of the Authority Bridge Loan and Authority Acquisition Loan to the applicable optionee); provided, however, that any such option rights described in this Section 17.7 shall be subordinate to the Approved Financing Documents.

ARTICLE 18 MISCELLANEOUS PROVISIONS

Section 18.1 Entire Agreement: Modifications. This Lease supersedes all prior discussions and agreements between the Parties with respect to the leasing of the Leased Premises. This Lease contains the sole and entire understanding between the Parties with respect to the leasing of the Leased Premises pursuant to this Lease, and all promises, inducements, offers, solicitations, agreements, representations, and warranties heretofore made between the Parties, if any, are merged into this Lease.

Section 18.2 Amendments. Landlord shall not unreasonably withhold its consent to any amendments to this Lease that are reasonably requested by a Mortgagee; provided, however, Landlord may, in its sole and absolute discretion, refuse to consent to any proposed amendments to the description of the Leased Premises, the Term, Rent, or any other amendments which would materially change the rights and/or obligations of Landlord under this Lease. Landlord and Tenant each agree not to enter into any amendment or modification of the Lease without the prior written consent of each Mortgagee.
Section 18.3  **Governing Law.** This Lease, and the rights and obligations of the Parties hereunder, shall be governed by and construed in accordance with the substantive laws of the State of California.

Section 18.4  **Binding Effect.** This Lease shall inure to the benefit of and be binding upon the Parties hereto, their heirs, successors, administrators, executors, and permitted assigns.

Section 18.5  **Severability.** In the event any provision or portion of this Lease is held by any court of competent jurisdiction to be invalid or unenforceable, such holdings shall not affect the remainder hereof, and the remaining provisions shall continue in full force and effect to the same extent as would have been the case had such invalid or unenforceable provision or portion never been a part hereof, except to the extent the rights and obligations of the Parties have been materially altered by such unenforceability.

Section 18.6  **Further Assurances.** From and after the date of this Lease, Landlord and Tenant, at the request of the other Party, shall make, execute, and deliver or obtain and deliver all such affidavits, deeds, certificates, resolutions, and other instruments and documents, and shall do or cause to be done all such other things that either Party may reasonably require in order to effectuate the provisions and the intention of this Lease.

Section 18.7  **Captions.** All captions, headings, paragraphs, subparagraphs, letters, and other reference captions are solely for the purpose of facilitating convenient reference to this Lease, shall not supplement, limit, or otherwise vary the text of this Lease in any respect, and shall be wholly disregarded when interpreting the meaning of any terms or provisions hereof. All references to particular articles, sections, subsections, paragraphs, and subparagraphs by number refer to the text of such items as so numbered in this Lease.

Section 18.8  **Gender.** Words of any gender used in this Lease shall be held and construed to include any other gender, and words of a singular number shall be held to include the plural, and vice versa, unless the context requires otherwise.

Section 18.9  **Exhibits.** Each and every exhibit referred to or otherwise mentioned in this Lease is attached to this Lease and is and shall be construed to be made a part of this Lease by such reference or other mention at each point at which such reference or other mention occurs, in the same manner and with the same effect as if each exhibit were set forth in full at length every time it is referred to and otherwise mentioned.

Section 18.10  **References.** All references to paragraphs or subparagraphs shall be deemed to refer to the appropriate paragraph or subparagraph of this Lease. Unless otherwise specified in this Lease, the terms “herein,” “hereof,” “hereinafter,” “hereunder” and other terms of like or similar import, shall be deemed to refer to this Lease as a whole, and not to any particular paragraph or subparagraph hereof.

Section 18.11  **Rights Cumulative.** Except as expressly limited by the terms of this Lease, all rights, powers, and privileges conferred hereunder shall be cumulative and not restrictive of those provided at law or in equity.
Section 18.12 Notices. All notices, requests, demands, or other communications required or permitted to be given hereunder shall be in writing and shall be addressed and delivered by hand or by certified mail, return receipt requested, or by Federal Express or UPS, or by hand delivery by a recognized, reputable courier, to each party at the addresses set forth below. Any such notice, request, demand, or other communication shall be considered given or delivered, as the case may be, on the date of receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which proper notice was not given shall be deemed to be receipt of the notice, request, demand, or other communication. By giving prior written notice thereof, any Party, from time to time, may change its address for notices hereunder. Legal counsel for the respective Parties may send to the other Party any notices, requests, demands, or other communications required or permitted to be given hereunder by such Party.

To Landlord: Housing Authority of the City of Los Angeles
2600 Wilshire Blvd., Third Floor
Los Angeles CA 90057
Attn: President and Chief Executive Director

with a copy to: Housing Authority of the City of Los Angeles
2600 Wilshire Blvd., Third Floor
Los Angeles, CA 90057
Attn: Director of Legal Affairs

with a copy to: Reno & Cavanaugh, PLLC
455 Massachusetts Avenue, Suite 400
Washington, DC 20001
Attn: Megan Glasheen

To Tenant: Jordan Downs Phase S3, LP
c/o The Michaels Organization
2 Cooper Street
Camden, NJ 08102
Attn: John J. O’Donnell

with copy to: Levine, Staller, Sklar, Chan & Brown, P.A.
3030 Atlantic Avenue
Atlantic City, NJ 08401
Attn: Arthur M. Brown

To holder of the CIT Bank, N.A.
Construction Loan: 75 N. Fair Oaks Avenue
Pasadena, CA 91103
Attn: Claudia Lima

With a copy to:
CIT Bank, N.A.
Section 18.13 **Counterparts.** This Lease may be executed in several counterparts, each of which shall be deemed an original, and all such counterparts together shall constitute one and the same agreement.

Section 18.14 **Time of Essence.** Time is and shall be of the essence in this Lease.

Section 18.15 **Relationship of Parties.** No relationship exists between Landlord and Tenant other than landlord and tenant. The Parties hereto expressly declare that, in connection with the activities and operations contemplated by this Lease, they are neither partners nor joint venturers, nor does a debtor-creditor, principal-agent, or any other relationship except as aforesaid, exist between them.

Section 18.16 **Multiple Mortgages.** If at any time there shall be more than one Mortgage, the Mortgagee under the First Mortgage Loan ("**First Loan Mortgagee**") shall be prior in lien and shall be vested with all of the rights of Mortgagee under this Lease (other than the provisions for receipt of notices) to the exclusion of any junior Mortgage and junior Mortgagee; provided, however, that: (a) if the First Loan Mortgagee fails to or refuses to exercise its rights set forth under this Lease, each holder of a junior Mortgage in the order of priority of their respective liens shall have the right to exercise such rights; and (b) with respect to the right of a Mortgagee under Section 9.7 (right to request a New Lease), such right may, notwithstanding the limitation of time set forth in Section 9.7, if any, be exercised by the holder of any junior Mortgage, in the
event the holder of a senior Mortgage shall not have exercised such right within a reasonable amount of time.

Section 18.17 **Conflicts with Mortgage.** In the event of a default under a Mortgage, such Mortgagee may exercise with respect to the Leased Premises any right, power, or remedy under the Mortgage which is not in conflict with the provisions of this Lease. In the event of a conflict or inconsistency between any requirement contained in this Lease and any requirement contained in any document referred to in this Lease, including any Mortgage, the terms of this Lease shall in all instances be controlling.

Section 18.18 **Attorneys’ Fees.** In the event of litigation between the Parties arising out of this Lease, each Party shall bear its own costs and expenses, including attorneys’ fees, and any judgment or decree rendered in such a proceeding shall not include an award thereof.

Section 18.19 **Non-Liability of Governmental Officials and Employees; Conflicts of Interest.** No member, official, employee, commissioner, agent, consultant, or contractor of Landlord shall be personally liable to Tenant or any successor or assign of Tenant in the event of any default or breach by Landlord hereunder, or for any amount which may become due to Tenant or any successor or assign of Tenant as a result of such default or breach, or for any of Landlord’s obligations under this Lease; provided, however, that the foregoing shall not void or diminish the obligations of Landlord under this Lease.

Tenant represents and warrants that to Tenant’s actual knowledge no member, official, employee, commissioner, agent, consultant, or contractor of Landlord has any direct or indirect personal interest in this Lease or participation in any decision relating to this Lease which affects his or her personal interests or the interests of any corporation, partnership, or other entity in which he or she is, directly or indirectly, interested. Tenant further represents and warrants to Landlord that it has not paid or given, and will not pay or give, to any third party (other than as specifically set forth in this Lease) any money or other consideration for obtaining this Lease.

Except as may be expressly set forth herein, no present or future partner, shareholder, participant, employee, agent, officer, or partner of or in Tenant shall have any personal liability, directly or indirectly, under or in connection with this Lease; provided, however, that the foregoing shall not void or diminish the obligations of Tenant under this Lease.

Section 18.20 **Consent; Reasonableness.** Except as otherwise specified herein, in the event that Tenant or Landlord shall require the consent or approval of the other Party in fulfilling any agreement, covenant, provision, or condition contained in this Lease, such consent or approval shall not be unreasonably withheld or delayed by the Party from whom such consent or approval is sought, and shall be given or disapproved within the times set forth herein, or, if no time is given, within ten (10) business days of request therefor. Except as may be otherwise expressly set forth herein, approvals and disapprovals on the part of Landlord may be given by Landlord’s chief executive officer.

Section 18.21 **Non-Waiver of Governmental Rights.** Nothing in this Lease shall be construed to in any way obligate Landlord or any other Governmental Authority to take any
discretionary action relating to the construction, development, or operation of the Project, including, but not limited to, condemnation, rezoning, variances, subdivision, environmental clearances, or any other governmental approvals which are or may be required pursuant to the Legal Requirements. Nothing in this Lease shall be construed to restrict or impair in any manner whatsoever any Legal Requirement or the exercise by Landlord of any governmental powers or rights thereunder.

ARTICLE 19 PARTICULAR COVENANTS

Section 19.1 Non-Discrimination. Tenant shall not discriminate against, or segregate any person or group of persons on the grounds of race, color, creed, religion, sex, sexual orientation, marital status, national origin or ancestry, or disability in the lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Leased Premises nor shall Tenant, or any person claiming under or through Tenant, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of residential tenants, subtenants, sub-tenants, or vendees of the Leased Premises. The foregoing covenant shall run with the land. Landlord shall be entitled to invoke any remedies available at law or in equity to redress any breach of this subsection or to compel compliance therewith by Tenant.

Section 19.2 Mandatory Language in All Subsequent Deeds, Leases and Contracts. All deeds, leases, or contracts entered into by Tenant on or after the date of execution of this Lease as to any portion of the Project or Leased Premises shall contain the following language:

(a) In deeds: “Grantee herein covenants by and for itself, its successors, and assigns that there shall be no discrimination against or segregation of a person or of a group of persons on account of race, color, religion, creed, sex, sexual orientation, marital status, ancestry, or national origin in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the property herein conveyed nor shall the grantee or any person claiming under or through the grantee establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of residential tenants, lessees, subtenants, sublessee, or vendees in the property herein conveyed. The foregoing covenant shall run with the land.”

(b) In leases (except for leases from Tenant to a residential tenant): “The lessee herein covenants by and for the lessee and lessee’s heirs, personal representatives, and assigns and all persons claiming under the lessee or through the lessee that the lessee’s lease is made subject to the condition that there shall be no discrimination against or segregation of any person or of a group of persons on account of race, color, religion, creed, sex, sexual orientation, marital status, ancestry, or national origin in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the land herein leased nor shall the lessee or any person claiming under or through the lessee establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of residential tenants, lessees, sublessees, subtenants, or vendees in the land herein leased.”

{D0931259.DOC / 7 DC114-118} Ground Lease Agreement 57
In contracts: “There shall be no discrimination against or segregation of any person or group of persons on account of race, color, religion, creed, sex, sexual orientation, marital status, ancestry, or national origin in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the property nor shall the transferee or any person claiming under or through the transferee establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of residential tenants, lessees, subtenants, sublessees, or vendees of the land.”

ARTICLE 20 RAD PROVISIONS

In addition to entering into this Lease, Landlord and Tenant also contemplate the provision of rental assistance to the Project pursuant to a RAD HAP Contract. If a RAD HAP Contract is entered into pursuant to the RAD Requirements, HUD will require Landlord and Tenant to enter into a RAD Use Agreement in connection with the provision of rental assistance to the Project. Notwithstanding any other clause or provision in this Lease, upon execution of the RAD Use Agreement and for so long as the RAD Use Agreement is in effect, the following provisions shall apply:

(a) This Lease shall in all respects be subordinate to the RAD Use Agreement. Subordination continues in effect with respect to any future amendment, extension, renewal, or any other modification of the RAD Use Agreement or this Lease.

(b) If any of the provisions of this Lease conflict with the terms of the RAD Use Agreement, the provisions of the RAD Use Agreement shall control.

(c) The provisions in this Article 20 are required to be inserted into this Lease by HUD and may not be amended without HUD’s prior written approval.

(d) Violation of the RAD Use Agreement constitutes a default of this Lease.

(e) Notwithstanding any other contract, document or other arrangement, upon termination of this Lease, title to the real property leased herein shall remain vested in the Landlord and title to the buildings, fixtures, improvements, trade fixtures and equipment that belong to Tenant shall vest in Landlord.

(f) Neither the Tenant nor any of its partners shall have any authority to:

(1) Take any action in violation of the RAD Use Agreement; or

(2) Fail to renew the RAD HAP Contract upon such terms and conditions applicable at the time of renewal when offered for renewal by the Landlord or HUD.

(3) Except to the extent permitted by the RAD HAP Contract or RAD Use Agreement and the normal operation of the Project, neither the Tenant nor any partners shall have any authority without the consent of Landlord to sell, transfer, convey, assign, mortgage, pledge, sublease or otherwise dispose of, at any time, the Project or any part thereof.
[signature pages follow]
IN WITNESS WHEREOF, this Lease is made and entered into as of Commencement Date.

LANDLORD:

HOUSING AUTHORITY OF THE CITY OF LOS ANGELES
a public body, corporate and politic

By: ___________________________
   Douglas Guthrie
   President and Chief Executive Officer
TENANT:

JORDAN DOWNS PHASE S3, LP,
a California limited partnership

By: Jordan Downs S3-Michaels LLC,
a California limited liability company
its administrative general partner

By: _______________________________
Milton R. Pratt, Jr.
Vice President

By: La Cienega LOMOD, Inc.,
a California nonprofit public benefit corporation,
its managing general partner

By: _______________________________
Tina Smith-Booth
President
EXHIBIT A

Leased Premises
EXHIBIT B

Memorandum of Lease

[attached]
RECORDING REQUESTED BY:
Housing Authority of the City of Los Angeles

WHEN RECORDED MAIL TO:
Reno & Cavanaugh, PLLC
Attn: Megan Glasheen
455 Massachusetts Ave., Suite 400
Washington, DC 20001

No fee for recording pursuant to
Government Code Section 27383

(SPACE ABOVE THIS LINE FOR RECORDER’S USE)

MEMORANDUM OF GROUND LEASE

Jordan Downs Phase S3

THIS MEMORANDUM OF GROUND LEASE (this “Memorandum”) is made as of [_________] 1, 2020 by and among the Housing Authority of the City of Los Angeles, a public body, corporate and politic, (“Landlord”) and Jordan Downs Phase S3, LP, a California limited partnership (“Tenant”) with respect to that certain Ground Lease Agreement dated as of [_________] 1, 2020 (the “Lease”), between Landlord and Tenant.

Pursuant to the Lease, Landlord hereby leases to Tenant and Tenant leases from Landlord that certain real property, more particularly described in Exhibit A, attached hereto and incorporated herein, (the “Property”) and Landlord grants to Tenant all the improvements existing or to be constructed on the Property for the term of the Lease. The Lease commenced as of [_________], 2020, and shall continue from such date for seventy-five (75) years as per Section 2.3 of the Lease. Section 17.7 of the Lease provides a right of first refusal and purchase option to Landlord or its designee, including without limitation, La Cienega LOMOD, Inc.

This Memorandum shall incorporate herein all of the terms and provisions of the Lease as though fully set forth herein, including, but not limited to the affordability restrictions in the Lease and attached hereto as Exhibit B.

This Memorandum is solely for recording purposes and shall not be construed to alter, modify, amend, or supplement the Lease, of which this is a Memorandum.

[signature pages follow]
IN WITNESS WHEREOF, the parties have caused this Memorandum to be duly executed as of the date first above written.

LANDLORD:

HOUSING AUTHORITY OF THE CITY OF LOS ANGELES,
a public body, corporate and politic

By: ___________________________________
   Douglas Guthrie
   President and Chief Executive Officer

WITNESS:

[NOTARY BLOCK ON NEXT PAGE]
A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA )
COUNTY OF _____________ )

On ____________________, before me, ________________________________________, a Notary Public, personally appeared ________________________________________ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is / are subscribed to the within instrument and acknowledged to me that he / she / they executed the same in his / her / their authorized capacity(ies), and that by his / her / their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _______________________________
TENANT:

JORDAN DOWNS PHASE S3, LP,
a California limited partnership

By: Jordan Downs S3-Michaels LLC,
a California limited liability company
its administrative general partner

By: _______________________________
Milton R. Pratt, Jr.
Vice President

By: La Cienega LOMOD, Inc.,
a California nonprofit public benefit corporation,
its managing general partner

By: _______________________________
Tina Smith-Booth
President

WITNESS:

[NOTARY BLOCK ON NEXT PAGE]
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STATE OF CALIFORNIA )
COUNTY OF ____________ )

On ________________, before me, ______________________________________, a Notary Public, personally ____________________________ appeared ___________________________________________________________ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____________________________________________
A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA )
 )
COUNTY OF _____________ )

On ____________________, before me, ________________________________________, a Notary Public, personally appeared _______________________________________ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is / are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature ______________________________
THOSE PORTIONS OF LOTS 4 AND 5, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS SHOWN ON THE MAP OF TRACT NO. 16154, AS PER MAP RECORDED IN BOOK 540, PAGES 48 TO 50, INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

COMMENCING AT THE CENTERLINE INTERSECTION OF ONE HUNDRED FIRST STREET, 30.00 WIDE, AND GRAPE STREET, 30.00 FEET WIDE, AS SHOWN ON SAID TRACT NO. 16154; THENCE ALONG SAID CENTERLINE OF ONE HUNDRED FIRST STREET SOUTH 89°33'07" EAST 403.04 FEET; THENCE NORTH 00°26'53" EAST 30.00 FEET TO A POINT ON THE NORTH LINE OF SAID ONE HUNDRED FIRST STREET, SAID POINT ALSO BEING THE TRUE POINT OF BEGINNING; THENCE CONTINUING NORTH 00°26'53" EAST 221.99 FEET; THENCE SOUTH 89°33'07" EAST 238.26 FEET; THENCE SOUTH 08°31'20" WEST 211.19 FEET TO THE BEGINNING OF A CURVE CONCAVE NORTHWESTERLY, HAVING A RADIUS OF 15.00 FEET; THENCE SOUTHWESTERLY ALONG SAID CURVE 21.45 FEET, THROUGH A CENTRAL ANGLE OF 81°55'33" TO SAID NORTH LINE OF ONE HUNDRED FIRST TO SAID NORTH LINE OF ONE HUNDRED FIRST STREET; THENCE ALONG SAID NORTH LINE NORTH 89°33'07" WEST 193.74 FEET TO THE TRUE POINT OF BEGINNING.

APN: 6046-019-926, 6046-021-908, AND 6046-021-917
EXHIBIT B
Memorandum of Ground Lease
Jordan Downs Phase S3

AFFORDABILITY RESTRICTIONS

Subject to Section 3.8(d) and 3.9(c) and the Property Management and Re-Occupancy Plan and after initial lease up of residents from the existing Jordan Downs public housing site exercising their right to return, the Residential Units shall be rented in accordance with the income limits and distribution as provided in the chart below.

<table>
<thead>
<tr>
<th>AMI</th>
<th>30% AMI</th>
<th>50% AMI</th>
<th>60% AMI</th>
<th>80% AMI</th>
<th>Manager/Non-Revenue</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>One Bedroom</td>
<td>8</td>
<td>13</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>22</td>
</tr>
<tr>
<td>Two Bedroom</td>
<td>7</td>
<td>31</td>
<td>2</td>
<td>1</td>
<td>-</td>
<td>41</td>
</tr>
<tr>
<td>Three Bedroom</td>
<td>3</td>
<td>20</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>24</td>
</tr>
<tr>
<td>Four Bedroom</td>
<td>2</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>67</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>92</td>
</tr>
</tbody>
</table>

In addition, [__ (__) ] Residential Units in Phase S3 are replacement Residential Units, which shall comply, subject to the Property Management and Re-Occupancy Plan and Section 3.8 and 3.9 of this Lease, with the bedroom and subsidy-type distribution provided below. Tenant or its Management Agent will select residential tenants in accordance with the requirements of the Regulatory Agreements. Subject to the Regulatory Agreements and the requirements of the Approved Financing Documents, the replacement Residential Units at Phase S3 shall be available to residents of the existing Jordan Downs public housing site, who are in good standing, at initial lease up.

<table>
<thead>
<tr>
<th>Phase S3</th>
<th>RAD</th>
<th>Replacement PBV</th>
<th>PBV</th>
<th>LIHTC Only</th>
<th>Manager</th>
</tr>
</thead>
<tbody>
<tr>
<td>One Bedroom</td>
<td>22</td>
<td>1</td>
<td></td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Two Bedroom</td>
<td>41</td>
<td>10</td>
<td></td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Three Bedroom</td>
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<td>1</td>
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<td>Total</td>
<td>92</td>
<td>25</td>
<td></td>
<td>18</td>
<td>1</td>
</tr>
</tbody>
</table>

Pursuant to the Section 3.6(b) of the Lease, all ________ (__) of the PBV Replacement Units [and ______ (__) of the LIHTC only Residential Units shall be operated as affordable for families at or below eighty percent (80%) of the area median income for not less than (30) years following the Commencement Date (the “Section 18 Restriction”).

If there is a foreclosure, all units are subject to the Post-Foreclosure Rent Restrictions as described in the Lease.
EXHIBIT C

Affordability Restrictions

Subject to Section 3.8(d) and 3.9(c) and the Property Management and Re-Occupancy Plan and after initial lease up of residents from the existing Jordan Downs public housing site exercising their right to return, the Residential Units shall be rented in accordance with the income limits and distribution as provided in the chart below.

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</tr>
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<td><strong>67</strong></td>
<td><strong>2</strong></td>
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<td><strong>1</strong></td>
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<td></td>
</tr>
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<td><strong>25</strong></td>
<td></td>
<td><strong>18</strong></td>
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<td><strong>1</strong></td>
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</table>

Pursuant to the Section 3.6(b) of the Lease, all ______ (___) of the PBV Replacement Units [and ______ (___) of the LIHTC only Residential Units shall be operated as affordable for families at or below eighty percent (80%) of the area median income for not less than (30) years following the Commencement Date (the “Section 18 Restriction”).

If there is a foreclosure, all units are subject to the Post-Foreclosure Rent Restrictions as described in this Lease.

Tenant Protections

Tenant Leases
Notwithstanding the Regulatory Agreements, Approved Financing Documents, and any other documents imposing tenant protections on the Project, all Residents shall be subject to the same Tenant Lease and tenant protections to the extent permitted by law. Landlord and Tenant acknowledge that the Residential Units obtain assistance under various programs including, but not limited to, the PBV program and RAD program, each of which provides tenant protections. The tenant protections and opportunities granted to Residents shall be uniformly applied to the Residential Units through the inclusion of tenant protection provisions in all Tenant Leases, including those provided herein, to the extent permitted by applicable Regulatory Agreements and the RAD Use Agreement. Provided, however, that the tenant protections need not be extended to the one (1) manager’s unit.

**Resident Participation and Funding**
To support Resident participation, Residents will have the right to establish and operate a resident organization for the purpose of addressing issues related to their living environment, which includes the terms and conditions of their tenancy as well as activities related to housing and community development.

1. **Legitimate Resident Organization.** Tenant must recognize legitimate resident organizations and give reasonable consideration to concerns raised by legitimate resident organizations. A resident organization is legitimate if it has been established by the Residents of the Project, meets regularly, operates democratically, is representative of all Residents in the Project, and is completely independent of the Tenant, management, and their representatives.

In the absence of a legitimate resident organization at the Project, HUD encourages the Tenant and residents to work together to determine the most appropriate ways to foster a constructive working relationship, including supporting the formation of a legitimate resident organization.

Residents are encouraged to contact the Tenant directly with questions or concerns regarding issues related to their tenancy. Tenant is also encouraged to actively engage residents in the absence of a resident organization; and

2. **Protected Activities.** Tenant must allow Residents and resident organizers to conduct the following activities related to the establishment or operation of a resident organization:
   - a. Distributing leaflets in lobby areas;
   - b. Placing leaflets at or under Residents' doors;
   - c. Distributing leaflets in common areas;
   - d. Initiating contact with Residents;
   - e. Conducting door-to-door surveys of Residents to ascertain interest in establishing a resident organization and to offer information about resident organizations;
   - f. Posting information on bulletin boards;
   - g. Assisting Resident to participate in resident organization activities;
   - h. Convening regularly scheduled resident organization meetings in a space on site and accessible to Residents, in a manner that is fully independent of management representatives. In order to preserve the independence of resident organizations, management representatives may not attend such meetings unless invited by the resident organization to specific meetings to discuss a specific issue or issues; and
i. Formulating responses to Tenant’s requests for:
   1. Rent increases;
   2. Partial payment of claims;
   3. The conversion from project-based paid utilities to resident-paid utilities;
   4. A reduction in resident utility allowances;
   5. Converting residential units to non-residential use, cooperative housing, or condominiums;
   6. Major capital additions; and
   7. Prepayment of loans.

In addition to these activities, Tenant must allow Residents and resident organizers to conduct other reasonable activities related to the establishment or operation of a resident organization. Tenant shall not require Residents and resident organizers, as required under the RAD Requirements, to obtain prior permission before engaging in the activities permitted in this section.

3. Meeting Space. Tenant must reasonably make available the use of any community room or other available space appropriate for meetings that are part of the Project when requested by:
   a. Residents or a resident organization and used for activities related to the operation of the resident organization; or
   b. Residents seeking to establish a resident organization or collectively address issues related to their living environment.

Resident and resident organization meetings must be accessible to persons with disabilities, unless this is impractical for reasons beyond the organization’s control. If the Project has an accessible common area or areas, it will not be impractical to make organizational meetings accessible to persons with disabilities. Tenant may charge a reasonable, customary and usual fee, approved by the HUD and/or Landlord as may normally be imposed for the use of such facilities in accordance with procedures prescribed by HUD, for the use of meeting space. The Landlord may waive this fee.

4. Resident Organizers. A resident organizer is a Resident or non-resident who assists residents in establishing and operating a resident organization, and who is not an employee or representative of Tenant, managers, or their agents. Tenant must allow resident organizers to assist Residents in establishing and operating resident organizations.

5. Canvassing. If the Project has a consistently enforced, written policy against canvassing, then a non-resident resident organizer must be accompanied by a Resident while at the Project. If the Project has a written policy favoring canvassing, any non-resident resident organizer must be afforded the same privileges and rights of access as other uninvited outside parties in the normal course of operations. If the Project does not have a consistently enforced, written policy against canvassing, the Project shall be treated as if it has a policy favoring canvassing. A Resident has the right not to be re-canvassed against his or her wishes regarding participation in a resident organization.
6. **Funding.** Tenant must provide $25 per occupied RAD Unit annually for resident participation, of which at least $15 per occupied RAD Unit shall be provided to the legitimate Resident organization at the Project. These funds must be used for resident education, organizing around tenancy issues, and training activities. In the absence of a legitimate resident organization at a Project:

a. Landlord encourages the Tenant and Residents to work together to determine the most appropriate ways to foster a constructive working relationship, including supporting the formation of a legitimate Residents organization. Residents are encouraged to contact the Tenant directly with questions or concerns regarding issues related to their tenancy. Tenant is also encouraged to actively engage Residents in the absence of a Resident organization; and

b. Project Owners must make Resident participation funds available to Residents for organizing activities in accordance with this Exhibit. Residents must make requests for these funds in writing to the Tenant. These requests will be subject to approval by the Tenant.

**Termination Notification**
Tenant must provide adequate written notice of termination of any Resident lease in accordance with HUD requirements and any requirements prescribed in the Regulatory Agreements or Approved Financing Documents. Further, Tenant shall provide adequate written notice of termination of any Resident lease which shall not be less than:

a. A reasonable period of time, but not to exceed 30 days:
   1. If the health or safety of other Residents, Tenant employees, or persons residing in the immediate vicinity of the premises is threatened; or
   2. In the event of any drug-related or violent criminal activity or any felony conviction;

b. 14 days in the case of nonpayment of rent; and

c. 30 days in any other case, except that if a State or local law provides for a shorter period of time, such shorter period shall apply.

**Grievance Process**
Tenant must maintain a grievance process in accordance with HUD requirements and any requirements prescribed in the Regulatory Agreements or Approved Financing Documents. Further, Tenant’s grievance procedure shall provide an opportunity for an informal hearing, as outlined in 24 CFR § 982.555. Notwithstanding the provisions of 24 CFR § 982.555, an opportunity for an informal hearing shall be given to Residents for any dispute that a Resident may have with respect to a Tenant action in accordance with the Resident’s lease that adversely affect the Resident’s rights, obligations, welfare, or status.

a. For Residents of the RAD Units and PBV Units, the Landlord, as contract administrator, will perform the informal hearing. The hearing officer must be selected in accordance with 24 CFR § 982.555(e) (4) (i). For Residents of Residential Units other than the RAD Units and the PBV Units, the Tenant shall perform the informal hearing.

b. There is no right to an informal hearing for class grievances or to disputes between Residents not involving the Tenant or Landlord.
c. The Tenant shall give Residents notice of their ability to request an informal hearing as outlined in 24 CFR § 982.555(c)(1).

d. The Tenant shall provide the opportunity for an informal hearing before an eviction. Current informal hearing procedures must be outlined in the Tenant’s Management Plan.
EXHIBIT C-1

HUD Disposition Approval Letter

[attached]
EXHIBIT D

Sustainability Plan

[attached]
The Jordan Downs Specific Plan outlines the overall plan for revitalizing the community and includes the following goal related to sustainability:

*Develop a model of urban sustainability based on a comprehensive, open space strategy and sustainable building design that will provide environmental and health benefits, as well as transform the community into a safe, thriving, desirable, and livable urban neighborhood.*

In addition, the sustainability goal of the Specific Plan is to:

*Satisfy the Leadership in Energy and Environmental Design for Neighborhood Development (LEED-ND) requirements at the Gold level. This objective will promote Jordan Downs as a housing development that features sustainable strategies throughout its design.*

The project has made a number of commitments and pursued several design strategies in order to respond to these goals. The following are the main components of the Sustainable Plan for the redevelopment of Jordan Downs:

**Certifications**

**LEED for Neighborhood Development Certification**

The Jordan Downs Urban Village Specific Plan integrates sustainable planning, design, and construction practices into a vision and set of design guidelines for the project. The measures committed to in the Specific Plan, combined with the beneficial qualities of location in terms of transit access, brownfield remediation, surrounding amenities, and the infill character of the project resulted in the project receiving a Silver level of certification for the Specific Plan in 2014. The Specific Plan, in Appendix C, also states that achieving certification at the Gold level is the goal for the full build out of the project. The Specific Plan measures are being tracked as the project moves through the various phases of construction, as are the additional measures that can be integrated into the detailed design and construction of the buildings, landscaping, streets, and infrastructure. While Gold certification is a goal, Silver certification is the commitment of the developer entities.

**Green Building Design for the Buildings & Development Site**

The project is planning to pursue a green building design that allows for certification for the individual buildings. Phase S3 will be registered with the US Green Building Council for the LEED for Homes v.4 program. The design integrates features needed to achieve a LEED Gold certification, with a minimum target of achieving LEED Gold. The project will also include a large solar PV array intended to offset the building’s energy use. The array will be sized to offset at least one-third (1/3) of the building’s projected energy use.

Measures included in Phase S3 are: all electric building including electric hot water heating; solar PV array; interior water savings, landscape water use reduction through the use of drought tolerant and California native plants, improved ventilation and air filtration, non-toxic and
low-VOC building materials, recycled-content building materials, construction waste diversion, parking for bicycles and future electric vehicle charging.

**Stormwater Management**
The Jordan Downs Phase S3 plan includes measures to capture and treat stormwater on site in various landscaped areas and in underground dry wells. The site will be designed to address the specific stormwater requirements of the Standard Urban Stormwater Mitigation Program in the City of Los Angeles, including requirements for Low-Impact Development.

**Construction Waste Management**
The construction process for Jordan Downs Phase S3 will achieve at least a 50% diversion level, as is consistent with CalGreen and the Los Angeles Green Code.

**Low-Water Landscaping and Efficient Irrigation**
The landscape design for Jordan Downs Phase S3 emphasizes the use of California native low-water or drought-tolerant trees and plants, combined with an efficient irrigation system designed with head to head coverage which includes a central shut-off valve, sub-meters, timer for each watering zones, pressure regulating devices, and high-efficiency nozzles.

**Renewable Resources and High Efficacy Fixtures**
Residential units will be equipped with high efficacy fixtures throughout and Energy Star appliances in all living units.
The Jordan Downs Phase S3 project is committed to furthering the LEED-ND Silver designation by employing environment-friendly concept in its building designs and construction methodologies. The Developer will incorporate and pursue the following features in its construction and operations of the project:

- Achieve LEED Gold Certification at a minimum, with the goal of achieving Platinum
- Include solar PV to offset at least 33% of building’s energy use
- Construction waste diversion of not less than 50%
- Residential units will include high-efficiency appliances such as Energy Star labeled refrigerators, dishwashers and clothes washers
- Use high efficiency water fixtures and fittings
- Use high efficacy lighting fixtures throughout
- Use of drought tolerant non-invasive landscaping
- Use high-efficiency irrigation in landscaped areas designed with head to head coverage which includes a central shut-off valve, sub-meters, timer for each watering zones, pressure regulating devices, and high-efficiency nozzles
- Other features required by the City of Los Angeles.
EXHIBIT E-1

Construction Section 3 Plan

[attached]
EXHIBIT E-2

Section 3 Plan

[attached]
Jordan Downs Phase S3
Permanent HUD Section 3 Plan

Definitions:

Section 3 Plan - means that plan developed by Tenant and approved by the Landlord (or “Authority”) which requires, among other things, that Tenant or Tenant’s Agent use best efforts to set aside thirty percent (30%) of the jobs available at the Property be made available first to Jordan Downs residents, second to Watts residents, third to Youthbuild participants residing in the City of Los Angeles and fourth to City of Los Angeles residents as further outlined in the Authority’s Section 3 Guide and Compliance Plan (Authority Section 3 Requirements). The Section 3 Plan also requires that Agent use best efforts to hire Disadvantaged Workers for not less than ten percent (10%) of the jobs available at the Property and three percent (3%) of the service contracts available at the Project be made available to Section 3 Businesses, as such terms are defined in the Authority Section 3 Requirements and which is an attachment to the Disposition and Development Agreement.

Plan:

Whenever possible, residents will be considered for temporary and permanent positions in the site management staff in accordance with the Section 3 Plan. In addition, Agent shall comply, to the maximum extent feasible, with the hiring, contracting and training goals and requirements outlined in the Section 3 Plan and the Procurement Plan.

In accordance with Attachment 2, Exhibit 2A of the 2nd Amendment to the Master Development Agreement between the Housing Authority of the City of Los Angeles, Jordan Downs Community Partners LLC, the Michaels Development Company I, L.P., Bridge Housing Corporation and Primestor Jordan Downs, LLC, Tenant’s Agent is required to comply with the provisions of Section 3 of the Housing & Urban Development (HUD) Act of 1968, as amended, to ensure that training, employment and other economic opportunities generated by select HUD financial assistance shall, to the greatest extent feasible, and consistent with existing Federal, State and local laws and regulations, be directed to the greatest extent possible to low and very low-income persons, particularly those who are recipients of government assistance for housing, and to business concerns which provide economic opportunities to low and very low-income persons.

It is the intent of Agent to meet or exceed the employment, training and economic goals that are required of Section 3 when feasible, including but not necessarily limited to the following (as applicable):

a) Contracting Goal, Construction-Related. Ten percent (10%) of the total dollar amount of all construction-related contracts shall be extended to Section 3 Business Concerns.

b) Contracting Goal, Non-Construction. Three percent (3%) of the total dollar amount of all non-construction related contracts shall be extended to Section 3 Business Concerns.

c) Training and Employment. Thirty percent (30%) of the aggregate number of new hires generated by the Development shall be extended to Section 3 Residents.
In order to meet the goals outlined in the Section 3 Plan, Agent shall use its reasonable best efforts and resources to:

a) Advertise opportunities in local media and informational notices posted at the Property and at other areas targeted in the Section 3 Plan;
b) Coordinate efforts for recruitment with the Authority, Michaels Development Company I, LP;
c) Develop or collaborate with an existing job training program offering workforce readiness curriculum and providing training accommodations to help reduce workforce barriers;
d) Create and maintain a schedule of qualified Section 3 residents to be contacted for future training and employment opportunities.
1. **Local Hire and Section 3 Requirements.** With respect to hiring for construction and post-construction job opportunities, the Partnership shall fulfill the local hiring commitments made during the selection on Master Developer, as amended, which includes: (a) pursuant to Section 3 of the Housing and Urban Development Act of 1968, as amended by Section 915 of the Housing and Community Development Act of 1992 (“Section 3”), hiring Section 3-qualified residents, as more particularly described at 1.a below, and (b) hiring Disadvantaged Workers, as more particularly described at 1.b below. The Partnership agrees that thirty percent (30%) of the new construction and post-construction job opportunities generated by the Project shall be set aside, to the maximum extent feasible, to meet the Section 3 Hiring Requirements (“Section 3 Hiring Requirements”). In addition, the Partnership shall strive and use Good Faith Efforts (as defined in Article III.C of the Section 3 Guide and Compliance Plan) to set aside at least ten percent (10%) of the thirty percent (30%) Section 3 Hiring Requirements for Disadvantaged Workers, as defined below (“Disadvantaged Worker Hiring Requirements”). The Parties acknowledge that some hires may meet the requirements of both the Section 3 Hiring Requirements and the Disadvantaged Worker Hiring Requirements, and may therefore count Disadvantaged Worker hours towards the thirty percent Section 3 Hiring Requirements.

For purposes of this Rider, the term “Local Hiring Requirements” shall mean the Section 3 Hiring Requirements and the Disadvantaged Worker Requirements. Construction and post-construction job opportunities created as a result of the Project shall be interpreted consistent with the HUD Section 3 definitions of “Employment opportunities generated by Section 3 covered assistance” and “New Hire,” as set forth at 24 CFR 135.5, and may include, without limitation, employment opportunities, whether part-time or full-time, and/or training or apprenticeship opportunities, and are expected to be available in a range of fields from administration to construction. The Partnership shall develop a plan for Local Hiring and Section 3 Contracting in accordance with Section 3.2.11 of the Master Development Agreement. The parties acknowledge that some hires may meet the requirements of both the Section 3 Hiring Requirements and the Disadvantaged Worker Hiring Requirements.

a. **Section 3 Hiring Requirements.** The purpose of Section 3 is to “ensure that employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible, and consistent with existing Federal, State, and local laws and regulations, be directed toward low- and very low-income persons, particularly those who are recipients of government assistance for housing, and to business concerns which provide economic opportunities to low- and very low-income persons,” as further described in HUD’s Section 3 implementing regulations at 24 CFR Part 135 (“Section 3 Regulations”). Pursuant to the Section 3 Regulations, specifically 24 CFR 135.34(a)(2), and notwithstanding the priorities set forth in Section III.D of the Authority’s Section 3 Guide and Compliance Plan attached hereto as Exhibit 1 (the “Section 3 Guide”), the Partnership shall meet the Section 3 Hiring Requirements with the following priorities among eligible applicants: (1) residents of Jordan Downs, (2) qualified Section 3 residents of the Watts neighborhood, (3) participants in HUD’s Youthbuild programs in the City of Los Angeles;
and (4) residents of the City of Los Angeles (the “City”) who meet Section 3 eligibility requirements, all to the maximum extent feasible.

b. **Disadvantaged Worker Hiring Requirements.** For purposes of this Rider, “Disadvantaged Worker” means an individual whose primary place of residence is in the City, and who, prior to commencing work on the Project, either (a) has a household income of less than fifty percent (50%) of Area Median Income or (b) faces at least one of the following barriers to employment: (i) is homeless, (ii) is a custodial single parent, (iii) is receiving public assistance, (iv) lacks a GED or a high school diploma, (v) has a criminal record or other involvement with the criminal justice system, or (vi) suffers from chronic unemployment.

c. **Section 3 Contracting Requirements.** To meet Section 3 Business Concern Contracting Requirements, the Partnership shall to the “greatest extent feasible” award at least (i) ten percent (10%) of the total dollar amount of building trades work for all construction contracts and (ii) three percent (3%) of the total dollar amount of all non-construction contracts to Section 3 Business Concerns, as such term is defined in the Section 3 Regulations. Furthermore, the Partnership shall include the Section 3 Clause set forth in 24 CFR Part 135.38 and attached hereto as Exhibit 2 in all subcontracts and ensure compliance by its contractors, subcontractors and all parties under its authority performing work related to the Project. In addition, the Partnership shall comply with the Procurement Plan for Jordan Downs Redevelopment attached hereto as Exhibit 3 and the Assistance to Small, Minority, Women’s, Labor Surplus Area, Section 3, and Resident Business Enterprises required efforts attached here to as Exhibit 4. Collectively the requirements of this Section 1.c are referred to herein as the “Section 3 Contracting Requirements.”

2. **Construction Local Hiring and Section 3 Contracting Plan.** The Partnership shall prepare a plan for meeting the Section 3 Hiring Requirements, the Disadvantaged Worker Hiring Requirements and the Section 3 Business Concern Contracting Requirements described herein during the construction phase of the Project (“Construction Local Hiring and Section 3 Contracting Plan”) which will include a Compliance Schedule for meeting its employment requirements set forth in the MDA, as amended, including outreach, hiring and training, as well as Section 3 Business outreach and subcontracting.

a. **Compliance.** In order to provide a reasonable opportunity to cure any perceived or actual failures to meet its hiring and subcontracting commitments, the Partnership shall submit to the Authority’s Section 3 Compliance Administrator (the “Compliance Administrator”) the Section 3 reporting forms required under the Section 3 Guide, as may be amended from time to time, in accordance with the submission schedules set forth in Exhibit 5 attached hereto, unless mutually agreed to otherwise by the parties (the “Section 3 Reports”). Within thirty (30) business days of receipt of complete and accurate Section 3 Reports, the Compliance Administrator shall notify the Partnership of any perceived or actual deficiencies that could lead to a declaration of default to afford the Partnership a reasonable opportunity to cure. In the event the Partnership fails to cure following a reasonable opportunity to cure, which in no event shall exceed thirty (30) business days, in lieu of the penalties for noncompliance set forth in Article VIII.B of the Section 3 Guide, the Partnership shall be subject to default penalties calculated as follows:
i. Penalties in the amount of Forty-Five Dollars ($45.00) per person hour of the shortfall in Section 3 hiring (for example, if 3,000 person hours were expended on newly hired workers during the course of a given week for the project, then of those 3,000 hours, 900 must be worked by Section 3 residents; if Section 3 residents worked only 600 hours, and the contractor showed no good faith efforts, then penalties would be due in the amount of $45.00 multiplied by the 300-person-hour shortfall, or $13,500), assessed upon completion of the Project and payable to the Authority upon demand, or off set from amounts owed for work on the Project;

ii. In addition, penalties will be regarded by the Authority as poor past-performance and may be grounds for determining that a contractor is non-responsible and ineligible for award of future contracts.

HACLA has approved the Construction Local Hiring and Section 3 Contracting Plan. The General Contractor’s compliance with the Construction Local Hiring and Section 3 Contracting Plan will constitute good faith efforts and compliance with the applicable Local Hiring Requirements and Section 3 Contracting Requirements.

3. Post-Construction Local Hiring and Section 3 Plan. The Partnership shall submit pursuant to the Ground Lease a post-construction plan (the “Post-Construction Local Hiring and Section 3 Contracting Plan”) for approval by the Compliance Administrator. The Post-Construction Local Hiring and Section 3 Plan shall be in effect for the duration of the applicable Ground Lease and shall cover all post-construction employment and Section 3 Business contracting opportunities generated by the Project.

a. Compliance. In order to provide a reasonable opportunity to cure any perceived or actual failures to meet the post-construction Local Hiring Requirements, Section 3 Contracting Requirements and Good Faith Efforts, the Partnership shall submit to the Compliance Administrator on an annual basis the Section 3 reporting forms then-required and as applicable under the Section 3 Guide (the “Post-Construction Section 3 Reports”). Within thirty (30) business days of receipt of complete and accurate Post-Construction Section 3 Reports, the Compliance Administrator shall notify the Partnership of any perceived or actual deficiencies that could lead to a declaration of default to afford a reasonable opportunity to cure. In the event the Partnership fails to cure following a reasonable opportunity to cure, which in no event shall exceed thirty (30) business days, the Authority will pursue remedies available to it pursuant to this Agreement or other agreements between the Authority and the Partnership; provided, however, that the Partnership shall be afforded first the opportunity to appeal a declaration of default to the chief executive officer of the Authority.
EXHIBIT E-4

HACLA Section 3 Guide and Compliance Plan

[attached]
EXHIBIT F

Feasibility Plan Requirements

Subject to the provisions of Section 3.8(d) and 3.9(b) of this Lease, any Feasibility Plan submitted by Tenant to Landlord shall, at a minimum, include the following:

(a) A statement describing the Tenant’s reasons for deviating from the affordability requirements of this Lease and the Regulatory Agreements.

(b) A demonstration that any deviation from the affordability requirements of this Lease and the Regulatory Agreements is only to the extent necessary to preserve the viability of the Project and the affected Residential Units while maintaining the affordability of the Residential Units to the maximum extent practicable.

(c) An explanation of the Tenant’s proposed remedies, including, but not limited to: (i) how the Tenant will select the units and families, including the number of units and income levels for such units that will be affected by rent increases; (ii) a timetable for the implementation of the Feasibility Plan; and (iii) the impact on existing residential tenants.

(d) A statement of all steps Tenant has taken with regard to the Project to offset the loss of any subsidy, including the use of other public and private development resources, the use of cash flow, and funds from other operating deficit reserves.

(e) An explanation of proposed Operating Expense reductions and modifications to Project operations to improve financial performance.

(f) A financial statement showing actual operating expenses and revenues over the past 5 years and the projected expenses and revenues over the next 10 years.

(g) A statement that Tenant has provided, or will provide, all affected residential tenants with at least ninety (90) days’ notice prior to the implementation of the approved Feasibility Plan or any rent increases.

(h) A certification that upon reinstatement of any terminated subsidies or the finding of alternative subsidies or financial structures that Tenant will reinstate the affordability restrictions of this Lease and the Regulatory Agreements proportionate to the reinstated subsidies.

(i) An update to the Feasibility Plan shall be submitted by Tenant to Landlord at least annually for Landlord’s review and approval to ensure that the provisions of the Feasibility Plan continue to be appropriate.
EXHIBIT G

Property Management and Re-Occupancy Plan

[attached]
EXHIBIT H

Supportive Services Plan

[attached]
EXHIBIT I

Mitigation Measures

[attached]

[HACLA CONFIRM APPLICABLE]
EXHIBIT I

Waste Soil Management Plan

[attached]

[HACLA CONFIRM APPLICABLE]
TAB 5.

Disposition and Development Agreement
DISPOSITION AND DEVELOPMENT AGREEMENT

for the

REDEVELOPMENT OF THE JORDAN DOWNS PUBLIC HOUSING COMMUNITY

Phase S3 Multifamily Rental Development

by and among

HOUSING AUTHORITY OF THE CITY OF LOS ANGELES

and

JORDAN DOWNS PHASE S3, LP
DISPOSITION AND DEVELOPMENT AGREEMENT FOR THE REDEVELOPMENT OF THE JORDAN DOWNS PUBLIC HOUSING COMMUNITY

Phase S3 Multifamily Rental Development

This Disposition and Development Agreement for the Redevelopment of the Jordan Downs Public Housing Community (this “Agreement”) is entered into and effective as of ______ 1, 2020 (the “Effective Date”) by and among the HOUSING AUTHORITY OF THE CITY OF LOS ANGELES, a public body, corporate and politic (the “Authority”), Jordan Downs Phase S3, LP, a California limited partnership (“Partnership”), and The Michaels Development Company I, L.P., a New Jersey limited partnership (“Developer”). The Authority, the Partnership and the Developer are collectively referred to herein as the “Parties.”

RECITALS

A. These Recitals refer to and utilize certain capitalized terms that are defined in Section 1.1 of this Agreement. The Parties intend to refer to those definitions in connection with their use in these Recitals.

B. The Authority is the owner of real property located in the Watts Community of the City of Los Angeles occupied by the Jordan Downs Public Housing Community (“Jordan Downs Site”) as well as a neighboring site known as 9901 Alameda Street (“9901 Alameda”). The Authority intends to redevelop the Jordan Downs Site and 9901 Alameda in multiple phases.

C. The Authority issued a Request for Qualifications on September 7, 2011, to seek one or more private developers to serve as master developer for the Jordan Downs Site and 9901 Alameda and through a competitive selection process selected Jordan Downs Community Partners LLC, a California limited liability company (“Master Developer”), a joint venture of the BRIDGE Housing Corporation (“BRIDGE”) and Developer as master developer for the Jordan Downs Site.

D. The Authority, Master Developer, Developer and BRIDGE are parties to that certain Master Development Agreement for the Redevelopment of the Jordan Downs Public Housing Community, dated August 1, 2012, as amended by that certain (i) Assignment of Rights to Develop the Retail Site and First Amendment to Master Development Agreement, dated July 13, 2017, and (ii) Second Amendment to Master Development Agreement, dated October 4, 2017, and as may be further amended and assigned (“Master Development Agreement”).

E. Phase S3 of the redevelopment (“Phase S3”) will includes ninety-two (92) residential dwelling units, including ninety-one (91) units operated and maintained as low-income housing tax credit units (“Tax Credit Units”), and related site improvements (“Improvements”) to be constructed on the real described and depicted in Exhibit A attached hereto (the “Phase S3 Site”). The Parties intend for this Agreement govern the development of Phase S3.

F. In order to finance the construction and development of Phase S3, the Developer has
applied for and received the construction and permanent financing described in the Financing Plan, which includes, without limitation, Affordable Housing and Sustainable Communities funds from the California Department of Housing and Community Development ("HCD") in the approximate amount of Seven Million Five Hundred Thousand Dollars ($7,500,000) ("AHSC Funds"). HCD requires the Developer and Authority, as co-applicants for the AHSC Funds, to comply with certain HCD regulations relating to the use of the AHSC Funds for the development of Phase S3 and the Developer has agreed to indemnify the Authority, pursuant to this Agreement, for Developer’s use of AHSC funds in the development of Phase S3.

G. HUD issued a Rental Assistance Demonstration (RAD) Conversion Commitment for twenty-five (25) units ("RAD Units") of public housing to convert to Section 8 Project Based Vouchers at Phase S3 on ________, 2020 and the Authority has agreed to provide Section 8 Project Based Voucher subsidy for forty-eight (48) units ("PBV Units") at Phase S3. The RAD Units and forty-three (43) PBV Units are designated as “replacement units” for public housing units that will be demolished at the Jordan Downs Site ("Replacement Units").

H. The Project will be developed as described in the Scope of Development attached hereto as Exhibit B.

I. To facilitate the Project, as of the date hereof, the Authority has entered into a ground lease with Partnership that conveys a leasehold interest in the Phase S3 Site. The Partnership will own and operate the Improvements, and will lease the RAD Units and PBV Units pursuant to the requirements of this Agreement, the Authority Loan Documents, the Ground Lease, the RAD program and other applicable financing programs. As of even date herewith, the Authority and the Partnership have entered into agreements providing the Authority with a Right of First Refusal and Purchase Option to acquire Phase S3 after expiration of the Tax Credit Compliance Period.

J. The Authority and the Developer desire to enter into this Agreement to set forth certain terms of development not addressed in the Authority Loan Documents or Ground Lease.

NOW, THEREFORE, for and in consideration of the foregoing recitals and the premises, covenants, representations, warranties, and agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto do hereby agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1 Definitions. As used in this Agreement, the following terms shall have the meanings set forth below.

“Act” means the United States Housing Act of 1937 (42 U.S.C. § 1437, et seq.), as amended from time to time, any successor legislation, and all implementing regulations issued thereunder or in furtherance thereof.
“Agreement” means this Agreement including all exhibits attached hereto and made a part hereof.

“Authority” or “HACLA” means the Housing Authority of the City of Los Angeles, a public body corporate and politic, organized pursuant to Section 34200, et seq. of the California Health and Safety Code, as amended, including any successor in interest or assigns by act of the Authority, or by operation of law, or otherwise.

“Authority Board” means the Board of Commissioners of the Authority.

“Authority Loan Documents” means the deeds of trust, loan agreement, and notes evidencing the loans from the Authority to the Partnership of approximately even date herewith.

“City” means the City of Los Angeles, California.

“Closing” means the close of escrow for conveyance of a leasehold interest in Phase S3 Site by the Authority to the Partnership, pursuant to the Ground Lease.

“Concept Plan” means the conceptual rendering of the Improvements to be constructed as part of Phase S3 attached hereto as Exhibit C, as the Parties may revise from time to time.

“Developer” means The Michaels Development Company I, L.P., a New Jersey limited partnership.

“Developer Fee” shall mean the fee to be earned by Developer for Phase S3, a portion of which will be deferred as provided in the Financing Plan.

“Financing Plan” means the plan for financing Phase S3, including the development budget for Phase S3 and sources and uses analysis, as attached hereto as Exhibit D, as such may be amended by mutual agreement of the Parties from time to time.

“Ground Lease” means the ground lease for the Phase S3 Site to be executed and delivered in conjunction with the Closing for Phase S3.

“HCD” means the California Department of Housing and Community Development.

“HUD” means the U.S. Department of Housing and Urban Development.

“Jordan Downs Site” means the original Jordan Downs public housing development site, as described Recital B.

“Master Developer” means Jordan Downs Community Partners, LLC, a California limited liability company.

“Partnership” means Jordan Downs Phase S3, LP, a California limited partnership.
“Phase S3 Site” means the portion of the Jordan Downs Site on which Phase S3 is to be constructed, as generally described and depicted in Exhibit A.

“Scope of Development” means the description of the basic physical characteristics of Phase S3, including: Scope of Development Narrative, Basic Site Plan, Schedule of Performance Unit Distribution Chart, Parking and Physical Goals and Requirements. The Scope of Development is attached hereto as Exhibit B.

“Tax Credit Compliance Period” means the fifteen (15) year compliance period as described in Section 42(i)(1) of the Internal Revenue Code of 1986 starting with the first year of the credit period.

Section 1.2 List of Exhibits. The following exhibits are attached hereto and incorporated into this Agreement by this reference:

Exhibit A: Description and Map of Phase S3 Site
Exhibit B: Scope of Development
Exhibit C: Concept Plan
Exhibit D: Financing Plan
Exhibit E: Relocation Plan

ARTICLE II
PHASE S3 – THE PROJECT

Section 2.1 Scope of Development. As more fully described in the Scope of Development, the “Project” will consist of the construction on the Phase S3 Site and adjacent areas of (i) ninety-two (92) residential units of which ninety-one (91) shall be Tax Credit Units (as defined in the Ground Lease) and one (1) shall be a resident manager unit (collectively, the “Improvements”), (ii) Phase S3 B-Permit Improvements described in the Authority Loan Documents, and (iii) the preliminary unit types, with their associated square footage, bedroom distribution and program designation (i.e. RAD, PBV, or unrestricted) are described in Exhibit B.

Section 2.2 Reserved

Section 2.3 Financing Plan. The approved Financing Plan is attached hereto as Exhibit D. Except as otherwise set forth in the Ground Lease and Authority Loan Documents, any changes in the Financing Plan must be approved by the Authority in accordance with this Agreement.

Section 2.4 Business Terms. The Parties have agreed to the following terms:

(a) The Authority shall be responsible for relocating selected residents from the Jordan Downs Site pursuant to the Relocation Plan attached hereto as Exhibit E. The Authority shall also be responsible for the costs associated with relocating any residents from the Jordan Downs Site pursuant to the Relocation Plan.
(b) The Authority and Partnership agree that upon execution of the Authority Loan Documents and consummation of the Closing of the Phase S3:

(1) The Authority shall be disbursed (i) $________ in full satisfaction of that certain Phase-Related Predevelopment Loan evidenced by that certain Non-Negotiable Predevelopment Loan Promissory Note for Jordan Downs – Phase S3 from the Partnership to the Authority dated ___________ (the “Phase S3 Predevelopment Note”), (ii) $________ in partial satisfaction of that certain Multi-Phase Predevelopment Loan evidenced by that certain Non-Negotiable Multiphase Predevelopment Loan Promissory Note from the Master Developer to the Authority dated [October 10, 2014], and (iii) $________ in partial satisfaction of that certain CNI & Strategic Grants Application Loan evidenced by that certain Non-Negotiable CNI & Strategic Grants Application Loan Promissory Note from the Master Developer to the Authority on or about [October 14, 2016] (collectively (i) through (iii), “Predevelopment Loans”).

(2) Upon disbursement of funds to the Authority for repayment of the Predevelopment Loans, Authority shall (i) return the Phase S3 Predevelopment Note marked “SATISFIED IN FULL” to the Partnership and (ii) deem the Predevelopment Loans repaid, as applicable to Phase S3 and the Partnership.

(c) The Developer shall at its cost and expense reimburse the Authority for third-party costs associated with the Closing of Phase S3 including, but not limited to, legal fees, up to a maximum of One Hundred Fifty Thousand Dollars ($150,000). The Authority shall provide Developer a total of all third-party costs incurred prior to Closing.

(d) For services performed and to be performed by the Authority under this Agreement, the Developer shall pay the La Cienega LOMOD, Inc., a California nonprofit public benefit corporation and affiliate of the Authority, a development fee in the aggregate amount equivalent to twenty-five percent (25%) of any Developer Fee collected by Developer, excluding any deferred Developer Fee paid from cash flow, paid to Developer or its affiliate (the “HACLA Development Fee”). The HACLA Development Fee shall be subject to the approval of the investor limited partner of the Partnership and the California Tax Credit Allocation Committee (CTCAC). The HACLA Development Fee shall be paid at Closing.

(e) The Partnership shall pay the Authority a Twenty Thousand Dollar ($20,000) fee (the “Authority Compliance Fee”) at Closing. The Authority Compliance Fee shall be paid for the Authority’s monitoring of compliance with state and federal labor and hiring requirements, including without limitation, Section 3 (as defined in the Ground Lease) requirements and Davis-Bacon wage rate requirements.

(f) The Partnership shall pay the Authority a Thirty Thousand Dollar ($30,000) fee for construction oversight (the “Construction Management Fee”). The Construction Management Fee shall be paid to the Authority in fifteen (15) monthly installments of Two Thousand Dollars ($2,000.00) beginning the month following Closing and continuing until paid in full. The Construction Management Fee shall be paid for the Authority’s monitoring and administration during the construction period of the Project.
(g) The Partnership shall not charge interest on any deferred Developer Fee.

Section 2.5 Additional Financing. Developer shall make a good faith effort to apply for and obtain on behalf of the Partnership an Affordable Housing Program loan ("AHP Loan") from the Federal Home Loan Bank. Developer shall ensure that any AHP Loan application includes provisions that allot any amount awarded to the repayment of the Authority Bridge Loan and then to the repayment of the Authority Acquisition Loan, as contemplated in the Authority Loan Documents. Developer shall apply for an AHP Loan during each available Federal Home Loan Bank funding round until the earlier to occur of (i) an AHP Loan is awarded for Phase S3, and (ii) Phase S3 is no longer eligible or qualified for an AHP Loan funding round. The Developer shall provide each AHP Loan application to the Authority for review and approval no less than ten (10) business days before such application is submitted, the Authority shall not unreasonably withhold, condition or delay its approval of any AHP Loan application.

Section 2.6 Certificate of Completion.

(a) Within ten (10) days after written request by Developer following completion of construction of Phase S3 in accordance with the Construction Plans and if applicable, upon Developer’s obtaining a certificate of occupancy or temporary certificate of occupancy from the City, the Authority shall deliver to Developer a Certificate of Completion for Phase S3 (the “Certificate of Completion”). For purposes of this Section 2.6 “Construction Plans” shall have the meaning set forth in the Authority Loan Agreement of even date herewith.

(b) The Authority shall not unreasonably withhold a Certificate of Completion, but shall not be obligated to issue such Certificate of Completion until construction of Phase S3 has been completed in accordance with the Construction Plans. Such Certificate of Completion shall be, and shall so state, conclusive determination of satisfactory completion of Phase S3 in accordance with this Agreement, the Ground Lease, and the Authority Loan Documents. In the event any requirements of this Agreement, including, but not limited to, construction of Phase S3 in conformance with the Construction Plans, have not been fully satisfied by Developer as of the date of Developer’s request for a Certificate of Completion, the Authority may deny Developer’s request for a Certificate of Completion or issue the Certificate of Completion subject to such conditions subsequent as the Authority may deem necessary to ensure full satisfaction with the requirements of this Agreement.

(c) The Certificate of Completion shall be in such form as to permit it to be recorded in the Office of the Recorder of Los Angeles County. If Authority fails to deliver the Certificate of Completion within ten (10) business days after written request from Developer, Authority shall provide Developer with a written statement of its reasons (the “Statement of Reasons”) within such ten (10)-day period. The statement shall also set forth the actions Developer must take to be entitled to obtain the Certificate of Completion. If the reasons are confined to the immediate unavailability of specific items or materials for landscaping, or to so-called “punch list” items identified by Authority, Authority shall issue the Certificate of Completion no later than five (5) days following the delivery of a bond or letter of credit by Developer to the Authority in an amount representing Authority’s estimate of the cost to complete the work, or other security deemed sufficient by the Authority to ensure completion of the work.
Notwithstanding any other provision of this Agreement, the failure by Authority to issue a Certificate of Completion or Statement of Reasons within thirty (30) days after request by Developer shall be deemed to constitute Authority’s concurrence that construction of Phase S3 has been completed as required by this Agreement or the Authority Loan Documents; however, this shall not relieve the Authority of its obligation to issue a Certificate of Completion in accordance with this Section.

(d) Such Certificate of Completion shall not constitute evidence of compliance with or satisfaction of any obligation of Developer to any lender except the Authority, or any other person or entity. Such Certificate of Completion is not notice of completion as referred to in Section 3093 of the California Civil Code. Such Certificate of Completion shall not be deemed to constitute satisfaction of any continuous obligations of the Developer under the Authority Loan Documents.

(e) As a condition of issuance of the Certificate of Completion, Developer’s construction manager/contractor and architect shall certify that Phase S3 has been constructed in compliance with all applicable disabled access requirements as of the date of the completion (when the last certificate of occupancy is issued by the City).

Section 2.7 AHSC Funds Indemnification. Developer hereby agrees to indemnify, defend and hold harmless the Authority from and against any claims, judgments, losses, liabilities, damages, costs and/or expenses, including any reasonable attorney fees (collectively, “Claims”) that may arise with respect to the Seven Million Five Hundred Thousand Dollars ($7,500,000) of the AHSC Funds loaned to the Partnership by HCD (“AHSC Funds Loan”) for the development of Phase S3 and that accrue through the Authority’s role as co-applicant for the AHSC Funds. Claims that arise with respect to the AHSC Funds Loan include, but are not limited to, Claims of non-compliance under any HCD regulations or the documents executed by the Authority, the Partnership, or the Developer in connection with the AHSC Funds Loan. The indemnification provided under this Section 2.7(a) shall survive the expiration or termination of this Agreement.

ARTICLE III
TERMINATION

Section 3.1 Events of Default by the Developer.

(a) The following shall constitute an “Event of Default” by the Developer:

(1) if the Partnership shall materially breach or fail to diligently pursue its obligations under this Agreement (other than due to Force Majeure as defined in Section 3.1 (b) below) and such failure shall continue after expiration of any applicable notice and cure period granted under the Authority Loan Documents; or

(2) any fraud or willful misconduct on the part of the Partnership or Jordan S3-Michaels LLC, a California limited liability company, the administrative general partner of the Partnership (the “Administrative General Partner”); or
(3) if the Partnership or its Administrative General Partner (i) is or becomes insolvent or bankrupt or otherwise ceases to pay its debts as they mature or makes any arrangement with or for the benefit of its creditors or consents to or acquiesces in the appointment of a receiver, trustee or liquidator for the Project or for any substantial part of either; (ii) institutes any bankruptcy, winding up, reorganization, insolvency, arrangement or similar proceeding under the laws of any jurisdiction, or any such proceeding is instituted against the Developer in any jurisdiction which is not stayed or dismissed within ninety (90) days after its institution; (iii) files any action or answer admitting, approving or consenting to any such proceeding; (iv) becomes subject to levy of any distress, execution or attachment upon its property which interferes with its performance hereunder, and the Developer fails within ninety (90) days to discharge such levy, execution or attachment, or to substitute another entity (whether or not an affiliate) acceptable to the Authority to perform the obligations of the Developer without material delay in performance; or (v) is convicted of any criminal offense.

A material Event of Default hereunder by the Developer with respect to any portion of the Project shall constitute an Event of Default by the Developer for which the Authority may exercise any of its remedies under this Agreement with respect to the Developer.

(b) For purposes of this Article III, “Force Majeure” shall mean causes beyond the reasonable control and without the fault or negligence of Developer. Such causes shall include without limitation: (i) acts of God, or of the public enemy, (ii) court order, acts, delays, failure or refusal to act on the part of a governmental entity in either its sovereign or contractual capacity, (iii) acts of a contractor other than Developer, or subcontractor, in the performance of an agreement with the Authority (and not pursuant to a contract with the Developer), (iv) riots, war or acts of terrorism, (v) fires, (vi) floods or earthquakes, (vii) epidemics, (viii) quarantine restrictions, (ix) strikes or lockouts, (x) freight embargoes, (xi) litigation, (xii) non-issuance of permits, (xiii) lack of HUD approval, (xiv) unusually severe weather, (xv) the presence of unknown Hazardous Materials or archeological finds on the Phase S3 Site, (xvi) delays of subcontractors or suppliers at any tier arising from unforeseeable causes, or (xvii) in connection with any action that the Authority is required to take pursuant to this Agreement, the Authority’s failure to act within the applicable time period specified in this Agreement.

Section 3.2 Events of Default by the Authority.

(a) The following shall constitute an “Event of Default” by the Authority:

(1) if the Authority shall fail to perform its obligations under this Agreement and such failure shall continue after written notice and a cure period of thirty (30) days, unless such cure cannot reasonably be accomplished within such thirty (30) day period, in which event the Authority shall have such time as is reasonably required to cure such default so long as the Authority continues in good faith to diligently pursue the cure and such failure to perform by the Authority does not cause the Partnership or the Developer to default on any of its other obligations related to the Project.
(b) It shall not be an Event of Default if any failure by Authority arises due to Force Majeure.

Section 3.3 Procedure for Termination for Cause/Remedies.

(a) The occurrence of any event described in Section 3.1 and 3.2 herein shall not constitute an Event of Default unless the non-defaulting Party has delivered written notice of default to the defaulting Party, and such defaulting Party shall fail to cure the default within thirty (30) days from its receipt of such notice or, if such cure cannot reasonably be completed within such thirty (30) day period, fails to commence such cure or having commenced, does not prosecute such cure with diligence and dispatch to completion within a reasonable time period thereafter, provided that such time period does not exceed 120 days.

(b) Upon the occurrence of an Event of Default by any Party, the non-defaulting Party shall be entitled to all remedies permitted by law or at equity, including but not limited to specific performance. Notwithstanding any provision herein to the contrary, in no event shall any party be liable for consequential damages or special damages arising out of or relating to this Agreement.

(c) Except with respect to any rights and remedies expressly declared to be exclusive in this Agreement, the rights and remedies of the Parties to this Agreement, whether provided by law, in equity or by this Agreement, are cumulative, and not in derogation of other rights and remedies found in this Agreement, or in the Authority Loan Documents or in the Ground Lease. The exercise by any Party of any one or more of such remedies will not preclude the exercise by it, at the same or a different time, of any other such remedies for the same default or breach, or the exercise of any of such remedies for any other default or breach by any other Party. No waiver made by a Party with respect to the performance, or manner or time of performance, or any obligation of another Party or any condition to its own obligation under this Agreement will be considered a waiver with respect to the particular obligation of any other Party or condition to its own obligation beyond those expressly waived to the extent of such waiver, or a waiver in any respect in regard to any other rights of the Party making the waiver or any other obligations of any other Party.

ARTICLE IV
MISCELLANEOUS

Section 4.1 Term. This Agreement shall commence upon the Effective Date, and unless sooner terminated in accordance with the provisions herein shall terminate upon satisfaction of the provisions of Sections 2.4, 2.5 and 2.6 herein.

Section 4.2 Decision Standards. In any approval, consent or other determination by any Party required under this Agreement, the Party shall act reasonably and in good faith, unless a different standard is explicitly stated.

Section 4.3 Notices. Any notice or other communication given or made pursuant to this Agreement shall be in writing, and shall be deemed given if (i) delivered by courier, (ii) sent
by overnight express delivery, or (iii) mailed by registered or certified mail (return receipt requested), postage prepaid, to a Party at its respective address set forth below (or at such other address as shall be specified by the Party by like notice given to the other Party):

If to Authority, to:        Housing Authority of the City of Los Angeles  
                            2600 Wilshire Blvd., Third Floor  
                            Los Angeles, CA 90057  
                            Attn: President and CEO

With a copy to:            Reno & Cavanaugh, PLLC  
                            455 Massachusetts Avenue NW, Suite 400  
                            Washington, DC 20001  
                            Attn: Megan Glasheen, Esq.

And a copy to:             Housing Authority of the City of Los Angeles  
                            2600 Wilshire Blvd., Third Floor  
                            Los Angeles, CA 90057  
                            Attn: Director of Legal Affairs

If to Partnership, to:     Jordan Downs Phase S3, LP  
                            c/o The Michaels Development Company I, L.P.  
                            2 Cooper Street  
                            Camden, NJ 08102  
                            Attn: John J. O’Donnell

And a copy to:             Levine, Staller, Sklar, Chan & Brown, P.A.  
                            3030 Atlantic Avenue  
                            Atlantic City, NJ 08401  
                            Attn: Arthur M. Brown

If to Developer, to:       The Michaels Development Company I, L.P.  
                            2 Cooper Street  
                            Camden, NJ 08102  
                            Attn: John J. O’Donnell

And a copy to:             Levine, Staller, Sklar, Chan & Brown, P.A.  
                            3030 Atlantic Avenue  
                            Atlantic City, NJ 08401  
                            Attn: Arthur M. Brown

Section 4.4    Time of Performance.

(a) Expiration. All performance dates (including cure dates) expire at 5:00 p.m., Los Angeles, California time, on the performance or cure day, subject to subsection (b).
(b) Weekends and Holidays. A performance date which falls on a Saturday, Sunday or Authority holiday is deemed extended to the next working day.

(c) Days for Performance. All periods for performance specified in this Agreement in terms of days shall be calendar days, and not business days, unless otherwise expressly provided in this Agreement.

Section 4.5 Amendment. Neither this Agreement nor any of its terms may be terminated, amended or modified except by a written instrument executed by the Parties.

Section 4.6 Attorneys’ Fees. In the event any action, suit or proceeding is brought for the enforcement of, or the declaration of, any right or obligation pursuant to this Agreement or as a result of any alleged breach of any provision of this Agreement, each Party shall bear its own costs and expenses, including attorneys’ fees, and any judgment or decree rendered in such a proceeding shall not include an award thereof.

Section 4.7 Authority Approvals.

(a) For all actions requiring Authority approval, Developer shall submit the request for approval and supporting information with a notice that bears a bold face legend substantially as follows: “Important: Your Response is Required in insert number of days from applicable provision of this Agreement Days.”

(b) The Authority shall have a specified number of days to respond in writing. Authority’s response, if not an approval, must include the basis for any objection and suggested modifications to obtain approval. For issues identified in this Agreement, this Agreement identifies the number of days that Authority shall have to respond. For issues not specified, the amount of response time shall be stated in the notice, and shall be proportionate to the type and magnitude of the decision. For example, but not in limitation, the decision time for emergency situations shall be shorter than the time for review and approval of budgets.

(c) If the Developer does not receive a response within the specified number of days, it may send the Authority a notice of non-response, which shall be delivered to the President and Chief Executive Officer of the Authority in accordance with the formal notice provisions hereof and which shall bear the bold-faced legend, “Important: Notice of Non-response.” Following the giving of this notice, the Authority will have five (5) days in which to respond. If the Authority does not respond within such five (5) days, the Authority shall be deemed to have approved the action.

(d) Whenever this Agreement calls for Authority approval, consent, or waiver, the written approval, consent, or waiver of the President and Chief Executive Officer of the Authority or his or her designee shall constitute the approval, consent, or waiver of the Authority, without further authorization required from the Authority Commission. The Authority hereby authorizes the President and Chief Executive Officer or his or her designee to deliver such approvals or consents as are required by this Agreement, or to waive requirements under this Agreement, on behalf of the Authority. Any consents or approvals required under this
Agreement shall not be unreasonably withheld or made, except where it is specifically provided that a sole discretion standard applies and no consent or approval shall be unreasonable delayed. The President and Chief Executive Officer or his or her designee is also hereby authorized to approve, on behalf of the Authority, requests by Developer for reasonable extensions of time deadlines set forth in this Agreement. The Authority shall not unreasonably delay in reviewing and approving or disapproving any proposal by Developer made in connection with this Agreement.

Section 4.8 Representatives. To facilitate communication, the Parties to this Agreement shall designate a representative with responsibility for the routine administration of each Party’s obligations under this Agreement. The Parties initially appoint the following as representatives:

Authority: Jennifer Scanlin
Developer: Kecia Boulware

Section 4.9 Further Assurances. Each Party will promptly execute and deliver without further consideration such additional agreements and other documents as the other Parties may reasonably request to carry out the transactions contemplated herein, so long as the Parties’ rights and obligations thereunder are not substantively affected, modified or otherwise altered by such additional agreements and other documents, except as mutually agreed to between the Parties. Whenever this Agreement requires any Party to submit matters to another Party for approval, and there is no time specified herein for such approval, the submitting Party may submit a letter requiring approval or rejection by the other Party of the documents or matter submitted within twenty (20) days after submission or within sixty (60) days of submission if the document or matter requires approval by the Authority Board (unless another time frame is expressly set forth herein), and unless rejected within the stated time such documents or matter shall be deemed approved. Except where such approval is expressly reserved to the sole discretion of the approving Party, all approvals required hereunder by any Party shall be reasonable and not unreasonably withheld, conditioned or delayed.

Section 4.10 Counterparts. This Agreement may be executed on one or more counterparts, each of which shall be deemed an original, but all of which, when taken together, shall constitute one and the same instrument.

Section 4.11 Interpretation and Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of California.

Section 4.12 Severability. If any provision of this Agreement is determined by any court of competent jurisdiction or arbitrator to be invalid, illegal, or unenforceable to any extent, that provision shall, if possible, be construed as though more narrowly drawn, if a narrower construction would avoid such invalidity, illegality, or unenforceability or, if that is not possible, such provision shall, to the extent of such invalidity, illegality, or unenforceability, be severed, and the remaining provisions of this Agreement shall remain in effect.
Section 4.13 Final Agreement. This Agreement, together with all Exhibits attached hereto, represents the final agreement of the Parties with respect to the subject matter hereof and may not be contradicted by evidence of prior or contemporaneous oral or written agreements of the Parties. There are no unwritten oral agreements between the Parties.

Section 4.14 Limitation of Liability. Except as may be expressly set forth herein, no present or future member, partner, shareholder, participant, employee, agent, commissioner, director, or officer of or in Developer or any transferee shall have any personal liability, directly or indirectly, under or in connection with this Agreement; provided, however, that the foregoing shall not void or diminish the obligations of Developer under this Agreement. No present or future employee, agent, commissioner, director, or officer of or in the Authority shall have any personal liability, directly or indirectly, under or in connection with this Agreement; provided, however, that the foregoing shall not void or diminish the obligations of the Authority under this Agreement.

Section 4.15 Developer Not an Agent. No provision of this Agreement and no acts of the Parties shall be deemed or construed by the Parties, or by any third person, to create the relationship of principal and agent, or of partnership, or of joint venture, or of any association between the Parties to this Agreement.

Section 4.16 Conflict of Interest. Developer represents and warrants that to its actual knowledge, no member, official, employee, agent, consultant or contractor of the Authority or the City has any direct or indirect personal interest in this Agreement or participated in any decision relating to this Agreement which affects his or her personal interests or the interests of any corporation, partnership or other entity in which he or she is, directly or indirectly, interested. Developer further represents and warrants to the Authority that it has not paid or given, and will not pay or give, to any third party (other than as specifically set forth in this Agreement) any money or other consideration for obtaining this Agreement. Notwithstanding the forgoing, the Developer and Authority acknowledge and approve La Cienega LOMOD, Inc., an affiliate of the Authority, as the managing general partner of the Partnership.

Section 4.17 Waivers. All waivers of the provisions of this Agreement shall be in writing and signed by the appropriate authorized representatives of the Authority and Developer, as applicable.

Section 4.18 Successors. This Agreement shall be binding upon and shall inure to the benefit of the heirs, executors, administrators, successors and assigns of the Parties.

Section 4.19 Headings; Exhibits. The headings contained in this Agreement are inserted as a matter of convenience and for ease of reference only and shall be disregarded for all other purposes, including the construction or enforcement of this Agreement or any of its provisions. The Exhibits attached hereto are hereby incorporated into this Agreement by this reference.

Section 4.20 Construction. Whenever the context of any provisions hereof shall require it, words in the singular shall include the plural, words in the plural shall include the singular, and pronouns of any gender shall include the other genders. The terms “herein”, “hereof”,

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“hereto”, “hereunder” and similar terms refer to this Agreement and not to any particular section or subsection of this Agreement. The terms “include” and “including” shall be interpreted as if followed by the words “without limitation”. All references in this Agreement to sums denominated in dollars or with the symbol “$” refer to the lawful currency of the United States of America, unless such reference specifically identifies another currency.

Section 4.21 Cumulative Rights. The rights, powers, options, and remedies given to the Parties under this Agreement shall be cumulative, except as otherwise specifically provided for in this Agreement.

Section 4.22 Business Licenses. The Developer has obtained or will obtain all licenses required to conduct its business in the City, and is not in default of any fees or taxes due to the City.

[signature pages follow]
IN WITNESS WHEREOF, the Parties have duly executed this Agreement by their duly authorized signatories effective on or as of the date written at the commencement of this Agreement.

AUTHORITY:

HOUSING AUTHORITY
OF THE CITY OF LOS ANGELES,
a public body, corporate and politic

By: ________________________________
Douglas Guthrie
President and Chief Executive Officer

APPROVED AS TO FORM:
Authority Senior Staff Attorney

By: ________________________________
Becky Churchill Clark, Esq.

APPROVED AS TO FORM AND LEGALITY:
RENO & CAVANAUGH, PLLC
Authority Special Counsel

By: ________________________________
Megan Glasheen, Esq.

SIGNATURES CONTINUE ON FOLLOWING PAGE(S)
PARTNERSHIP:

JORDAN DOWN PHASE S3, LP,
a California limited partnership

By: Jordan S3-Michaels LLC,
a California limited liability company
its administrative general partner

By: _______________________________
Milton R. Pratt, Jr.
Vice President

By: La Cienega LOMOD, Inc.,
a California nonprofit public benefit corporation,
its managing general partner

By: _______________________________
Tina Smith-Booth
President
DEVELOPER:

THE MICHAELS DEVELOPMENT COMPANY I, L.P.
a New Jersey limited partnership

By: ________________________________
Name: John J. O’Donnell
Title: President
EXHIBIT A

Description and Map of Phase S3 Site

THOSE PORTIONS OF LOTS 4 AND 5, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS SHOWN ON THE MAP OF TRACT NO. 16154, AS PER MAP RECORDED IN BOOK 540, PAGES 48 TO 50, INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS follows:

COMMENCING AT THE CENTERLINE INTERSECTION OF ONE HUNDRED FIRST STREET, 30.00 WIDE, AND GRAPE STREET, 30.00 FEET WIDE, AS SHOWN ON SAID TRACT NO. 16154; THENCE ALONG SAID CENTERLINE OF ONE HUNDRED FIRST STREET SOUTH 89°33'07" EAST 403.04 FEET; THENCE NORTH 00°26'53" EAST 30.00 FEET TO A POINT ON THE NORTH LINE OF SAID ONE HUNDRED FIRST STREET, SAID POINT ALSO BEING THE TRUE POINT OF BEGINNING; THENCE CONTINUING NORTH 00°26'53" EAST 221.99 FEET; THENCE SOUTH 89°33'07" EAST 238.26 FEET; THENCE SOUTH 08°31'20" WEST 211.19 FEET TO THE BEGINNING OF A CURVE CONCAVE NORTHWESTERLY, HAVING A RADIUS OF 15.00 FEET; THENCE SOUTHWESTERLY ALONG SAID CURVE 21.45 FEET, THROUGH A CENTRAL ANGLE OF 81°55'33" TO SAID NORTH LINE OF ONE HUNDRED FIRST TO SAID NORTH LINE OF ONE HUNDRED FIRST STREET; THENCE ALONG SAID NORTH LINE NORTH 89°33'07" WEST 193.74 FEET TO THE TRUE POINT OF BEGINNING.

APN: 6046-019-926, 6046-021-908, AND 6046-021-917
EXHIBIT B

Scope of Development

(Attach Scope of Development Narrative, Schedule of Performance, Unit Distribution Chart, Parking and Physical Goals and Requirements)
EXHIBIT C

Concept Plan

[attached]
EXHIBIT D

Financing Plan

[attached]
EXHIBIT E

Relocation Plan

[attached]
TAB 6.

Declaration of Annexation – New Century CC&Rs
DECLARATION OF ANNEXATION

NEW CENTURY

LOT 3 OF TRACT NO. 83633-01

THIS DECLARATION OF ANNEXATION is made this ____ day of ______________________, by HOUSING AUTHORITY OF THE CITY OF LOS ANGELES, a public body, corporate and politic organized and existing under the laws of the State of California ("HACLA"), and JORDAN DOWNS COMMUNITY PARTNERS LLC, a California limited liability company ("JDCP") (HACLA and JDCP shall collectively be referred to as the “Declarant”) with reference to the following facts:

A. Jordan Downs Phase S3, LP, a California limited partnership, is the owner of Lot 3 of Tract No. 83633-01, in the city of Los Angeles, County of Los Angeles, State of California, per map recorded in Book ___, Pages ___ through ___ of Maps, in the county recorder of said county (the “Annexed Property”).

B. The “New Century Declaration of Restrictions (CC&Rs)” was recorded on June 14, 2018, as Document No. 20180590854 in the records of Los Angeles County, California, as amended by a First Amendment recorded on September 17, 2018, as Document No. 20180948407 in the records of Los Angeles County, California, and further amended by a Second Amendment recorded on September 26, 2019, as Document No. 20191010229 in the records of Los Angeles County, California (collectively, the “Declaration”). Section 11.1 of the Declaration provides that Declarant may annex additional property as described in Exhibit A to the Declaration and thereby make the additional property subject to the Declaration. Exhibit F provides that as additional Lots are annexed into the Development as described in Article 11 of the Declaration, Declarant shall amend Exhibit F.

C. Declarant now desires to annex the Annexed Property and update Exhibit F to the Declaration to reflect the addition of the bedroom count for the Annexed Property to Exhibit F. This Declaration of Annexation is being executed pursuant to the terms of the Declaration for purposes of annexing the Annexed Property and to subject the Annexed Property to the terms of the Declaration.

DECLARANT DECLARES AS FOLLOWS:

1. Unless otherwise provided herein, the defined terms as indicated by the capitalization of the first letter of the word shall have the same meaning as defined in the Declaration.

2. Pursuant to the terms of the Declaration, Declarant, with the consent of the Owner of the Annexed Property as set forth in the consent attached hereto, declares that the Annexed Property is annexed to and made a part of the Development as described in the Declaration and that the Annexed Property is
subject to the Declaration and the jurisdiction of the New Century Owners Association, a California nonprofit mutual benefit corporation (the “Association”). Voting rights and assessments shall commence as set forth in the Declaration. From and after the effective date of this Annexation, the rights, duties, covenants, easements and restrictions contained in the Declaration shall constitute covenants running with the land and equitable servitudes that benefit and bind the Annexed Property and each Owner and successive Owner thereto.

3. The Owner of a Lot in the Annexed Property will receive title to his or her Lot and a membership in the Association, which membership shall be appurtenant to the Member’s Lot.

4. In accordance with Exhibit E of the Declaration, Lot 3 is assigned to Block 2 in Exhibit E for Allocation of Votes.

5. Exhibit F attached hereto replaces Exhibit F attached to the Declaration.

[Signature Pages to Follow]
THIS DECLARATION OF ANNEXATION shall be effective automatically on the date it is recorded in the records of Los Angeles County, California.

HACLA: THE HOUSING AUTHORITY OF THE CITY OF LOS ANGELES
a public body, corporate and politic

By: Douglas Guthrie
President and Chief Executive Officer
JORDAN DOWNS COMMUNITY PARTNERS LLC
a California limited liability company

By: The Michaels Development Company I, LP,
a New Jersey limited partnership,
its member and manager

By: The Michaels Development Holding Company L.L.C.,
a New Jersey limited liability company
its sole general partner

By: _______________________________
Name: John J. O’Donnell
Title: President

By: BRIDGE Housing Corporation,
a California nonprofit public benefit corporation,
its member and manager

By: _______________________________
Name: Kimberly McKay
Title: Executive Vice President
A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California
County of _____________________

On ____________________, before me, ____________________________, a Notary Public, personally appeared ___________________________________________________________________, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature  ____________________________________________
State of New Jersey  
County of Camden  

On ____________________, before me, ____________________________, a Notary Public, personally appeared John J. O’Donnell, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of New Jersey that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature  ________________________________
A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California )
County of _____________________ )

On ____________________, before me, ____________________________, a Notary Public, personally appeared ___________________________________________________________________, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature __________________________________________
CONSENT

The undersigned, the ground lessee as the Owner of Lot 3 as defined in Section 1.26 of the New Century Declaration of Restrictions (CC&Rs) recorded on June 14, 2018, as Document No. 20180590854 in the records of Los Angeles County, California, and amended by the First Amendment to New Century Declaration of Restrictions (CC&Rs) recorded on September 17, 2018, as Document No. 20180948407 in the records of Los Angeles County, California, and further amended by a Second Amendment recorded on September 26, 2019, as Document No. 20191010229 in the records of Los Angeles County, California, certifies that it consents to the recordation of the foregoing Declaration of Annexation New Century Lot 3 of Tract No. 83633-01.

This document may be executed in counterparts, and all counterparts together shall be construed as one document.

Date: ____________________  JORDAN DOWNS PHASE S3, LP,
a California limited partnership
By: Jordan S3-Michaels, LLC,
a California limited liability company
Its: Administrative General Partner

By: Milton R. Pratt, Jr., Vice President

By: La Cienega LOMOD, Inc.,
a California nonprofit public benefit corporation
Its: Managing General Partner

By: _______________________
Tina Smith-Booth, President
A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California  
County of _____________________  

On ____________________, before me, ____________________________, a Notary Public, personally appeared ___________________________________________________________________, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature  __________________________________________
EXHIBIT F

As described in Section 5.9 of the Declaration, assessments are allocated among the Residential Lots based on the number of bedrooms that each Residential Lot bears to the number of bedrooms of all of the Residential Lots subject to assessments.

If there is any conflict between the number of bedrooms in this Exhibit F and the actual number of bedrooms, the number of bedrooms in this Exhibit F shall control to retain a stable, reliable and constant allocation schedule.

Declarant shall amend this Exhibit F as additional Lots are annexed into the Development as described in Article 11 of the Declaration.

<table>
<thead>
<tr>
<th>Lot</th>
<th>Bedrooms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lot 10</td>
<td>77</td>
</tr>
<tr>
<td>Lot 12</td>
<td>143</td>
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<tr>
<td>Lot 13</td>
<td>46</td>
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<tr>
<td>Lot 14</td>
<td>62</td>
</tr>
<tr>
<td>Lot H</td>
<td>161</td>
</tr>
<tr>
<td>Lot 3 [Tract 83633-01]</td>
<td>196</td>
</tr>
</tbody>
</table>
TAB III.

DEBT DOCUMENTS
TAB 7.

Authority Loan Agreement
AUTHORITY LOAN AGREEMENT

between

HOUSING AUTHORITY OF THE CITY OF LOS ANGELES

and

JORDAN DOWNS PHASE S3, LP
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HOUSING AUTHORITY OF THE CITY OF LOS ANGELES
AUTHORITY LOAN AGREEMENT

Jordan Downs Phase S3

This Authority Loan Agreement (this “Agreement”) is entered into as of [_____] 1, 2020, by and between the HOUSING AUTHORITY OF THE CITY OF LOS ANGELES, a public body, corporate and politic (the “Authority”), and JORDAN DOWNS PHASE S3, LP, a California limited partnership (the “Borrower” and together with the Authority, the “Parties”), with reference to the following facts:

A. The Authority owns that certain unimproved real property located in the City of Los Angeles, California, as more particularly described in Exhibit A-1 attached hereto (the “Property”).

B. The Borrower is a California limited partnership duly formed and authorized to do business in the State of California as Jordan Downs Phase S3, LP, a California limited partnership, having Jordan S3-Michaels, LLC, a California limited liability company, as its administrative general partner (the “Administrative General Partner”) and La Cienega LOMOD, Inc., a California nonprofit public benefit corporation, as its managing general partner (the “Managing General Partner”).

C. The Borrower desires to construct approximately ninety-two (92) residential units (including one (1) manager's unit), and other ancillary improvements (collectively, the “Improvements”) on the Property.

D. The Borrower intends to construct the Improvements partially with the assistance of funds provided under this Agreement.

E. Pursuant to a ground lease between the Authority and the Borrower (the “Ground Lease”), the Authority will lease the Property to the Borrower and the Borrower will hold a fee interest in the Improvements to be constructed on the Property.

F. The Parties acknowledge that, pursuant to a purchase option and right of first refusal agreement to be executed at or about the time of this Agreement, the Authority, or its affiliate, has an option to purchase the Improvements.

NOW, THEREFORE, the Parties agree to the terms of this Agreement as follows:

ARTICLE 1 DEFINITIONS AND EXHIBITS

Section 1.1 Definitions. The following capitalized terms have the meanings set forth in this Section 1.1 wherever used in this Agreement, unless otherwise provided:

(a) “Agreement” shall mean this Authority Loan Agreement.
(b) “Approved Development Budget” shall mean the proforma development budget, including sources and uses of funds, as approved by the Authority, and attached hereto and incorporated herein as Exhibit B.

(c) “Approved Financing” shall mean all of the following loans and equity acquired or to be acquired by the Borrower and approved by the Authority for the purpose of financing the Project, in addition to the Loan as defined herein (and future refinancing of the Approved Financing with the prior written approval of the Authority pursuant to Section 4.13(d)):

(1) A construction loan from CIT Bank, N.A., in the total approximate amount of [Thirty-Six Million Eight Hundred Thousand Dollars ($36,800,000.00)] (the “Construction Loan”);

(2) A Freddie Mac permanent loan from [Greystone] in the approximate amount of [Eleven Million Seven Hundred Thirty Thousand Dollars ($11,730,000.00)] (the “Permanent Loan”) which amount is subject to Freddie Mac underwriting requirements at conversion and which Permanent Loan shall be sold and assigned to Freddie Mac at conversion;

(3) An acquisition loan from the Authority in the approximate amount of Three Million Four Hundred Thousand Dollars ($3,400,000.00) (the “Authority Acquisition Loan”), which loan represents the fair market value of the Leased Premises;

(4) A bridge loan from the Authority in the approximate original amount of Two Million Two Hundred Thousand Dollars ($2,200,000.00) pursuant to the terms of the Authority Bridge Note (the “Authority Bridge Loan”);

(5) Investor equity funds generated from the sale of Low Income Housing Tax Credits in the approximate amount of [Thirty-Three Million One Hundred Forty-Two Thousand One Hundred Twenty-Nine Dollars ($33,142,129.00)] (the “Tax Credit Equity”);

(6) An Affordable Housing and Sustainable Communities loan in the approximate amount of Seven Million Five Hundred Thousand Dollars ($7,500,000.00) (the “HCD Loan”);

(7) If obtained by Borrower, an Affordable Housing Program loan from the Federal Home Loan Bank in the approximate amount of Nine Hundred Thousand Dollars ($900,000.00) (the “AHP Loan”); and

(d) “Authority” shall mean the Housing Authority of the City of Los Angeles, a public body, corporate and politic.

(e) “Authority Bridge Loan” shall mean the loan to the Borrower pursuant to this Agreement in the maximum original principal amount of Two Million Two Hundred Thousand Dollars ($2,200,000.00), advanced for the purpose of bridging construction financing to Borrower between Closing and Borrower’s anticipated closing on the AHP Loan and, to the
extent necessary, filling any gap between the other sources of Approved Financing and actual uses, up to the amount set forth in the Approved Development Budget.

(f) “Authority Bridge Note” shall mean the Authority Bridge Note of even date herewith evidencing the Authority Bridge Loan and secured by the Deed of Trust.

(g) “Borrower” shall mean Jordan Downs Phase S3, LP, a California limited partnership.

(h) “Borrower's Leasehold Estate” shall mean the Borrower's leasehold interest in the Property acquired pursuant to the Ground Lease and any fee or other interest in the Property acquired by the Borrower hereafter.

(i) “B-Permit Improvements” shall mean certain off-site improvements required by the City to be constructed as a condition of the construction of the Improvements. The B-Permit Improvements are more fully described in Exhibit C-2.

(j) “Build First and Right to Return Commitment” shall mean the Authority and Borrower’s commitment to building units at the Project before relocating residents from the existing Jordan Downs site and the right of residents of Jordan Downs with Declaration of Right to Retain Tenancy Certificate to return to newly developed housing in the Project and/or subsequent phases;

(k) “CEQA” shall mean the California Environmental Quality Act (Public Resources Code Section 21000 et seq.).

(l) “City” shall mean the City of Los Angeles, California.

(m) “City Building Department” shall mean the City of Los Angeles Department of Building and Safety.

(n) “Closing” shall mean the date on which the Property is conveyed to the Borrower pursuant to the Ground Lease and the Deed of Trust is recorded against the Borrower's Leasehold Estate.

(o) “Construction Contract” means a contract for construction of the Project by and between the Borrower and the Contractor pursuant to the Disposition and Development Agreement.

(p) “Construction Section 3 Plan” shall have the meaning set forth in Section 3.7 of the Ground Lease.

(q) “Conversion” means the date that the Construction Loan is paid in full or converted into permanent financing in whole or in part.
(r) “Contractor” shall mean Walton Construction Inc., the general contractor for the Project.

(s) “Conversion Conditions (Construction)” means that: (a) construction of the Project has been completed pursuant to the approved plans and specifications and in a good and workmanlike manner by [_______], 2021 and all governmental approvals regarding same have been obtained, including certificates of occupancy and (b) no Default or event of Default then exists.

(t) “Declaration of Right to Retain Tenancy Certificate” means the certificate issued by the Authority evidencing a resident’s right to return.

(u) “Deed of Trust” shall mean the subordinate deed of trust that will encumber the Improvements to secure repayment of the Loan in the form provided by the Authority.

(v) “Default” shall have the meaning set forth in Section 5.1 below.

(w) “Developer” shall mean The Michaels Development Company I, L.P., a New Jersey limited partnership.

(x) “Disadvantaged Worker” for purposes of this Agreement, means an individual whose primary place of residence is in the City, and who, prior to commencing work on the Redevelopment, either: (a) has a household income of less than fifty percent (50%) of Area Median Income or (b) faces at least one of the following barriers to employment: (i) is homeless, (ii) is a custodial single parent, (iii) is receiving public assistance; (iv) lacks a GED or a high school diploma, (v) has a criminal record or other involvement with the criminal justice system, or (vi) suffers from chronic unemployment.

(y) “Disposition and Development Agreement” shall mean that certain Disposition and Development Agreement between the Authority and the Borrower of substantially even date herewith.

(z) “Distribution of Net Cash Flow” shall refer to the agreed priority for the distribution of Net Cash Flow as reflected at Exhibit F.

(aa) “Draw Schedule” shall mean the schedule of draws included in the Approved Development Budget and attached hereto as Exhibit E-1 that projects the relative amounts to be drawn on the various components of the Approved Financing during construction and stabilization of the Project and the timing and sequencing of same.

(bb) “Financing Plan” shall mean the plan developed by the Borrower that includes:

(i) the Approved Development Budget;

(ii) the sources and uses analysis for the construction period for the Project, including an analysis of subsidized financing necessary from public entities, if any;
(iii) the sources and uses analysis from the date of the origination of the permanent financing, including an analysis of subsidized financing from public entities for the Project, if any;

(iv) the twenty (20)-year cash flow projections for the Improvements, including an analysis from the projected date of the issuance of the Certificate of Occupancy;

(v) the initial operating budget for the Improvements, including without limitation an operating reserve fund and capital replacement reserve fund;

(vi) all underlying assumptions for each of the above, including terms, conditions, and pricing of all debt and equity; and

(vii) a rent schedule showing the number of units by bedroom size and rent amount.

(cc) “Construction Lender Subordination Agreement” shall mean that certain Subordination Agreement and among the Authority, Borrower and the lender of the Construction Loan of substantially even date herewith.

(dd) “Ground Lease” shall mean the lease entered into concurrently herewith between the Authority, as landlord, and the Borrower, as tenant, creating Borrower's Leasehold Estate.

(ee) “Hazardous Materials” or “Hazardous Substance” shall mean any oil or any fraction thereof or petroleum products or “hazardous substance” as defined in Section 101(14) of CERCLA (42 U.S.C. Section 9601(14) or 25281(h) or Section 25316 of the California Health and Safety Code at such time; any “hazardous waste,” “infectious waste” or “hazardous material” as defined in Section 25117, 25117.5 or 25501(j) of the California Health and Safety Code at such time; any other waste, substance or material designated or regulated in any way as “toxic” or “hazardous” in the RCRA (42 U.S.C. § 6901 et seq.), CERCLA Federal Water Pollution Control Act (33 U.S.C. § 1251 et seq.), Safe Drinking Water Act (42 U.S.C. § 300(f) et seq.), Toxic Substances Control Act (15 U.S.C. § 2601 et seq.), Clean Air Act (42 U.S.C. § 7401 et seq.), California Health and Safety Code (Section 25100 et seq., Section 39000 et seq.), or California Water Code (Section 13000 et seq.) at such time; and any additional wastes, substances or material which at such time are classified, considered or regulated as hazardous or toxic under any other present or future environmental or other similar laws relating to the Property, but excluding any substances or materials used in the construction, development, maintenance or operation of the Project, so long as the same are used in accordance with all applicable laws.

(ff) “Hazardous Materials Claim” shall have the meaning set forth in Section 4.7 below.

(gg) “Hazardous Materials Law” shall have the meaning set forth in Section 4.7 below.
(hh) “HCD” shall mean the State of California Department of Housing and Community Development, the lender of the HCD Loan and grantor of the HCD Grant.

(ii) “Improvements” shall mean approximately ninety-two (92) units of rental housing (including one (1) manager’s unit) and related ancillary improvements. The residential units included within the Improvements include, ninety-one (91) Low Income Housing Tax Credit units, including RAD Units and PBV Units. The Improvements are more fully described in Exhibit C-1.

(jj) “Investor” shall mean (i) Berkadia Jordan Downs S3 Investor, LP, a Delaware limited partnership, the investor limited partner of Borrower, together with the beneficiaries, successors, and assigns of same.

(kk) “Loan” shall mean the Authority Bridge Loan.

(ll) “Loan Documents” shall mean this Agreement, the Note, and the Deed of Trust, all dated the same date as this Agreement.

(mm) “Loan Maturity Date” means, for the Authority Bridge Loan, the earlier of (a) fifty-five (55) years from the date of Conversion, which shall be determined by the date of issuance of a certificate of occupancy for all Units in the Project, or (b) the date on which the principal amount of the Loan has been declared or automatically has become due and payable (whether by acceleration or otherwise).

(nn) “Master Development Agreement” shall mean that certain Master Development Agreement for the Redevelopment of the Jordan Downs Public Housing Community, dated August 1, 2012, as amended by that certain (i) Assignment of Rights to Develop the Retail Site and First Amendment to Master Development Agreement, dated July 13, 2017, and (ii) Second Amendment to Master Development Agreement, dated October 4, 2017, to which the Authority and Developer are parties, as may be further amended.

(oo) “NEPA” shall mean the National Environmental Policy Act (42 U.S.C. § 4321 et seq.).

(pp) “Net Cash Flow” shall mean the sum of (i) all cash received from rents, lease payments and all other sources, including payments received pursuant to any Section 8 Project-Based Voucher Housing Assistance Payments Contract for the Project, but excluding (A) tenant security or other deposits (except to the extent forfeited to the Borrower), (B) Tax Credit Equity and interest thereon (other than if used to pay for an item deducted below in determining Net Cash Flow), (C) proceeds from Capital Transactions (as defined in the Partnership Agreement) and (D) interest on reserves not available for distribution, plus (ii) the net proceeds of any insurance (including rental interruption insurance), other than fire and extended coverage and title insurance, to the extent not used for rebuilding of the Project, plus (iii) any other funds deemed available for distribution by Administrative General Partner with the consent of the Investor and the Approved Financing lenders, if required, minus the sum of (x) all cash expenditures, and all expenses unpaid but properly accrued, which have been incurred in the...
operation of the Borrower’s business (whether or not such expenditure is deducted, amortized or capitalized for tax purposes), including the management fee to the management agent (excluding any deferred portion thereof), plus (y) all payments on account of any loans made to the Borrower (whether such loan is made by a partner of Borrower or otherwise), but not including any amounts to be paid pursuant to the Development Agreement (as defined in the Partnership Agreement) or pursuant to any loans made by any of Borrower’s partners where repayment of such loans is to be made out of Net Cash Flow, plus (z) any cash reserves for, among other purposes, working capital, capital expenditures, repairs, replacements and anticipated expenditures, in such amounts as may be required by the Approved Financing lenders or the Investor, or may be determined from time to time by Administrative General Partner with the consent of the Investor and the Approved Financing lenders, if required, to be advisable for the operation of the Borrower.

(qq) “Note” shall mean the Authority Bridge Note.

(rr) “Operating Expenses” all the costs and expenses of any type incurred incidental to the ownership and operation of the Project, including, without limitation, taxes (taking into account any available welfare exemption), capital improvements reasonably deemed necessary by the Administrative General Partner and not funded out of any reserves for such, mortgage and bond insurance premiums, if any, and the cost of operations, social services expenses, mandatory debt service payments, maintenance and repairs, the trustee and issuer fees and the funding of any reserves required to be maintained by any lender or Governmental Agency or pursuant to this Agreement. Operating Expenses shall not include (i) distributions or payments to partners of Borrower pursuant to Article 11 of the Partnership Agreement, and (ii) expenditures for social services not required by any lender or governmental agency.

(ss) “Parties” shall mean the Authority and the Borrower.

(tt) “Partnership Agreement” shall mean that certain Amended and Restated Agreement of Limited Partnership for Jordan Downs Phase S3, LP, as of even date herewith.

(uu) “PBV Units” shall mean the forty-eight (48) units in the Project that will receive subsidy pursuant to a Section 8 Project Based Voucher (“PBV”) Housing Assistance Payments Contract, as further identified at Exhibit A-2. Forty-three (43) PBV Units are considered “replacement housing” pursuant to the overall master plan for the redevelopment of Jordan Downs and are subject to the Section 18 Restriction (as defined in the Ground Lease).

(vv) “Project” shall mean the Borrower’s Leasehold Estate and the Improvements, together with the B-Permit Improvements.

(ww) “Property” shall mean the real property located in the City of Los Angeles, County of Los Angeles, State of California, more particularly described in the attached Exhibit A-1.

(xx) “Property Management and Re-Occupancy Plan” means the plan developed by the Borrower and approved by the Authority with resident and stakeholder input for
marketing, re-occupancy, asset and property management including but not limited to admissions criteria, a tenant selection plan, and a uniform lease (which may include addenda required by lenders, provided that such addenda shall not be inconsistent with the requirements of the RAD and PBV programs) that will apply to all who rent units in the Project, designed to achieve the short- and long-term viability of the Project in accordance with the Relocation Plan, Build First and Right to Return Commitment, as well as other requirements of this Agreement and the projected funding sources.

(yy) "RAD" and “RAD Program” shall mean the Rental Assistance Demonstration (RAD) Program created by the Consolidated and Further Continuing Appropriations Act of 2012, and HUD Notice H-2019-09 PIH-2019-23 (HA) (September 5, 2019), as amended from time to time.

(zz) “RAD Subordination Agreement” shall mean that certain Subordination Agreement as of substantially even date herewith pursuant to which the Authority and the Borrower agree that this Loan is subordinate in all respects to the RAD Use Agreement, as defined below.

(aaa) “RAD Units” shall mean the twenty-five (25) units in the Project that will receive subsidy pursuant to a RAD PBV Housing Assistance Payments Contract, as further identified at Exhibit A-2. The RAD Units are replacement units for twenty-five (25) public housing units at Jordan Downs and considered “replacement housing” pursuant to the overall master plan for the redevelopment of Jordan Downs.

(bbb) “RAD Use Agreement” shall mean that certain RAD Use Agreement executed by the Authority and the Borrower in favor of the U.S. Department of Housing and Urban Development.

(ccc) “Relocation Plan” means the relocation plan developed by the Authority and the Borrower with resident and stakeholder input for the relocation of residents displaced by Project activities in accordance with applicable federal, state, and local law.

(ddd) “Section 3 Plan” shall have the meaning set forth in Section 3.7 of the Ground Lease.

(eee) “Supportive Services Plan” shall mean the plan developed by the Borrower with input from resident stakeholders to address the supportive services needs of the occupants of the Project.

(fff) “Sustainability Plan” means the Borrower’s plan, approved by the Authority, to incorporate “Green Building” principles in the Project that comply with the State of California’s Green Building Standards Code, as well as City requirements.

(ggg) “TCAC” shall mean the California Tax Credit Allocation Committee.

(hhh) “Term” shall have the meaning set forth in Section 2.2.
(iii) “Transfer” shall have the meaning set forth in Section 4.13 below.

(jjj) “Units” means the ninety-two (92) residential units to be constructed on the Property (including one (1) manager’s units).

Section 1.2 Exhibits. The following exhibits are attached to this Agreement and incorporated into this Agreement by this reference:

EXHIBIT A-1: Legal Description of the Property
EXHIBIT A-2: Designation of Units by Type
EXHIBIT B: Approved Development Budget
EXHIBIT C-1: Scope of Development for the Improvements
EXHIBIT C-2: B-Permit Improvements
EXHIBIT D-1: Schedule of Performance for the Improvements
EXHIBIT D-2: Schedule of Performance for the B-Permit Improvements
EXHIBIT E-1: Draw Schedule
EXHIBIT E-2: Form of Draw Request
EXHIBIT F: Distribution of Cash Flow
EXHIBIT G: Form of Authority Bridge Note
EXHIBIT H: Form of Guaranty
EXHIBIT I: Investor Rider

ARTICLE 2 LOAN PROVISIONS

Section 2.1 Loan. The Authority shall loan to the Borrower the Authority Bridge Loan for the purposes set forth in Section 2.4(b) of this Agreement, and the Borrower shall repay interest on the Loan pursuant to the Authority Bridge Note beginning at Closing. Following Conversion, the Borrower shall repay the Authority Bridge Loan to the Authority from proceeds of the AHP Loan and, in the event such proceeds are insufficient to repay the entire indebtedness, from Net Cash Flow to the extent available until the Loan Maturity Date, when all remaining unpaid principal and interest shall be due and payable, all as more fully and particularly provided in the Authority Bridge Note. The obligation to repay the Authority Bridge Loan shall be evidenced by the Authority Bridge Note in the form attached hereto as Exhibit G.

Section 2.2 Term. The Authority Bridge Loan shall mature on the date of closing of the AHP Loan or, if the proceeds of the AHP Loan are insufficient to repay the entire Authority Bridge Loan, on the Loan Maturity Date.

Section 2.3 Interest.

(a) Subject to the provisions of Section 2.3(b) below, the Authority Bridge Loan shall bear simple interest at three percent (3%) per annum, commencing at Closing.

(b) In the event of a Default, interest on the Loan shall begin to accrue, as of the date of Default and continuing until the earlier of such time as the Loan funds are repaid in full or the
Default is cured, at the default rate of the lesser of ten percent (10%), compounded annually, or the highest rate permitted by law.

Section 2.4 Use of Loan Funds.

(a) The Borrower shall use the Authority Bridge Loan funds to pay development costs of the Project during the construction phase, consistent with the Approved Development Budget, and as part of the permanent financing of the Project, but only as necessary to cover gaps between the other Approved Financing and the actual costs of constructing the Project as reflected in the Approved Development Budget and Construction Plans. Borrower shall use commercially reasonable efforts to minimize draws on the Authority Bridge Loan, and to speed and maximize repayment of the Authority Bridge Loan, which efforts shall include at a minimum the following:

(i) Borrower shall apply to the Federal Home Loan Bank (“FHLB”) for the AHP Loan during the 2019 FHLB funding round and in accordance with the DDA, and if awarded such funds shall diligently pursue closing and funding of the AHP Loan thereafter. Borrower shall use the proceeds of the AHP Loan to (1) pay reasonable and customary costs of applying for the AHP Loan, not to exceed $20,000 unless otherwise agreed to by the Authority, (2) in the event the AHP Loan is awarded before any or all of the Authority Bridge Loan has been drawn, to replace the Authority Bridge Loan as a source under the Approved Development Budget and minimize draws on the Authority Bridge Loan, and (3) to the extent permitted by FHLB program rules governing uses of AHP proceeds, to repay the Authority Bridge Loan. Borrower may use such proceeds for other purposes only after the Authority Bridge Loan has been paid in full. In the event that the Parties determine that the AHP Loan is necessary to meet Project development and operational costs, then notwithstanding anything to the contrary in the Loan Documents, Ground Lease, or any other document between the Authority and Borrower or its affiliates, the Borrower may use the AHP Loan to pay for costs approved by the Authority in its reasonable discretion in place of repaying or reducing the amount owed under the Authority Bridge Note.

(ii) Borrower shall draw on the Authority Bridge Loan as a source of last resort. In the event that the undrawn balance of the Authority Bridge Loan ever exceeds the amount of reasonably projected remaining Project expenses, Borrower shall draw on the Authority Bridge Loan only to the extent necessary to cover the remaining Project expenses. Furthermore, in the event Borrower is awarded the AHP Loan prior to drawing on the Authority Bridge Loan then such AHP Loan proceeds shall be drawn before the Authority Bridge Loan.

(b) The Borrower shall not use the Loan funds for any other purpose without the prior written consent of the Authority.

Section 2.5 Security.

(a) The Borrower shall secure its obligation to repay the Loan, as evidenced by the Note, by executing the Deed of Trust in the form provided by the Authority, and recording it as a lien against the Borrower's Leasehold Estate. The Deed of Trust shall be junior in lien priority to
the deeds of trust securing the Construction Loan, Permanent Loan, Authority Acquisition Loan and the HCD Loan, and senior in lien priority to the deed of trust securing the AHP Loan.

(b) The Authority agrees that the Deed of Trust is and shall at all times continue to be, subordinate, subject and inferior (in payment and priority) to the Construction Loan and the Permanent Loan, and the liens, rights, payment interests, priority interests and security interests granted to the Authority in connection with the Loan and the Loan Documents, are, and hereby expressly acknowledged to be in all respects and at all times, subject to the terms and provisions of the Construction Lender Subordination Agreement and the RAD Subordination Agreement. The Authority further agrees to subordinate the Deed of Trust to the lien of the deeds of trust and regulatory agreements securing the HCD Loan provided the Authority receives reasonably adequate notice and cure rights and pursuant to a subordination agreement in a form reasonably approved by the Authority and, subject to HCD requirements, provided such HCD Loan is subordinate to the RAD Use Agreement. The Authority agrees to execute and permit the recordation of regulatory agreements required by HCD with respect to the HCD Loan, provided such regulatory agreements are subordinate to the RAD Use Agreement and in a form reasonably approved by the Authority.

Section 2.6 Conditions Precedent to Closing. The Authority shall not be obligated to proceed with the Closing under the Loan Documents unless the following conditions precedent are satisfied prior to or concurrently therewith:

(a) There exists no Default nor any act, failure, omission or condition that would constitute an event of Default under this Agreement.

(b) The Borrower has executed and delivered to the Authority all documents, instruments, and policies required under the Loan Documents.

(c) A title insurer reasonably acceptable to the Authority is unconditionally and irrevocably committed to issuing an ALTA Lender's Policy of insurance insuring the priority of the Deed of Trust in the amount of the Loan, subject only to such exceptions and exclusions as may be reasonably acceptable to the Authority, and containing such endorsements as the Authority may reasonably require.

(d) The Deed of Trust has been executed and is ready to be recorded against the Borrower's Leasehold Estate in the Office of the Recorder of the County of Los Angeles.

(e) The Authority has completed and approved all environmental reviews under NEPA as necessary for the acquisition of the Property and construction of the Project, and the Borrower has provided the Authority evidence of compliance with all approved NEPA and CEQA requirements and mitigation measures.

(f) The Borrower has furnished the Authority with evidence of the insurance coverage meeting the requirements of Section 4.14 below.
The Authority has received and approved the final Construction Plans for the Project, as required pursuant to Section 3.2 below.

The Authority shall have received and approved the Accessibility Compliance Report.

The Authority has received and approved the Construction Contract as required pursuant to Section 3.3 below, and Borrower has executed same with Contractor.

The Authority has received copies of labor and material (payment) bonds and performance bonds, as required pursuant to Section 3.4 below.

The Authority has received and approved a Property Management and Re-Occupancy Plan.

The Authority shall have received and approved a Construction Section 3 Plan and Section 3 Plan.

The Authority shall have provided the Relocation Plan to the Borrower.

The Authority shall have received and approved a Financing Plan.

The Authority shall have received and approved a Supportive Services Plan.

The Authority shall have received and approved a Sustainability Plan.

Developer shall have executed a Completion Guaranty in favor of the Authority in the form attached hereto as Exhibit H.

The Borrower shall have repaid the Authority the portion of any Multi-Phase Costs Loan (as defined in the Master Development Agreement) allocated to the Project.

The Borrower shall have repaid the Authority any Phase-Related Predevelopment Loan (as defined in the Master Development Agreement) provided for the Project in full.

The Authority shall have received permission to close from HUD.

The Authority, the Borrower, and the Investor shall have executed a purchase option and right of first refusal agreement.

The Borrower has closed all Approved Financing described in Section 1.1(c) except the AHP Loan, the Permanent Loan and the HCD Loan.

Section 2.7 Conditions Precedent to Disbursement.
(a) **Construction Financing.** The maximum amount of funds to be disbursed pursuant to this Section 2.7 shall not exceed, in the case of the Authority Bridge Loan, Two Million Two Hundred Thousand Dollars ($2,200,000.00). The Authority Bridge Loan shall be a non-revolving line of credit, such that once advances have been made and repaid, such amounts may not be re-borrowed. The Authority shall make disbursements in accordance with the Draw Schedule. The Authority shall not be obligated to make any disbursements of such proceeds or take any other action under the Loan Documents unless the following conditions are satisfied prior to each such disbursement of the Loan:

(i) The Borrower is not in Default.

(ii) an updating endorsement to the title policy described at Section 2.6(c) the date of each advance insuring such lien priority of the aggregate amount then advanced, taking no exception for mechanics’ or materialmen’s liens, and otherwise reasonably satisfactory to the Authority.

(iii) The undisbursed proceeds of the Loan, together with other funds or firm commitments for funds that the Borrower has obtained in connection with the Project, are not less than the amount that the Authority reasonably determines is necessary to pay for development of the Project and to satisfy all of the covenants contained in this Agreement.

(iv) The Authority has received a written draw request from the Borrower setting forth the proposed use of funds consistent with the Approved Development Budget, and in a form containing sufficient detail and with sufficient supporting documentation to permit the Authority to confirm that the work to be funded by the draw request has been performed. The draw requests shall also contain a statement of the total costs incurred by the Borrower since the date of the Borrower's last draw request, and the amount of those costs paid by the Borrower. The Authority’s Form of Draw Request is attached hereto as Exhibit E-2.

(b) **Conversion to Permanent Loan.** The Loan shall convert from a construction loan to a permanent loan at Conversion. Once Conversion has occurred, no further advances shall be made pursuant to this Agreement.

(c) **Total Amount of Disbursements.** Notwithstanding the determination of the construction financing and the permanent financing conversion set forth in this Section 2.7, in no event shall the Authority disburse to the Borrower an amount greater than the Loan amount.

Section 2.8 **Repayment Schedule.** The Loan shall be repaid as follows:

(a) **Annual Payments of Loan.** The Borrower shall make repayments of the Loan in accordance with the Note.

(b) **Payment in Full.** All principal and accrued interest on the Authority Bridge Loan shall be due in full on the earlier to occur of (i) the date of closing of the AHP Loan, but only to the extent proceeds of the AHP Loan are available for repayment of the Authority Bridge Loan pursuant to Section 2.4(a), (ii) the date of any Transfer not authorized by the Authority, (iii) the date of any Default, and (iv) the expiration of the Term.
(c) **Prepayment.** The Borrower shall have the right to prepay the Loan at any time without premium or penalty. Amounts prepaid may not be re-borrowed.

(d) **Construction Cost Savings.** The Authority shall be entitled to one hundred percent (100%) of any construction cost savings allocated to Borrower under the construction contract for the Project, if any, after completion of the Project; provided, however, during construction of the Project, Borrower may utilize construction cost savings for other construction costs or soft costs of the Project. Following completion of the Project, any remaining construction cost savings shall be used: (a) first, to repay the Authority Bridge Loan and (b) second, to repay the Authority Acquisition Loan (collectively, the “**Priority Payment on HACLA Loans**”). The repayment of construction cost savings due to Authority shall be made by Borrower no later than final cost certification for the Project. Notwithstanding the forgoing, if HCD does not approve one hundred percent (100%) of any construction cost savings to be used for the Priority Payments on HACLA Loans, subject to HCD requirements, HACLA will be entitled to a pro rata share of such cost savings based on the relative size of its loans and grants to the Project in proportion to other Approved Financing (with the exception of the Permanent Loan) as Priority Payment on HACLA Loans.

Section 2.9 **Reports and Accounting of Net Cash Flow.**

(a) **Audited Financial Statement.** In connection with the annual repayment of the Loan, the Borrower shall furnish to the Authority an audited financial statement duly certified by an independent firm of certified public accountants approved by the Authority, setting forth in reasonable detail the computation and amount of Net Cash Flow during the preceding calendar year.

(b) **Books and Records.** The Borrower shall keep and maintain on the Property, or elsewhere with the Authority's written consent, full, complete and appropriate books, record and accounts relating to the Project, including all such books, records and accounts necessary or prudent to evidence and substantiate in full detail the Borrower's calculation of Net Cash Flow. Books, records, and accounts relating to the Borrower's compliance with the terms, provisions, covenants and conditions of this Agreement shall be kept and maintained in accordance with generally accepted accounting principles consistently applied, and shall be consistent with requirements of this Agreement which provide for the calculation of Net Cash Flow on a cash basis. All such books, records, and accounts shall be open to and available for inspection by the Authority, its auditors or other authorized representatives at reasonable intervals during normal business hours. Copies of all tax returns and other reports that the Borrower may be required to furnish to any governmental agency shall at all reasonable times be open for inspection by the Authority at the place that the books, records and accounts of the Borrower are kept. The Borrower shall preserve records on which any statement of Net Cash Flow is based for a period of not less than five (5) years after such statement is rendered, and for any period during which there is an audit undertaken pursuant to subsection (c) below then pending.

(c) **Authority Audits.** The receipt by the Authority of any statement pursuant to subsection (a) above or any payment by the Borrower or acceptance by the Authority of any Loan repayment for any period shall not bind the Authority as to the correctness of such
statement or such payment. Within three (3) years after the receipt of any such statement, the Authority or any designated agent or employee of the Authority at any time, and upon reasonable prior notice, shall be entitled to audit the Net Cash Flow and all books, records, and accounts pertaining thereto. Such audit shall be conducted during normal business hours at the principal place of business of the Borrower and other places where records are kept. Immediately after the completion of an audit, the Authority shall deliver a copy of the results of such audit to the Borrower. If it shall be determined as a result of such audit that there has been any deficiency in a Loan repayment to the Authority, then such deficiency shall become immediately due and payable with interest at the default rate set forth in section 2.3(b) above, determined as of and accruing from the date that said payment should have been made. In addition, if the Borrower's auditor's statement for any calendar year shall be found to have understated Net Cash Flow by more than five percent (5%) and the Authority is entitled to any additional Loan repayment as a result of said understatement, then the Borrower shall pay, in addition to the interest charges referenced hereinabove, all of the Authority's reasonable costs and expenses connected with any such audit or review of Borrower's accounts and records.

Section 2.10 Non-Recourse. Except as provided below, neither the Borrower nor any partner of the Borrower shall have any direct or indirect personal liability for payment of the principal of, or interest on, the Loan or the performance of the covenants of the Borrower under the Deed of Trust. The sole recourse of the Authority with respect to the principal of, or interest on, the Note and defaults by the Borrower in the performance of its covenants under the Deed of Trust shall be to the property described in the Deed of Trust; provided, however, that nothing contained in the foregoing limitation of liability shall (a) limit or impair the enforcement against all such security for the Note of all the rights and remedies of the Authority thereunder, or (b) be deemed in any way to impair the right of the Authority to assert the unpaid principal amount of the Note as demand for money within the meaning and intendment of Section 431.70 of the California Code of Civil Procedure or any successor provision thereto. The foregoing limitation of liability is intended to apply only to the obligation for the repayment of the principal of, and payment of interest on the Note and the performance of the Borrower's obligations under the Deed of Trust, except as hereafter set forth; nothing contained herein is intended to relieve the Borrower of its obligation to indemnify the Authority under Sections 4.7 and 7.4 of this Agreement, or for liability for: (i) fraud or willful misrepresentation; (ii) the failure to pay taxes, assessments or other charges which may create liens on the Property that are payable or applicable prior to any foreclosure under the Deed of Trust (to the full extent of such taxes, assessments or other charges); (iii) the fair market value of any personal property or fixtures removed or disposed of by the Borrower other than in accordance with the Deed of Trust; and (iv) the misappropriation of any proceeds under any insurance policies or awards resulting from condemnation or the exercise of the power of eminent domain or by reason of damage, loss or destruction to any portion of the Property.

ARTICLE 3 CONSTRUCTION OF THE PROJECT

Section 3.1 Permits and Approvals. All permits and approvals necessary for the commencement of construction of the Improvements on the Property and the B-Permit Improvements must be received no later than the date of Closing.
Section 3.2 Plans and Specifications.

(a) As used in this Agreement, “Construction Plans” shall mean all construction documentation upon which the Borrower and the Borrower's Contractor shall rely in building all the Improvements on the Property (including the Units, landscaping, parking, and common areas) and the B-Permit Improvements and shall include, but not necessarily be limited to, final architectural drawings, landscaping plans and specifications, final elevations, and building plans and specifications (also known as “working drawings”). As a condition precedent and prior to funding of any disbursements of Loan proceeds under Section 2.7 above, the Authority must have reviewed and approved the Construction Plans.

(b) Prior to or at Closing, the Developer shall provide the Authority with a written report from its Architect or an independent professional certifying that (i) he/she has reviewed the Construction Plans for the Project, (ii) the Construction Plans comply with all applicable State and Federal requirements concerning accessibility including but not limited to Section 504 of the Rehabilitation Act of 1973, as amended and the Americans with Disabilities Act of 1990, as amend, and (iii) note the number and type of units that will accessible in accordance herewith (“Accessibility Compliance Report”). As a condition precedent and prior to funding of any disbursements of Loan proceeds under Section 2.7 above, the Authority must have reviewed and approved the Accessibility Compliance Report.

Section 3.3 Construction Contract. As a condition precedent and prior to funding of any disbursements of Loan proceeds under Section 2.7 above, the Authority must have reviewed and approved the Construction Contract.

Section 3.4 Construction Bonds. Prior to commencement of construction of the Project, and as a condition precedent and prior to funding of any disbursements of Loan proceeds under Section 2.7 above, the Borrower shall deliver to the Authority copies of labor and material bonds and performance bonds for the construction of the Project in an amount equal to one hundred percent (100%) of the scheduled costs of the Project. Such bonds shall name the Authority as a co-obligee.

Section 3.5 Commencement of Construction. The Borrower shall cause the commencement of construction of the Project, and all conditions precedent to disbursement of Loan proceeds under Section 2.7 above, by no later than thirty (30) days following the Closing.

Section 3.6 Completion of Construction. The Borrower shall diligently prosecute construction of the Project to completion, and shall cause the completion of the construction of the Project no later than _______, 2021.

Section 3.7 Construction Pursuant to Plans and Laws.

(a) The Borrower shall construct the Improvements and the B-Permit Improvements in substantial conformance with the Construction Plans approved by the Authority and by the City Building Department, and with the Schedules of Performance for the Improvements and the B-Permit Improvements attached hereto as Exhibits D-1 and D-2, respectively.
(b) The Borrower shall notify the Authority in a timely manner of any changes in the work required to be performed under this Agreement, including any additions, changes, or deletions to the plans and specifications approved by the Authority. Consent to any additions, changes, or deletions to the work shall not relieve or release the Borrower from any other obligations under this Agreement, or relieve or release the Borrower or its surety from any surety bond. A written change order authorized by the Authority must be obtained before any of the following changes, additions, or deletions in work for the Project may be performed:

(i) With respect to the Improvements (1) any change in the work the cost of which exceeds Fifty Thousand Dollars ($50,000.00); or (2) any set of changes in the work the cost of which cumulatively exceeds Two Hundred Fifty Thousand Dollars ($250,000.00) or ten percent (10%) of the Loan amount, whichever is less; or (3) any material change in building materials or equipment, specifications, or the structural or architectural design or appearance of the Project as provided for in the plans and specifications approved by the Authority. Any written change order submitted to the Authority for its approval shall be deemed approved if not disapproved within five (5) days following receipt by the Authority; provided that approval of such change orders by the Authority shall not increase the Authority's liability or obligations under this Agreement.

(ii) With respect to the B-Permit Improvements (1) any change in the work the cost of which exceeds Twenty-Five Thousand Dollars ($25,000); or (2) any set of changes in the work the cost of which cumulatively exceeds Fifty Thousand Dollars ($50,000). Any written change order submitted to the Authority for its approval shall be deemed approved if not disapproved within ten (10) days following receipt by the Authority; provided that approval of such change orders by the Authority shall not increase the Authority's liability or obligations under this Agreement.

(c) The Borrower shall cause all work performed in connection with the Project to be performed in compliance with (i) all applicable laws, ordinances, rules and regulations of federal, state, Authority or municipal governments or agencies now in force or that may be enacted hereafter, including (without limitation and where applicable) prevailing wage provisions of the federal Davis-Bacon Act and/or State prevailing wage requirements and their respective implementing rules and regulations as further set forth in § 4.6(b) below, (ii) the U.S. Department of Housing and Urban Development (“HUD”) housing quality standards set out in 24 C.F.R. § 5.701 and the cost-effective and energy conservation and effectiveness standards in 24 C.F.R. § 39, and (iii) all directions, rules and regulations of any fire marshal, health officer, building inspector, or other officer of every governmental agency now having or hereafter acquiring jurisdiction. The work shall proceed only after procurement of each permit, license, or other authorization that may be required by any governmental agency having jurisdiction, and the Borrower shall be responsible to the Authority for the procurement and maintenance thereof, as may be required of the Borrower and all entities engaged in work on the Project.

Section 3.8 Marketing Plan.
(a) No later than six (6) months prior to the projected date of the completion of the Project, the Borrower shall submit to the Authority for approval its plan for marketing the Units to income-eligible households, including information on affirmative marketing efforts and compliance with fair housing laws.

(b) Upon receipt of the marketing plan, the Authority shall promptly review the marketing plan and shall reasonably approve or disapprove it within thirty (30) days after submission. If the marketing plan is not approved, the Borrower shall submit a revised marketing plan within thirty (30) days. The process for review and approval shall continue until such time as the Authority approves of the Marketing Plan.

Section 3.9 Equal Opportunity. The Borrower, for itself and its successors, assigns, and transferees, agrees that in the construction of the Project:

(a) It will not discriminate against any employee or applicant for employment because of race, color, religion, creed, national origin, ancestry, disability, medical condition, age, marital status, sex, sexual preference/orientation, Acquired Immune Deficiency Syndrome (AIDS) acquired or perceived, or retaliation for having filed a discrimination complaint (nondiscrimination factors). The Borrower will take affirmative action to ensure that applicants are considered for employment by the Borrower without regard to the nondiscrimination factors, and that the Borrower's employees are treated without regard to the nondiscrimination factors during employment including, but not limited to, activities of: upgrading, demotion or transfer; recruitment or recruitment advertising, layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Borrower agrees to post in conspicuous places, available to its employees and applicants for employment, the applicable nondiscrimination clause set forth herein;

(b) It will ensure that its solicitations or advertisements for employment are in compliance with the aforementioned nondiscrimination factors; and

(c) It will cause the foregoing provisions to be inserted in all contracts for the construction of the Project entered into after the effective date of this Agreement; provided, however, that the foregoing provisions shall not apply to contracts or subcontracts for standard commercial supplies or raw materials.

Section 3.10 Section 3. Borrower shall comply with the Section 3 requirements set forth in Section 3.1 and Section 3.7 of the Ground Lease and will include the Section 3 clause required by HUD regulations at 24 CFR Part 135, as applicable and as amended, in all contracts.

Section 3.11 Progress Reports. Until such time as the Borrower has completed the Improvements, the Borrower shall provide the Authority with monthly progress reports regarding the status of the construction of the Project, including a certification that the actual construction costs to date conform to the Approved Development Budget, as it may be amended from time to time pursuant to Section 3.15 below. This provision shall be satisfied by submission of the monthly draw request, or a copy thereof, to the Authority.
Section 3.12 Construction Responsibilities.

(a) It shall be the responsibility of the Borrower to coordinate and schedule the work to be performed so that commencement and completion of construction will take place in accordance with this Agreement.

(b) The Borrower shall be solely responsible for all aspects of the Borrower's conduct in connection with the Project, including (but not limited to) the quality and suitability of the plans and specifications, the supervision of construction work, and the qualifications, financial condition, and performance of all architects, engineers, contractors, subcontractors, suppliers, consultants, and property managers. Any review or inspection undertaken by the Authority with reference to the Project is solely for the purpose of determining whether the Borrower is properly discharging its obligations to the Authority, and should not be relied upon by the Borrower or by any third parties as a warranty or representation by the Authority as to the quality of the design or construction of the Project.

Section 3.13 Mechanics Liens, Stop Notices, and Notices of Completion.

(a) If any claim of lien is filed against the Property or a stop notice affecting the completion of construction is served on the Authority or any other lender or other third party in connection with the Project, then the Borrower shall, within thirty (30) days after such filing or service, either pay and fully discharge the lien or stop notice, effect the release of such lien or stop notice by delivering to the Authority a surety bond in sufficient form and amount, or provide the Authority with other assurance satisfactory to the Authority that the claim of lien or stop notice will be paid or discharged, provided that the Authority provides written notice of such claim of lien or stop notice to the Borrower promptly upon receipt by the Authority.

(b) If the Borrower fails to discharge any lien, encumbrance, charge, or claim in the manner required in this Section, then in addition to any other right or remedy, the Authority may with notice to Borrower (but shall be under no obligation to) discharge such lien, encumbrance, charge, or claim at the Borrower's expense. Alternately, the Authority may require the Borrower to immediately deposit with the Authority the amount necessary to satisfy such lien or claim and any costs, pending resolution thereof. The Authority may use such deposit to satisfy any claim or lien that is adversely determined against the Borrower.

(c) The Borrower shall file a valid notice of cessation or notice of completion upon cessation of construction on the Project for a continuous period of thirty (30) days or more, except in the event such cessation of construction is caused by adverse weather conditions, and shall take all other reasonable steps to forestall the assertion of claims of lien against the Property. The Borrower authorizes the Authority, but without any obligation on the Authority, to record any notices of completion or cessation of labor, or any other notice that the Authority deems necessary or desirable to protect its interest in the Project and Property.

Section 3.14 Inspections. The Borrower shall, upon advance reasonable written request, permit and facilitate, and shall require its contractors to permit and facilitate, observation
and inspection at the Project by the Authority and by public authorities during reasonable business hours for the purposes of determining compliance with this Agreement.

Section 3.15  **Approved Development Budget; Revisions to Budget.** As of the date of this Agreement, the Authority has approved the Approved Development Budget set forth in Exhibit B and the fees related to the operation of the Project as further described in the Partnership Agreement, including (a) an annual asset management fee of Twenty Thousand Dollars ($20,000) paid to the Managing General Partner, escalating by three percent (3%) annually; and (b) an annual asset management fee of Seven Thousand Five Hundred Dollars ($7,500) paid to Investor, escalating by three percent (3%) annually. Unpaid fees may accrue. The Borrower shall not charge interest on its deferred developer fee. The Borrower shall submit any required amendments to the Approved Development Budget to the Authority for approval monthly if actual costs of the Project vary or will vary from the costs shown on the Approved Development Budget. Written consent of the Authority shall be required to amend the Approved Development Budget, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, this Section shall not apply to (i) the reallocation from any contingency line item in the Approved Development Budget to another line item, (ii) savings in one line item allocated to another line item, or (iii) for any cost change of Seventy Five Thousand Dollars ($75,000) for each item or Two Hundred Fifty Thousand Dollars ($250,000) in the aggregate; provided, however, that there is no material change in the Plans and Specifications.

Section 3.16  **Reserved.**

Section 3.17  **Capital Contributions.** The Borrower shall cause the Investor to make the capital contribution described in Section 5.02 of the Partnership Agreement and shall utilize such funds to pay costs of the Project, consistent with the Approved Development Budget.

**ARTICLE 4  LOAN REQUIREMENTS**

Section 4.1  **Compliance with Ground Lease.** The Borrower shall comply with the terms of the Ground Lease and any breach under the Ground Lease, subject to the notice and cure periods set forth therein, shall be considered a Default under this Agreement.

Section 4.2  **Financial Accountings and Post-Completion Audits.** No later than one hundred and twenty (120) days following full occupancy of the Project, the Borrower shall provide to the Authority a financial accounting of all sources and uses of funds for the Project. No later than twelve (12) months following the completion of construction of the Improvements, the Borrower shall submit an audited financial report showing the sources and uses of all funds utilized for the Project.

Section 4.3  **Information.** The Borrower shall provide any information reasonably requested by the Authority in connection with the Project.

Section 4.4  **Records.**
(a) The Borrower shall maintain complete, accurate, and current records pertaining to the Project for a period of five (5) years after the creation of such records, and shall permit any duly authorized representative of the Authority to inspect and copy records. Such records shall include all invoices, receipts, and other documents related to expenditures from the Loan funds. Records must be kept accurate and current.

(b) The Authority shall notify the Borrower of any records it deems insufficient. The Borrower shall have thirty (30) calendar days after the receipt of such a notice to correct any deficiency in the records specified by the Authority in such notice, or if a period longer than thirty (30) days is reasonably necessary to correct the deficiency, then the Borrower shall begin to correct the deficiency within thirty (30) days and correct the deficiency as soon as reasonably possible.

Section 4.5 Audits. The Borrower shall make available for examination at reasonable intervals and during normal business hours to the Authority all books, accounts, reports, files, and other papers or property with respect to all matters covered by this Agreement, and shall permit the Authority to audit, examine, and make excerpts or transcripts from such records. The Authority may make audits of any conditions relating to this Agreement.

Section 4.6 Additional Requirements.

(a) The Borrower shall comply with all applicable laws, regulations and administrative requirements governing the use of the Loan funds. In the event of any conflict between this Agreement and applicable laws, regulations and administrative requirements governing the use of the Loan funds, the applicable laws, regulations, and administrative requirements shall govern.

(b) The laws, regulations and administrative requirements governing the use of the Loan funds include (but are not limited to) the following:

(i) HUD Rental Assistance Demonstration Requirements. Including, but not limited to: (1) the Consolidated and Further Continuing Appropriations Act of 2012, and all applicable statutes and any regulations issued by HUD for the RAD Program, as they become effective, except that changes subject to notice and comment rulemaking shall become effective only upon completion of the rulemaking process; and (2) all current requirements in HUD handbooks and guides, notices (including but not limited to, HUD Notice H-2019-09 PIH 2019-23 (HA) (September 5, 2019), as it may be amended from time to time), and Mortgagee Letters (if any) for the RAD Program, and all future updates, changes, and amendments thereto, as they become effective, except that changes subject to notice and comment rulemaking shall become effective only upon completion of the rulemaking process, and provided that such future updates, changes, and amendments shall be applicable to the Property and Improvements only to the extent that they interpret, clarify, and implement terms rather than add or delete provisions.

(ii) Environmental and Historic Preservation. Section 104(f) of the Housing and Community Residence Act of 1974 and 24 C.F.R. Part 58, which prescribe procedures for
compliance with the National Environmental Policy Act of 1969 (42 U.S.C. §§ 4321-4361), and the additional laws and authorities listed at 24 C.F.R. § 58.5.


(vi) Relocation. The Authority is responsible for all relocation required by the RAD Program to enable residents of the existing Jordan Downs public housing site to relocate to the Project. The Authority shall indemnify and hold harmless the Borrower, its partners, their members and their respective directors, officers, employees, agents, successors and assigns from and against any loss, damage, cost, expense, or liability directly or indirectly arising out of or attributable to the Authority’s relocation activities. This indemnity obligation shall not extend to the extent that any claim arises directly or indirectly from relocation activities attributable to the Borrower or its contractors or agents. Following initial lease up, if and to the extent that acts or omissions of the Borrower result in the permanent or temporary displacement of residential tenants, homeowners, or businesses, the Borrower shall comply with all applicable local, state, and federal statutes and regulations with respect to relocation planning, advisory assistance, and payment of monetary benefits.

(vii) Accessibility. The requirements of Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. § 794), and federal regulations issued pursuant thereto, which prohibit discrimination against the handicapped in any federally assisted program, and the applicable requirements of Title II and/or Title III of the Americans with Disabilities Act of 1990 (42 U.S.C. § 12131 et seq.).

(viii) Protection for Victims of Domestic Violence. The requirements of 24 C.F.R. Part 5, Subpart L.

(ix) Training Opportunities. The requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. § 1701(u) (“Section 3”), requiring that to the greatest extent feasible opportunities for training and employment be given to lower income residents of the project area and agreements for work in connection with the Project be awarded to business concerns which are located in, or owned in substantial part by persons residing in, the areas of the project in accordance with Section 3.1 and Section 3.7 to the Ground Lease.

(x) Prevailing Wages. All applicable labor standards, including the Davis-Bacon Act (40 U.S.C. § 276a et seq.) and State prevailing wage laws, as applicable. Pursuant to 24 C.F.R. § 965.101, if State prevailing wage rates (including basic hourly rate and any fringe
benefits) determined under State law to be prevailing with respect to an employee in any trade exceed the applicable wage rate determined by the Secretary of Labor pursuant to the Davis Bacon Act, the Borrower shall cause the contractor to pay the higher of such State prevailing rates or the applicable the Davis-Bacon wage rates.


(xiii) Reserve for Replacement. The Borrower shall establish and maintain a replacement reserve in an interest-bearing account to aid in funding extraordinary maintenance, repair, and replacement of capital items in accordance with the RAD Use Agreement and RAD Program, which requires initial monthly deposits of $____________, subject to annual increases as required by HUD.

(xiv) Subsidy Reserve. The Parties acknowledge and agree that the Borrower is creating a subsidy reserve pursuant to Section 7.08 of the Partnership Agreement that will be controlled by HCD and the Investor. Borrower shall provide Authority reasonable notice prior to drawing down such subsidy reserve for its intended purpose. Further, Authority approval is required for any decrease or modification of such subsidy reserve pursuant to the Partnership Agreement, except for decreases in accordance with the intended purpose of such subsidy reserve.

Section 4.7 Hazardous Materials.

(a) Borrower shall comply with Sections 10.1(c), 10.1(d), and 10.3(a) of the Ground Lease, and the provisions of such Sections shall be deemed incorporated herein by reference as if copied in full into this paragraph, provided that Authority shall have and enjoy all the same rights and protections attributed to Landlord thereunder. By way of illustration and not limitation, simultaneously with Borrower advising Landlord in writing of any fact or circumstance, requesting any written consent, or providing any notice to Landlord pursuant to such provisions in the Ground Lease, Borrower shall provide such writings, requests, and notices to Authority, and Authority shall have and enjoy all the same rights and protections attributed to Landlord thereunder.

(b) The Authority, in its capacity as lender with respect to the Loan and the Deed of Trust securing repayment of same and separate and apart from its capacity as Landlord under the Ground Lease, shall have the right to join and participate in, as a party if it so elects, any legal proceedings or actions initiated in connection with any Hazardous Substances and Materials Claims or arising out of any breach or violation by Borrower of its obligations under this Section 4.7. The Borrower shall defend, indemnify, and hold harmless the Authority and Authority Board members, supervisors, directors, officers, employees, agents, successors and assigns from and against any loss, damage, cost, expense or liability directly or indirectly arising out of or attributable to the failure of the Borrower or any other person or entity, other than the Authority,
to comply with this Section 4.7. This obligation to indemnify shall survive termination of this Agreement.

(c) The Borrower hereby acknowledges and agrees that (i) this Section is intended as the Authority's written request for information (and the Borrower's response) concerning the environmental condition of the Property as required by California Code of Civil Procedure Section 726.5, and (ii) each representation and warranty in this Agreement (together with any indemnity obligation applicable to a breach of any such representation and warranty) with respect to the environmental condition of the Property is intended by the Parties to be an “environmental provision” for purposes of California Code of Civil Procedure Section 736.

(d) In the event that any portion of the Property is determined to be “environmentally impaired” (as that term is defined in California Code of Civil Procedure Section 726.5(e)(3)) or to be an “affected parcel” (as that term is defined in California Code of Civil Procedure Section 726.5(e)(1)), then, without otherwise limiting or in any way affecting the Authority's or the trustee's rights and remedies under the Deed of Trust, the Authority may elect to exercise its rights under California Code of Civil Procedure Section 726.5(a) to (1) waive its lien on such environmentally impaired or affected portion of the Property and (2) exercise (a) the rights and remedies of an unsecured creditor, including reduction of its claim against the Borrower to judgment, and (b) any other rights and remedies permitted by law. For purposes of determining the Authority's right to proceed as an unsecured creditor under California Code of Civil Procedure Section 726.5(a), the Borrower shall be deemed to have willfully permitted or acquiesced in a release or threatened release of hazardous materials, within the meaning of California Code of Civil Procedure Section 726.5(d)(1), if the release or threatened release of hazardous materials was knowingly or negligently (whether active or passive) caused or contributed to by any lessee, occupant, or user of any portion of the Property and the Borrower knew or should have known of the activity by such lessee, occupant, or user which caused or contributed to the release or threatened release. All costs and expenses, including (but not limited to) attorneys' fees, incurred by the Authority in connection with any action commenced under this paragraph, including any action required by California Code of Civil Procedure Section 726.5(b) to determine the degree to which the Property is environmentally impaired, plus interest thereon at the lesser of ten percent (10%) or the maximum rate permitted by law, until paid, shall be added to the indebtedness secured by the Deed of Trust and shall be due and payable to the Authority upon its demand made at any time following the conclusion of such action.

(e) Borrower shall have no liability under this Agreement for Hazardous Materials existing at the Project prior to the date of this Agreement or from On-Site Migration except to the extent such condition is exacerbated by Borrower's negligence or intentional misconduct (as defined in the Ground Lease).

Section 4.8 Maintenance and Damage.

(a) During the course of both construction and operation of the Project, the Borrower shall maintain the Property and Improvements in accordance with the Ground Lease and Article 2 of the Deed of Trust.
Subject to the Ground Lease, the terms of Section 4.1 of the Deed of Trust shall govern in the event of any casualty, damage, destruction or condemnation of the Property and/or Improvements (or any portion thereof).

Section 4.9  Fees and Taxes. The Borrower shall be solely responsible for payment of all fees, assessments, taxes, charges, and levies imposed by any public authority or utility company with respect to the Property or the Improvements to the extent owned by the Borrower, and shall pay such charges prior to delinquency. However, the Borrower shall not be required to pay and discharge any such charge so long as (a) the legality thereof is being contested diligently and in good faith and by appropriate proceedings, and (b) if requested by the Authority, the Borrower deposits with the Authority any funds or other forms of assurance that the Authority in good faith from time to time determines appropriate to protect the Authority from the consequences of the contest being unsuccessful.

Section 4.10  Notice of Litigation. The Borrower shall promptly notify the Authority in writing of any litigation materially affecting the Borrower or the Project and of any claims or disputes that involve a material risk of such litigation.

Section 4.11  Operation of Project.

(a)  Promptly after completion of construction, the Borrower shall operate the Borrower’s Leasehold Estate and Improvements in accordance with the Ground Lease and that certain Disposition and Development Agreement of even date herewith.

(b)  Before leasing any Unit in the Project, the Borrower shall submit its proposed form of lease agreement for the Authority’s review and approval. The initial term of the form of lease agreement for the Units shall be for no less than one (1) year, except by mutual agreement between the Borrower and the tenant, and shall not contain any provision which is prohibited by applicable law or regulation.

(c)  Before leasing any Unit in the Project, the Borrower shall submit its proposed Section 3 Plan for the Authority’s review and approval in accordance with Section 3.7 of the Ground Lease.

Section 4.12  Nondiscrimination. The Borrower covenants by and for itself and its successors and assigns that there shall be no discrimination against or segregation of a person or of a group of persons on account of race, color, religion, creed, age, disability, sex, sexual orientation, familial status, marital status, ancestry or national origin in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Borrower’s Leasehold Estate and Improvements, nor shall the Borrower or any person claiming under or through the Borrower establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Borrower’s Leasehold Estate and Improvements. The foregoing covenant shall run with the leasehold interest.

Section 4.13  Transfer.
(a) For purposes of this Agreement, “Transfer” shall mean any sale, assignment, transfer, refinancing, or further encumbering, whether voluntary or involuntary, of (i) any rights and/or duties under this Agreement, (ii) any general partner interest in the Borrower, (iii) any direct limited partner interest in the Borrower other than a transfer to an affiliate of Investor, and/or (iv) any interest in the Borrower’s Leasehold Estate and Improvements, including (but not limited to) a fee simple interest, a joint tenancy interest, a life estate, a partnership interest, a leasehold interest, a security interest, or an interest evidenced by a land contract by which possession of the Borrower’s Leasehold Estate and Improvements is transferred and the Borrower retains title. The term “Transfer” shall exclude the leasing of any single Unit in the Project to an occupant in compliance with applicable regulatory agreements including the leasing of Units.

(b) Except as provided in the Ground Lease, no Transfer shall be permitted without the prior written consent of the Authority, which the Authority may withhold in its discretion. The Loan shall automatically accelerate and be due in full upon any unauthorized Transfer.

(c) The Authority approves the grant of the security interests in the Property described in Section 1.1(c) above.

(d) Notwithstanding anything to the contrary herein and subject to the prior written approval of the Authority, which approval shall not be unreasonably withheld, conditioned or delayed, the Borrower may refinance the Approved Financing loans. Any refinancing of the Approved Financing loans shall be on commercially reasonable terms in an amount not to exceed the then outstanding principal balance of such Approved Financing loans plus reasonable costs, inclusive of any prepayment penalties or yield maintenance fees due under the Approved Financing, and including any protective advances made by the applicable lender of such Approved Financing. The Borrower shall reimburse the Authority for any costs it incurs related to the refinancing of the Approved Financing loans.

Section 4.14 Insurance Requirements. The Borrower shall maintain the following insurance coverage throughout the Term of the Loan:

(a) Workers’ Compensation Insurance. Borrower shall carry or cause to be carried Workers’ Compensation insurance with limits as required by the State of California and Employer’s Liability limits of One Million Dollars ($1,000,000.00) for bodily injury by accident and One Million Dollars ($1,000,000.00) per person and in the annual aggregate for bodily injury by disease covering all persons employed by Borrower in connection with the Improvements and with respect to whom death, bodily injury, or sickness insurance claims could be asserted against Borrower.

(b) General Liability Insurance. Commercial general liability and automobile liability insurance, covering loss or damage resulting from accidents or occurrences on or about or in connection with the Improvements or any work, matters, or things under, or in connection with, or related to this Agreement, with personal injury, death, and property damage combined single limit liability of not less than One Million Dollars ($1,000,000.00) for general liability and One
Million Dollars ($1,000,000.00) for automobile liability for each accident or occurrence and an aggregate limit of not less than Two Million Dollars ($2,000,000.00) for general liability and One Million Dollars ($1,000,000.00) for automobile liability, and umbrella/excess liability insurance of Five Million Dollars ($5,000,000.00). Coverage under any such comprehensive policy shall be broad form and shall include, but shall not be limited to, operations, contractual, elevators, owner’s and contractor’s protective, products and completed operations, and the use of all owned, non-owned, and hired vehicles. Such insurance coverage shall:

(i) Include the Authority, its officers, commissioners, and employees as insured. The coverage shall contain no special limitations on the scope of protection afforded to the above-listed insured.

(ii) Be primary and non-contributing with respect to any insurance or self-insurance programs covering the Authority, its commissioners, officers, and employees.

(iii) Include all of the Borrower's subcontractors as insured under its policies or furnish separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to all of the requirements stated herein.

The Borrower shall cause any general contractor, agent, or subcontractor working on the Project under direct contract with the Borrower or subcontract to maintain insurance of the types and in at least the minimum amounts described in subsections (a) and (b) above, excluding the requirement for umbrella/excess liability, which shall not apply to subcontractors. Such insurance shall meet all of the general requirements of subsections (c), (d), and (e) below. Commercial General Liability and Comprehensive Automobile Liability insurance to be maintained by such contractors and agents pursuant to this subsection shall name as additional insureds the Authority, its officers, agents, employees and members of the Authority Board.

(c) In addition to the above insurance requirements, the Borrower shall:

(i) Prior to commencement of work on the Project, furnish the Authority with properly executed certificates of insurance which shall clearly evidence all insurance required in sections (a) through (c), and provide that such insurance shall not be cancelled, allowed to expire, or be materially reduced in coverage except on thirty (30) days, prior written notice to the Authority.

(ii) Provide certified copies of endorsements and policies to the Authority in addition to certificates of insurance.

(iii) Replace certificates, policies, and endorsements for any such insurance expiring prior to completion of work on the Project.

(iv) Place such insurance with insurers approved to do business in the State of California and having A.M. Best Company ratings of no less than A:VII, or such other rating acceptable to the Authority.
(d) The required insurance shall be provided under an occurrence form, and the Borrower shall maintain the coverage described in, and consistent with, subsections (a) through (d) continuously so long as the Note is outstanding. Should any of the required insurance be provided under a form of coverage that includes an annual aggregate limit or provides that claims investigation or legal defense costs be included in such annual aggregate limit, such annual aggregate limit shall be three times the occurrence limits specified above.

(e) All policies and bonds shall be endorsed to provide thirty (30) days prior written notice of cancellation, reduction in coverage, or intent not to renew to the address established for notices to the Authority.

ARTICLE 5 DEFAULT AND REMEDIES

Section 5.1 Events of Default. Each of the following shall constitute a “Default” by the Borrower under this Agreement:

(a) Failure to Satisfy Conversion Conditions. Failure by the Borrower to satisfy all Conversion Conditions (Construction) by _________, 2021.

(b) Failure to Make Payment. Failure by the Borrower to repay the principal and any interest on the Loan within ten (10) days of receipt of written notice from the Authority that such payment is due pursuant to the Loan Documents.

(c) Breach of Covenants. Failure by the Borrower to duly perform, comply with, or observe any of the conditions, terms, or covenants of any of the Loan Documents, and such failure having continued uncured for thirty (30) days after receipt of written notice thereof from the Authority to the Borrower or, if the breach cannot be cured within thirty (30) days, the Borrower shall not be in breach so long as the Borrower is diligently undertaking to cure such breach and such breach is cured within ninety (90) days; provided, however, that if a different period or notice requirement is specified under any other section of this Article 5, the specific provisions shall control.

(d) Default Under Other Loans. Failure by the Borrower to make any payment or perform any of the Borrower's covenants, agreements, or obligations under the documents evidencing and securing the Approved Financing following expiration of all applicable notice and cure periods. Notwithstanding the foregoing, the Authority shall not declare a breach or default under the Loan Documents, Ground Lease, or other documents between the Authority and Borrower or its affiliates to the extent such breach or default occurs by reason of any failure by HUD to provide funds designated for the Project, and such failure was not caused by an act or omission of the Borrower.

(e) Insolvency. A court having jurisdiction shall have made or entered any decree or order; (i) adjudging the Borrower or the Administrative General Partner to be bankrupt or insolvent; (ii) approving as properly filed a petition seeking reorganization of the Borrower or the Administrative General Partner or seeking any arrangement for the Borrower or the Administrative General Partner under the bankruptcy law or any other applicable debtor's relief
law or statute of the United States or any state or other jurisdiction; (iii) appointing a receiver, trustee, liquidator, or assignee of the Borrower or the Administrative General Partner in bankruptcy or insolvency or for any of their properties; (iv) directing the winding up or liquidation of the Borrower or the Administrative General Partner, if any such decree or order described in clauses (i) to (iv), inclusive, shall have continued unstayed or undischarged for a period of ninety (90) days; or (v) the Borrower or the Administrative General Partner shall have admitted in writing its inability to pay its debts as they fall due or shall have voluntarily submitted to or filed a petition seeking any decree or order of the nature described in clauses (i) to (iv), inclusive. The occurrence of any of the events of Default in this paragraph shall act to accelerate automatically, without the need for any action by the Authority, the indebtedness evidenced by the Note.

(f) Assignment; Attachment. The Borrower or the Administrative General Partner shall have assigned its assets for the benefit of its creditors or suffered a sequestration or attachment of or execution on any substantial part of its property, unless the property so assigned, sequestered, attached, or executed upon shall have been returned or released within ninety (90) days after such event or, if sooner, prior to sale pursuant to such sequestration, attachment, or execution. The occurrence of any of the events of default in this paragraph shall act to accelerate automatically, without the need for any action by the Authority, the indebtedness evidenced by the Note.

(g) Suspension; Termination. The Borrower or the Administrative General Partner shall have voluntarily suspended its business or, if the Borrower is a partnership, the partnership shall have been dissolved or terminated, other than a technical termination of the partnership for tax purposes.

(h) Liens on Borrower’s Leasehold Estate and Improvements. There shall be filed any claim of lien (other than liens approved in writing by the Authority) against the Borrower’s Leasehold Estate and Improvements or any part thereof, or any interest or right made appurtenant thereto, or the service of any notice to withhold proceeds of the Loan and the continued maintenance of said claim of lien or notice to withhold for a period of thirty (30) days without discharge or satisfaction thereof or provision therefor (including, without limitation, the posting of bonds) satisfactory to the Authority.

(i) Reserved.

(j) Unauthorized Transfer. Any Transfer other than as permitted by Section 4.13.

(k) Representation or Warranty Incorrect. Any Borrower representation or warranty contained in this Agreement, or in any application, financial statement, certificate, or report submitted to the Authority in connection with any of the Loan Documents, proving to have been knowingly incorrect in any material respect when made. After completion of the Improvements, Default may be declared under this subsection only if the failure of representation or warranty also has a material adverse effect on the operation of the Project.
Section 5.2  Notice to Investor. The Authority shall give to the Investor at the address set forth in Section 7.9 hereof a duplicate copy of all notices of default or other notices that the Authority may give to or serve in writing upon the Borrower pursuant to the terms of this Agreement. The address of the Investor set forth in Section 7.9 may be changed upon written notice delivered to the Authority in the manner specified in Section 7.9 herein below. No notice of default given to the Borrower shall be effective until the Investor receives such notice.

Section 5.3  Right of Investor to Cure. Notwithstanding any default by the Borrower under this Agreement, the Authority shall have no right to terminate this Agreement or exercise any remedies hereunder or under applicable law or take any other enforcement action hereunder unless the Authority shall have first given the Investor written notice of such default and the Investor shall have failed to remedy such default or remove the General Partner within the applicable cure period, as set forth in greater detail in the Investor Rider attached hereto as Exhibit I.

Section 5.4  Remedies. The occurrence of any Default hereunder following the expiration of all applicable notice and cure periods will, either at the option of the Authority or automatically where so specified, relieve the Authority of any obligation to make or continue the Loan and shall give the Authority the right to proceed with any and all remedies set forth in this Agreement and the Loan Documents, including but not limited to the following:

(a)  Acceleration of Note. The Authority shall have the right to cause all indebtedness of the Borrower to the Authority under this Agreement and the Note, together with any accrued interest thereon, to become immediately due and payable. The Borrower waives all right to presentment, demand, protest or notice of protest, or dishonor. The Authority may proceed to enforce payment of the indebtedness and to exercise any or all rights afforded to the Authority as a creditor and secured party under the law including the Uniform Commercial Code, including foreclosure under the Deed of Trust. The Borrower shall be liable to pay the Authority on demand all reasonable expenses, costs, and fees (including, without limitation, reasonable attorney's fees and expenses) paid or incurred by the Authority in connection with the collection of the Loan and the preservation, maintenance, protection, sale, or other disposition of the security given for the Loan.

(b)  Specific Performance. The Authority shall have the right to mandamus or other suit, action or proceeding at law or in equity to require the Borrower to perform its obligations and covenants under the Loan Documents or to enjoin acts which may be unlawful or in violation of the provisions of the Loan Documents.

(c)  Right to Cure at Borrower's Expense. The Authority shall have the right (but not the obligation) to cure any monetary default by the Borrower under a loan other than the Loan. The Borrower agrees to reimburse the Authority for any funds advanced by the Authority to cure a monetary default by the Borrower upon demand therefor, together with interest thereon at the lesser of the maximum rate permitted by law or ten percent (10%) per annum from the date of expenditure until the date of reimbursement.
Section 5.5 Right of Contest. The Borrower shall have the right to contest in good faith to any claim, demand, levy, or assessment, the assertion of which would constitute a Default hereunder. Any such contest shall be prosecuted diligently and in a manner unprejudicial to the Authority or the rights of the Authority hereunder.

Section 5.6 Remedies Cumulative. No right, power, or remedy given to the Authority by the terms of this Agreement or the Loan Documents is intended to be exclusive of any other right, power, or remedy; and each and every such right, power, or remedy shall be cumulative and in addition to every other right, power, or remedy given to the Authority by the terms of any such instrument, or by any statute or otherwise against the Borrower and any other person. Neither the failure nor any delay on the part of the Authority to exercise any such rights and remedies shall operate as a waiver thereof, nor shall any single or partial exercise by the Authority of any such right or remedy preclude any other or further exercise of such right or remedy, or any other right or remedy.

ARTICLE 6 REPRESENTATIONS AND WARRANTIES OF BORROWER

Section 6.1 Borrower's Warranty of Good Standing and Authority. The Borrower hereby represents and warrants to the Authority as follows:

(a) Organization. The Borrower is duly organized and validly existing and is (or shall be prior to the commencement of activities under this Agreement) in good standing under the laws of the State of California and has the power and authority to own its property and carry on its business as now being conducted. Borrower shall provide an opinion to this effect from its counsel at the time of execution of this Agreement.

(b) Authority of Borrower. The Borrower has full power and authority to execute and deliver this Agreement and to make and accept the borrowings contemplated hereunder, to execute and deliver the Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement, and to perform and observe the terms and provisions of all of the above.

(c) Authority of Persons Executing Documents. This Agreement and the Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement have been or will be executed and delivered by persons who are duly authorized to execute and deliver the same for and on behalf of the Borrower, and all actions required under the Borrower's organizational documents and applicable governing law for the authorization, execution, delivery, and performance of this Agreement and the Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement, have been duly taken (to the extent such actions are required as of the date of execution and delivery of the above-named documents).

(d) Valid and Binding Agreements. This Agreement and the Loan Documents and all other documents or instruments which have been executed and delivered pursuant to or in connection with this Agreement constitute or, if not yet executed or delivered, will, when so executed and delivered, constitute, legal, valid, and binding obligations of the Borrower
enforceable against it in accordance with their respective terms, subject to the laws affecting creditors' rights and principles of equity.

(e) **No Breach of Law or Agreement.** Neither the execution nor delivery of this Agreement and the Loan Documents or of any other documents or instruments executed and delivered, or to be executed or delivered, pursuant to this Agreement, nor the performance of any provision, condition, covenant or other term hereof or thereof, will conflict with or result in a breach of any statute, rule, or regulation, or any judgment, decree, or order of any court, board, commission, or agency whatsoever binding on Borrower, or any provision of the organizational documents of the Borrower, or will conflict with or constitute a breach of or a default under any agreement to which the Borrower is a party, or will result in the creation or imposition of any lien upon any assets or property of the Borrower, other than liens established pursuant to the Loan Documents.

(f) **Pending Proceedings.** Except as disclosed in writing to the Authority prior to execution of this Agreement, to the knowledge of the Borrower, the Borrower is not in default under any law or regulation or under any order of any court, board, commission, or agency whatsoever, and, to the best of its knowledge, there are no claims, actions, suits or proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower or the Project, at law or in equity, before or by any court, board, commission, or agency whatsoever.

(g) **No Debarment.** Neither the Borrower nor the Administrative General Partner has been debarred or suspended pursuant to 2 C.F.R. Part 2424.

(h) **Financial Statements.** The financial statements of the Borrower and other financial data and information furnished by the Borrower to the Authority fairly present the information contained therein. As of the date of this Agreement, there has not been any adverse, material change in the financial condition of the Borrower from that shown by such financial statements and other data and information.

**ARTICLE 7 GENERAL PROVISIONS**

Section 7.1 **Relationship of Parties.** Nothing contained in this Agreement shall be interpreted or understood by any of the Parties, or by any third persons, as creating the relationship of employer and employee, principal and agent, limited or general partnership, or joint venture between the Authority and the Borrower or its agents, employees, or contractors, and the Borrower shall at all times be deemed an independent contractor and shall be wholly responsible for the manner in which it or its agents, or both, perform the services required of it by the terms of this Agreement. The Borrower has and retains the right to exercise full control of employment, direction, compensation, and discharge of all persons assisting in the performance of services under this Agreement. In regards to the acquisition of the Property, construction of the Improvements, and operation of the Project, the Borrower shall be solely responsible for all matters relating to payment of its employees, including compliance with Social Security, withholding, and all other laws and regulations governing such matters, and shall include requirements in each contract that contractors shall be solely responsible for similar matters.
relating to their employees. The Borrower shall be solely responsible for its own acts and those of its agents and employees.

Section 7.2 No Claims. Nothing contained in this Agreement shall create or justify any claim against the Authority by any person that the Borrower may have employed or with whom the Borrower may have contracted relative to the purchase of materials, supplies, or equipment, or the furnishing or the performance of any work or services with respect to the acquisition of the Property, the construction of the Improvements, or the operation of the Project, and the Borrower shall include similar requirements in any contracts entered into for the acquisition of the Property, the construction of the Improvements, or the operation of the Project.

Section 7.3 Amendments. No alteration or variation of the terms of this Agreement shall be valid unless made in writing by the Parties.

Section 7.4 Indemnification. Notwithstanding any other provision of this Agreement to the contrary, Borrower shall defend, indemnify and hold harmless the Authority and its commissioners, its officer(s), employee(s), agent(s), contractor(s), and director(s) (including directors or employees of any Authority instrumentalities or affiliates) from all claims, actions, demands, costs, expenses and attorneys' fees arising out of, attributable to or otherwise occasioned, in whole or in part, by an act or omission of the Borrower, its agent(s), contractor(s), servant(s), or employee(s) which constitutes a breach of the Borrower's obligations under this Agreement. If any third-party performing work for the Borrower on the Project shall assert any claim against the Authority on account of any damage alleged to have been caused by reason of the negligent acts or intentional misconduct of the Borrower, its agent(s), servant(s), employee(s) or contractor(s) (including, without limitation, its general contractor), the Borrower shall defend at its own expense any suit based upon such claim; and if any judgment or claim against the Authority based on such claim shall be allowed, the Borrower shall pay or satisfy such judgment or claim and pay all reasonable costs and expenses in connection therewith including attorneys’ fees. The obligations, indemnities, and liabilities of the Borrower under this Section 7.4 shall not extend to any liability caused by the negligence or misconduct of HUD, the Authority, or their employee(s), contractor(s) or agent(s). The Borrower’s liability shall not be limited by any provisions or limits of insurance set forth in this Lease. The provisions of this Section 7.4 shall survive the expiration of the Term and the reconveyance of the Deed of Trust.

Section 7.5 Non-Liability of Authority Officials, Employees and Agents. No member, official, employee or agent of the Authority shall be personally liable to the Borrower in the event of any default or breach by the Authority or for any amount which may become due to the Borrower or its successor or on any obligation under the terms of this Agreement.

Section 7.6 No Third Party Beneficiaries. There shall be no third party beneficiaries to this Agreement, except that the Investor shall be a third party beneficiary with respect to notice and cure rights granted to the Investor in this Agreement.

Section 7.7 Discretion Retained By Authority. The Authority's execution of this Agreement in no way limits the discretion of the Authority in the review and approval process in connection with development of the Project.
Section 7.8  Conflict of Interest.

(a) Except for approved eligible administrative or personnel costs, no person described in Section 7.8(b) below who exercises or has exercised any functions or responsibilities with respect to the activities funded pursuant to this Agreement or who is in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a personal or financial interest or benefit from the activity, or have an interest in any contract, subcontract, or agreement with respect thereto, or the proceeds thereunder, either for themselves or those with whom they have family or business ties, during, or at any time after, such person's tenure. The Borrower shall exercise due diligence to ensure that the prohibition in this Section 7.8(a) is followed.

(b) The conflict of interest provisions of Section 7.8(a) above apply to any person who is an employee, agent, consultant, officer, or any immediate family member of such person, or any appointed official of the Authority, or any person related within the third (3rd) degree of such person.

Section 7.9  Notices, Demands and Communications. Formal notices, demands, and communications between the Parties shall be sufficiently given if and shall not be deemed given unless dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered by express delivery service, return receipt requested, or delivered personally, to the principal office of the Parties as follows:

Authority:  Housing Authority of the City of Los Angeles
2600 Wilshire Blvd., Third Floor
Los Angeles, CA 90057
Attn: President and CEO

With a copy to:  Housing Authority of the City of Los Angeles
2600 Wilshire Blvd., Third Floor
Los Angeles, CA 90057
Attn: Director of Legal Affairs

With a copy to:  Reno & Cavanaugh PLLC
455 Massachusetts Ave NW, Suite 400
Washington, DC 20001
Attn: Megan Glasheen

Borrower:  Jordan Downs Phase S3, LP
2 Cooper Street
Camden, NJ 08102
Attn: John J. O’Donnell

with copy to:  Levine, Staller, Sklar, Chan & Brown, P.A.
3030 Atlantic Avenue
Atlantic City, NJ 08401
Attn: Arthur M. Brown

With a copy to: Investor in accordance with Exhibit I.

Such written notices, demands, and communications may be sent in the same manner to such other addresses as the affected Party may from time to time designate by mail as provided in this Section. Receipt shall be deemed to have occurred on the date shown on a written receipt as the date of delivery or refusal of delivery (or attempted delivery if undeliverable). Copies of notice(s), sent to the Borrower shall also be sent to any limited partner of the Borrower who requests such notice in writing and provides its address.

Section 7.10 Applicable Law. This Agreement shall be governed by the laws of the state of California.

Section 7.11 Parties Bound. Except as otherwise limited herein, the provisions of this Agreement shall be binding upon and inure to the benefit of the Parties and their heirs, executors, administrators, legal representatives, successors, and assigns. This Agreement is intended to run with the land and shall bind the Borrower and its successors and assigns in the Property and the Improvements for the entire Term, and the benefit hereof shall inure to the benefit of the Authority and its successors and assigns.

Section 7.12 Reserved.

Section 7.13 Severability. If any term of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the provisions shall continue in full force and effect unless the rights and obligations of the Parties have been materially altered or abridged by such invalidation, voiding, or unenforceability.

Section 7.14 Force Majeure. In addition to specific provisions of this Agreement, performance by either Party shall not be deemed to be in default where delays or defaults are due to: war; insurrection; strikes; lock-outs; riots; floods; earthquakes; fires; quarantine restrictions; freight embargoes; lack of transportation; or court order; actions or inactions of HUD; or any other similar causes (other than lack of funds of the Borrower or the Borrower's inability to finance the construction of the Project) beyond the control or without the fault of the Party claiming an extension of time to perform. An extension of time for any cause will be deemed granted if notice by the Party claiming such extension is sent to the other within fifteen (15) days from the commencement of the cause and such extension of time is not rejected in writing by the other Party within fifteen (15) days of receipt of the notice. In no event shall the Authority be required to agree to cumulative delays in excess of one year.

Section 7.15 Authority Approval. This Loan has been approved by the Authority Board of Commissioners (“Authority Board”) pursuant to Resolution No. ____. Whenever this Agreement calls for Authority approval, consent, or waiver, the written approval, consent, or waiver of the Authority President and Chief Executive Officer shall constitute the approval, consent, or waiver of the Authority, without further authorization required from the Authority.
Board. The Authority hereby authorizes the Authority President and Chief Executive Officer to deliver such approvals or consents as are required by this Agreement, or to waive requirements under this Agreement, on behalf of the Authority. Any consents or approvals required under this Agreement shall not be unreasonably withheld or made, except where it is specifically provided that a sole discretion standard applies. The Authority President and Chief Executive Officer is also hereby authorized to approve, on behalf of the Authority, requests by the Borrower for reasonable extensions of time deadlines set forth in this Agreement. The Authority shall not unreasonably delay in reviewing and approving or disapproving any proposal by the Borrower made in connection with this Agreement.

Section 7.16 Waivers. Any waiver by the Authority of any obligation or condition in this Agreement must be in writing. No waiver will be implied from any delay or failure by the Authority to take action on any breach or default of the Borrower or to pursue any remedy allowed under this Agreement or applicable law. Any extension of time granted to the Borrower to perform any obligation under this Agreement shall not operate as a waiver or release from any of its obligations under this Agreement. Consent by the Authority to any act or omission by the Borrower shall not be construed to consent to any other or subsequent act or omission or to waive the requirement for the Authority's written consent to future waivers.

Section 7.17 Title of Parts and Sections. Any titles of the sections or subsections of this Agreement are inserted for convenience of reference only and shall be disregarded in interpreting any part of this Agreement's provisions.

Section 7.18 Entire Understanding of the Parties. This Agreement constitutes the entire understanding and agreement of the Parties with respect to the Loan.

Section 7.19 Multiple Originals; Counterpart. This Agreement may be executed in multiple originals, each of which is deemed to be an original, and may be signed in counterparts.

Section 7.20 Exhibits. Exhibits A-1, A-2, B, C-1, C-2, D-1, D-2, E-1, E-2, F, G, H, and I are incorporated into and hereby made a part of this Agreement.

[signature page follows]
WHEREAS, this Agreement has been entered into by the undersigned as of the date first above written.

AUTHORITY:

HOUSING AUTHORITY OF
CITY OF LOS ANGELES
a public body, corporate and politic

By: _________________________________
Name: Douglas Guthrie
Title: President and Chief Executive Officer
BORROWER:

JORDAN DOWNS PHASE S3, L.P.,
a California limited partnership

By: Jordan S3-Michaels LLC,
a California limited liability company
    its administrative general partner

By: _______________________________
    Milton R. Pratt, Jr.
    Vice President

By: La Cienega LOMOD, Inc.,
a California nonprofit public benefit corporation,
    its managing general partner

By: _______________________________
    Tina Smith-Booth
    President
EXHIBIT A-1

Legal Description of the Property

THOSE PORTIONS OF LOTS 4 AND 5, IN THE CITY OF LOS ANGELES, COUNTY OF
LOS ANGELES, STATE OF CALIFORNIA, AS SHOWN ON THE MAP OF TRACT NO.
16154, AS PER MAP RECORDED IN BOOK 540, PAGES 48 TO 50, INCLUSIVE OF MAPS,
IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS
FOLLOWS:

COMMENCING AT THE CENTERLINE INTERSECTION OF ONE HUNDRED FIRST
STREET, 30.00 WIDE, AND GRAPE STREET, 30.00 FEET WIDE, AS SHOWN ON SAID
TRACT NO. 16154; THENCE ALONG SAID CENTERLINE OF ONE HUNDRED FIRST
STREET SOUTH 89°33'07" EAST 403.04 FEET; THENCE NORTH 00°26'53" EAST 30.00
FEET TO A POINT ON THE NORTH LINE OF SAID ONE HUNDRED FIRST STREET,
SAID POINT ALSO BEING THE TRUE POINT OF BEGINNING; THENCE CONTINUING
NORTH 00°26'53" EAST 221.99 FEET; THENCE SOUTH 89°33'07" EAST 238.26 FEET;
THENCE SOUTH 08°31'20" WEST 211.19 FEET TO THE BEGINNING OF A CURVE
CONCAVE NORTHWESTERLY, HAVING A RADIUS OF 15.00 FEET; THENCE
SOUTHWESTERLY ALONG SAID CURVE 21.45 FEET, THROUGH A CENTRAL ANGLE
OF 81°55'33" TO SAID NORTH LINE OF ONE HUNDRED FIRST TO SAID NORTH LINE
OF ONE HUNDRED FIRST STREET; THENCE ALONG SAID NORTH LINE NORTH
89°33'07" WEST 193.74 FEET TO THE TRUE POINT OF BEGINNING.

APN: 6046-019-926, 6046-021-908, AND 6046-021-917
EXHIBIT A-2

Unit Designation by Type

<table>
<thead>
<tr>
<th>Type</th>
<th>Phase S3</th>
<th>RAD</th>
<th>PBV</th>
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<tbody>
<tr>
<td>One Bedroom</td>
<td>22</td>
<td>1</td>
<td>19</td>
</tr>
<tr>
<td>Two Bedroom</td>
<td>41</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>Three Bedroom</td>
<td>24</td>
<td>11</td>
<td>12</td>
</tr>
<tr>
<td>Four Bedroom</td>
<td>5</td>
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<td>2</td>
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<tr>
<td>Total</td>
<td>92</td>
<td>25</td>
<td>48</td>
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</table>
### Total Development Costs

<table>
<thead>
<tr>
<th>Acquisition Costs</th>
<th>Federal LHTC Basis</th>
<th>Ancillary Credit Basis</th>
<th>Commerical Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>3,400,000</td>
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### Construction Costs

<table>
<thead>
<tr>
<th></th>
<th>Acquisition</th>
<th>New/Rehab</th>
<th>Non - Eligible</th>
<th>Constr/Rehab</th>
<th>State LHTC:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction New (On-Site)</td>
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<td>31,186</td>
<td>1,198,963</td>
<td>31,186,537</td>
<td>1,198,963</td>
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<td>Construction (Off-Site)</td>
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<td>31,468</td>
<td>818,532</td>
<td>31,468</td>
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<td>Sitework</td>
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<td>96,256</td>
<td>2,503,744</td>
<td>96,256</td>
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<td>GC - General Requirements</td>
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<td>2,070,529</td>
<td>79,601</td>
<td>2,070,529</td>
<td>79,601</td>
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<tr>
<td>GC - Overhead</td>
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<td>731,587</td>
<td>28,126</td>
<td>731,587</td>
<td>28,126</td>
</tr>
<tr>
<td>GC - Profit</td>
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<td>1,492,437</td>
<td>57,377</td>
<td>1,492,437</td>
<td>57,377</td>
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<td>Letter of Credit/REB Bond</td>
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<td>13,267</td>
<td>345,088</td>
<td>13,267</td>
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<td>Constr. Contingency</td>
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<td>13,267</td>
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<td>43,062,460</td>
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<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Site Work (Not in GC Contract)

|                      | Acquisition | New/Rehab | Non - Eligible | Constr/Rehab | State LHTC: |
| Solar PV              | -          | 322,598   | 12,402        | 322,598       | 12,402      |
| Subtotal              | 335,000    |          |               |              |             |

### Personal Property

|                      | Acquisition | New/Rehab | Non - Eligible | Constr/Rehab | State LHTC: |
| FF&E                 | -          | 192,596   | 7,404         | 192,596       | 7,404       |
| Subtotal              | 200,000    |          |               |              |             |

### Soft Costs

|                      | Acquisition | New/Rehab | Non - Eligible | Constr/Rehab | State LHTC: |
| Accounting           | -          | 15,000    | -             | 15,000       | -           |
| Appraisal            | -          | 15,000    | -             | 15,000       | -           |
| Architectural Design | -          | 650,010   | 24,990        | 650,010       | 24,990      |
| Architectural Supervision | -      | 168,521   | 6,479         | 168,521       | 6,479       |
| Construction Monitoring | -       | 31,200    | 1,200         | 31,200        | 1,200       |
| Construction Period Taxes | -       | 14,445    | 555           | 14,445        | 555         |
| Cost Certification   | -          | -         | 15,000        | -             | 15,000      |
| Civil Engineering    | -          | 288,894   | 11,106        | 288,894       | 11,106      |
| Impact Fees & Zoning | -          | 664,455   | 25,545        | 664,455       | 25,545      |
| Insurance            | -          | 317,714   | 12,214        | 317,714       | 12,214      |
| Legal - Taxable Constr/Bridge Loan | - | 32,500    | 17,500        | 32,500        | 1,851       |
| Legal - Permanent Loan | -         | -         | 50,000        | -             | -           |
| Legal - Developer     | -          | 65,000    | 35,000        | 65,000        | 3,702       |
| Legal - Other         | -          | -         | 75,000        | -             | -           |
| Market Study & RCS    | -          | 19,260    | 740           | 19,260        | 740         |
| Marketing ( Rent Up)  | -          | -         | 156,975       | -             | -           |
| Monitoring Fees (LHTC) | -         | -         | 37,720        | -             | -           |
| Organizational Fees   | -          | -         | 15,000        | -             | 555         |
| Permits               | -          | 664,455   | 25,545        | 664,455       | 25,545      |
| Phase I Environmental | -          | 4,815     | 185           | 4,815         | 185         |
| Soft Cost Contingency | -          | -         | 246,333       | -             | -           |
| Soils Tests / Geotech | -          | 57,779    | 2,221         | 57,779        | 2,221       |
| Survey                | -          | 57,779    | 2,221         | 57,779        | 2,221       |
| Tax Credit Fees       | -          | 102,000   | -             | 102,000       | -           |
| Lease Up Fee          | -          | -         | 45,500        | -             | -           |
| Title & Recording     | -          | 72,223    | 2,777         | 72,223        | 2,777       |
| Working Cap/Stabilization Reserves | - | - | 235,395 | - | - |
| Design / Construction Fee | -     | 48,149    | 1,851         | 48,149        | 1,851       |
| Deputy Inspections    | -          | 144,447   | 5,553         | 144,447       | 5,553       |
| Master Planning Reimbursement | - | 250,000 | - | 250,000 | - |
| HACLA Coordination Fees & Reimbursement | - | - | 450,000 | - | - |
| LEED/HERS/CASp       | -          | 96,298    | 3,702         | 96,298        | 3,702       |
| Community Engagement/Local | - | - | 24,145 | - | - |
| Subtotal               | 5,310,396  |          |               |              |             |
### USES OF FUNDS

**Jordan Downs Phase S-3**

#### Total Development Costs

<table>
<thead>
<tr>
<th></th>
<th>Federal LIHTC Basis</th>
<th>Ancillary Credit Basis</th>
<th>Commerical Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Acquisition</td>
<td>New/Rehab</td>
<td>Non - Eligible</td>
</tr>
<tr>
<td><strong>Financing Costs</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Predevelopment Loan Interest</td>
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<td>-</td>
<td>14,445</td>
</tr>
<tr>
<td>Construction Interest Capitalized</td>
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<td>1,279,305</td>
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<tr>
<td>Construction Interest Expensed</td>
<td>712,838</td>
<td>-</td>
<td>712,838</td>
</tr>
<tr>
<td>Taxable Construction Loan Fees</td>
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<td>-</td>
<td>227,572</td>
</tr>
<tr>
<td>Taxable Bridge Loan Fees</td>
<td>131,679</td>
<td>-</td>
<td>131,679</td>
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<tr>
<td>Permanent Loan Fees</td>
<td>279,695</td>
<td>-</td>
<td>279,695</td>
</tr>
<tr>
<td>Syndication Costs</td>
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<td>-</td>
<td>50,000</td>
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<td><strong>Subtotal</strong></td>
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<td>-</td>
<td>2,704,838</td>
</tr>
<tr>
<td><strong>Developer Costs</strong></td>
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<tr>
<td>Developer Fee</td>
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<td>-</td>
<td>1,400,000</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>1,985,065</td>
<td>-</td>
<td>1,400,000</td>
</tr>
<tr>
<td><strong>Reserves (Long Term Only)</strong></td>
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<tr>
<td>Operating Reserve</td>
<td>764,936</td>
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<td>764,936</td>
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<tr>
<td>Escrow 1st yr RE Tax &amp; Insurance</td>
<td>73,600</td>
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<td>73,600</td>
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<tr>
<td>Section 8 Overhang Reserve</td>
<td>850,000</td>
<td>-</td>
<td>850,000</td>
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<tr>
<td><strong>Subtotal</strong></td>
<td>1,688,536</td>
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<td>1,688,536</td>
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<td><strong>Adjustments for Basis - See Supporting Schedules for details</strong></td>
<td></td>
<td></td>
<td>(3,417,571)</td>
</tr>
</tbody>
</table>
EXHIBIT C-1

Scope of Development for the Improvements

[attached]
Scope of Development – Phase S3

Jordan Downs Phase S3 Apartments will be the new construction of one (1) four to six story mixed use building comprising ninety two (92) apartments and ground floor commercial and community serving space. The project has an on-grade parking structure containing fifty five (55) parking spaces as well as fourteen (14) additional spaces configured as on-grade along a shared private driveway. The project is composed of 91 affordable apartments, plus one manager’s unit, two community rooms, and a central property management office. The unit mix is as follows: 22 one-bedroom apartments, 41 two-bedroom apartments, 24 three-bedroom apartments, and 5 four-bedroom apartments. The one-bedroom apartments range between 600 and 675 square feet, the two-bedroom apartments are around 880 square feet, the three-bedroom apartments range between 1,100 and 1,450 square feet, the four-bedroom apartments are approximately 1,650 square feet. All apartments have their own individual bathroom and kitchen, three-bedroom apartments and larger have two bathrooms. Each kitchen includes a sink, refrigerator, and a range/oven combination. Storage is provided, with upper and lower cabinetry. Each unit also includes a washing machine and dryer. The unit interiors are designed to provide privacy and maximize space.

In designing Jordan Downs Phase S3 Apartments, elements that take into account the livability, comfort and safety of the residents as well as the long-term management of the building were considered. Jordan Downs Phase S3 Apartments will promote pedestrian oriented design through the provision of apartment entrances directly on the street along 101st Street, thereby breaking up the size and perception of the apartment buildings more similar to the existing campus. Large operable windows and balconies provide two-sided natural day-lighting and ventilation. The project is designed to meet LEED Gold certification. The buildings and site plan were designed to re-define and re-develop the project area to provide an uplifting and safe environment for existing Jordan Downs households relocated as well as new residents to the neighborhood.

There is an east-west pedestrian path through the project which also connects to the future Phase S2 project and helps provide better connections to the adjacent neighborhood. The northern entry of the project shares a border with the future Freedom Tree Park and provides easy access for residents to use the adjacent open space. The project will respond to the unique needs of the existing households by providing replacement housing units to residents located within the footprint of the third phase of redevelopment projects. This allows for a ‘build first’ model where existing households are not permanently relocated offsite during the redevelopment process. A neighborhood park, Freedom Tree Park, creates a community gathering space adjacent to the development’s northern edge.

Security: Security is well integrated into the design of Jordan Downs Phase S3 Apartments. The project provides a secure environment for all residents through the use of both physical systems and through good design by minimizing areas with no visual access and providing adequate site lighting in all areas.
The entire site area has been designed with well-lit parking and open air visible interior walkways connecting the development’s units.

Each unit has its own individual entrance facing the center of the property along the breezeway walkways, providing more eyes on the street and greater stewardship of the building and area by residents.

Attention has been paid to the location and provision of site lighting to maximize illuminating walkways and grounds while minimizing light intrusion into units.

The main entry to the site and location of mail delivery is next to the property management office to increase awareness and oversight over that critical area.

Security cameras will be placed around the perimeter of the building, in stairwells, and along corridors. Video monitoring equipment will be in the Property Manager’s office.

Work items resulting from compliance with the design and construction requirements of the Fair Housing Act and implementing regulations at 24 CFR 100.205 and the accessibility requirements under section 504 of the Rehabilitation Act of 1973 and implementing regulations at 24 CFR 8.22 and 8.23:

Jordan Downs Phase S3 Apartments complies with Program accessibility requirements as stated under section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and implementing regulations at 24 CFR part 8. Jordan Downs Phase S3 Apartments is designed and constructed to be readily accessible to and usable by individuals with handicaps. Additionally, eleven (11) total apartments are accessible for persons with mobility impairments. These apartments are on an accessible route and are otherwise in compliance with the standards set forth in 24 CFR 8.32. An additional six (6) apartments are accessible for persons with hearing or vision impairments.

Jordan Downs Phase S3 Apartments complies with design and construction requirements as stated under the Fair Housing Amendments Act of 1988 and implementing regulations at 24 CFR 100.205. Jordan Downs Phase S3 Apartments is designed and constructed to have at least one building entrance on an accessible route. Further, the public and common use areas are readily accessible to and usable by handicapped persons and all the doors on the premises are sufficiently wide to allow passage by handicapped persons in wheelchairs. All apartments contain the following features of adaptable design:

(i) An accessible route into and through the unit;
(ii) Light switches, electrical outlets, thermostats and other environmental controls in accessible locations;
(iii) Reinforcements in bathroom walls to allow later installation of grab bars around the toilet, tub, shower, stall and shower seat, where such facilities are provided; and
(iv) Usable kitchens and bathrooms such that an individual in a wheelchair can maneuver about the space.

The City of Los Angeles Department of Building and Safety (LADBS) considers 24 CFR in its existing procedures for the review and approval of newly constructed buildings and determinations as to whether the design and construction of such buildings are consistent with the applicable CFR sections.
EXHIBIT C-2

B-Permit Improvements

[attached]
SCOPE OF DEVELOPMENT - B-PERMIT

Specific public improvements necessary for the occupancy and operation of the Phase S3 project. These off-site public improvements are a part of work required by BR-004478/BT-004478.

Street: Improvements:
Lou Dillon Avenue    Sidewalk, Landscaping, Curb & Gutter, Street Extension
101st Street        Sidewalk, Landscaping, Curb & Gutter

Refer to following site diagram for an indication of the work required for each street under the B-Permit.
101st Street - Sidewalk, Landscaping, & Curb along building frontage

Lou Dillon Ave -
   a. Sidewalk, Landscaping, & Curb along building frontage
   b. Lou Dillon Street Extension from terminus at Phase 1B to new connection with 101st
EXHIBIT D-1

Schedule of Performance for the Improvements

[attached]
EXHIBIT D-2

Schedule of Performance for the B-Permit Improvements

[attached]
EXHIBIT E-1

Draw Schedule

[attached]
## DRAW SCHEDULE - MAP

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Use This Map as a guide to help understand the detailed Draw Schedule that follows. Note that the line item descriptions on the left side of each page of the Draw Schedule appear on every page and that across the top of each page appears the months of the project.
## DRAW SCHEDULE

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Jordan Downs Ph 5-3_PreClose_KB DL JT_02.13.20.xlsx

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**TOTAL** | **3,400,000** | **$43,062,460** | **$4,065,354**
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<td><strong>Reserves (Long Term Only)</strong></td>
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### PERMANENT SOURCES

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<th>Source Description</th>
<th>04/20</th>
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<tr>
<td>Managing GP &amp; Administrative GP &amp; Special Limited</td>
<td>- $100</td>
<td>$100</td>
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<tr>
<td>Capital - L.P.</td>
<td>- $33,142,129</td>
<td>$4,971,319</td>
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<td>$1,198,765</td>
<td>$1,198,765</td>
<td>$1,198,765</td>
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### CONSTRUCTION SOURCES (will be paid off by Permanent Sources)

<table>
<thead>
<tr>
<th>Source Description</th>
<th>04/20</th>
<th>05/20</th>
<th>06/20</th>
<th>07/20</th>
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</thead>
<tbody>
<tr>
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<td>$3,400,000</td>
<td>$3,400,000</td>
<td>$3,400,000</td>
<td>$3,400,000</td>
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<td>$3,400,000</td>
<td>$3,400,000</td>
<td>$3,400,000</td>
</tr>
<tr>
<td>GAP Loan</td>
<td>$2,200,000</td>
<td>$1,509,635</td>
<td>$690,365</td>
<td>-</td>
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<td>-</td>
<td>-</td>
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<td>-</td>
</tr>
<tr>
<td>Taxable Construction/Bridge Loan</td>
<td>$36,800,000</td>
<td>$712,354</td>
<td>-</td>
<td>$1,314,302</td>
<td>$2,386,387</td>
<td>$2,186,114</td>
<td>$2,687,279</td>
<td>$3,036,848</td>
<td>$3,540,400</td>
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</table>

| Construction Sources SubTotal                    | $42,400,000 | $4,112,354 | $1,509,635 | $2,004,667 | $2,386,387 | $2,186,114 | $2,687,279 | $3,036,848 | $3,540,400 |

### TOTAL SOURCES (CONSTRUCTION + PERMANENT)

<table>
<thead>
<tr>
<th>Date</th>
<th>04/20</th>
<th>05/20</th>
<th>06/20</th>
<th>07/20</th>
<th>08/20</th>
<th>09/20</th>
<th>10/20</th>
<th>11/20</th>
<th>12/20</th>
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</thead>
<tbody>
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<td></td>
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<tr>
<td>Balance</td>
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<td>-</td>
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<tr>
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### Construction Sources Details

#### Taxable Construction/Bridge Loan

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<tr>
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<th>06/20</th>
<th>07/20</th>
<th>08/20</th>
<th>09/20</th>
<th>10/20</th>
<th>11/20</th>
<th>12/20</th>
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</thead>
<tbody>
<tr>
<td>Prior Month’s Balance</td>
<td>$36,800,000</td>
<td>-</td>
<td>712,354</td>
<td>712,354</td>
<td>2,026,656</td>
<td>4,413,043</td>
<td>6,599,157</td>
<td>9,286,436</td>
<td>12,323,284</td>
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<tr>
<td>Current Month’s Draw</td>
<td>712,354</td>
<td>-</td>
<td>1,314,302</td>
<td>2,386,387</td>
<td>2,186,114</td>
<td>2,687,279</td>
<td>3,036,848</td>
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<tr>
<td>Total Drawn To Date</td>
<td>712,354</td>
<td>712,354</td>
<td>2,026,656</td>
<td>4,413,043</td>
<td>6,599,157</td>
<td>9,286,436</td>
<td>12,323,284</td>
<td>15,863,684</td>
<td>19,090,049</td>
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<tr>
<td>Less Paydowns/Payoff/Perm Conversion</td>
<td>-</td>
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<td>-</td>
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<tr>
<td>Balance</td>
<td>712,354</td>
<td>712,354</td>
<td>2,026,656</td>
<td>4,413,043</td>
<td>6,599,157</td>
<td>9,286,436</td>
<td>12,323,284</td>
<td>15,863,684</td>
<td>19,090,049</td>
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#### Interest (3.37%) in Current Period

<table>
<thead>
<tr>
<th>Description</th>
<th>04/20</th>
<th>05/20</th>
<th>06/20</th>
<th>07/20</th>
<th>08/20</th>
<th>09/20</th>
<th>10/20</th>
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<tbody>
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<td>1,998</td>
<td>1,998</td>
<td>5,685</td>
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<td>18,512</td>
<td>26,050</td>
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## PERMANENT SOURCES

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<th>6/1/21</th>
<th>7/1/21</th>
<th>8/1/21</th>
<th>9/1/21</th>
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</thead>
<tbody>
<tr>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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</tr>
<tr>
<td>Capital - L.P.</td>
<td>33,142,129</td>
<td>-</td>
<td>-</td>
<td>4,971,319</td>
<td>-</td>
<td>-</td>
<td>1,657,106</td>
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<tr>
<td>GSE - Freddie Mac</td>
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<tr>
<td>Deferred Dev Fees</td>
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<tr>
<td>GAP Loan</td>
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<tr>
<td>Ground Lease Note</td>
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<td>16,833</td>
<td>16,833</td>
<td>16,833</td>
<td>16,833</td>
</tr>
<tr>
<td>Refund of Commitment Fee Deposit</td>
<td>117,300</td>
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<td>-</td>
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<tr>
<td>Surplus Funds</td>
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<td>$16,833</td>
<td>$16,833</td>
<td>$4,988,152</td>
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<td>$1,673,939</td>
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## CONSTRUCTION SOURCES (will be paid off by Permanent Sources)

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<th>9/1/21</th>
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<tbody>
<tr>
<td>Ground Lease Note</td>
<td>3,400,000</td>
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<td>-</td>
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</tr>
<tr>
<td>GAP Loan</td>
<td>2,200,000</td>
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<td>-</td>
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<td>-</td>
</tr>
<tr>
<td>Taxable Construction/Bridge Loan - $3,400,000</td>
<td>36,800,000</td>
<td>4,062,701</td>
<td>3,579,064</td>
<td>3,094,072</td>
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<td>-</td>
<td>1,594,499</td>
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<td>$3,094,072</td>
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<td>-</td>
<td>1,594,499</td>
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## TOTAL SOURCES (CONSTRUCTION + PERMANENT)

<table>
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<th>3/1/21</th>
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<th>7/1/21</th>
<th>8/1/21</th>
<th>9/1/21</th>
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<tbody>
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<td>4,079,534</td>
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<td>$1,673,939</td>
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## Construction Sources Details

### Taxable Construction/Bridge Loan

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<th>3/1/21</th>
<th>4/1/21</th>
<th>5/1/21</th>
<th>6/1/21</th>
<th>7/1/21</th>
<th>8/1/21</th>
<th>9/1/21</th>
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</thead>
<tbody>
<tr>
<td>Prior Month's Balance</td>
<td>36,800,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>19,909,049</td>
<td>23,971,750</td>
<td>27,550,814</td>
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<tr>
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<td>4,062,701</td>
<td>3,579,064</td>
<td>3,094,072</td>
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<td>1,594,499</td>
<td>-</td>
<td>-</td>
<td>164,845</td>
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<td>23,971,750</td>
<td>27,550,814</td>
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<td>30,644,886</td>
<td>30,644,886</td>
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<td>32,239,385</td>
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<td>32,404,230</td>
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<td><strong>Total</strong></td>
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<td>67,246</td>
<td>77,286</td>
<td>85,966</td>
<td>85,966</td>
<td>90,438</td>
<td>90,438</td>
<td>90,901</td>
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Interest (3.37%) in Current Period

---

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<th>3/1/21</th>
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<th>9/1/21</th>
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<tbody>
<tr>
<td>Interest (3.37%) in Current Period</td>
<td>1,595,377</td>
<td>55,849</td>
<td>67,246</td>
<td>77,286</td>
<td>85,966</td>
<td>85,966</td>
<td>90,438</td>
<td>90,438</td>
<td>90,901</td>
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## DRAW SCHEDULE

### PERMANENT SOURCES

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<th>Certificate of Occupancy - Only Bldg.</th>
<th>Begin Leaseup of Only Bldg.</th>
<th>100% QO</th>
<th>Permanent Loan Conversion Receipt of 8609s</th>
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<tbody>
<tr>
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<td>$100</td>
<td>$100</td>
<td>$100</td>
<td>$100</td>
</tr>
<tr>
<td>Capital - L.P.</td>
<td>$33,142,129</td>
<td>$33,142,129</td>
<td>$33,142,129</td>
<td>$33,142,129</td>
</tr>
<tr>
<td>GSE - Freddie Mac</td>
<td>$11,730,000</td>
<td>$11,730,000</td>
<td>$11,730,000</td>
<td>$11,730,000</td>
</tr>
<tr>
<td>Deferred Dev Fees</td>
<td>$200,000</td>
<td>$200,000</td>
<td>$200,000</td>
<td>$200,000</td>
</tr>
<tr>
<td>GAP Loan</td>
<td>$3,400,000</td>
<td>$3,400,000</td>
<td>$3,400,000</td>
<td></td>
</tr>
<tr>
<td>AHSC AHD Loan</td>
<td>$3,400,000</td>
<td>$3,400,000</td>
<td>$3,400,000</td>
<td>$3,400,000</td>
</tr>
<tr>
<td>Accrued Interest</td>
<td>$3,400,000</td>
<td>$3,400,000</td>
<td>$3,400,000</td>
<td>$3,400,000</td>
</tr>
<tr>
<td>Refund of Commitment Fee Deposit</td>
<td>$117,300</td>
<td>$117,300</td>
<td>$117,300</td>
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<tr>
<td>Surplus Funds</td>
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<td>$2,572,876</td>
<td>$2,460,972</td>
</tr>
</tbody>
</table>

### CONSTRUCTION SOURCES (will be paid off by Permanent Sources)

| Ground Lease Note | $3,400,000 | $3,400,000 | $3,400,000 | $3,400,000 | $3,400,000 | $3,400,000 | $3,400,000 | $3,400,000 | $3,400,000 | $3,400,000 | $3,400,000 | $3,400,000 |
| GAP Loan | $2,200,000 | $2,200,000 | $2,200,000 | $2,200,000 | $2,200,000 | $2,200,000 | $2,200,000 | $2,200,000 | $2,200,000 | $2,200,000 | $2,200,000 | $2,200,000 |
| Taxable Construction/Bridge Loan | $36,800,000 | $36,800,000 | $36,800,000 | $36,800,000 | $36,800,000 | $36,800,000 | $36,800,000 | $36,800,000 | $36,800,000 | $36,800,000 | $36,800,000 | $36,800,000 | $36,800,000 |
| Construction Sources SubTotal | $42,804,000 | $42,804,000 | $42,804,000 | $42,804,000 | $42,804,000 | $42,804,000 | $42,804,000 | $42,804,000 | $42,804,000 | $42,804,000 | $42,804,000 | $42,804,000 | $42,804,000 |

### TOTAL SOURCES (CONSTRUCTION + PERMANENT)

| Balance | $101,086,295 | $3,381,046 | $2,572,876 | $2,460,972 | $2,349,068 | $2,158,699 | $1,977,430 | $44,664,719 | $397,014 |
| Surplus Funds | $102,804,000 | $102,804,000 | $102,804,000 | $102,804,000 | $102,804,000 | $102,804,000 | $102,804,000 | $102,804,000 | $102,804,000 | $102,804,000 | $102,804,000 | $102,804,000 | $102,804,000 |

### Construction Sources Details

#### Taxable Construction/Bridge Loan

- Prior Month’s Balance: $36,800,000
- Current Month’s Draw:
- Total Drawn To Date: $36,800,000
- Less Paydowns/Payoff/Perm Conversion: $36,800,000
- Balance: $36,800,000

#### Interest (3.37%) in Current Period

- Total: 1,595,377
- 102,804
- 102,804
- 102,804
- 102,804
- 102,804
- 102,804
- 102,804
- 102,804
- 102,804
- 102,804

---

Jordan Downs Ph 5-3_PrepClose_KB DL JT_02.13.20.xls

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## DRAW SCHEDULE

![Table](image)

### GAP Loan

<table>
<thead>
<tr>
<th>Date</th>
<th>Remainder To Allocate</th>
<th>DEVELOPER CLOSING</th>
</tr>
</thead>
<tbody>
<tr>
<td>4/1/20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5/1/20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6/1/20</td>
<td>1,509,635</td>
<td>690,365</td>
</tr>
<tr>
<td>7/1/20</td>
<td>2,200,000</td>
<td>2,200,000</td>
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<tr>
<td>8/1/20</td>
<td>2,200,000</td>
<td>2,200,000</td>
</tr>
<tr>
<td>9/1/20</td>
<td>2,200,000</td>
<td>2,200,000</td>
</tr>
<tr>
<td>10/1/20</td>
<td>2,200,000</td>
<td>2,200,000</td>
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<tr>
<td>11/1/20</td>
<td>2,200,000</td>
<td>2,200,000</td>
</tr>
<tr>
<td>12/1/20</td>
<td>2,200,000</td>
<td>2,200,000</td>
</tr>
</tbody>
</table>

- **Prior Month’s Balance**: 1,509,635
- **Current Month’s Draw**: $2,200,000
- **Total Drawn To Date**: 1,509,635
- **Less Paydowns/Payoff/Perm Conversion**: -
- **Balance**: 1,509,635

**Accrued Interest (3.00%) in Current Period**: 124,774

### Ground Lease Note

<table>
<thead>
<tr>
<th>Date</th>
<th>Remainder To Allocate</th>
<th>DEVELOPER CLOSING</th>
</tr>
</thead>
<tbody>
<tr>
<td>4/1/20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5/1/20</td>
<td></td>
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<tr>
<td>6/1/20</td>
<td>3,400,000</td>
<td>3,400,000</td>
</tr>
<tr>
<td>7/1/20</td>
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<td>10/1/20</td>
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<tr>
<td>12/1/20</td>
<td>3,400,000</td>
<td>3,400,000</td>
</tr>
</tbody>
</table>

- **Prior Month’s Balance**: -
- **Current Month’s Draw**: $3,400,000
- **Total Drawn To Date**: 3,400,000
- **Less Paydowns/Payoff/Perm Conversion**: -
- **Balance**: 3,400,000

**Accrued Interest (4.00%) in Current Period**: 271,992

### Year (Interest Deduction)

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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Interest</strong></td>
<td>-</td>
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<td>17,105</td>
<td>22,518</td>
<td>29,213</td>
<td>35,345</td>
<td>42,883</td>
<td>51,402</td>
<td>61,334</td>
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### PIS Schedule Per Unit Delivery tab; % to be Expensed prior to Completion

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<th>0%</th>
<th>0%</th>
<th>0%</th>
<th>0%</th>
<th>0%</th>
<th>0%</th>
<th>0%</th>
</tr>
</thead>
<tbody>
<tr>
<td>-</td>
<td>-</td>
<td>13,331</td>
<td>17,105</td>
<td>22,518</td>
<td>29,213</td>
<td>35,345</td>
<td>42,883</td>
<td>51,402</td>
<td>61,334</td>
</tr>
</tbody>
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**Printed: 2/13/2020 at 10:24 PM - Page 10 of 12**
<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Interest</strong></td>
<td>72,682</td>
<td>84,079</td>
<td>94,119</td>
<td>102,799</td>
<td>102,799</td>
<td>107,271</td>
<td>107,271</td>
<td>107,734</td>
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<tr>
<td><strong>PIS Schedule Per Unit Delivery tab; % to be Expensed prior to Completion</strong></td>
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<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>20%</td>
</tr>
<tr>
<td><strong>Capitalized</strong></td>
<td>72,682</td>
<td>84,079</td>
<td>94,119</td>
<td>102,799</td>
<td>102,799</td>
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<td>-</td>
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<td>-</td>
<td>-</td>
<td>21,310</td>
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### GAP Loan

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<th>Total Drawn To Date</th>
<th>Less Paydowns/Payoff/Perm Conversion</th>
<th>Balance</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>2,200,000</td>
<td>$ 2,200,000</td>
<td>2,200,000</td>
<td>2,200,000</td>
<td>2,200,000</td>
<td>2,200,000</td>
</tr>
</tbody>
</table>

Accrued Interest (3.00%) in Current Period: $124,774

### Ground Lease Note

<table>
<thead>
<tr>
<th>Prior Month's Balance</th>
<th>Current Month's Draw</th>
<th>Total Drawn To Date</th>
<th>Less Paydowns/Payoff/Perm Conversion</th>
<th>Balance</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,400,000</td>
<td>$ 3,400,000</td>
<td>3,400,000</td>
<td>3,400,000</td>
<td>3,400,000</td>
<td>3,400,000</td>
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</table>

Accrued Interest (4.00%) in Current Period: $271,992

### Year (Interest Deduction)

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<th>2021</th>
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<th>2022</th>
<th>2022</th>
<th>2022</th>
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<td>119,637</td>
<td>119,637</td>
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### PIS Schedule Per Unit Delivery tab; % to be Expensed prior to Completion

<table>
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<th>Expensed</th>
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<tr>
<td>72,308</td>
<td>47,329</td>
</tr>
<tr>
<td>48,644</td>
<td>70,993</td>
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<tr>
<td>24,979</td>
<td>94,658</td>
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<td>-</td>
<td>119,637</td>
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<tr>
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<tr>
<td>-</td>
<td>119,637</td>
</tr>
<tr>
<td>-</td>
<td>119,637</td>
</tr>
</tbody>
</table>
### Project Paid Costs

<table>
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<tr>
<th>Description</th>
<th>Amount</th>
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</thead>
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<tr>
<td>Acquisition</td>
<td>3,400,000</td>
</tr>
<tr>
<td>Construction</td>
<td>680,875</td>
</tr>
<tr>
<td>Site Work by Developer [not incl. in Construction]</td>
<td>248,148</td>
</tr>
<tr>
<td>Personal Property</td>
<td>3,769,883</td>
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<tr>
<td>Soft Costs</td>
<td>248,148</td>
</tr>
<tr>
<td>Financing Fees</td>
<td>671,695</td>
</tr>
<tr>
<td>Predevelopment Loan Interest</td>
<td>524,011</td>
</tr>
<tr>
<td>Construction Loans Interest</td>
<td>524,011</td>
</tr>
<tr>
<td>Cash Developer Fee</td>
<td>335,520</td>
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<tr>
<td>Reserves</td>
<td>535,520</td>
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### Project Accrued Costs

<table>
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<tr>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>Unpaid Developer Fee</td>
<td>60,000</td>
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<tr>
<td>Unpaid Interest on Soft Loans</td>
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</table>

### TOTAL PROJECT USES

<table>
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<th>Amount</th>
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<tbody>
<tr>
<td>Ownership Entity Cash Account</td>
<td>2,363,598</td>
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<tr>
<td>Loans Payable</td>
<td>2,624,084</td>
</tr>
<tr>
<td>1st Mortgage - GSE - Freddie Mac - Greystone</td>
<td>3,991,763</td>
</tr>
<tr>
<td>GAP Loan</td>
<td>1,175,322</td>
</tr>
<tr>
<td>AHSC AHD Loan</td>
<td>4,940,460</td>
</tr>
<tr>
<td>Ground Lease Note</td>
<td>625,000</td>
</tr>
<tr>
<td>Refund of Commitment Fee Deposit</td>
<td>446,266</td>
</tr>
<tr>
<td>Taxable Construction/Bridge Loan</td>
<td>2,417,159</td>
</tr>
<tr>
<td>Total Project Sources</td>
<td>5,743,673</td>
</tr>
</tbody>
</table>

### BALANCE - USES LESS SOURCES

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
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<tbody>
<tr>
<td>Loans Payable</td>
<td>2,624,084</td>
</tr>
<tr>
<td>1st Mortgage - GSE - Freddie Mac - Greystone</td>
<td>3,991,763</td>
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<tr>
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<td>4,940,460</td>
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<tr>
<td>Ground Lease Note</td>
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<td>Refund of Commitment Fee Deposit</td>
<td>446,266</td>
</tr>
<tr>
<td>Taxable Construction/Bridge Loan</td>
<td>2,417,159</td>
</tr>
<tr>
<td>Total Project Sources</td>
<td>5,743,673</td>
</tr>
</tbody>
</table>

**Note:** The table and calculations are based on the provided data and represent the financial breakdown of costs and sources for a project, including acquisition, construction, financing fees, and other related expenses. The balance represents the net difference between project uses and sources.
Explanations of events:

(1) At Closing: Ground Lease Note funds the Acquisition of the property. The Ground Lease Note will be paid back in full at Permanent Loan Conversion.

(2) At Closing: All Uses not related to Acquisition will be funded by LIHTC Equity and the Bank Construction/Bridge Loan.

(3) During the first 11 months of Construction, all Uses will be funded by either the Bank Construction/Bridge Loan or LIHTC Equity.

(4) At 50% Completion (anticipated to be at the end of Month 12) the 2nd Equity Installment will be funded by the Investor LP into the Ownership Entity bank account. Any remaining costs not funded as described in (3) above will be funded by the Equity with the remainder of funds staying in the Ownership Entity bank account.

(5) In Months 13-14 of Construction, all Uses will continue to be funded by LIHTC Equity from the Ownership Entity bank account or by the Bank Construction/Bridge Loan.

(6) At 75% Completion (anticipated to be at the end of Month 15) the next Equity Installment is funded. The 75% Completion Equity Installment will fund any Uses not funded as described in (5) above with the remainder of funds staying in the Ownership Entity bank account for future draws.

(7) The remainder of construction costs and all other costs during Months 16-17 are funded by the Bank Taxable Construction Loan and LIHTC Equity from the Ownership bank account.

(8) At Certificate of Occupancy, the next Equity Installment is funded. The Certificate of Occupancy Equity Installment will fund any Uses not funded in the described sections above with the remainder of funds staying in the Ownership Entity bank account for future draws.

(9) From Placed-In-Service up until Perm Loan Conversion, Uses are paid for by remaining LIHTC Equity and Bank Construction/Bridge Loan.

(10) At Permanent Loan Conversion all of the following will occur: (i) Greystone will fund 1st Mortgage; (ii) the Bank Construction/Bridge Loan, Gap Loan and Ground Lease Note are all paid back in full by the next Equity Installment; and (iii) all other soft costs, reserves, developer fee, etc. are funded by LIHTC Equity and the Ownership Entity bank account.

(11) Upon receipt of Form 8609, LIHTC Equity will fund the final Developer Fee payment.
EXHIBIT E-2

Form of Draw Request

[attached]
### USES OF FUNDS

#### DRAW SUMMARY

**BUDGET**

**Borrower:** JORDAN DOWNS PHASE S3, LP  
**Loan No.:**  
**Project:** Jordan Downs Phase S3  
**Requisition:** 1  
**Date:** /-2018

<table>
<thead>
<tr>
<th>No.</th>
<th>Item Description</th>
<th>Closing Budget</th>
<th>Previous Changes</th>
<th>Current Changes</th>
<th>Revised Budget</th>
<th>HACLA Loan Applications</th>
<th>Previous L &amp; K</th>
<th>This L &amp; K</th>
<th>Total Completed</th>
<th>Retainage</th>
<th>Percent</th>
<th>Complete</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Uses</td>
<td>C + D + E</td>
<td>K Prev. Draw</td>
<td>(J + K)</td>
<td>L / F</td>
<td>(F - L)</td>
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**Development Uses**

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<th>Previous Changes</th>
<th>Current Changes</th>
<th>Revised Budget</th>
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<th>This L &amp; K</th>
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**A. Development Construction Costs**

<table>
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<th>Previous Changes</th>
<th>Current Changes</th>
<th>Revised Budget</th>
<th>HACLA Loan Applications</th>
<th>Previous L &amp; K</th>
<th>This L &amp; K</th>
<th>Total Completed</th>
<th>Retainage</th>
<th>Percent</th>
<th>Complete</th>
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<tr>
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**Subtotal**

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<th>Current Changes</th>
<th>Revised Budget</th>
<th>HACLA Loan Applications</th>
<th>Previous L &amp; K</th>
<th>This L &amp; K</th>
<th>Total Completed</th>
<th>Retainage</th>
<th>Percent</th>
<th>Complete</th>
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<tbody>
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**B. Development Soft Costs**

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<th>Revised Budget</th>
<th>HACLA Loan Applications</th>
<th>Previous L &amp; K</th>
<th>This L &amp; K</th>
<th>Total Completed</th>
<th>Retainage</th>
<th>Percent</th>
<th>Complete</th>
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**TOTAL SOURCES**

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CERTIFICATION BY BORROWER:

We hereby certify to the best of our knowledge and belief, this requisition, and its supporting financial report, is true in all respects and the amounts shown on the attached invoices are eligible for disbursement at this time in accordance with the provisions of the HACLA Loan Documents including the Loan Agreement.

**Authorized Signer for Borrower:** JORDAN DOWNS PHASE S3, LP

By: __________________________________________________  
Milton R. Pratt, Jr.  
Its: Vice President
EXHIBIT F

Distribution of Net Cash Flow

[attached]
EXHIBIT G

Form of Authority Bridge Note

[attached]
EXHIBIT H

PERFORMANCE AND COMPLETION GUARANTY

This Authority Performance and Completion Guaranty (this “Guaranty”) is made as of this first day of __________ 1, 2020 by The Michaels Development Company I, L.P., a New Jersey limited partnership (the “Guarantor”), in favor of the Housing Authority of the City of Los Angeles, a public body corporate and politic organized and existing under the laws of the State of California (the “Authority”).

PREAMBLE

A. Guarantor is the sole member of Jordan S3-Michaels, LLC, which is the general partner of Jordan Downs Phase S3, LP (“Borrower”). The Borrower was formed for the purposes of acquiring, developing, constructing, maintaining, operating and leasing the Project as such term is defined in that certain Authority Loan Agreement of substantially even date herewith (“Loan Agreement”).

B. Authority is making available to the Borrower a loan to fund the development of the Project (the “Loan”) pursuant to the Loan Agreement and, as a condition to providing such funding, requires that it receive from the Guarantor its assurance that the Project will be completed.

C. Guarantor will benefit from Authority making the Loan available to the Owner.

D. Guarantor is willing to provide such a guaranty on the terms set forth in this Guaranty.

GUARANTY

In consideration of the premises and their mutual covenants contained herein, the parties hereto agree as follows with the intent to be legally bound.

1. Representations and Warranties. Guarantor makes the following representations and warranties, which, except for those made in Sections 2(d) and 2(f) hereof, shall be continuing representations and warranties until this Guaranty terminates in accordance with the provisions contained herein.

   (a) **Existence and Rights.** Guarantor is duly formed under the laws of the state in which it was organized without limitation as to the duration of its existence and is in good standing. Guarantor has the power and adequate authority, rights to own its property and to carry on its business as now owned by it or as the business conducted by it makes such qualification necessary, and Guarantor has the power and adequate authority to make and carry out this Guaranty.

   (b) **Guaranty Authorized and Binding.** The execution, delivery and performance of this Guaranty is duly authorized and does not require any consent or approval of any
governmental body or other regulatory authority which has not been obtained; is not in contravention of, or in conflict with, any law or regulation or any term or provision of the Borrower’s Amended and Restated Limited Partnership Agreement (the “Partnership Agreement”) or Guarantor’s organizational documents; and this Guaranty is a valid and legally binding obligation of Guarantor enforceable in accordance with its terms, subject to bankruptcy and other laws affecting creditors’ rights.

(c) **No Conflict.** The execution and delivery of this Guaranty is not, and the performance of this Guaranty will not be, in contravention of, or in conflict with, any agreement, indenture or undertaking to which Guarantor is a party or by which Guarantor is or may be bound or affected and does not, and will not, cause any security interest, lien or other encumbrance to be created or imposed upon any such property.

(d) **Litigation.** There is, as of the date hereof, no litigation or other proceeding pending or, to the best of Guarantor’s knowledge, threatened against, or affecting Guarantor except as set forth on Exhibit A which, if determined adversely to Guarantor, would have a materially adverse effect on the financial condition, properties, businesses or operations of Guarantor, or which prevents or interferes with or adversely affects Guarantor’s ability to enter into this Guaranty or the validity of this Guaranty or the carrying out of the terms hereof, and, as of the date hereof, Guarantor is not in default with respect to any order, writ, injunction, decree or demand of any court or other governmental or regulatory authority.

(e) **Financial Condition.** Guarantor’s current financial statements, which have been delivered to Authority, are true and correct in all material respects and fairly present the financial condition of Guarantor for the period covered thereby. Guarantor shall maintain unencumbered liquidity in the aggregate market value of not less than Five Million Dollars ($5,000,000) and minimum net worth of Ten Million Dollars ($10,000,000) during the term of this Guaranty.

(f) **Solvency.** Guarantor is not Insolvent (defined below) as of the date hereof and the execution and delivery of this Guaranty will not (i) render Guarantor Insolvent under generally accepted accounting principles, or (ii) result in the occurrence of Debts (defined below) beyond Guarantor’s ability to pay them when and as they mature. For the purposes of this subsection (f), “Insolvent” means that the present fair salable value of assets is less than the amount that will be required to pay the probable liability on existing Debts as they become absolute and matured. For the purposes of this subsection (f), “Debts” includes any legal liability for indebtedness, whether matured or unmatured, liquidated or unliquidated, absolute, fixed or contingent.

2. **Agreements.**

(a) **Guaranteed Obligations.** All obligations of the Guarantor set forth below in this Section 2 are collectively called the “Guaranteed Obligations”.

(b) **Guaranty of Completion.** Guarantor hereby unconditionally and irrevocably agrees with Authority that, if for any reason or under any contingency (other than Authority’s
default in making funds available under the Loan Agreement executed between the Authority and the Borrower of substantially even date herewith), a default (beyond the expiration of applicable notice and grace periods) occurs by the Borrower under the Loan Documents, prior to Completion and such default is continuing then, in any such event, the Guarantor will, within ten (10) days after receipt of written notice from Authority, at Guarantor’s own cost and expense, cause lien free completion of the construction of the Project as contemplated under the Loan Documents (as defined in the Loan Agreement) within a reasonable period of time ("Completion"). Guarantor shall, using other Project sources, if available, pay all bills, expenses, charges, costs and fees relating in any manner to or otherwise in connection with the achievement of Completion of the Project. Provided that: (A) no Event of Default exists under this Guaranty; (B) Guarantor cures: (i) any outstanding Event of Default under the Loan Documents that could reasonably be expected to have a materially adverse effect on the value of the collateral for the Loan; or (ii) any default by Borrower that would be likely to cause (x) an advance by the Authority to the Guarantor of additional funds over and above the remaining Loan balance, or (y) a default under the Authority’s contractual obligations to HUD; and (C) all conditions to disbursement set forth in Section 2.7 in the Loan Agreement are satisfied, Authority agrees, subject to Section 2.7 of the Loan Agreement, to make available to Guarantor any proceeds of the Loan and any insurance proceeds that have not already been disbursed and applied to costs of the Project in accordance with the terms of the Loan Documents.

(c) Failure to Perform Under Guaranty. If Guarantor does not assume responsibility for completion of construction and commence to diligently prosecute construction within 10 days after receipt of the written notice set forth in Section 2(a)(i) hereof, Authority may, at its option but without obligation to do so, take over the Project and take such actions as Authority shall reasonably deem necessary or desirable to reach Completion. In the event Authority elects to do so, all expenditures reasonably made by Authority shall be immediately due and payable from the Guarantor to the extent such expenditures exceed the amount of the Loan and other available Project sources to Authority (unless such expenditures are payable out of the Loan or insurance proceeds) and shall bear interest from the date of expenditure at the long term Applicable Federal Rate. No such action by Authority shall release or limit the liability of Guarantor or affect the rights and obligations of the parties under the construction contract (the “Construction Contract”) between Borrower and its general contractor (the “General Contractor”).

(d) Nature of Guaranteed Obligations. This is a guaranty of payment and performance and not of collection only, and the obligations of the Guarantor hereunder shall be absolute, independent and unconditional under any and all circumstances. This Guaranty creates a direct and primary obligation to the Authority on the part of Guarantor, without regard to any other guarantors or obligor to the Authority or the value of any security or collateral held by the Authority. Without limiting the generality of the foregoing, the Guarantor’s obligations hereunder may be enforced with or without joinder of the Borrower or any other guarantors and without proceeding against the Borrower, any other guarantors or against any collateral held by the Authority, if any.

(e) Further Assurances. Guarantor will, at its sole expense, execute, acknowledge and deliver all such further documentation, instruments and assurances and the like and take all
such further action as Authority shall reasonably require in order to carry out the intentions or to facilitate the provisions of this Guaranty.

(f) **Obligations Absolute.** The Guaranteed Obligations shall remain in full force and effect without regard to, and shall not be affected or impaired by the following, any of which may be taken without the consent of, or notice to, Guarantor, nor shall any of the following give Guarantor any recourse or right of action against the Owner or Authority:

1. Any (A) express or implied amendment, modification, renewal, addition, supplement, (including without limitation, extensions beyond the original term) to the Loan Documents, the Partnership Agreement or the Construction Contract, (B) any extension of time for performance required thereby, (C) any exculpatory provision in the Loan Documents, the Partnership Agreement or the Construction Contract by operation of law or otherwise, or (D) the release of any party from performance or observance of any of the agreements, covenants, terms or conditions contained in the Loan Documents, the Partnership Agreement or the Construction Contract by operation of law or otherwise;

2. Any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceeding relating to Guarantor, or any action taken with respect to this Guaranty by any trustee or receiver, or by any court, in any such proceeding, whether or not Guarantor shall have had notice or knowledge of any of the foregoing;

3. Any assignment or other transfer of this Guaranty in whole or in part;

4. Any acceptance of partial performance of the Guaranteed Obligations; or

5. Any subordination, compromise or release of any or all of the property or other collateral, if any, securing Guarantor’s obligations under this Guaranty, or any substitution with respect thereto.

(g) **Waivers.** Guarantor unconditionally waives any defense other than actual performance to the enforcement of this Guaranty, including without limitation:

1. All presentments, demands for performance, notices of nonperformance (except as provided in this Guaranty), protests, notices of protests, notices of dishonor, and notices of acceptance of this Guaranty;

2. Any right Guarantor might have, under California law, to revoke this Guaranty, it being the intention of Guarantor that this Guaranty remain in full force and effect until its termination, as provided herein; or

3. The defense of any statute of limitations affecting the liability of Guarantor hereunder.

(h) **Bankruptcy; No Discharge; Repayments.** So long as this Guaranty shall be in effect, Guarantor shall not, without the prior written consent of Authority, commence or join
with any other party in commencing any bankruptcy, reorganization or insolvency proceedings of or against the Borrower or otherwise affecting the Guaranteed Obligations. Guarantor understands and acknowledges that by virtue of this Guaranty, Guarantor has specifically assumed any and all risks of a bankruptcy or reorganization case or proceeding with involving or affecting the Guaranteed Obligations. As an example and not in any way of limitation, a subsequent modification of the Guaranteed Obligations in any reorganization case in which any of the Guaranteed Obligations is considered “property of the estate” with the meaning of the United States Bankruptcy Code, or any similar laws or statutes governing receiverships or creditors’ bills, shall not affect the obligation of Guarantor to pay and perform the Guaranteed Obligations in accordance with their respective original terms. If claim is ever made upon Authority for repayment of any amount or amounts received by Authority in payment of the Guaranteed Obligations (whether or not all or any part of such payment is subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid by Authority) and Authority is required to repay and does repay all or any part of said amount, then, notwithstanding any revocation or termination of this Guaranty, Guarantor shall be and remain liable to Authority for the amount so repaid by Authority, to the same extent as if such amount had never originally been received by Authority.

(i) **Financial Statements.** Until Completion of the Project, Guarantor covenants and agrees to provide Authority upon Authority’s request, within 180 days after the end of each fiscal year, with its unaudited financial statement, including a balance sheet, an income statement, and such other statements as may be reasonably required by Authority, prepared in accordance with generally accepted accounting practices consistently applied and certified as true and complete without qualification by an officer of the Guarantor. Guarantor further covenants and agrees to promptly notify Authority of any material adverse change in Guarantor’s financial condition. Guarantor agrees to provide to Authority, within 15 days after issuance or upon request of Authority, any compiled, reviewed, audited or interim financial information then available relating to Guarantor, together with a certificate from Guarantor whether there has been any material adverse change to Guarantor’s financial condition since the date of last such financial information or statements delivered to Authority.

(j) **Governing Law; Consent to Jurisdiction.** This Guaranty shall be governed by and construed in accordance with the laws of the State of California applicable to contracts entered into and entirely to be performed therein. Guarantor hereby irrevocably submits and consents to the jurisdiction of the courts of the State of California in connection with any action, suit or other proceeding arising out of or relating to this Guaranty or any action taken or omitted hereunder, and waive personal service of any summons, complaint or other process and agrees that the service thereof may be made by certified or registered mail directed to Guarantor at its address for purpose of notice hereunder. If Guarantor, so served, should fail to appear or answer within the time prescribed by law, then Guarantor shall be deemed in default and judgment may be entered against Guarantor for the amount or other relief as demanded in any summons, complaint or other process so served. Guarantor agrees that a final judgment in any such action, suit or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.
3. **Events of Default.** Each of the following events shall constitute an “**Event of Default**” hereunder:

   (a) Failure by Guarantor to perform its obligation under Section 2(a); or

   (b) Failure by Guarantor to perform any other material covenant or obligation hereunder which failure shall continue for thirty (30) days after written notice of such failure is given by Authority to Guarantor.

4. **Miscellaneous.**

   (a) **Amendments; Successors.** Neither this Guarantee nor any term hereof may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought. All of the terms of this Guarantee shall include the plural and vice-versa. If any one or more of the provisions of this Guarantee should be determined to be illegal or unenforceable, all other provisions shall remain effective. No delay or failure by Authority to exercise any remedy against Guarantor will be construed as a waiver of that right or remedy. The obligations of the Guarantor hereunder shall be binding on Guarantor, its successors and assigns. This Guarantee may not be amended by Guarantor without the prior written consent of Authority.

   (b) **Term.** The obligations of Guarantor under this Guarantee and any instrument which grants collateral to secure such obligations shall continue in full force and effect until the latest date upon which (i) reserved, (ii) Completion or (iii) the period of time has expired during which any payment received by the Authority hereunder or any act performed by Guarantor may be determined to be a preferential or fraudulent transfer under the United States Bankruptcy Code or other similar applicable laws.

   (c) **Notices.** All notices, requests, demands, consents, and other communications required or permitted to be given or made hereunder shall be in writing and shall be deemed to have been duly given if mailed, certified first class mail, postage prepaid, return receipt requested or by Federal Express or other receipted courier service, to the party to whom the same is so given or made, at the address of such party as set forth below, which address may be changed by notice to the other parties hereto duly given pursuant hereto. Notice by overnight courier service shall be deemed to have been given and received upon delivery. Notice by first class certified or registered mail shall be deemed to have been given and received two (2) business days after being sent. A party may change its address by giving written notice to the other party as specified herein.

   **If to Authority:**
   
   Housing Authority of the City of Los Angeles
   
   2600 Wilshire Blvd., Third Floor
   
   Los Angeles, CA 90057
   
   Attn: President and CEO
   
   Attn: Director of Legal Affairs

   **With a copy to:**
   
   Reno & Cavanaugh PLLC
(d) **Entire Agreement.** This Guaranty supersedes any prior negotiations, discussion or communications between Guarantor and Authority and collectively constitutes the entire agreement between Authority and Guarantor with respect to the Guaranteed Obligations.

(e) **Counterparts.** This Guaranty may be executed in counterparts and all such counterparts shall be deemed to be originals and together shall constitute but one and the same instrument.

[SIGNATURE PAGE FOLLOWS]
IN WITNESS WHEREOF, the parties have executed this Guaranty as of the day and year above written.

GUARANTOR:

THE MICHAELS DEVELOPMENT COMPANY I, L.P.,
a New Jersey limited partnership

By: The Michaels Development Holding Company, L.L.C.,
a New Jersey limited liability company
its general partner

By: ________________________________
John J. O’Donnell
President
Attested by: 

**AUTHORITY:**

HOUSING AUTHORITY OF 
CITY OF LOS ANGELES 
a public body, corporate and politic

By: _________________________________

Douglas Guthrie
President and Chief Executive Officer
PERFORMANCE AND COMPLETION GUARANTY

EXHIBIT A

Litigation
EXHIBIT I

Investor Rider

This Rider is attached to and made a part of the promissory notes, the deed of trust, and loan agreement or other document(s) evidencing, securing, and governing a bridge loan from the Authority in the approximate original amount of Two Million Two Hundred Thousand Dollars ($2,200,000.00) (the “Authority Bridge Loan” or the “Loan”) made by the Housing Authority of the City of Los Angeles ("Lender") to Jordan Downs Phase S3, LP, a California limited partnership ("Borrower" or the "Partnership") for the construction of approximately ninety-two (92) units (including one (1) manager’s unit) of rental housing and related improvements (the “Project”). The Amended and Restated Agreement of Limited Partnership forming or continuing the Borrower is referred to herein as the “Partnership Agreement”.

The parties hereto agree that the following covenants, terms, and conditions shall be part of and shall modify or supplement each of the documents evidencing, securing, or governing the disbursement of the Loan (the “Loan Documents”), and that in the event of any inconsistency or conflict between the covenants, terms, and conditions of the Loan Documents and this Rider, the following covenants, terms, and conditions shall control and prevail:

1. **Non-recourse Obligation.** Subject to and as more particularly set forth in Section 2.10 of the Loan Agreement, the Loan is a non-recourse obligation of Borrower. Except as expressly provided in Section 2.10 of the Loan Agreement, neither Borrower nor any of its general and limited partners, nor any other party shall have any personal liability for repayment of the Loan. Except as expressly provided in Section 2.10 of the Loan Agreement, the sole recourse of Lender under the Loan Documents for repayment of the Loan shall be the exercise of its rights against the Project and related security thereunder.

2. **General Partner and Limited Partner Change.** The withdrawal, removal, and/or replacement of a general partner of the Partnership pursuant to the terms of the Partnership Agreement shall not constitute a default under any of the Loan Documents, and any such actions shall not accelerate the maturity of the Loan, provided that (i) the Borrower’s limited partner provides the Lender with prior written notice of removal and substitution of a general partner of Borrower, and (ii) with respect to Jordan S3-Michaels LLC, the administrative general partner of Borrower, any substitute general partner is reasonably acceptable to Lender.

Additionally, the transfer of any limited partnership interests in Borrower or in any limited or special limited partner of Borrower pursuant to the terms of the Partnership Agreement shall not constitute a default under any of the Loan Documents, and any such actions shall not accelerate the maturity of the Loan.

3. **Monetary Default.** If a monetary event of default occurs under the terms of any of the Loan Documents, prior to exercising any remedies thereunder Lender shall give Borrower and each of the general and limited partners of the Partnership, as identified in the Partnership Agreement, simultaneous written notice of such default. Borrower shall have a period of seven (7) days after such notice is given within which to cure the default prior to exercise of remedies.
by Lender under the Loan Documents, or such longer period of time as may be specified in the Loan Documents. Borrower’s limited partners shall have the right, but not the obligation, to cure any default under the Loan Documents within the applicable cure periods provided to Borrower thereunder.

4. **Non-Monetary Default.** If a non-monetary event of default occurs under the terms of any of the Loan Documents, prior to exercising any remedies thereunder Lender shall give Borrower and each of the general and limited partners of the Partnership, as identified in the Partnership Agreement, simultaneous written notice of such default. If the default is reasonably capable of being cured within thirty (30) days, Borrower shall have such period to effect a cure prior to exercise of remedies by Lender under the Loan Documents, or such longer period of time as may be specified in the Loan Documents. If the default is such that it is not reasonably capable of being cured within thirty (30) days or such longer period if so specified, and if Borrower (a) initiates corrective action within said period, and (b) diligently, continually, and in good faith works to effect a cure as soon as possible, then Borrower shall have such additional time as is reasonably necessary to cure the default prior to exercise of any remedies by Lender. If Borrower fails to take corrective action or to cure the default within a reasonable time, Lender shall give Borrower and each of the general and limited partners of the Partnership written notice thereof, whereupon the limited partner may remove and replace the general partner with a substitute general partner who shall effect a cure within a reasonable time thereafter in accordance with the foregoing provisions. In no event shall Lender be precluded from exercising remedies if its security becomes or is about to become materially jeopardized by any failure to cure a default or the default is not cured within one hundred eighty (180) days after the first notice of default is given, or such longer period of time as may be specified in the Loan Documents. Borrower’s limited partners shall have the right, but not the obligation, to cure any default under the Loan Documents within the applicable cure periods provided to Borrower thereunder.

Additionally, notwithstanding the occurrence of any monetary or nonmonetary default under the terms of any of the Loan Documents, during the Compliance Period (as defined in the Partnership Agreement), Lender shall not (i) commence foreclosure proceedings with respect to the Property under the Loan Documents or exercise any other rights or remedies it may have under the Loan Documents, including, but not limited to, accelerating sums due under the Loan Documents, collecting rents, appointing (or seeking the appointment of) a receiver or exercising any other rights or remedies hereunder or (ii) join with any other creditor in commencing any bankruptcy reorganization arrangement, insolvency or liquidation proceedings with respect to Borrower.

5. **Casualty, Condemnation, Etc.** 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, 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 Lender for repayment of the Loan or if such proceeds are insufficient then Borrower shall have funded any deficiency, (b) 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 material default then exists under the Loan Documents (subject to any applicable cure periods thereunder). 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 Loan in a manner that provides adequate security to Lender for repayment of the remaining balance of the Loan.

6. **Force Majeure.** There shall be no default for delays by reason of Force Majeure as provided in Section 7.14 of the Loan Agreement, except as provided in said Section 7.14.

7. **Purchase Rights.** The execution and delivery of the purchase option and right of first refusal agreement described in the Partnership Agreement shall not constitute a default under the Loan Documents or accelerate the maturity of the Loan thereunder. Any requisite consent of Lender to (a) the exercise of said purchase option and right of first refusal agreement by the project sponsor identified therein, and to (b) the assumption without penalty of Loan obligations by the project sponsor and the release of Borrower from such obligations, shall not be unreasonably withheld. Subject to any such consent requirement, the exercise of rights under such agreement shall not constitute a default or accelerate maturity of the Loan.

8. **Loan Assumption.** If the purchase option and right of first refusal agreement described in the Partnership Agreement is not exercised and the Project is sold subject to low-income housing use restrictions as contained in an existing regulatory agreement or other recorded covenant, any requisite consent of lender to said sale, and to the assumption without penalty of loan obligations by the purchaser and the release of Borrower from such obligations, shall not be unreasonably withheld, provided, however, that the principals of purchaser shall be comparable to the principals of Borrower in (a) experience and track record of developing, operating, maintaining, and, if applicable, managing, affordable housing financed with sources and restrictions comparable to the Approved Financing, (b) financial wherewithal, and (c) such other underwriting criteria as may be employed by lender at the time of any such proposed assumption.

9. **Lender Approvals, Etc.** In any approval, consent, or other determination by Lender required under any of the Loan Documents, Lender shall act reasonably and in good faith.

10. **Subordination.** Lender acknowledges that Borrower and the California Tax Credit Allocation Committee intend to enter into, or concurrently with the execution and delivery of the Loan Documents are entering into, an extended use agreement, which constitutes the extended low-income housing commitment described in Section 42(h)(6)(B) of the Internal Revenue Code, as amended. Lender agrees to subordinate the Loan and Lender’s rights under the Loan Documents executed in conjunction therewith to the relevant provisions of said extended use agreement. This subordination is being made in consideration of the allocation of tax credits to the Project, absent which the development of the Project would not occur, and this mortgage loan would not be made.

Subject to the prior written approval of the Lender, which approval shall not be unreasonably withheld, conditioned or delayed, the Borrower may refinance the Approved
Financing loans (as defined in the Loan Documents). Any refinancing of the Approved Financing loans shall be on commercially reasonable terms in an amount not to exceed the then outstanding principal balance of such Approved Financing loans plus reasonable costs. The Borrower shall reimburse the Lender for any costs it incurs related to the refinancing of the Approved Financing loans.

11. **Notice Address.**

The Notice Address of the limited partner is:

Berkadia Jordan Downs S3 Investor, LP
Two Liberty Place
50 south 16th Street, Suite 2825
Philadelphia, PA 19102
Attn: Managing Director & General Counsel

with a copy to:

Nixon Peabody LLP
53 Exchange Street
Boston, MA 02109
Attn: Roger W. Holmes

12. **Third Party Beneficiary Status.** Borrower’s limited partners shall be intended third party beneficiaries of this Rider for purposes of the rights granted to the limited partners hereunder.

[Signatures continue on next page]
In Witness Whereof, the undersigned have caused this Rider to be executed this ____ day of ________________, 2020.

AUTHORITY:

HOUSING AUTHORITY OF
CITY OF LOS ANGELES
a public body, corporate and politic

By: _________________________________
Douglas Guthrie
President and Chief Executive Officer
BORROWER:

JORDAN DOWNS PHASE S3, L.P.,
a California limited partnership

By: Jordan S3-Michaels LLC,
a California limited liability company
its administrative general partner

By: _______________________________
Milton R. Pratt, Jr.
Vice President

By: La Cienega LOMOD, Inc.,
a California nonprofit public benefit corporation,
its managing general partner

By: _______________________________
Tina Smith-Booth
President
TAB 8.

Authority Promissory Note
(Bridge Loan)
AUTHORITY BRIDGE NOTE
(Jordan Downs Phase S3)

$2,200,000.00 Los Angeles, California
As of [____] 1, 2020

FOR VALUE RECEIVED, the undersigned (the “Borrower”) promises to pay the principal sum of up to Two Million Two Hundred Thousand Dollars ($2,200,000.00) (the “Authority Bridge Loan”), or so much thereof as may be advanced to the Borrower pursuant to this Promissory Note (this “Note”) and that certain Authority Loan Agreement by and between the Borrower and the Housing Authority of the City of Los Angeles (the “Lender”) dated of even date herewith (the “Loan Agreement”), with interest as provided herein from the date above upon the unpaid balance of this Note, in lawful money of the United States.

(1) Capitalized terms used but not defined herein shall have the meaning set forth in the Loan Agreement.

(2) Funds shall be advanced during the term hereof in accordance with Section 2.7 of the Loan Agreement.

(3) Payment Terms.

(a) All payments due under this Note shall be paid to the order of the Housing Authority of the City of Los Angeles at 2600 Wilshire Boulevard, Los Angeles, CA 90057 or at such other place as the Lender hereof may from time to time designate in writing.

(b) Interest shall accrue on the unpaid principal balance at a rate of three percent (3%) per annum (the “Interest Rate”).

(c) Payments of principal and any accrued interest shall be due and payable under this Note as follows:

(i) Immediately upon closing of a loan or grant to Borrower or any affiliate of Borrower from the Federal Home Loan Bank (the “AHP Loan”), the Authority Bridge Loan shall be due and payable from the proceeds of the AHP Loan, if any, pursuant to the Loan Agreement; provided, however, that if proceeds of the AHP Loan are insufficient to repay the entire Authority Bridge Loan, the remaining balance of the Authority Bridge Loan shall be repaid in accordance with subsection (ii) of this Section (c); and

(ii)Commencing the year following Conversion, any remaining unpaid principal and interest under the Authority Bridge Loan shall be due and payable from Net Cash Flow to the extent available, pursuant to Exhibit A hereto. Such payments shall be applied first to accrued interest, if any, then to principal, and shall be payable annually not later than one hundred twenty (120) days following the end of each fiscal year for the prior annual fiscal period. Notwithstanding the foregoing, if the general partner(s) of the Borrower are removed...
pursuant to the Partnership Agreement, no further payments shall be due until the Loan Maturity Date. Any remaining unpaid principal and interest on the Authority Bridge Loan shall be due and payable on the Loan Maturity Date as defined in the Loan Agreement. The entire principal balance and all interest accrued on the Authority Bridge Loan thereon may be prepaid at any time, without charge or penalty.

(4) Payment of this Note is secured by an Authority Subordinate Leasehold Deed of Trust with Assignment of Rents, Security Agreement and Fixture Filing (the “Deed of Trust”) of even date herewith between the Borrower and the Lender, encumbering a leasehold interest in certain real property and fee interest in certain improvements located in the City of Los Angeles, County of Los Angeles, State of California, recorded in the official land records of the County of Los Angeles, as well as by other instruments defined in the Loan Agreement as the Loan Documents.

(5) Default.

(a) Subject to the notice and cure periods set forth in the Loan Agreement, any of the following shall constitute an “event of default” under this Note:

(i) Any failure to pay, in full, any payment required under this Note within ten (10) days of written notice that such payment is due;

(ii) The occurrence of any “Default” under the Loan Agreement as defined therein, “Event of Default” under the Deed of Trust as defined therein, or breach or violation of any other instrument securing the obligations of the Borrower under this Note or under any other promissory notes hereafter issued by the Borrower to the Lender pursuant to the Loan Agreement or the Deed of Trust, following the expiration of notice and cure periods, if any, set forth therein.

(b) Upon the occurrence of such an event of default, the entire unpaid principal balance, together with all interest thereon, and together with all other sums then payable under this Note and the Deed of Trust shall at the option of the Lender become immediately due and payable upon written notice by the Lender to the Borrower without further demand.

(c) The failure to exercise the remedy set forth in Subsection 5(b) above or any other remedy provided by law upon the occurrence of one or more of the foregoing events of default shall not constitute a waiver of the right to exercise any remedy at any subsequent time in respect to the same or any other default. The acceptance by the Lender hereof of any payment which is less than the total of all amounts due and payable at the time of such payment shall not constitute a waiver of the right to exercise any of the foregoing remedies or options at that time or at any subsequent time, or nullify any prior exercise of any such remedy or option, without the express consent of the Lender, except as and to the extent otherwise provided by law.

(6) Waivers.
(a) The Borrower hereby waives diligence, presentment, protest and demand, and notice of protest, notice of demand, and notice of dishonor of this Note. The Borrower expressly agrees that this Note or any payment hereunder may be extended from time to time and that the Lender may accept further security or release any security for this Note, all without in any way affecting the liability of the Borrower.

(b) No extension of time for payment of this Note or any installment hereof made by agreement by the Lender with any person now or hereafter liable for payment of this Note shall operate to release, discharge, modify, change, or affect the original liability of the Borrower under this Note, either in whole or in part.

(c) The obligations of the Borrower under this Note shall be absolute and the Borrower waives any and all rights to offset, deduct, or withhold any payments or charges due under this Note for any reason whatsoever.

(7) Miscellaneous Provisions.

(a) All notices to the Lender or the Borrower shall be given in the manner and at the addresses set forth in the Loan Agreement, or to such addresses as the Lender and the Borrower may hereinafter designate. Copies of notices to the Borrower from the Lender shall also be provided by the Lender to any limited partner of the Borrower who requests such notice in writing and provides the Lender with written notice of its address.

(b) The Borrower promises to pay all costs and expenses, including reasonable attorney's fees, incurred by the Lender in the enforcement of the provision of this Note, regardless of whether suit is filed to seek enforcement.

(c) This Note may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification, or discharge is sought.

(d) This Note shall be governed by and construed in accordance with the laws of the State of California.

(e) The times for the performance of any obligations hereunder shall be strictly construed, time being of the essence.

(f) This document, together with the Loan Documents, contains the entire agreement between the parties as to the Authority Bridge Loan. It may not be modified except upon written consent of the parties.

(g) Except as provided below, neither the Borrower nor any partner of the Borrower shall have any direct or indirect personal liability for payment of the principal of, or interest on, the Authority Bridge Loan or the performance of the covenants of the Borrower under the Deed of Trust. The sole recourse of the Lender with respect to the principal of, or
interest on, this Note and defaults by the Borrower in the performance of its covenants under the
Deed of Trust shall be to the property described in the Deed of Trust; provided, however, that
nothing contained in the foregoing limitation of liability shall (a) limit or impair the enforcement
against all such security for this Note of all the rights and remedies of the Lender thereunder, or
(b) be deemed in any way to impair the right of the Lender to assert the unpaid principal amount
of this Note as demand for money within the meaning and intendment of Section 431.70 of the
California Code of Civil Procedure or any successor provision thereto. The foregoing limitation
of liability is intended to apply only to the obligation for the repayment of the principal of, and
payment of interest on this Note and the performance of the Borrower's obligations under the
Deed of Trust, except as hereafter set forth; nothing contained herein is intended to relieve the
Borrower of its obligation to indemnify the Lender under Sections 4.7 and 7.4 of the Loan
Agreement, or for liability for: (i) fraud or willful misrepresentation; (ii) the failure to pay taxes,
assessments or other charges which may create liens on the Property that are payable or
applicable prior to any foreclosure under the Deed of Trust (to the full extent of such taxes,
assessments or other charges); (iii) the fair market value of any personal property or fixtures
removed or disposed of by the Borrower other than in accordance with the Deed of Trust; and
(iv) the misappropriation of any proceeds under any insurance policies or awards resulting from
condemnation or the exercise of the power of eminent domain or by reason of damage, loss or
destruction to any portion of the Property.

(h) Notwithstanding any other provisions of this Note, all liens, claims, charges,
and priorities related to the Authority Bridge Loan contemplated by this Note shall be
subordinate and junior to all liens, claims, charges, and priorities related to the Construction
Loan and the Permanent Loan.

(i) Exhibit A, attached hereto, is hereby incorporated into this Note.
IN WITNESS WHEREOF, Borrower has caused this Note to be executed and delivered on the date set forth above.

BORROWER:

JORDAN DOWNS PHASE S3, LP,
a California limited partnership

By: Jordan S3-Michaels LLC,
a California limited liability company
    its administrative general partner

By: ____________________________________________
    Milton R. Pratt, Jr.
    Vice President

By: La Cienega LOMOD, Inc.,
a California nonprofit public benefit corporation,
    its managing general partner

By: ____________________________________________
    Tina Smith-Booth
    President
Exhibit A

Distribution of Net Cash Flow

[to be attached]
TAB 9.

Authority Subordinate Deed of Trust
(Bridge Loan)
RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

Housing Authority of the
City of Los Angeles
2600 Wilshire Blvd.
Los Angeles, CA 90057
Attn: President and Chief Executive Officer

No fee for recording pursuant to
Government Code Section 27383

AUTHORITY SUBORDINATE LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS, SECURITY AGREEMENT, AND FIXTURE FILING
AUTHORITY BRIDGE LOAN
(Jordan Downs Phase S3)

THIS AUTHORITY SUBORDINATE LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS, SECURITY AGREEMENT, AND FIXTURE FILING (this “Deed of Trust”) is made as of [____] 1, 2020, by and among Jordan Downs Phase S3, LP, a California limited partnership (“Trustor”), ___________________ (“Trustee”), and the Housing Authority of the City of Los Angeles, a public body, corporate and politic (“Beneficiary”).

FOR GOOD AND VALUABLE CONSIDERATION, including the indebtedness herein recited and the trust herein created, the receipt of which is hereby acknowledged, Trustor hereby irrevocably grants, transfers, conveys, and assigns to Trustee, IN TRUST, WITH POWER OF SALE, for the benefit and security of Beneficiary, under and subject to the terms and conditions hereinafter set forth, Trustor's leasehold interest in the property located in the City of Los Angeles, County of Los Angeles, State of California, that is described in the attached Exhibit A, incorporated herein by this reference, and the Trustor's fee interest in any improvements constructed thereon (collectively, the “Property”).

TOGETHER WITH all interest, estates, or other claims, both in law and in equity which Trustor now has or may hereafter acquire in the Property and the Rents (as defined in Section 2.3);

TOGETHER WITH all easements, rights-of-way, and rights used in connection therewith or as a means of access thereto, including (without limiting the generality of the foregoing) all tenements, hereditaments, and appurtenances thereof and thereto;

TOGETHER WITH any and all buildings and improvements of every kind and description now or hereafter erected thereon, and all property of Trustor now or hereafter affixed to or placed upon the Property;

TOGETHER WITH all building materials and equipment now or hereafter delivered to said property and intended to be installed therein;

TOGETHER WITH all right, title and interest of Trustor, now owned or hereafter acquired, in and to any land lying within the right-of-way of any street, open or proposed, adjoining the
Property, and any and all sidewalks, alleys, and strips and areas of land adjacent to or used in connection with the Property;

TOGETHER WITH all estate, interest, right, title, other claim or demand, of every nature, in and to such property, including the Property, both in law and in equity, including, but not limited to, all deposits made with or other security given by Trustor to utility companies, the proceeds from any or all of such property, including the Property, claims or demands with respect to the proceeds of insurance in effect with respect thereto, which Trustor now has or may hereafter acquire, any and all awards made for the taking by eminent domain or by any proceeding or purchase in lieu thereof of the whole or any part of such property, including without limitation, any awards resulting from a change of grade of streets and awards for severance damages to the extent Beneficiary has an interest in such awards for taking as provided in Paragraph 4.1 herein;

TOGETHER WITH all of Trustor's interest in all articles of personal property or fixtures now or hereafter attached to or used in and about the building or buildings now erected or hereafter to be erected on the Property which are necessary to the complete and comfortable use and occupancy of such building or buildings for the purposes for which they were or are to be erected, including all other goods and chattels and personal property as are ever used or furnished in operating a building, or the activities conducted therein, similar to the one herein described and referred to, and all renewals or replacements thereof or articles in substitution therefor, whether or not the same are, or shall be attached to said building or buildings in any manner; and

TOGETHER WITH all of Trustor's interest in all building materials, fixtures, equipment, work in process, and other personal property to be incorporated into the Property; all goods, materials, supplies, fixtures, equipment, machinery, furniture and furnishings, signs, and other personal property now or hereafter appropriated for use on the Property, whether stored on the Property or elsewhere, and used or to be used in connection with the Property; all rents, issues, and profits, and all inventory, accounts, accounts receivable, contract rights, general intangibles, chattel paper, instruments, documents, notes drafts, letters of credit, insurance policies, insurance and condemnation awards and proceeds, trade names, trademarks, and service marks arising from or related to the Property and any business conducted thereon by Trustor; all replacements, additions, accessions, and proceeds; and all books, records, and files relating to any of the foregoing.

All of the foregoing, together with the Property, is herein referred to as the “Security.” To have and to hold the Security together with acquittances to Trustee, its successors and assigns forever.

FOR THE PURPOSE OF SECURING:

(a) Payment of just indebtedness of Trustor to Beneficiary as set forth in the Note (defined in Article 1 below) until paid or cancelled. Said principal and other payments shall be due and payable as provided in the Note. Said Note and all its terms are incorporated herein by reference, and this conveyance shall secure any and all extensions thereof, however evidenced; and

(b) Payment of any sums advanced by Beneficiary to protect the Security pursuant to the terms and provisions of this Deed of Trust following a breach of Trustor's obligation to advance said sums and the expiration of any applicable cure period, with interest thereon as provided herein; and
(c) Performance of every obligation, covenant, or agreement of Trustor contained herein and in the Loan Documents (defined in Section 1.1(b) below).

AND TO PROTECT THE SECURITY OF THIS DEED OF TRUST, TRUSTOR COVENANTS AND AGREES:

ARTICLE 1
DEFINITIONS

Section 1.1 Definitions. In addition to the terms defined elsewhere in this Deed of Trust, the following terms shall have the following meanings in this Deed of Trust:

(a) “Authority Bridge Loan” shall mean the loan to the Borrower pursuant to the Loan Agreement (as defined herein) in the maximum original amount of Two Million Two Hundred Thousand Dollars ($2,000,000.00), advanced for the purpose of bridging construction and permanent financing to Borrower between Closing and Borrower’s anticipated closing on the AHP Loan as contemplated in Section 2.4(b) of the Loan Agreement. The Authority Bridge Loan shall be evidenced by the Authority Bridge Note.

(b) “Authority Bridge Note” shall mean the Authority Bridge Note of even date herewith evidencing the Authority Bridge Loan, executed by Trustor in favor of Beneficiary and secured by this Deed of Trust. Copies of the Authority Bridge Note are on file with Beneficiary and terms and provisions of the Authority Bridge Note are incorporated herein by reference.

(c) “Loan” means the Authority Bridge Loan.

(d) “Loan Agreement” means that certain Authority Loan Agreement between Trustor and Beneficiary dated concurrently herewith, providing for the Beneficiary to loan to Trustor the Authority Bridge Loan for certain development costs and permanent financing related to the development of the Property.

(e) “Loan Documents” means this Deed of Trust, the Authority Bridge Note, the Loan Agreement and any other debt, loan, or security instruments between Trustor and the Beneficiary relating to the Note.

(f) “Note” means the Authority Bridge Note. (Copies of the Note are on file with Beneficiary and terms and provisions of the Note are incorporated herein by reference.)

(g) “Principal” means the principal amount required to be paid under the Note.

(h) “Senior Deed of Trust” means any deed of trust to which this deed of trust is subordinated.

(i) “Senior Lender” means the beneficiary of a Senior Deed of Trust securing a Senior Loan.

(j) “Senior Loan” means that certain (1) construction loan from CIT Bank, N.A., in the approximate amount of Thirty-Six Million Eight Hundred Thousand Dollars ($36,800,000) and (2) Freddie Mac permanent loan from Greystone Servicing Company LLC, in the approximate
amount of Eleven Million Seven Hundred Thirty Thousand Dollars ($11,730,000.00), and refinancings of such loans pursuant to Section 4.13(d) of the Loan Agreement.

ARTICLE 2
MAINTENANCE AND MODIFICATION OF THE PROPERTY AND SECURITY

Section 2.1 Maintenance and Modification of the Property by Trustor. Trustor agrees that at all times prior to full payment of the sum owed under the Note, Trustor will, at Trustor's own expense, maintain, preserve, and keep the Security or cause the Security to be maintained and preserved in good condition. Trustor will from time to time make or cause to be made all repairs, replacements, and renewals deemed proper and necessary by it. If there arises a condition in contravention of this requirement, and if the Trustor has not cured such condition within thirty (30) days after receiving a Beneficiary notice of such a condition, and the Trustor has not initiated diligent efforts to cure such condition within such period, then in addition to any other rights available to the Beneficiary, the Beneficiary shall have the right to perform all acts necessary to cure such condition, and to establish or enforce a lien or other encumbrance against the Security. Beneficiary shall have no responsibility in any of these matters or for the making of improvements or additions to the Security.

Trustor agrees to pay fully and discharge (or cause to be paid fully and discharged) all claims for labor done and for material and services furnished in connection with the Security, diligently to file or procure the filing of a valid notice of cessation upon the event of a cessation of labor on the work or construction on the Security for a continuous period of thirty (30) days or more, and to take all other reasonable steps to forestall the assertion of claims of lien against the Security or any part thereof. Trustor irrevocably appoints, designates, and authorizes Beneficiary as its agent (said agency being coupled with an interest) with the authority, but without any obligation, to file for record any notices of completion or cessation of labor or any other notice that Beneficiary deems necessary or desirable to protect its interest in and to the Security or the Loan Documents; provided, however, that Beneficiary shall exercise its rights as agent of Trustor only in the event that Trustor shall fail to take, or shall fail to diligently continue to take, those actions as hereinbefore provided.

Upon demand by Beneficiary, Trustor shall make or cause to be made such demands or claims as Beneficiary shall specify upon laborers, materialmen, subcontractors, or other persons who have furnished or claim to have furnished labor, services, or materials in connection with the Security. Nothing herein contained shall require Trustor to pay any claims for labor, materials, or services which Trustor in good faith disputes and is diligently contesting provided that Trustor shall, within thirty (30) days after the filing of any claim of lien, record in the Office of the Recorder of the County of Los Angeles, a surety bond in an amount one and a half times the amount of such claim item to protect against a claim of lien.

Section 2.2 Granting of Easements. Except as set forth in the Loan Documents, Trustor may not grant easements, licenses, rights-of-way, or other rights or privileges in the nature of easements with respect to any property or rights included in the Security except those required or desirable for installation and maintenance of public utilities including, without limitation, access, water, gas, electricity, sewer, telephone, and telegraph, or those required by law and as approved, in writing, by Beneficiary, which approval shall not be unreasonably withheld or delayed.

Section 2.3 Assignment of Rents. As part of the consideration for the indebtedness evidenced by the Note, Trustor hereby absolutely and unconditionally assigns and transfers to
Beneficiary all the rents and revenues of the Property including those now due, past due, or to become due by virtue of any lease or other agreement for the occupancy or use of all or any part of the Property, regardless of to whom the rents and revenues of the Property are payable (collectively, the “Rents”). After the occurrence and during the continuation of an Event of Default (as defined in Section 7.1), Trustor hereby authorizes Beneficiary or Beneficiary's agents to collect the aforesaid rents and revenues and hereby directs each tenant of the Property to pay such Rents to Beneficiary or Beneficiary's agents. Prior to the occurrence of an Event of Default, Trustor shall collect and receive all Rents of the Property as trustee for the benefit of Beneficiary and Trustor shall apply the Rents so collected to the sums secured by this Deed of Trust with the balance, so long as no Event of Default has occurred, to the account of Trustor, it being intended by Trustor and Beneficiary that this assignment of rents constitutes an absolute assignment and not an assignment for additional security only. Upon delivery of written notice by Beneficiary to Trustor of an Event of Default, and without the necessity of Beneficiary entering upon and taking and maintaining full control of the Property in person, by agent, or by a court-appointed receiver, Beneficiary shall immediately be entitled to possession of all Rents of the Property as specified in this Section 2.3 as the same becomes due and payable, including but not limited to Rents then due and unpaid, and all such Rents shall immediately upon delivery of such notice be held by Trustor as trustee for the benefit of Beneficiary only; provided, however, that the written notice by Beneficiary to Trustor of an Event of Default shall contain a statement that Beneficiary exercises its rights to such Rents. Trustor agrees that commencing upon delivery of such written notice of an Event of Default, each tenant of the Property shall make such Rents payable to and pay such Rents to Beneficiary or Beneficiary's agents on Beneficiary's written demand to each tenant therefor, delivered to each tenant personally, by mail, or by delivering such demand to each rental unit, without any liability on the part of said tenant to inquire further as to the existence of a default by Trustor.

Except for the financing previously approved by the Beneficiary pursuant to the Loan Agreement, Trustor hereby covenants that Trustor has not executed any prior assignment of said Rents, that Trustor has not performed, and will not perform, any acts or has not executed and will not execute, any instrument which would prevent Beneficiary from exercising its rights under this Section 2.3, and that at the time of execution of this Deed of Trust, there has been no anticipation or prepayment of any of the Rents of the Property for more than two (2) months prior to the due dates of such rents. Trustor covenants that Trustor will not hereafter collect or accept payment of any Rents of the Property more than two (2) months prior to the due dates of such Rents. Trustor further covenants that Trustor will execute and deliver to Beneficiary such further assignments of rents and revenues of the Property as Beneficiary may from time to time request.

Upon and during the continuation of an Event of Default, Beneficiary may in person, by agent, or by a court-appointed receiver, regardless of the adequacy of Beneficiary's security, enter upon and take and maintain full control of the Property in order to perform all acts necessary and appropriate for the operation and maintenance thereof including, but not limited to, the execution, cancellation, or modification of leases, the collection of all Rents of the Property, the making of repairs to the Property, and the execution or termination of contracts providing for the management or maintenance of the Property, all on such terms as are deemed best to protect the security of this Deed of Trust. In the event Beneficiary elects to seek the appointment of a receiver for the Property upon an Event of Default, Trustor hereby expressly consents to the appointment of such receiver. Beneficiary or the receiver shall be entitled to receive a reasonable fee for so managing the Property.

All Rents collected upon and during the continuation of an Event of Default shall be applied first to the costs, if any, of taking control of and managing the Property and collecting the Rents,
including, but not limited to, attorney's fees, receiver's fees, premiums on receiver's bonds, costs of repairs to the Property, premiums on insurance policies, taxes, assessments, and other charges on the Property, and the costs of discharging any obligation or liability of Trustor as lessor or landlord of the Property and then to the sums secured by this Deed of Trust. Beneficiary or the receiver shall have access to the books and records used in the operation and maintenance of the Property and shall be liable to account only for those Rents actually received. Beneficiary shall not be liable to Trustor, anyone claiming under or through Trustor, or anyone having an interest in the Property by reason of anything done or left undone by Beneficiary under this Section 2.3.

If the Rents of the Property are not sufficient to meet the costs, if any, of taking control of and managing the Property and collecting the Rents, any funds expended by Beneficiary for such purposes shall become indebtedness of Trustor to Beneficiary secured by this Deed of Trust pursuant to Section 3.3 hereof. Unless Beneficiary and Trustor agree in writing to other terms of payment, such amounts shall be payable upon notice from Beneficiary to Trustor requesting payment thereof and shall bear interest from the date of disbursement at the rate stated in Section 3.3.

Any entering upon and taking and maintaining of control of the Property by Beneficiary or the receiver and any application of Rents as provided herein shall not cure or waive any default hereunder or invalidate any other right or remedy of Beneficiary under applicable law or provided herein. This assignment of rents of the Property shall terminate at such time as this Deed of Trust ceases to secure indebtedness held by Beneficiary. The rights of the Beneficiary under this Section 2.3 are subject to the rights of the Senior Lender and any other senior lender.

ARTICLE 3
TAXES AND INSURANCE; ADVANCES

Section 3.1 Taxes, Other Governmental Charges and Utility Charges. Trustor shall pay, or cause to be paid prior to the date of delinquency, all taxes, assessments, charges, and levies imposed by any public authority or utility company which are or may become a lien affecting the Security or any part thereof; provided, however, that Trustor shall not be required to pay and discharge any such tax, assessment, charge, or levy so long as (a) the legality thereof shall be promptly and actively contested in good faith and by appropriate proceedings, and (b) Trustor maintains reserves adequate to pay any liabilities contested pursuant to this Section 3.1. With respect to taxes, special assessments, or other similar governmental charges, Trustor shall pay such amount in full prior to the attachment of any lien therefor on any part of the Security; provided, however, if such taxes, assessments, or charges may be paid in installments, Trustor may pay in such installments. Except as provided in clause (b) of the first sentence of this paragraph, the provisions of this Section 3.1 shall not be construed to require that Trustor maintain a reserve account, escrow account, impound account, or other similar account for the payment of future taxes, assessments, charges, and levies.

In the event that Trustor shall fail to pay any of the foregoing items required by this Section to be paid by Trustor, Beneficiary may (but shall be under no obligation to) pay the same, after Beneficiary has notified Trustor of such failure to pay and Trustor fails to fully pay such items within seven (7) business days after receipt of such notice. Any amount so advanced therefor by Beneficiary, together with interest thereon from the date of such advance at the maximum rate permitted by law, shall become an additional obligation of Trustor to the Beneficiary and shall be secured hereby, and Trustor agrees to pay all such amounts.
Section 3.2 Provisions Respecting Insurance. Trustor agrees to provide insurance conforming in all respects to that required under the Loan Documents during the course of construction and following completion, and at all times until all amounts secured by this Deed of Trust have been paid and all other obligations secured hereunder fulfilled, and this Deed of Trust reconveyed.

All such insurance policies and coverages shall be maintained at Trustor's sole cost and expense. Certificates of insurance for all of the above insurance policies, showing the same to be in full force and effect, shall be delivered to Beneficiary upon demand therefor at any time prior to Beneficiary's receipt of the entire Principal and all amounts secured by this Deed of Trust.

Section 3.3 Advances. In the event Trustor shall fail to maintain the full insurance coverage required by this Deed of Trust or shall fail to keep the Security in accordance with the Loan Documents, Beneficiary, after at least seven (7) days prior notice to Beneficiary, may (but shall be under no obligation to) take out the required policies of insurance, pay the premiums on the same, make such repairs or replacements as are necessary and provide for payment thereof, or expend such funds as necessary to remedy such failure by Trustor; and all amounts so advanced therefor by Beneficiary shall become an additional obligation of Trustor to Beneficiary (together with interest as set forth below) and shall be secured hereby, which amounts Trustor agrees to pay on the demand of Beneficiary, and if not so paid, shall bear interest from the date of the advance at the lesser of ten percent (10%) per annum or the maximum rate permitted by law.

ARTICLE 4
DAMAGE, DESTRUCTION OR CONDEMNATION

Section 4.1 Awards and Damages. All judgments, awards of damages, settlements, and compensation made in connection with or in lieu of (1) taking of all or any part of or any interest in the Property by or under assertion of the power of eminent domain, (2) any damage to or destruction of the Property or in any part thereof by insured casualty, and (3) any other injury or damage to all or any part of the Property (“Funds”) are hereby assigned to and shall be paid to Beneficiary by a check made payable to Beneficiary. Such Funds shall be applied to restoration or repair of the Property damaged, provided such restoration or repair is economically feasible and (after completion of the repair or restoration) the security of this Deed of Trust is not thereby impaired, as determined in Beneficiary's reasonable discretion. Such work or repair shall be in accordance with plans and specifications approved by the Beneficiary and commenced no later than the later of (a) one hundred twenty (120) days after the damage or loss occurs or (b) thirty (30) days following receipt of the Funds, and shall be complete within one (1) year thereafter. If such restoration or repair is not economically feasible, or if Trustor fails to provide additional monies to fund any deficiency in connection with such restoration, or if the security of this Deed of Trust would be impaired, then the Funds will be used to repay any amounts due under this Deed of Trust with the excess, if any, paid to Trustor. Beneficiary must consent to the settlement and adjustment of all claims under insurance policies provided under this Deed of Trust. All or any part of the amounts so collected and recovered by Beneficiary may be released to Trustor upon such conditions as Beneficiary may impose for its disposition. Application of all or any part of the Funds collected and received by Beneficiary or the release thereof shall not cure or waive any default under this Deed of Trust. The rights of Beneficiary under this Section 4.1 are subject to the rights of the Senior Lender and any other senior lender.

ARTICLE 5
AGREEMENTS AFFECTING THE PROPERTY; FURTHER ASSURANCES; PAYMENT OF PRINCIPAL AND INTEREST

Section 5.1 Other Agreements Affecting Property. Trustor shall duly and punctually perform all terms, covenants, conditions, and agreements binding upon it under the Loan Documents and any other agreement of any nature whatsoever now or hereafter involving or affecting the Security or any part thereof.

Section 5.2 Agreement to Pay Attorneys' Fees and Expenses. In the event of any Event of Default (as defined in Section 7.1) hereunder, and if Beneficiary should employ attorneys or incur other expenses for the collection of amounts due or the enforcement of performance or observance of an obligation or agreement on the part of Trustor in this Deed of Trust, Trustor agrees that it will, on demand therefor, pay to Beneficiary the reasonable fees of such attorneys and such other reasonable expenses so incurred by Beneficiary; and any such amounts paid by Beneficiary shall be added to the indebtedness secured by the lien of this Deed of Trust, and shall bear interest from the date such expenses are incurred at the lesser of ten percent (10%) per annum or the maximum rate permitted by law.

Section 5.3 Payment of the Principal. Trustor shall pay to Beneficiary the Principal and any other payments as set forth in the Note in the amounts and by the times set out therein.

Section 5.4 Personal Property; Fixture Filing. To the maximum extent permitted by law, the personal property subject to this Deed of Trust shall be deemed to be fixtures and part of the real property and this Deed of Trust shall constitute a fixtures filing under the California Commercial Code. As to any personal property not deemed or permitted to be fixtures, this Deed of Trust shall constitute a security agreement under the California Commercial Code. Trustor hereby grants Beneficiary a security interest in such items.

Section 5.5 Financing Statement. Trustor shall execute and deliver to Beneficiary such financing statements pursuant to the appropriate statutes, and any other documents or instruments as are required to convey to Beneficiary a valid perfected security interest in the Security. Trustor agrees to perform all acts which Beneficiary may reasonably request so as to enable Beneficiary to maintain such valid perfected security interest in the Security in order to secure the payment of the Note in accordance with their terms. Beneficiary is authorized to file a copy of any such financing statement in any jurisdiction(s) as it shall deem appropriate from time to time in order to protect the security interest established pursuant to this instrument. Trustor shall pay all costs of filing such financing statements and any extensions, renewals, amendments, and releases thereof, and shall pay all reasonable costs and expenses of any record searches for financing statements, and releases thereof, as Beneficiary may reasonably require. Without the prior written consent of Beneficiary, Trustor shall not create or suffer to be created pursuant to the California Commercial Code any other security interest in the Security, including replacements and additions thereto.

Section 5.6 Operation of the Security. Trustor shall operate the Security (and, in case of a transfer of a portion of the Security subject to this Deed of Trust, the transferee shall operate such portion of the Security) in full compliance with the Loan Documents.

Section 5.7 Inspection of the Security. At any and all reasonable times upon seventy-two (72) hours' notice, Beneficiary and its duly authorized agents, attorneys, experts, engineers,
Section 5.8 Nondiscrimination. Trustor herein covenants by and for itself, its heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, age, sex, sexual orientation, marital status, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Security, nor shall Trustor itself or any person claiming under or through it establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Security. The foregoing covenants shall run with the land.

ARTICLE 6
HAZARDOUS WASTE

Trustor shall keep and maintain the Property in compliance with, and shall not cause or permit the Property to be in violation of any federal, state, or local laws, ordinances, or regulations relating to industrial hygiene or to the environmental conditions on, under, or about the Property including, but not limited to, soil and ground water conditions; provided however, that if any condition causing non-compliance with this Section existed at the Property prior to the date of this Agreement or at other property within the vicinity of the Leased Premises, the Borrower shall not be in default hereunder. Trustor shall not use, generate, manufacture, store, or dispose of on, under, or about the Property or transport to or from the Property any flammable explosives, radioactive materials, hazardous wastes, toxic substances, or related materials, including without limitation, any substances defined as or included in the definition of “hazardous substances,” “hazardous wastes,” “hazardous materials,” or “toxic substances” under any applicable federal or state laws or regulations (collectively referred to hereinafter as “Hazardous Materials”) except such of the foregoing as are used in construction of the improvements on the Property or as may be customarily kept and used in and about residential property.

Trustor shall immediately advise Beneficiary in writing if at any time it receives written notice of: (i) any and all enforcement, cleanup, removal, or other governmental or regulatory actions instituted, completed, or threatened against Trustor or the Property pursuant to any applicable federal, state, or local laws, ordinances, or regulations relating to any Hazardous Materials, (“Hazardous Materials Law”); (ii) all claims made or threatened by any third party against Trustor or the Property relating to damage, contribution, cost recovery compensation, loss, or injury resulting from any Hazardous Materials (the matters set forth in clauses (i) and (ii) above are hereinafter referred to as “Hazardous Materials Claims”); and (iii) Trustor's discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Property that could cause the Property or any part thereof to be classified as “border-zone property” under the provision of California Health and Safety Code, Sections 25220 et seq., or any regulation adopted in accordance therewith, or to be otherwise subject to any restrictions on the ownership, occupancy, transferability, or use of the Property under any Hazardous Materials Law.

Beneficiary shall have the right to join and participate in, as a party if it so elects, any legal proceedings or actions initiated in connection with any Hazardous Materials Claims. Trustor shall indemnify and hold harmless Beneficiary and its board members, supervisors, directors, officers, employees, agents, successors, and assigns from and against any loss, damage, cost, expense, or
liability directly or indirectly arising out of or attributable to the use, generation, storage, release, threatened release, discharge, disposal, or presence of Hazardous Materials on, under, or about the Property including without limitation: (a) all foreseeable consequential damages; (b) the costs of any required or necessary repair, cleanup, or detoxification of the Property and the preparation and implementation of any closure, remedial, or other required plans; and (c) all reasonable costs and expenses incurred by Beneficiary in connection with clauses (a) and (b), including but not limited to reasonable attorneys' fees; provided however that this indemnification shall not apply to any loss, damage, cost, expense or liability directly or indirectly arising out of or attributable to any condition that existed at the Property prior to the date of this Deed of Trust or at other property within the vicinity of the Property.

Without Beneficiary's prior written consent, which shall not be unreasonably withheld, Trustor shall not take any remedial action in response to the presence of any Hazardous Materials on, under, or about the Property, nor enter into any settlement agreement, consent decree, or other compromise in respect to any Hazardous Material Claims, which remedial action, settlement, consent decree, or compromise might, in Beneficiary's reasonable judgment, impair the value of Beneficiary's security hereunder; provided, however, that Beneficiary's prior consent shall not be necessary in the event that the presence of Hazardous Materials on, under, or about the Property either poses an immediate threat to the health, safety, or welfare of any individual or is of such a nature that an immediate remedial response is necessary and it is not reasonably possible to obtain Beneficiary's consent before taking such action, provided that in such event Trustor shall notify Beneficiary as soon as practicable of any action so taken. Beneficiary agrees not to withhold its consent, where such consent is required hereunder, if either: (i) a particular remedial action is ordered by a court of competent jurisdiction; (ii) Trustor will or may be subjected to civil or criminal sanctions or penalties if it fails to take a required action; (iii) Trustor establishes to the reasonable satisfaction of Beneficiary that there is no reasonable alternative to such remedial action which would result in less impairment of Beneficiary's security hereunder; or (iv) the action has been agreed to by Beneficiary.

Trustor hereby acknowledges and agrees that (i) this Article is intended as Beneficiary's written request for information (and the Trustor's response) concerning the environmental condition of the Property as required by California Code of Civil Procedure Section 726.5, and (ii) each representation and warranty in this Deed of Trust or any of the other Loan Documents (together with any indemnity applicable to a breach of any such representation and warranty) with respect to the environmental condition of the property is intended by Beneficiary and Trustor to be an “environmental provision” for purposes of California Code of Civil Procedure Section 736.

In the event that any portion of the Property is determined to be “environmentally impaired” (as that term is defined in California Code of Civil Procedure Section 726.5(e)(3)) or to be an “affected parcel” (as that term is defined in California Code of Civil Procedure Section 726.5(e)(1)), then, without otherwise limiting or in any way affecting Beneficiary's or Trustee's rights and remedies under this Deed of Trust, Beneficiary may elect to exercise its rights under California Code of Civil Procedure Section 726.5(a) to (1) waive its lien on such environmentally impaired or affected portion of the Property and (2) exercise (a) the rights and remedies of an unsecured creditor, including reduction of its claim against Trustor to judgment, and (b) any other rights and remedies permitted by law. For purposes of determining Beneficiary's right to proceed as an unsecured creditor under California Code of Civil Procedure Section 726.5(a), Trustor shall be deemed to have willfully permitted or acquiesced in a release or threatened release of Hazardous Materials, within the meaning of California Code of Civil Procedure Section 726.5(d)(1), if the release or threatened
release of Hazardous Materials was knowingly or negligently caused or contributed to by any lessee, occupant, or user of any portion of the Property and Trustor knew or should have known of the activity by such lessee, occupant, or user which caused or contributed to the release or threatened release. All costs and expenses, including (but not limited to) attorneys' fees, incurred by Beneficiary in connection with any action commenced under this paragraph, including any action required by California Code of Civil Procedure Section 726.5(b) to determine the degree to which the Property is environmentally impaired, plus interest thereon at the lesser of ten percent (10%) or the maximum rate permitted by law, until paid, shall be added to the indebtedness secured by this Deed of Trust and shall be due and payable to Beneficiary upon its demand made at any time following the conclusion of such action.

Trustor is aware that California Civil Code Section 2955.5(a) provides as follows: “No lender shall require a borrower, as a condition of receiving or maintaining a loan secured by real property, to provide hazard insurance coverage against risks to the improvements on that real property in an amount exceeding the replacement value of the improvements on the property.”

**ARTICLE 7**

**EVENTS OF DEFAULT AND REMEDIES**

Section 7.1 Events of Default. Each of the following shall constitute an Event of Default following the expiration of any applicable notice and cure periods: (1) failure to make any payment to be paid by Trustor under the Loan Documents within ten (10) days after the date due; (2) failure to observe or perform any of Trustor's other covenants, agreements, or obligations under the Loan Documents (which failure has not been cured within the times and in the manner set forth in the Loan Agreement); or (3) failure to make any payment or perform any of Trustor's other covenants, agreements, or obligations under any other debt instruments or regulatory agreement secured by the Property, which default shall not be cured within the times and in the manner provided therein, provided, however, to the extent that the Trustor cures its failure to perform as described in this Section 7.1(3), Trustor shall be deemed to have cured the Event of Default arising from this Section 7.1(3).

Section 7.2 Acceleration of Maturity. If an Event of Default shall have occurred and be continuing, then at the option of Beneficiary, the amount of any payment related to the Event of Default and the unpaid Principal of the Note (including all interest thereon) shall immediately become due and payable, upon written notice by Beneficiary to Trustor (or automatically where so specified in the Loan Documents), and no omission on the part of Beneficiary to exercise such option when entitled to do so shall be construed as a waiver of such right.

Section 7.3 Beneficiary's Right to Enter and Take Possession. If an Event of Default shall have occurred and be continuing, Beneficiary may:

(a) Either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court, and without regard to the adequacy of its security, enter upon the Security and take possession thereof (or any part thereof) and of any of the Security, in its own name or in the name of Trustee, and do any acts which it deems necessary or desirable to preserve the value or marketability of the Property, or part thereof or interest therein, increase the income therefrom or protect the security thereof. The entering upon and taking possession of the Security shall not cure or waive any Event of Default or Notice of Default (as defined below) hereunder or invalidate any act done in response to such Default or pursuant to such Notice of
Default and, notwithstanding the continuance in possession of the Security, Beneficiary shall be entitled to exercise every right provided for in this Deed of Trust, or by law upon occurrence of any Event of Default, including the right to exercise the power of sale;

(b) Commence an action to foreclose this Deed of Trust as a mortgage, appoint a receiver, or specifically enforce any of the covenants hereof;

(c) Deliver to Trustee a written declaration of default and demand for sale, and a written notice of default and election to cause Trustor's interest in the Security to be sold ("Notice of Default and Election to Sell"), which notice Trustee or Beneficiary shall cause to be duly filed for record in the Official Records of the County of Los Angeles; or

(d) Exercise all other rights and remedies provided herein, in the instruments by which Trustor acquires title to any Security, or in any other document or agreement now or hereafter evidencing, creating, or securing all or any portion of the obligations secured hereby, or provided by law.

Section 7.4 Foreclosure By Power of Sale. Should Beneficiary elect to foreclose by exercise of the power of sale herein contained, Beneficiary shall give notice to Trustee (the "Notice of Sale") and shall deposit with Trustee this Deed of Trust which is secured hereby (and the deposit of which shall be deemed to constitute evidence that the unpaid principal amount of the Note is immediately due and payable), and such receipts and evidence of any expenditures made that are additionally secured hereby as Trustee may require.

(a) Upon receipt of such notice from Beneficiary, Trustee shall cause to be recorded, published, and delivered to Trustor such Notice of Default and Election to Sell as then required by law and by this Deed of Trust. Trustee shall, without demand on Trustor, after lapse of such time as may then be required by law and after recordation of such Notice of Default and Election to Sell and after Notice of Sale having been given as required by law, sell the Security, at the time and place of sale fixed by it in said Notice of Sale, whether as a whole or in separate lots or parcels or items as Trustee shall deem expedient and in such order as it may determine unless specified otherwise by Trustor according to California Civil Code Section 2924g(b), at public auction to the highest bidder, for cash in lawful money of the United States payable at the time of sale. Trustee shall deliver to such purchaser or purchasers thereof its good and sufficient deed or deeds conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed or any matters of facts shall be conclusive proof of the truthfulness thereof. Any person, including, without limitation, Trustor, Trustee, or Beneficiary, may purchase at such sale, and Trustor hereby covenants to warrant and defend the title of such purchaser or purchasers.

(b) After deducting all reasonable costs, fees, and expenses of Trustee, including costs of evidence of title in connection with such sale, Trustee shall apply the proceeds of sale to payment of: (i) the unpaid Principal amount of the Note; (ii) all other amounts owed to Beneficiary under the Loan Documents; (iii) all other sums then secured hereby; and (iv) the remainder, if any, to Trustor.

(c) Trustee may postpone sale of all or any portion of the Property by public announcement at such time and place of sale, and from time to time thereafter, and without further notice make such sale at the time fixed by the last postponement, or may, in its discretion, give a new Notice of Sale.
Section 7.5 Receiver. If an Event of Default shall have occurred and be continuing, Beneficiary, as a matter of right and without further notice to Trustor or anyone claiming under the Security, and without regard to the then value of the Security or the interest of Trustor therein, shall have the right to apply to any court having jurisdiction to appoint a receiver or receivers of the Security (or a part thereof), and Trustor hereby irrevocably consents to such appointment and waives further notice of any application therefor. Any such receiver or receivers shall have all the usual powers and duties of receivers in like or similar cases, and all the powers and duties of Beneficiary in case of entry as provided herein, and shall continue as such and exercise all such powers until the date of confirmation of sale of the Security, unless such receivership is sooner terminated.

Section 7.6 Remedies Cumulative. No right, power, or remedy conferred upon or reserved to Beneficiary by this Deed of Trust is intended to be exclusive of any other right, power, or remedy, but each and every such right, power, and remedy shall be cumulative and concurrent and shall be in addition to any other right, power, and remedy given hereunder or now or hereafter existing at law or in equity.

Section 7.7 No Waiver.

(a) No delay or omission of Beneficiary to exercise any right, power, or remedy accruing upon any Event of Default shall exhaust or impair any such right, power, or remedy, or shall be construed to be a waiver of any such Event of Default or acquiescence therein; and every right, power, and remedy given by this Deed of Trust to Beneficiary may be exercised from time to time and as often as may be deemed expeditious by Beneficiary. Beneficiary's expressed or implied consent to a breach by Trustor, or a waiver of any obligation of Trustor hereunder, shall not be deemed or construed to be a consent to any subsequent breach, or further waiver, of such obligation or of any other obligations of Trustor hereunder. Failure on the part of Beneficiary to complain of any act or failure to act or to declare an Event of Default, irrespective of how long such failure continues, shall not constitute a waiver by Beneficiary of its right hereunder or impair any rights, power, or remedies consequent on any Event of Default by Trustor.

(b) If Beneficiary (i) grants forbearance or an extension of time for the payment of any sums secured hereby, (ii) takes other or additional security or the payment of any sums secured hereby, (iii) waives or does not exercise any right granted in the Loan Documents, (iv) releases any part of the Security from the lien of this Deed of Trust, or otherwise changes any of the terms, covenants, conditions, or agreements in the Loan Documents, (v) consents to the granting of any easement or other right affecting the Security, or (vi) makes or consents to any agreement subordinating the lien hereof, any such act or omission shall not release, discharge, modify, change, or affect the original liability under this Deed of Trust, or any other obligation of Trustor or any subsequent purchaser of the Security or any part thereof, or any maker, co-signer, endorser, surety, or guarantor (unless expressly released); nor shall any such act or omission preclude Beneficiary from exercising any right, power, or privilege herein granted or intended to be granted in any Event of Default then made or of any subsequent Event of Default, nor, except as otherwise expressly provided in an instrument or instruments executed by Beneficiary shall the lien of this Deed of Trust be altered thereby.

Section 7.8 Suits to Protect the Security. Beneficiary shall have power to (a) institute and maintain such suits and proceedings as it may deem expedient to prevent any impairment of the Security and the rights of Beneficiary as may be unlawful or any violation of this Deed of Trust, (b)
preserve or protect its interest (as described in this Deed of Trust) in the Security, and (c) restrain the enforcement of or compliance with any legislation or other governmental enactment, rule, or order that may be unconstitutional or otherwise invalid, if the enforcement for compliance with such enactment, rule, or order would impair the Security thereunder or be prejudicial to the interest of Beneficiary.

Section 7.9 Beneficiary May File Proofs of Claim. In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition, or other proceedings affecting Trustor, its creditors, or its property, Beneficiary, to the extent permitted by law, shall be entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have the claims of Beneficiary allowed in such proceedings and for any additional amount which may become due and payable by Trustor hereunder after such date.

Section 7.10 Waiver. Trustor waives presentment, demand for payment, notice of dishonor, notice of protest and nonpayment, protest, notice of interest on interest and late charges, and diligence in taking any action to collect any sums owing under the Note or in proceedings against the Security, in connection with the delivery, acceptance, performance, default, endorsement, or guaranty of this Deed of Trust.

ARTICLE 8
MISCELLANEOUS

Section 8.1 Amendments: Prior Agreements. This instrument cannot be waived, changed, discharged, or terminated orally, but only by an instrument in writing signed by Beneficiary and Trustor.

Section 8.2 Reconveyance by Trustee. Upon written request of Beneficiary stating that (i) all sums secured hereby have been paid or forgiven, and (ii) that all obligations of Trustor under the Loan Documents have been satisfied, and upon surrender of this Deed of Trust to Trustee for cancellation and retention, and upon payment by Trustor of Trustee's reasonable fees, Trustee shall reconvey the Security to Trustor, or to the person or persons legally entitled thereto.

Section 8.3 Notices. If at any time after the execution of this Deed of Trust it shall become necessary or convenient for one of the parties hereto to serve any notice, demand, or communication upon the other party, such notice, demand, or communication shall be in writing and shall be served by depositing the same in the registered United States mail, return receipt requested, postage prepaid and:

If to Beneficiary: Housing Authority of City of Los Angeles
2600 Wilshire Blvd.
Los Angeles, CA 90057
Attn: President and Chief Executive Officer
Attn: Director of Legal Affairs

with copy to: Reno & Cavanaugh, PLLC
455 Massachusetts Avenue, Suite 400
Washington, DC 20001
Attn: Megan Glasheen
Section 8.4 Successors and Joint Trustors. Where an obligation is created herein binding upon Trustor, the obligation shall also apply to and bind any transferee or successors in interest. Where the terms of this Deed of Trust have the effect of creating an obligation of Trustor and a transferee, such obligation shall be deemed to be a joint and several obligation of Trustor and such transferee. Where Trustor is more than one entity or person, all obligations of Trustor shall be deemed to be a joint and several obligation of each and every entity and person comprising Trustor.

Section 8.5 Captions. The captions or headings at the beginning of each Section hereof are for the convenience of the parties and are not a part of this Deed of Trust.

Section 8.6 Invalidity of Certain Provisions. Every provision of this Deed of Trust is intended to be severable. In the event any term or provision hereof is declared to be illegal or invalid for any reason whatsoever by a court or other body of competent jurisdiction, such illegality or invalidity shall not affect the balance of the terms and provisions hereof, which terms and provisions shall remain binding and enforceable. If the lien of this Deed of Trust is invalid or unenforceable as to any part of the debt, or if the lien is invalid or unenforceable as to any part of the Security, the unsecured or partially secured portion of the debt, and all payments made on the debt, whether voluntary or under foreclosure or other enforcement action or procedure, shall be considered to have been first paid or applied to the full payment of that portion of the debt which is not secured or partially secured by the lien of this Deed of Trust.

Section 8.7 Governing Law. This Deed of Trust shall be governed by and construed in accordance with the laws of the State of California.

Section 8.8 Gender and Number. In this Deed of Trust, the singular shall include the plural and the masculine shall include the feminine and neuter and vice versa, if the context so requires.

Section 8.9 Deed of Trust, Mortgage. Any reference in this Deed of Trust to a mortgage shall also refer to a deed of trust and any reference to a deed of trust shall also refer to a mortgage.
Section 8.10  **Actions.** Trustor agrees to appear in and defend any action or proceeding purporting to affect the Security.

Section 8.11  **Substitution of Trustee.** Beneficiary may from time to time substitute a successor or successors to any Trustee named herein or acting hereunder to execute this Deed of Trust. Upon such appointment, and without conveyance to the successor trustee, the latter shall be vested with all title, powers, and duties conferred upon any Trustee herein named or acting hereunder. Each such appointment and substitution shall be made by written instrument executed by Beneficiary, containing reference to this Deed of Trust and its place of record, which, when duly recorded in the proper office of the county or counties in which the Property is situated, shall be conclusive proof of proper appointment of the successor trustee.

Section 8.12  **Statute of Limitations.** The pleading of any statute of limitations as a defense to any and all obligations secured by this Deed of Trust is hereby waived to the full extent permissible by law.

Section 8.13  **Acceptance by Trustee.** Trustee accepts this Deed of Trust when this Deed of Trust, duly executed and acknowledged, is made public record as provided by law. Except as otherwise provided by law the Trustee is not obligated to notify any party hereto of pending sale under this Deed of Trust or of any action of proceeding in which Trustor, Beneficiary, or Trustee shall be a party unless brought by Trustee.

Section 8.14  **Compliance with Internal Revenue Code Section 42.** Beneficiary acknowledges that Trustor intends to enter into an extended use agreement, which constitutes the extended low-income housing commitment described in Section 42(h)(6)(B) of the Internal Revenue Code, as amended (the “Code”). As of the date hereof, Code Section 42(h)(6)(E)(ii) does not permit the eviction or termination of tenancy (other than for good cause) of an existing tenant of any low-income unit or any increase in the gross rent with respect to such unit not otherwise permitted under Code Section 42 for a period of three (3) years after the date the building is acquired by foreclosure or by instrument in lieu of foreclosure. In the event the extended use agreement is recorded against the Property, Beneficiary agrees to comply with the provisions set forth in Code Section 42(h)(6)(E)(ii).

**ARTICLE 9**

**SUBORDINATE DEED OF TRUST**

This Deed of Trust is and shall at all times continue to be subordinate, subject, and inferior (in payment and priority) to the Senior Loan and the Senior Deed of Trust, and the liens, rights, payment interests, priority interests, and security interests granted to Beneficiary hereunder and the Loan and the Loan Documents are, and are hereby expressly acknowledged to be in all respects and at all times, subject to the terms of the [Subordination Agreement (Jordan Downs – Housing Authority)] by and among Beneficiary, Trustor and Senior Lender of even date herewith. Exhibit B and Exhibit C, attached hereto, are hereby incorporated into this Deed of Trust by this reference.

[remainder of this page intentionally left blank]
IN WITNESS WHEREOF, Trustor has executed this Deed of Trust as of the day and year first above written.

TRUSTOR:

JORDAN DOWNS PHASE S3, LP,
a California limited partnership

By: Jordan S3-Michaels LLC,
a California limited liability company
its administrative general partner

By: _______________________________
Milton R. Pratt, Jr.
Vice President

By: La Cienega LOMOD, Inc.,
a California nonprofit public benefit corporation,
its managing general partner

By: _______________________________
Tina Smith-Booth
President
A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California )
County of ______________________ )

On _________________________, before me, ________________________________________,
Notary Public, personally appeared ________________________________________, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature ______________________

(insert name and title of the officer)
A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California )
County of ______________________ )

On _________________________, before me, ______________________ , Notary Public, personally appeared ______________________ , who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature____________________
EXHIBIT A

Legal Description

THOSE PORTIONS OF LOTS 4 AND 5, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS SHOWN ON THE MAP OF TRACT NO. 16154, AS PER MAP RECORDED IN BOOK 540, PAGES 48 TO 50, INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

COMMENCING AT THE CENTERLINE INTERSECTION OF ONE HUNDRED FIRST STREET, 30.00 WIDE, AND GRAPE STREET, 30.00 FEET WIDE, AS SHOWN ON SAID TRACT NO. 16154; THENCE ALONG SAID CENTERLINE OF ONE HUNDRED FIRST STREET SOUTH 89°33'07" EAST 403.04 FEET; THENCE NORTH 00°26'53" EAST 30.00 FEET TO A POINT ON THE NORTH LINE OF SAID ONE HUNDRED FIRST STREET, SAID POINT ALSO BEING THE TRUE POINT OF BEGINNING; THENCE CONTINUING NORTH 00°26'53" EAST 221.99 FEET; THENCE SOUTH 89°33'07" EAST 238.26 FEET; THENCE SOUTH 08°31'20" WEST 211.19 FEET TO THE BEGINNING OF A CURVE CONCAVE NORTHWESTERLY, HAVING A RADIUS OF 15.00 FEET; THENCE SOUTHWESTERLY ALONG SAID CURVE 21.45 FEET, THROUGH A CENTRAL ANGLE OF 81°55'33" TO SAID NORTH LINE OF ONE HUNDRED FIRST TO SAID NORTH LINE OF ONE HUNDRED FIRST STREET; THENCE ALONG SAID NORTH LINE NORTH 89°33'07" WEST 193.74 FEET TO THE TRUE POINT OF BEGINNING.

APN: 6046-019-926, 6046-021-908, AND 6046-021-917
EXHIBIT B

Investor Rider

This Rider is attached to and made a part of the promissory note, the deed of trust, and loan agreement or other document(s) evidencing, securing, and governing a Bridge Loan from the Authority in the maximum principal amount of Two Million Two Hundred Thousand Dollars ($2,200,000.00) (the “Authority Bridge Loan”) made by the Housing Authority of the City of Los Angeles (“Lender”) to Jordan Downs Phase S3, LP, a California limited partnership (“Borrower” or the “Partnership”) for the construction of approximately ninety-two (92) units of rental housing (including one (1) manager’s unit) and related improvements (the “Project”). The Amended and Restated Agreement of Limited Partnership forming or continuing the Borrower and previously approved by Lender is referred to herein as the “Partnership Agreement”.

The parties hereto agree that the following covenants, terms, and conditions shall be part of and shall modify or supplement each of the documents evidencing, securing, or governing the disbursement of the Loan (the “Loan Documents”), and that in the event of any inconsistency or conflict between the covenants, terms, and conditions of the Loan Documents and this Rider, the following covenants, terms, and conditions shall control and prevail:

1. **Non-recourse Obligation.** Subject to and as more particularly set forth in Section 2.10 of the Loan Agreement, the Loan is a non-recourse obligation of Borrower. Except as expressly provided in Section 2.10 of the Loan Agreement, neither Borrower nor any of its general and limited partners, nor any other party shall have any personal liability for repayment of the Loan. Except as expressly provided in Section 2.10 of the Loan Agreement, the sole recourse of Lender under the Loan Documents for repayment of the Loan shall be the exercise of its rights against the Project and related security thereunder.

2. **General Partner and Limited Partner Change.** The withdrawal, removal, and/or replacement of a general partner of the Partnership pursuant to the terms of the Partnership Agreement shall not constitute a default under any of the Loan Documents, and any such actions shall not accelerate the maturity of the Loan, provided that (i) the Borrower’s limited partner provides the Lender with prior written notice of removal and substitution of a general partner of Borrower, and (ii) with respect to Jordan S3-Michaels LLC, the administrative general partner of Borrower, any substitute general partner is reasonably acceptable to Lender.

Additionally, the transfer of any limited partnership interests in Borrower or in any limited or special limited partner of Borrower pursuant to the terms of the Partnership Agreement shall not constitute a default under any of the Loan Documents, and any such actions shall not accelerate the maturity of the Loan.

3. **Monetary Default.** If a monetary event of default occurs under the terms of any of the Loan Documents, prior to exercising any remedies thereunder Lender shall give Borrower and each of the general and limited partners of the Partnership, as identified in the Partnership Agreement, simultaneous written notice of such default. Borrower shall have a period of seven (7) days after such notice is given within which to cure the default prior to exercise of remedies by Lender under the Loan Documents, or such longer period of time as may be specified in the Loan Documents. Borrower’s limited partners shall have the right, but not the obligation, to cure any
default under the Loan Documents within the applicable cure periods provided to Borrower thereunder.

4. **Non-Monetary Default.** If a non-monetary event of default occurs under the terms of any of the Loan Documents, prior to exercising any remedies thereunder Lender shall give Borrower and each of the general and limited partners of the Partnership, as identified in the Partnership Agreement, simultaneous written notice of such default. If the default is reasonably capable of being cured within thirty (30) days, Borrower shall have such period to effect a cure prior to exercise of remedies by Lender under the Loan Documents, or such longer period of time as may be specified in the Loan Documents. If the default is such that it is not reasonably capable of being cured within thirty (30) days or such longer period if so specified, and if Borrower (a) initiates corrective action within said period, and (b) diligently, continually, and in good faith works to effect a cure as soon as possible, then Borrower shall have such additional time as is reasonably necessary to cure the default prior to exercise of any remedies by Lender. If Borrower fails to take corrective action or to cure the default within a reasonable time, Lender shall give Borrower and each of the general and limited partners of the Partnership written notice thereof, whereupon the limited partner may remove and replace the general partner with a substitute general partner who shall effect a cure within a reasonable time thereafter in accordance with the foregoing provisions. In no event shall Lender be precluded from exercising remedies if its security becomes or is about to become materially jeopardized by any failure to cure a default or the default is not cured within one hundred eighty (180) days after the first notice of default is given, or such longer period of time as may be specified in the Loan Documents. Borrower’s limited partners shall have the right, but not the obligation, to cure any default under the Loan Documents within the applicable cure periods provided to Borrower thereunder.

Additionally, notwithstanding the occurrence of any monetary or nonmonetary default under the terms of any of the Loan Documents, during the Compliance Period (as defined in the Partnership Agreement), Lender shall not (i) commence foreclosure proceedings with respect to the Property under the Loan Documents or exercise any other rights or remedies it may have under the Loan Documents, including, but not limited to, accelerating sums due under the Loan Documents, collecting rents, appointing (or seeking the appointment of) a receiver or exercising any other rights or remedies hereunder or (ii) join with any other creditor in commencing any bankruptcy reorganization arrangement, insolvency or liquidation proceedings with respect to Borrower.

5. **Casualty, Condemnation, Etc.** 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, 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 Lender for repayment of the Loan or if such proceeds are insufficient then Borrower shall have funded any deficiency, (b) 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 material default then exists under the Loan Documents (subject to any applicable cure periods hereunder). 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 Loan in a manner that provides adequate security to Lender for repayment of the remaining balance of the Loan.
6. **Force Majeure.** There shall be no default for delays by reason of Force Majeure as provided in Section 7.14 of the Loan Agreement, except as provided in said Section 7.14.

7. **Purchase Rights.** The execution and delivery of the purchase option and right of first refusal agreement described in the Partnership Agreement shall not constitute a default under the Loan Documents or accelerate the maturity of the Loan thereunder. Any requisite consent of Lender to (a) the exercise of said purchase option and right of first refusal agreement by the project sponsor identified therein, and to (b) the assumption without penalty of Loan obligations by the project sponsor and the release of Borrower from such obligations, shall not be unreasonably withheld. Subject to any such consent requirement, the exercise of rights under such agreement shall not constitute a default or accelerate maturity of the Loan.

8. **Loan Assumption.** If the purchase option and right of first refusal agreement described in the Partnership Agreement is not exercised and the Project is sold subject to low-income housing use restrictions as contained in an existing regulatory agreement or other recorded covenant, any requisite consent of Lender to said sale, and to the assumption without penalty of loan obligations by the purchaser and the release of Borrower from such obligations, shall not be unreasonably withheld, provided, however, that the principals of purchaser shall be comparable to the principals of Borrower in (a) experience and track record of developing, operating, maintaining, and, if applicable, managing, affordable housing financed with sources and restrictions comparable to the Approved Financing, (b) financial wherewithal, and (c) such other underwriting criteria as may be employed by lender at the time of any such proposed assumption.

9. **Lender Approvals, Etc.** In any approval, consent, or other determination by Lender required under any of the Loan Documents, Lender shall act reasonably and in good faith.

10. **Subordination.** Lender acknowledges that Borrower and the California Tax Credit Allocation Committee intend to enter into, or concurrently with the execution and delivery of the Loan Documents are entering into, an extended use agreement, which constitutes the extended low-income housing commitment described in Section 42(h)(6)(B) of the Internal Revenue Code, as amended. Lender agrees to subordinate the Loan and Lender’s rights under the Loan Documents executed in conjunction therewith to the relevant provisions of said extended use agreement. This subordination is being made in consideration of the allocation of tax credits to the Project, absent which the development of the Project would not occur, and this mortgage loan would not be made.

Subject to the prior written approval of the Lender, which approval shall not be unreasonably withheld, conditioned or delayed, the Borrower may refinance the Approved Financing loans (as defined in the Loan Documents). Any refinancing of the Approved Financing loans shall be on commercially reasonable terms in an amount not to exceed the then outstanding principal balance of such Approved Financing loans plus reasonable costs. The Borrower shall reimburse the Lender for any costs it incurs related to the refinancing of the Approved Financing loans.

11. **Notice Address.**

The notice address of the limited partner is: Berkadia Jordan Downs S3 Investor, LP
Two Liberty Place
50 South 16th Street, Suite 2825
Philadelphia, PA 19102
12. **Third Party Beneficiary Status.** Borrower’s limited partners shall be intended third party beneficiaries of this Rider for purposes of the rights granted to the limited partners hereunder.
In Witness Whereof, the undersigned have caused this Rider to be executed this ____ day of ____________, 2020.

LENDER:

HOUSING AUTHORITY OF CITY OF LOS ANGELES,
a public body, corporate and politic

By: ___________________________
    Douglas Guthrie
    President and Chief Executive Officer
BORROWER:

JORDAN DOWNS PHASE S3, LP,
a California limited partnership

By: Jordan S3-Michaels LLC,
a California limited liability company
its administrative general partner

By: _______________________________
    Milton R. Pratt, Jr.
    Vice President

By: La Cienega LOMOD, Inc.,
a California nonprofit public benefit corporation,
its managing general partner

By: _______________________________
    Tina Smith-Booth
    President
EXHIBIT C

RAD Rider to Loan Documents

JORDAN DOWNS PHASE S3, LP AND HOUSING AUTHORITY OF THE CITY OF LOS ANGELES

This RAD Rider to Loan Documents (this “Rider”) modifies the deed of trust and related documents (collectively, the “Loan Documents”) entered into between the HOUSING AUTHORITY OF THE CITY OF LOS ANGELES, a public body, corporate and politic, organized and existing under the laws of the State of California (the “Authority”) and JORDAN DOWNS PHASE S3, LP, a California limited partnership (the “Borrower”), in connection with a bridge loan of Two Million Two Hundred Thousand Dollars ($2,200,000.00) by the Authority to the Borrower to be used in construction of a 92-unit apartment complex known as Jordan Downs Phase S3 (the “Project”) on the property described in Exhibit A attached to the aforementioned deed of trust (the “Property”).

1. **Inconsistent Provisions.** If the provisions of this Rider are inconsistent with the provisions of the Loan Documents, the provisions of this Rider shall be controlling.

2. **Defined Terms.** Capitalized terms not defined herein are as defined in the Loan Documents.

3. **HUD Regulatory Documents.** By the acceptance, execution and/or recording of this Rider, Lender acknowledges that twenty-five (25) units in to be constructed on the Property are subject to: (a) requirements applicable to the U. S. Department of Housing and Urban Development’s (“HUD”) Rental Assistance Demonstration (“RAD”) Program authorized by the Consolidated and Further Continuing Appropriations Act of 2012 as amended by the Consolidated Appropriations Act, 2014 (Pub. L. No. 113-76, approved January 17, 2014), the Consolidated and Further Continuing Appropriations Act, 2015 (Pub. L. No. 113-235, approved December 6, 2014), and Division L, Title II, Section 237 of the Consolidated Appropriations Act (Pub. L. No. 114-113, enacted December 18, 2015), (b) HUD Notice H-2019-09 PIH 2019-23 (HA) (September 5, 2019), as may be further amended; and (c) requirements contained in (i) the RAD Use Agreement (Form HUD 52625), (ii) the RAD Conversion Commitment (HUD Form 52624), as amended, and (iii) the Rental Assistance Demonstration (RAD) for the Conversion of Public Housing to the Section 8 Project-Based Voucher (PBV) Program Housing Assistance Payment Contract (HUD Form 52530A (04/2015) and HUD 52621 (4/2017)). Such requirements in Sections (a) and (b) herein shall be referred to as the “RAD Requirements.” If there is a conflict between a provision of the Loan Documents and any RAD Requirement, then the RAD Requirement shall govern, except as such RAD Requirement may have been expressly waived in writing by HUD.

4. **Subordination to RAD Use Agreement.** The lien on the Property pursuant to the Loan Documents is subordinate and subject to the RAD Use Agreement pursuant to that certain Agreement to Subordinate to the Rental Assistance Demonstration Use Agreement as of substantially even date herewith.

5. **Transfer Restrictions.** The Authority agrees that any transfers of interests in the Property or Project will be done in accordance with the RAD Requirements.
6. **Transferred Funds Not Deemed to Create Relationship With HUD.** Nothing contained in any of the Loan Documents, nor any act of HUD, shall be deemed or construed to create any relationship of third-party beneficiary, principal and agent, limited or general partnership, joint venture, or any association or relationship involving HUD.

7. **Notices.** Any notices of Borrower default provided pursuant to the Loan Documents shall also be provided to HUD as follows:

   If to HUD, to: United States Department of Housing and Urban Development  
   451 Seventh Street, S.W.  
   Washington, DC 20410  
   Attn: Office of the General Counsel

   [Signatures on Following Page]
IN WITNESS WHEREOF, the Borrower and the Authority have duly executed and delivered this Rider contemporaneous with the Loan Documents.

BORROWER:

JORDAN DOWNS PHASE S3, LP,
a California limited partnership

By: Jordan S3-Michaels LLC,
a California limited liability company
   its administrative general partner

By: _______________________________
   Milton R. Pratt, Jr.
   Vice President

By: La Cienega LOMOD, Inc.,
a California nonprofit public benefit corporation,
   its managing general partner

By: _______________________________
   Tina Smith-Booth
   President
A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California  )
County of _________________  )

On ______________________, before me, ________________________________, Notary Public, personally appeared ________________________________, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature_________________
A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California  
County of ______________________  

On _________________________, before me, __________________________________, Notary Public, personally appeared __________________________________, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature __________________________
AUTHORITY:

HOUSING AUTHORITY OF THE CITY OF LOS ANGELES
a public body, corporate and politic

By: ______________________________________
    Douglas Guthrie
    President and Chief Executive Officer
A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California )
County of ______________________ )

On ______________________, before me, ____________________________, Notary Public, personally appeared ____________________________, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature __________________
TAB 10.

Subordination Agreement (CIT Bank)
SUBORDINATION AGREEMENT

THIS SUBORDINATION AGREEMENT (this "Agreement") is entered into this _____ day of _________________, 2020 by and among (i) CIT Bank, N.A., a national banking association (the "Senior Lender"), (ii) the Housing Authority of the City of Los Angeles, a public body, corporate and politic organized and existing under the laws of the State of California (the "Subordinate Lender"), and (iii) Jordan Downs Phase S3, LP, a California limited partnership (the "Borrower").

Recitals

A. The Senior Lender has made or is making a loan (the "First Mortgage Loan") to the Borrower in the original principal amount of _________________. The First Mortgage Loan is or will be secured by a first mortgage lien (the "First Mortgage") on Borrower's leasehold interest in an affordable housing project located in Los Angeles, California (the "Property"). The Property is more fully described in Exhibit A attached hereto. The Borrower's obligation to repay the First Mortgage Loan is evidenced by a Promissory Note dated of even date herewith (the "First Mortgage Note").

B. The Borrower has requested the Senior Lender to permit the Subordinate Lender to make two subordinate loans to Borrower: (i) one in the amount of $3,400,000.00 (the "Subordinate Acquisition Loan"), and (ii) the other in the amount of $1,600,000 (the "Subordinate Bridge Loan," and collectively with the Subordinate Acquisition Loan, the "Subordinate Loans"), and to secure each Subordinate Loan by, among other things, placing a separate mortgage lien against the Property to secure each Subordinate Loan.

C. The Senior Lender has agreed to permit the Subordinate Lender to make the Subordinate Loans and to place a separate subordinate mortgage lien against the Property to secure each Subordinate Loan, subject to all of the conditions contained in this Agreement.

NOW, THEREFORE, in order to induce the Senior Lender to permit the Subordinate Lender to make the Subordinate Loans to the Borrower and to place a separate subordinate mortgage lien against the Property to secure each Subordinate Loan, and in consideration thereof, the Senior Lender, the Subordinate Lender and the Borrower agree as follows:

1. Definitions.

In addition to the terms defined in the Recitals to this Agreement, for purposes of this Agreement the following terms have the respective meanings set forth below:

"Affiliate" means, when used with respect to a Person, any corporation, partnership, joint venture, limited liability company, limited liability partnership, trust or individual controlled by, under common control with, or which controls such Person (the term "control" for these purposes shall mean the ability, whether by the ownership of shares or other equity interests, by contract or otherwise, to elect a majority of the directors of a corporation, to make management decisions on behalf of, or independently to select the managing partner
of, a partnership, or otherwise to have the power independently to remove and then select a majority of those individuals exercising managerial authority over an entity, and control shall be conclusively presumed in the case of the ownership of 50% or more of the equity interests).

"Borrower" means the Person named as such in the first paragraph of this Agreement and any other Person (other than the Senior Lender) who acquires title to the Property after the date of this Agreement.

"Business Day" means any day other than Saturday, Sunday or a day on which the Senior Lender is not open for business.

"Default Notice" means: (a) a copy of the written notice from the Senior Lender to the Borrower stating that a First Mortgage Loan Default has occurred under the First Mortgage Loan; or (b) a copy of the written notice from the Subordinate Lender to the Borrower stating that a Subordinate Loan Default has occurred under one of the Subordinate Loans. Each Default Notice shall specify the default upon which such Default Notice is based.

"First Mortgage Loan Default" means the occurrence of an "Event of Default" as that term is defined in the First Mortgage Loan Documents.

"First Mortgage Loan Documents" means the First Mortgage Note and all other documents evidencing, securing or otherwise executed and delivered in connection with the First Mortgage Loan.

"Person" means an individual, estate, trust, partnership, corporation, limited liability company, limited liability partnership, governmental department or agency or any other entity which has the legal capacity to own property.

"Senior Lender" means the Person named as such in the first paragraph on page 1 of this Agreement. When any other Person becomes the legal holder of the First Mortgage Note, such other Person shall automatically become the Senior Lender.

"Subordinate Lender" means the Person named as such in the first paragraph on page 1 of this Agreement and any other Person who becomes the legal holder of a Subordinate Note after the date of this Agreement.

"Subordinate Loan Default" means a default by the Borrower in performing or observing any of the terms, covenants or conditions in the Subordinate Loan Documents to be performed or observed by it, which continues beyond any applicable period provided in the Subordinate Loan Documents for curing the default.

"Subordinate Acquisition Loan Documents" means the Subordinate Acquisition Note, the Subordinate Acquisition Mortgage and all other documents evidencing, securing or otherwise executed and delivered in connection with the Subordinate Acquisition Loan.

"Subordinate Acquisition Mortgage" means the mortgage or deed of trust encumbering the Property as security for the Subordinate Acquisition Loan, which the Subordinate Lender will cause to be recorded among the applicable land records immediately before this Agreement.

"Subordinate Acquisition Note" means the promissory note dated as of [date], 2020, issued by the Borrower to the Subordinate Lender, or order, to evidence the Subordinate Acquisition Loan.

"Subordinate Bridge Loan Documents" means the Subordinate Bridge Note, the Subordinate Bridge Mortgage and all other documents evidencing, securing or otherwise executed and delivered in connection with the Subordinate Bridge Loan.
"Subordinate Bridge Mortgage" means the mortgage or deed of trust encumbering the Property as security for the Subordinate Bridge Loan, which the Subordinate Lender will cause to be recorded among the applicable land records immediately before this Agreement.

"Subordinate Bridge Note" means the promissory note dated as of ___________, 2020, issued by the Borrower to the Subordinate Lender, or order, to evidence the Subordinate Bridge Loan.

"Subordinate Loan Documents" means the Subordinate Acquisition Note, the Subordinate Acquisition Mortgage, the Subordinate Bridge Note, the Subordinate Bridge Mortgage and all other documents evidencing, securing or otherwise executed and delivered in connection with the Subordinate Loans.

"Subordinate Mortgage" or "Subordinate Mortgages" means, individually or collectively, as the case may warrant, the Subordinate Acquisition Mortgage and the Subordinate Bridge Mortgage.

"Subordinate Note" or "Subordinate Notes" means, individually or collectively, as the case may warrant, the Subordinate Acquisition Note and the Subordinate Bridge Note.

2. Permission to Place Mortgage Lien Against Property.

The Senior Lender agrees, notwithstanding the prohibition against inferior liens on the Property contained in the First Mortgage Loan Documents and subject to the provisions of this Agreement, to permit the Subordinate Lender to record the Subordinate Mortgages and other recordable Subordinate Loan Documents against the Property (which are each subordinate in all respects to the lien of the First Mortgage) to secure the Borrower's obligation to repay the Subordinate Notes and all other obligations, indebtedness and liabilities of the Borrower to the Subordinate Lender under and in connection with the Subordinate Loans. Such permission is subject to the condition that each of the representations and warranties made by the Borrower and the Subordinate Lender in Section 3 is true and correct on the date of this Agreement and on the date on which the proceeds of the Subordinate Loan are disbursed to the Borrower. If any of the representations and warranties made by the Borrower and the Subordinate Lender in Section 3 is not true and correct on both of those dates, the provisions of the First Mortgage Loan Documents applicable to unpermitted liens on the Property shall apply.


The Borrower and the Subordinate Lender each makes the following representations and warranties to the Senior Lender:

(a) Relationship of Borrower to Subordinate Lender and Senior Lender. The Subordinate Lender is not an Affiliate of the Borrower and is not in possession of any facts which would lead it to believe that the Senior Lender is an Affiliate of the Borrower.

(b) Term. The term of the Subordinate Acquisition Note does not end before the term of the First Mortgage Note, and the term of the Subordinate Bridge Note does not end before the term of the First Mortgage Note.

(c) Subordinate Loan Documents. The executed Subordinate Loan Documents are substantially in the same forms as those submitted to, and approved by, Senior Lender prior to the date of this Agreement. Upon execution and delivery of the Subordinate Loan Documents, Borrower shall deliver to Senior Lender an executed copy of each of the Subordinate Loan Documents, certified to be true, correct and complete.

(d) Senior Loan Documents. The executed Senior Loan Documents are substantially in the same forms as, when applicable, those submitted to, and approved by, Senior Lender prior to the date of this Agreement. Upon execution and delivery of the Senior Loan Documents, Borrower
shall deliver to Subordinate Lender an executed copy of each of the Senior Loan Documents, certified to be true, correct and complete.

4. Terms of Subordination.

(a) Agreement to Subordinate. The Senior Lender and the Subordinate Lender agree that: (i) the indebtedness evidenced by the Subordinate Loan Documents is and shall be subordinated in right of payment, to the extent and in the manner provided in this Agreement to the prior payment in full of the indebtedness evidenced by the First Mortgage Loan Documents, and (ii) each of the Subordinate Mortgages and the other Subordinate Loan Documents are and shall be subject and subordinate in all respects to the liens, terms, covenants and conditions of the First Mortgage and the other First Mortgage Loan Documents and to all advances heretofore made or which may hereafter be made pursuant to the First Mortgage and the other First Mortgage Loan Documents (including but not limited to, all sums advanced for the purposes of (1) protecting or further securing the lien of the First Mortgage, curing defaults by the Borrower under the First Mortgage Loan Documents or for any other purpose expressly permitted by the First Mortgage, or (2) constructing, renovating, repairing, furnishing, fixturing or equipping the Property).

(b) Subordination of Subrogation Rights. The Subordinate Lender agrees that if, by reason of its payment of real estate taxes or other monetary obligations of the Borrower, or by reason of its exercise of any other right or remedy under the Subordinate Loan Documents, it acquires by right of subrogation or otherwise a lien on the Property which (but for this subsection) would be senior to the lien of the First Mortgage, then, in that event, such lien shall be subject and subordinate to the lien of the First Mortgage.

(c) [Reserved].

(d) Payments After First Mortgage Loan Default. The Borrower agrees that it will not make any payments under or pursuant to the Subordinate Loan Documents (including but not limited to principal, interest, additional interest, late payment charges, default interest, attorney's fees, or any other sums secured by either of the Subordinate Mortgages) without the Senior Lender's prior written consent. The Subordinate Lender agrees that it will not accept any payments under or pursuant to the Subordinate Loan Documents (including but not limited to principal, interest, additional interest, late payment charges, default interest, attorney's fees, or any other sums secured by either of the Subordinate Mortgages) without the Senior Lender's prior written consent.

(e) Remitting Subordinate Loan Payments to Senior Lender. If the Subordinate Lender receives any payments under the Subordinate Loan Documents, the Subordinate Lender agrees that such payment or other distribution will be received and held in trust for the Senior Lender and unless the Senior Lender otherwise notifies the Subordinate Lender in writing, will be promptly remitted, in kind to the Senior Lender, properly endorsed to the Senior Lender, to be applied to the principal of, interest on and other amounts due under the First Mortgage Loan Documents in accordance with the provisions of the First Mortgage Loan Documents. By executing this Agreement, the Borrower specifically authorizes the Subordinate Lender to endorse and remit any such payments to the Senior Lender, and specifically waives any and all rights to have such payments returned to the Borrower or credited against the Subordinate Loan. Borrower and Senior Lender acknowledge and agree that payments received by the Subordinate Lender, and remitted to the Senior Lender under this Section 4, shall not be applied or otherwise credited against either Subordinate Loan, nor shall the tender of such payment to the Senior Lender waive any Subordinate Loan Default which may arise from the inability of the Subordinate Lender to retain such payment or apply such payment to either Subordinate Loan.

(f) Agreement Not to Commence Bankruptcy Proceeding. The Subordinate Lender agrees that during the term of this Agreement it will not commence, or join with any other creditor in
commencing any bankruptcy reorganization, arrangement, insolvency or liquidation proceedings with respect to the Borrower, without the Senior Lender’s prior written consent.

5. Default Under Subordinate Loan Documents.

(a) Notice of Default and Cure Rights. The Subordinate Lender shall deliver to the Senior Lender a Default Notice within five Business Days in each case where the Subordinate Lender has given a Default Notice to the Borrower. The Senior Lender shall have the right, but not the obligation, to cure any Subordinate Loan Default within 60 days following the date of such notice. All amounts paid by the Senior Lender in accordance with the First Mortgage Loan Documents to cure a Subordinate Loan Default shall be deemed to have been advanced by the Senior Lender pursuant to, and shall be secured by the lien of, the First Mortgage.

(b) Subordinate Lender’s Agreement to Standstill. If a Subordinate Loan Default occurs and is continuing, the Subordinate Lender agrees that, without the Senior Lender’s prior written consent, it will not accelerate the Subordinate Loan, commence foreclosure proceedings with respect to the Property, collect rents, appoint (or seek the appointment of) a receiver or institute any other collection or enforcement action.

(c) Cross Default. The Borrower and the Subordinate Lender agree that a Subordinate Loan Default shall constitute a First Mortgage Loan Default under the First Mortgage Loan Documents and the Senior Lender shall have the right to exercise all rights or remedies under the First Mortgage Loan Documents in the same manner as in the case of any other First Mortgage Loan Default. If the Subordinate Lender notifies the Senior Lender in writing that any Subordinate Loan Default of which the Senior Lender has received a Default Notice has been cured or waived, as determined by the Subordinate Lender in its sole discretion, then provided that Senior Lender has not conducted a sale of the Property pursuant to its rights under the First Mortgage Loan Documents, any First Mortgage Loan Default under the First Mortgage Loan Documents arising solely from such Subordinate Loan Default shall be deemed cured, and the First Mortgage Loan shall be reinstated, provided, however, that the Senior Lender shall not be required to return or otherwise credit for the benefit of the Borrower any default rate interest or other default related charges or payments received by the Senior Lender during such First Mortgage Loan Default.

6. Default Under First Mortgage Loan Documents. The Subordinate Lender agrees that, notwithstanding any contrary provision contained in the Subordinate Loan Documents, a First Mortgage Loan Default shall not constitute a default under the Subordinate Loan Documents if no other default occurred under the Subordinate Loan Documents.

7. Conflict.

The Borrower, the Senior Lender and the Subordinate Lender each agrees that, in the event of any conflict or inconsistency between the terms of the First Mortgage Loan Documents, the Subordinate Loan Documents and the terms of this Agreement, the terms of this Agreement shall govern and control solely as to the following: (a) the relative priority of the security interests of the Senior Lender and the Subordinate Lender in the Property; (b) the timing of the exercise of remedies by the Senior Lender and the Subordinate Lender under the First Mortgage and the Subordinate Mortgages, respectively; and (c) solely as between the Senior Lender and the Subordinate Lender, the notice requirements, cure rights, and the other rights and obligations which the Senior Lender and the Subordinate Lender have agreed to as expressly provided in this Agreement. Borrower acknowledges that the terms and provisions of this Agreement shall not, and shall not be deemed to: extend Borrower’s time to cure any First Mortgage Loan Default or Subordinate Loan Default, as the case may be; give the Borrower the right to notice of any First Mortgage Loan Default or Subordinate Loan Default, as the case may be other than that, if any, provided, respectively under the First Mortgage Loan Documents or the Subordinate Loan Documents; or create any other right or benefit for Borrower as against Senior Lender or Subordinate Lender.
8. Rights and Obligations of the Subordinate Lender Under the Subordinate Loan Documents and of the Senior Lender under the First Mortgage Loan Documents.

Subject to each of the other terms of this Agreement, all of the following provisions shall supersede any provisions of the Subordinate Loan Documents covering the same subject matter:

(a) Protection of Security Interest. The Subordinate Lender shall not, without the prior written consent of the Senior Lender in each instance, take any action which has the effect of increasing the indebtedness outstanding under, or secured by, the Subordinate Loan Documents.

(b) Condemnation or Casualty. In the event of: a taking or threatened taking by condemnation or other exercise of eminent domain of all or a portion of the Property (collectively, a "Taking"); or the occurrence of a fire or other casualty resulting in damage to all or a portion of the Property (collectively, a "Casualty"), at any time or times when the First Mortgage remains a lien on the Property the following provisions shall apply:

(1) The Subordinate Lender hereby agrees that its rights (under the Subordinate Loan Documents or otherwise) to participate in any proceeding or action relating to a Taking and/or a Casualty, or to participate or join in any settlement of, or to adjust, any claims resulting from a Taking or a Casualty shall be and remain subordinate in all respects to the Senior Lender's rights under the First Mortgage Loan Documents with respect thereto, and the Subordinate Lender shall be bound by any settlement or adjustment of a claim resulting from a Taking or a Casualty made by the Senior Lender; and

(2) All proceeds received or to be received on account of a Taking or a Casualty, or both, shall be applied (either to payment of the costs and expenses of repair and restoration or to payment of the First Mortgage Loan) in the manner determined by the Senior Lender in its sole discretion; provided, however, that if the Senior Lender elects to apply such proceeds to payment of the principal of, interest on and other amounts payable under the First Mortgage Loan, any proceeds remaining after the satisfaction in full of the principal of, interest on and other amounts payable under the First Mortgage Loan shall be paid to, and may be applied by, the Subordinate Lender in accordance with the applicable provisions of the Subordinate Loan Documents.

(c) No Modification of Subordinate Loan Documents. The Borrower and the Subordinate Lender each agrees that, until the principal of, interest on and all other amounts payable under the First Mortgage Loan Documents have been paid in full, it will not, without the prior written consent of the Senior Lender in each instance, amend, modify or restate any of the Subordinate Loan Documents or any of the terms of either of the Subordinate Loans in any manner. Any unauthorized amendment, modification or restatement of any of the Subordinate Loan Documents or assignment of the Subordinate Lender's interest in either Subordinate Loan without the Senior Lender's consent shall be void ab initio and of no effect whatsoever and Subordinate Lender agrees that it shall not transfer or assign either Subordinate Loan or any of the Subordinate Loan Documents without the prior written consent of the Senior Lender.

9. Modification or Refinancing of First Mortgage Loan.

The Subordinate Lender consents to any agreement or arrangement in which the Senior Lender waives, postpones, extends, reduces or modifies any provisions of the First Mortgage Loan Documents, including any provision requiring the payment of money. Subordinate Lender further agrees that its agreement to subordinate hereunder shall extend to any new mortgage debt which is for the purpose of refinancing all or any part of the First Mortgage Loan (including reasonable and necessary costs associated with the closing and/or the refinancing) and Subordinate Lender shall execute and deliver to Senior Lender a new subordination agreement on the same terms and conditions as this Subordination Agreement.
10. Default by the Subordinate Lender or Senior Lender.

If the Subordinate Lender or Senior Lender defaults in performing or observing any of the terms, covenants or conditions to be performed or observed by it under this Agreement, the other, non-defaulting lender shall have the right to all available legal and equitable relief.


Each notice, request, demand, consent, approval or other communication (hereinafter in this Section referred to collectively as "notices" and referred to singly as a "notice") which the Senior Lender or the Subordinate Lender is required or permitted to give to the other party pursuant to this Agreement shall be in writing and shall be deemed to have been duly and sufficiently given if: (a) personally delivered with proof of delivery thereof (any notice so delivered shall be deemed to have been received at the time so delivered); or (b) sent by Federal Express (or other similar national overnight courier) designating early morning delivery (any notice so delivered shall be deemed to have been received on the next Business Day following receipt by the courier); or (c) sent by United States registered or certified mail, return receipt requested, postage prepaid, at a post office regularly maintained by the United States Postal Service (any notice so sent shall be deemed to have been received two days after mailing in the United States), addressed to the respective parties as follows:

SENIOR LENDER:
CIT Bank, N.A.
75 N. Fair Oaks Avenue
Pasadena, CA 91103
Attention: Claudia Lima

With a copy to:

CIT Bank, N.A. CBS/Client Banking Services
75 N. Fair Oaks Avenue
Pasadena, CA 91103
Attention: Peter Elia

And a copy to:

CIT Bank, N.A.
2450 Broadway, Suite 400
Santa Monica, CA 90404
Attention: Legal Counsel, Real Estate Finance

SUBORDINATE LENDER:

______________________________
______________________________
______________________________

Attention: _______________________

Either party may, by notice given pursuant to this Section, change the person or persons and/or address or addresses, or designate an additional person or persons or an additional address or addresses for its notices, but notice of a change of address shall only be effective upon receipt.


(a) Assignment/Successors. This Agreement shall be binding upon the Borrower, the Senior Lender and the Subordinate Lender and shall inure to the benefit of the respective legal successors and assigns of the Senior Lender and the Subordinate Lender.
(b) **No Partnership or Joint Venture.** The Senior Lender's permission for the placement of the Subordinate Loan Documents does not constitute the Senior Lender as a joint venturer or partner of the Subordinate Lender. Neither party hereto shall hold itself out as a partner, agent or Affiliate of the other party hereto.

(c) **Senior Lender's and Subordinate Lender's Consent.** Wherever the Senior Lender's consent or approval is required by any provision of this Agreement, such consent or approval may be granted or denied by the Senior Lender in its sole and absolute discretion, unless otherwise expressly provided in this Agreement. Wherever the Subordinate Lender's consent or approval is required by any provision of this Agreement, such consent or approval may be granted or denied by the Subordinate Lender in its sole and absolute discretion, unless otherwise expressly provided in this Agreement.

(d) **Further Assurances.** The Subordinate Lender, the Senior Lender and the Borrower each agree, at the Borrower's expense, to execute and deliver all additional instruments and/or documents reasonably required by any other party to this Agreement in order to evidence that the Subordinate Mortgages are each subordinate to the lien, covenants and conditions of the First Mortgage, or to further evidence the intent of this Agreement.

(e) **Amendment.** This Agreement shall not be amended except by written instrument signed by all parties hereto.

(f) **Governing Law.** This Agreement shall be governed by the laws of the State in which the Property is located.

(g) **Severable Provisions.** If any provision of this Agreement shall be invalid or unenforceable to any extent, then the other provisions of this Agreement, shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

(h) **Term.** The term of this Agreement shall commence on the date hereof and shall continue until the earliest to occur of the following events: (i) the payment of all of the principal of, interest on and other amounts payable under the First Mortgage Loan Documents; (ii) the payment of all of the principal of, interest on and other amounts payable under the Subordinate Loan Documents, other than by reason of payments which the Subordinate Lender is obligated to remit to the Senior Lender pursuant to Section 4 hereof; (iii) the acquisition by the Senior Lender of title to the Property pursuant to a foreclosure or a deed in lieu of foreclosure of, or the exercise of a power of sale contained in, the First Mortgage; or (iv) the acquisition by the Subordinate Lender of title to the Property pursuant to a foreclosure or a deed in lieu of foreclosure of, or the exercise of a power of sale contained in, a Subordinate Mortgage, but only if such acquisition of title does not violate any of the terms of this Agreement.

(i) **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be considered an original for all purposes; provided, however, that all such counterparts shall together constitute one and the same instrument.
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first written above.

SENIOR LENDER:

CIT BANK, N.A., a national banking association

By: ____________________________________
Name: ____________________________________
Title: ____________________________________
SUBORDINATE LENDER:

HOUSING AUTHORITY OF THE CITY OF LOS ANGELES, a public body, corporate and political organized and existing under the laws of the State of California

By: ____________________________________
Name: ____________________________________
Title: ____________________________________
BORROWER:

JORDAN DOWNS PHASE S3, LP,
a California limited partnership

By: Jordan Downs S3-Michaels LLC,
a California limited liability company
its administrative general partner

By: _______________________________
Milton R. Pratt, Jr.
Vice President

By: La Cienega LOMOD, Inc.,
a California nonprofit public benefit corporation,
its managing general partner

By: _______________________________
Tina Smith-Booth
President
A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California  )
County of Orange  )

On ____________________, before me, ____________________________, a Notary Public, personally appeared ______________________________, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature  ____________________________
A notary public or other officer completing this certificate verifies only the identity of the individual who signed the
document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California )
County of Orange )

On ____________________, before me, ____________________________, a Notary Public, personally
appeared ______________________________, who proved to me on the basis of satisfactory evidence
to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that
he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their
signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted,
executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing
paragraph is true and correct.

WITNESS my hand and official seal.

Signature ____________________________________________
Acknowledgment

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California )
County of Orange  )

On ____________________, before me, ____________________________, a Notary Public, personally appeared _______________________________, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature  ________________________________
TAB 11.

Subordination Agreement
(Feddie Mac Form)
SUBORDINATION AGREEMENT

GOVERNMENTAL ENTITY

(Revised 10-1-2018)
SUBORDINATION AGREEMENT
GOVERNMENTAL ENTITY
(Revised 10-1-2018)

THIS SUBORDINATION AGREEMENT ("Agreement") is entered into this ___ day of _______________, 20__, by and between (i) GREYSTONE SERVICING COMPANY LLC, a limited liability company organized and existing under the laws of the State of Delaware ("Senior Lender") and (ii) the HOUSING AUTHORITY OF THE CITY OF LOS ANGELES, a public body, corporate and politic organized and existing under the laws of the State of California ("Subordinate Lender").

RECITALS

A. JORDAN DOWNS PHASE S3, LP, a limited partnership organized under the laws of the State of California ("Borrower") is the owner of certain land located in Los Angeles County, California described in Exhibit A ("Land"). The Land is improved with a multifamily rental housing project ("Improvements").

B. Senior Lender has made or is making a loan to Borrower in the original principal amount of $11,656,000.00 ("Senior Loan") upon the terms and conditions of a Multifamily Loan and Security Agreement dated as of _______________, 20__, between Senior Lender and Borrower ("Senior Loan Agreement") in connection with the Mortgaged Property. The Senior Loan is secured by a Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing dated as of the date of the Senior Loan Agreement ("Senior Mortgage") encumbering the Land, the Improvements and related personal and other property described and defined in the Senior Mortgage as the "Mortgaged Property."

C. Subordinate Lender has made or is making a loan to Borrower in the original principal amount of $1,600,000.00 ("Subordinate Loan"). The Subordinate Loan is or will be secured by an Authority Subordinate Leasehold Deed of Trust with Assignment of Rents, Security Agreement, and Fixture Filing dated as of __________, 2020 ("Subordinate Mortgage") encumbering all or a portion of the Mortgaged Property.

D. The Senior Mortgage will be recorded among the land records of Los Angeles County, California ("Recording Office"). The Subordinate Mortgage is recorded in the Recording Office at [INSERT RECORDING INFORMATION IF KNOWN].

E. The execution and delivery of this Agreement is a condition of Senior Lender’s making of the Senior Loan.
AGREEMENT

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is acknowledged, the parties agree as follows:

1. **Definitions.** The following terms, when used in this Agreement (including, as appropriate, when used in the above recitals), will have the following meanings:

   The terms “Condemnation,” “Imposition Deposits,” “Impositions,” “Leases,” “Rents” and “Restoration,” as well as any term used in this Agreement and not otherwise defined in this Agreement, will have the meanings given to those terms in the Senior Loan Agreement.

   “Bankruptcy Proceeding” means any bankruptcy, reorganization, insolvency, composition, restructuring, dissolution, liquidation, receivership, assignment for the benefit of creditors, or custodianship action or proceeding under any federal or state law with respect to Borrower, any guarantor of any of the Senior Indebtedness, any of their respective properties, or any of their respective partners, members, officers, directors, or shareholders.

   “Borrower” means all persons or entities identified as “Borrower” in the first Recital of this Agreement, together with their successors and assigns, and any other person or entity who acquires title to the Mortgaged Property after the date of this Agreement; provided that the term “Borrower” will not include Senior Lender if Senior Lender acquires title to the Mortgaged Property.

   “Casualty” means the occurrence of damage to or loss of all or any portion of the Mortgaged Property by fire or other casualty.

   “Enforcement Action” means any of the following actions taken by or at the direction of Subordinate Lender: the acceleration of all or any part of the Subordinate Indebtedness, the advertising of or commencement of any foreclosure or trustee’s sale proceedings, the exercise of any power of sale, the acceptance of a deed or assignment in lieu of foreclosure or sale, the collecting of Rents, the obtaining of or seeking of the appointment of a receiver, the seeking of default interest, the taking of possession or control of any of the Mortgaged Property, the commencement of any suit or other legal, administrative, or arbitration proceeding based upon the Subordinate Note or any other of the Subordinate Loan Documents, the exercising of any banker’s lien or rights of set-off or recoupment, or the exercise of any other remedial action against Borrower, any other party liable for any of the Subordinate Indebtedness or obligated under any of the Subordinate Loan Documents, or the Mortgaged Property.

   “Enforcement Action Notice” means a Notice given from Subordinate Lender to Senior Lender following one or more Subordinate Mortgage Default(s) and the expiration of any applicable notice or cure periods, setting forth in reasonable detail the Subordinate...
Mortgage Default(s) and the Enforcement Actions proposed to be taken by Subordinate Lender.

“Lien” means any lien, encumbrance, estate or other interest, recorded against or secured by the Mortgaged Property.

“Loss Proceeds” means all monies received or to be received under any insurance policy, from any condemning authority, or from any other source, as a result of any Condemnation or Casualty.

“Notice” means all notices, requests, demands, consents, approvals or other communication pursuant to this Agreement provided in accordance with the provisions of Section 10.

[“Regulatory Agreement” means the [NAME OF REGULATORY AGREEMENT, DEED RESTRICTIONS, OR LAND USE RESTRICTIONS] between Borrower and Subordinate Lender dated [as of] ______________, _______ and [recorded] [to be recorded] [at] [INSERT RECORDING INFORMATION IF AVAILABLE] in the Recording Office of __________, County, [NAME OF STATE OR COMMONWEALTH].]

“Senior Indebtedness” means the “Indebtedness” as defined in the Senior Loan Agreement.

“Senior Lender” means the “Lender” as defined in the Senior Mortgage. When any other person or entity becomes the legal holder of the Senior Note, such other person or entity will automatically become Senior Lender.

“Senior Loan Documents” means the “Loan Documents” as defined in the Senior Loan Agreement, as such documents may be amended.

“Senior Mortgage Default” means any act, failure to act, event, condition, or occurrence which constitutes, or which with the giving of Notice or the passage of time, or both, would constitute, an “Event of Default” as defined in the Senior Loan Agreement.

“Senior Note” means the promissory note or other evidence of the Senior Indebtedness and any replacement of the Senior Note.

“Subordinate Indebtedness” means all sums evidenced or secured or guaranteed by, or otherwise due and payable to Subordinate Lender pursuant to, the Subordinate Loan Documents.

“Subordinate Lender” means the person or entity named as such in the first paragraph of this Agreement and any other person or entity who becomes the legal holder of the Subordinate Note after the date of this Agreement.
“Subordinate Loan Documents” means the Subordinate Mortgage, the Subordinate Note, the Regulatory Agreement and all other documents at any time evidencing, securing, guaranteeing, or otherwise delivered in connection with the Subordinate Indebtedness, as such documents may be amended.

“Subordinate Mortgage Default” means any act, failure to act, event, condition, or occurrence which allows (but for any contrary provision of this Agreement), Subordinate Lender to take an Enforcement Action.

“Subordinate Note” means the promissory note or other evidence of the Subordinate Indebtedness and any replacement of the Subordinate Note.

“Surplus Cash” means, with respect to any period, any revenues of Borrower remaining after paying, or setting aside funds for paying, all the following:

(a) All sums due or currently required to be paid under the Senior Loan Documents, including any reserves and Imposition Deposits.

(b) All reasonable operating expenses of the Mortgaged Property, including real estate taxes, insurance premiums, utilities, building maintenance, painting and repairs, management fees, payroll, administrative expenses, legal expenses and audit expenses (excluding any developer fees payable with respect to the Mortgaged Property).

2. Subordinate Lender’s Representations and Warranties.

(a) Subordinate Lender represents and warrants that each of the following is true as of the date of this Agreement:

(i) Subordinate Lender is now the owner and holder of the Subordinate Loan Documents.

(ii) No Subordinate Mortgage Default has occurred and is continuing.

(iii) The current unpaid principal balance of the Subordinate Indebtedness is $________.

(iv) No scheduled payments under the Subordinate Note have been prepaid.

(b) Without the prior written consent of Senior Lender, Subordinate Lender will not do any of the following:

(i) Pledge, assign, transfer, convey, or sell any interest in the Subordinate Indebtedness or any of the Subordinate Loan Documents.
(ii) Take any action which has the effect of increasing the Subordinate Indebtedness, except to cure a Senior Mortgage Default as contemplated under Section 5(a) of this Agreement.

(iii) Accept any prepayment of the Subordinate Indebtedness.

3. Terms of Subordination.

(a) Agreement to Subordinate. The Subordinate Indebtedness is and will at all times continue to be subject and subordinate in right of payment to the prior payment in full of the Senior Indebtedness. Each of the Subordinate Loan Documents is, and will at all times remain, subject and subordinate in all respects to the liens, terms, covenants, conditions, operations, and effects of each of the Senior Loan Documents.

(b) Subordination of Subrogation Rights. If Subordinate Lender, by indemnification, subrogation or otherwise, acquires any Lien on any of the Mortgaged Property, then that Lien will be fully subject and subordinate to the receipt by Senior Lender of payment in full of the Senior Indebtedness, and to the Senior Loan Documents, to the same extent as the Subordinate Indebtedness and the Subordinate Loan Documents are subordinate pursuant to this Agreement.

(c) Payments Before Senior Loan Default; Soft Subordinate Debt. Until the occurrence of a Senior Mortgage Default, Subordinate Lender will be entitled to retain for its own account all payments of the principal of and interest on the Subordinate Indebtedness pursuant to the Subordinate Loan Documents; provided that Subordinate Lender expressly agrees that it will not accept any such payment that is made more than 10 days in advance of its due date and provided further that Subordinate Lender will not accept any payment in an amount that exceeds 75% of then available Surplus Cash.

(d) Payments After Senior Loan Default or Bankruptcy.

(i) Immediately upon Subordinate Lender’s receipt of Notice or actual knowledge of a Senior Mortgage Default, Subordinate Lender will not accept any payments of the Subordinate Indebtedness, and the provisions of Section 3(d) of this Agreement will apply.

(ii) If Subordinate Lender receives any of the following, whether voluntarily or by action of law, after a Senior Mortgage Default of which Subordinate Lender has actual knowledge (or is deemed to have actual knowledge as provided in Section 4(c)) or has been given Notice, such will be received and held in trust for Senior Lender:

(A) Any payment, property, or asset of any kind or in any form in connection with the Subordinate Indebtedness.
(B) Any proceeds from any Enforcement Action.

(C) Any payment, property, or asset in or in connection with any Bankruptcy Proceeding.

(iii) Subordinate Lender will promptly remit, in kind and properly endorsed as necessary, all such payments, properties, and assets described in Section 3(d)(ii) to Senior Lender. Senior Lender will apply any payment, asset, or property so received from Subordinate Lender to the Senior Indebtedness in such order, amount (with respect to any asset or property other than immediately available funds), and manner as Senior Lender determines in its sole and absolute discretion.

(e) **Bankruptcy.** Without the prior written consent of Senior Lender, Subordinate Lender will not commence, or join with any other creditor in commencing, any Bankruptcy Proceeding. In the event of a Bankruptcy Proceeding, Subordinate Lender will not vote affirmatively in favor of any plan of reorganization or liquidation unless Senior Lender has also voted affirmatively in favor of such plan.

4. **Default Under Subordinate Loan Documents.**

(a) **Notice of Subordinate Loan Default and Cure Rights.**

(i) Subordinate Lender will deliver to Senior Lender a copy of each Notice delivered by Subordinate Lender pursuant to the Subordinate Loan Documents within 5 Business Days of sending such Notice to Borrower. Neither giving nor failing to give a Notice to Senior Lender pursuant to this Section 4(a) will affect the validity of any Notice given by Subordinate Lender to Borrower.

(ii) For a period of 90 days following delivery to Senior Lender of an Enforcement Action Notice, Senior Lender will have the right, but not the obligation, to cure any Subordinate Mortgage Default. However, if such Subordinate Mortgage Default is a non-monetary default and is not capable of being cured within such 90-day period and Senior Lender has commenced and is diligently pursuing such cure to completion, Senior Lender will have such additional period of time as may be required to cure such Subordinate Mortgage Default or until such time, if ever, as Senior Lender takes either of the following actions:

(A) Discontinues its pursuit of any cure.

(B) Delivers to Subordinate Lender Senior Lender’s written consent to the Enforcement Action described in the Enforcement Action Notice.
(iii) Senior Lender will not be subrogated to the rights of Subordinate Lender under the Subordinate Loan Documents as a result of Senior Lender having cured any Subordinate Mortgage Default.

(iv) Subordinate Lender acknowledges that all amounts advanced or expended by Senior Lender in accordance with the Senior Loan Documents or to cure a Subordinate Mortgage Default will be added to and become a part of the Senior Indebtedness and will be secured by the lien of the Senior Mortgage.

(b) Subordinate Lender’s Exercise of Remedies After Notice to Senior Lender.

(i) In the event of a Subordinate Mortgage Default, Subordinate Lender will not commence any Enforcement Action until 90 days after Subordinate Lender has delivered to Senior Lender an Enforcement Action Notice. During such 90-day period or such longer period as provided in Section 4(a), Subordinate Lender will be entitled to seek specific performance to enforce covenants and agreements of Borrower relating to income, rent, or affordability restrictions contained in the Regulatory Agreement, subject to Senior Lender’s right to cure a Subordinate Mortgage Default set forth in Section 4(a).

(ii) Subordinate Lender may not commence any other Enforcement Action, including any foreclosure action under the Subordinate Loan Documents, until the earlier of:

(A) The expiration of such 90-day period or such longer period as provided in Section 4(a).

(B) The delivery by Senior Lender to Subordinate Lender of Senior Lender’s written consent to such Enforcement Action by Subordinate Lender.

(iii) Subordinate Lender acknowledges that Senior Lender may grant or refuse consent to Subordinate Lender’s Enforcement Action in Senior Lender’s sole and absolute discretion. At the expiration of such 90-day period or such longer period as provided in Section 4(a) and, subject to Senior Lender’s right to cure set forth in Section 4(a), Subordinate Lender may commence any Enforcement Action.

(iv) Senior Lender may pursue all rights and remedies available to it under the Senior Loan Documents, at law, or in equity, regardless of any Enforcement Action Notice or Enforcement Action by Subordinate Lender. No action or failure to act on the part of Senior Lender in the event of a Subordinate Mortgage Default or commencement of an Enforcement Action will
constitute a waiver on the part of Senior Lender of any provision of the Senior Loan Documents or this Agreement.

(c) Cross Default. Subordinate Lender acknowledges that a Subordinate Mortgage Default constitutes a Senior Mortgage Default. Accordingly, upon the occurrence of a Subordinate Mortgage Default, Subordinate Lender will be deemed to have actual knowledge of a Senior Mortgage Default. If Subordinate Lender notifies Senior Lender in writing that any Subordinate Loan Default of which Senior Lender has received Notice has been cured or waived, as determined by Subordinate Lender in its sole discretion, then provided that Senior Lender has not conducted a sale of the Mortgaged Property pursuant to its rights under the Senior Loan Documents, any Senior Loan Default under the Senior Loan Documents arising solely from such Subordinate Loan Default will be deemed cured, and the Senior Loan will be reinstated.

5. Default Under Senior Loan Documents.

(a) Notice of Senior Loan Default and Cure Rights.

(i) Senior Lender will deliver to Subordinate Lender a copy of any Notice sent by Senior Lender to Borrower of a Senior Mortgage Default within 5 Business Days of sending such Notice to Borrower. Failure of Senior Lender to send Notice to Subordinate Lender will not prevent the exercise of Senior Lender’s rights and remedies under the Senior Loan Documents.

(ii) Subordinate Lender will have the right, but not the obligation, to cure any monetary Senior Mortgage Default within 30 days following the date of such Notice. During such 30-day period Senior Lender will be entitled to continue to pursue its remedies under the Senior Loan Documents.

(iii) Subordinate Lender may, within 90 days after the date of the Notice, cure a non-monetary Senior Mortgage Default if during such 90-day period, Subordinate Lender keeps current all payments required under the Senior Loan Documents. If such a non-monetary Senior Mortgage Default creates an unacceptable level of risk relative to the Mortgaged Property, or Senior Lender’s secured position relative to the Mortgaged Property, as determined by Senior Lender in its sole discretion, then during such 90-day period Senior Lender may exercise all available rights and remedies to protect and preserve the Mortgaged Property and the Rents, revenues and other proceeds from the Mortgaged Property.

(iv) All amounts paid by Subordinate Lender to Senior Lender to cure a Senior Mortgage Default will be deemed to have been advanced by Subordinate Lender pursuant to, and will be secured by the lien of, the Subordinate Mortgage. Notwithstanding anything in this Section 5(a) to the contrary,
Subordinate Lender’s right to cure any Senior Mortgage Default will terminate immediately upon the occurrence of any Bankruptcy Proceeding.

(b) Release of Mortgaged Property.

(i) Subordinate Lender consents to and authorizes any future release by Senior Lender of all or any portion of the Mortgaged Property from the lien, operation, and effect of the Senior Loan Documents. Subordinate Lender waives to the fullest extent permitted by law, all equitable or other rights it may have in connection with the release of all or any portion of the Mortgaged Property, including any right to require Senior Lender to do any of the following:

(A) To conduct a separate sale of any portion of the Mortgaged Property.

(B) To exhaust its remedies against all or any portion of the Mortgaged Property or any combination of portions of the Mortgaged Property or any other collateral for the Senior Indebtedness.

(C) To proceed against Borrower, any other party that may be liable for any of the Senior Indebtedness (including any general partner of Borrower if Borrower is a partnership), all or any portion of the Mortgaged Property or combination of portions of the Mortgaged Property or any other collateral, before proceeding against all or such portions or combination of portions of the Mortgaged Property as Senior Lender determines. Subordinate Lender waives to the fullest extent permitted by law any and all benefits under California Civil Code Sections 2845, 2849 and 2850.

(ii) Subordinate Lender consents to and authorizes, at the option of Senior Lender, the sale, either separately or together, of all or any portion of the Mortgaged Property. Subordinate Lender acknowledges that without Notice to Subordinate Lender and without affecting any of the provisions of this Agreement, Senior Lender may do any of the following:

(A) Extend the time for or waive any payment or performance under the Senior Loan Documents.

(B) Modify or amend in any respect any provision of the Senior Loan Documents.

(C) Modify, exchange, surrender, release, and otherwise deal with any additional collateral for the Senior Indebtedness.

6. Conflicts. If there is any conflict or inconsistency between the terms of the Subordinate Loan Documents and the terms of this Agreement, then the terms of this Agreement will
control. Borrower acknowledges that the terms and provisions of this Agreement will not, and will not be deemed to do any of the following:

(a) Extend Borrower’s time to cure any Senior Loan Default or Subordinate Loan Default.

(b) Give Borrower the right to receive notice of any Senior Loan Default or Subordinate Loan Default, other than that, if any, provided, respectively under the Senior Loan Documents of the Subordinate Loan Documents.

(c) Create any other right or benefit for Borrower as against Senior Lender or Subordinate Lender.

7. Rights and Obligations of Subordinate Lender Under the Subordinate Loan Documents and of Senior Lender under the Senior Loan Documents.

(a) Insurance.

(i) All requirements pertaining to insurance under the Subordinate Loan Documents (including requirements relating to amounts and types of coverages, deductibles and special endorsements) will be deemed satisfied if Borrower complies with the insurance requirements under the Senior Loan Documents and of Senior Lender.

(ii) All original policies of insurance required pursuant to the Senior Loan Documents will be held by Senior Lender.

(iii) Nothing in this Section 7(a) will preclude Subordinate Lender from requiring that it be named as a mortgagee and loss payee, as its interest may appear, under all policies of property damage insurance maintained by Borrower with respect to the Mortgaged Property, provided such action does not affect the priority of payment of Loss Proceeds, or that Subordinate Lender be named as an additional insured under all policies of liability insurance maintained by Borrower with respect to the Mortgaged Property.

(b) Condemnation or Casualty.

In the event of a Condemnation or a Casualty, the following provisions will apply:

(i) The rights of Subordinate Lender (under the Subordinate Loan Documents or otherwise) to participate in any proceeding or action relating to a Condemnation or a Casualty, or to participate or join in any settlement of, or to adjust, any claims resulting from a Condemnation or a Casualty, will be and remain subordinate in all respects to Senior Lender’s rights under the Senior Loan Documents, and Subordinate Lender will be bound by any
settlement or adjustment of a claim resulting from a Condemnation or a Casualty made by Senior Lender.

(ii) All Loss Proceeds will be applied either to payment of the costs and expenses of Restoration or to payment on account of the Senior Indebtedness, as and in the manner determined by Senior Lender in its sole discretion; provided however, Senior Lender agrees to consult with Subordinate Lender in determining the application of Casualty proceeds. In the event of any disagreement between Senior Lender and Subordinate Lender over the application of Casualty proceeds, the decision of Senior Lender, in its sole discretion, will prevail.

(iii) If Senior Lender holds Loss Proceeds, or monitors the disbursement of Loss Proceeds, Subordinate Lender will not do so. Nothing contained in this Agreement will be deemed to require Senior Lender to act for or on behalf of Subordinate Lender in connection with any Restoration or to hold or monitor any Loss Proceeds in trust for or otherwise on behalf of Subordinate Lender, and all or any Loss Proceeds may be commingled with any funds of Senior Lender.

(iv) If Senior Lender elects to apply Loss Proceeds to payment on account of the Senior Indebtedness, and if the application of such Loss Proceeds results in the payment in full of the entire Senior Indebtedness, any remaining Loss Proceeds held by Senior Lender will be paid to Subordinate Lender unless another party has asserted a claim to the remaining Loss Proceeds.

(c) Modification of Subordinate Loan Documents. Subordinate Lender agrees that, until the principal of, interest on and all other amounts payable under the Senior Loan Documents have been paid in full, it will not, without the prior written consent of Senior Lender, increase the amount of the Subordinate Loan, increase the required payments due under the Subordinate Loan, decrease the term of the Subordinate Loan, increase the interest rate on the Subordinate Loan, or otherwise amend the Subordinate Loan terms in a manner that creates an adverse effect upon Senior Lender under the Senior Loan Documents. If Subordinate Lender either (i) amends the Subordinate Loan Documents in the manner set forth above or (ii) assigns the Subordinate Loan without Senior Lender’s consent then such amendment or assignment will be void ab initio and of no effect whatsoever.

(d) Modification of Senior Loan Documents. Senior Lender may amend, waive, postpone, extend, renew, replace, reduce or otherwise modify any provisions of the Senior Loan Documents without the necessity of obtaining the consent of or providing Notice to Subordinate Lender, and without affecting any of the provisions of this Agreement. Notwithstanding the foregoing, Senior Lender may not modify any provision of the Senior Loan Documents that increases the Senior Indebtedness, except for increases in the Senior Indebtedness that result from advances made by Senior Lender to protect the security or lien priority of Senior.
Lender under the Senior Loan Documents or to cure defaults under the Subordinate Loan Documents.

(e) **Commercial or Retail Leases.** If requested, Subordinate Lender will enter into attornment and non-disturbance agreements with all tenants under commercial or retail Leases, if any, to whom Senior Lender has granted attornment and non-disturbance, on the same terms and conditions given by Senior Lender.

(f) **Consent Rights.** Whenever the Subordinate Loan Documents give Subordinate Lender approval or consent rights with respect to any matter, and a right of approval or consent for the same or substantially the same matter is also granted to Senior Lender pursuant to the Senior Loan Documents or otherwise, Senior Lender’s approval or consent or failure to approve or consent will be binding on Subordinate Lender. None of the other provisions of Section 7 are intended to be in any way in limitation of the provisions of this Section 7(f).

(g) **Escrows.** Except as provided in this Section 7(g), and regardless of any contrary provision in the Subordinate Loan Documents, Subordinate Lender will not collect any escrows for any cost or expense related to the Mortgaged Property or for any portion of the Subordinate Indebtedness. However, if Senior Lender is not collecting escrow payments for one or more Impositions, Subordinate Lender may collect escrow payments for such Impositions; provided that all payments so collected by Subordinate Lender will be held in trust by Subordinate Lender to be applied only to the payment of such Impositions.

(h) **Certification.** Within 10 days after request by Senior Lender, Subordinate Lender will furnish Senior Lender with a statement, duly acknowledged and certified setting forth the then-current amount and terms of the Subordinate Indebtedness, confirming that there exists no default under the Subordinate Loan Documents (or describing any default that does exist), and certifying to such other information with respect to the Subordinate Indebtedness as Senior Lender may request.

8. **Refinancing.** Subordinate Lender agrees that its agreement to subordinate under this Agreement will extend to any new mortgage debt which is for the purpose of refinancing all or any part of the Senior Indebtedness (including reasonable and necessary costs associated with the closing and/or the refinancing, and any reasonable increase in proceeds for rehabilitation in the context of a preservation transaction). All terms and covenants of this Agreement will inure to the benefit of any holder of any such refinanced debt, and all references to the Senior Loan Documents and Senior Lender will mean, respectively, the refinance loan documents and the holder of such refinanced debt.

9. **Governmental Powers.** Nothing in this Agreement is intended, nor will it be construed, to in any way limit the exercise by Subordinate Lender of its governmental powers (including police, regulatory and taxing powers) with respect to Borrower or the Mortgaged Property to the same extent as if it were not a party to this Agreement or the transactions contemplated by this Agreement.

(a) Any Notice required or permitted to be given pursuant to this Agreement will be in writing and will be deemed to have been duly and sufficiently given if (i) personally delivered with proof of delivery (any Notice so delivered will be deemed to have been received at the time so delivered), or (ii) sent by a national overnight courier service (such as FedEx) designating earliest available delivery (any Notice so delivered will be deemed to have been received on the next Business Day following receipt by the courier), or (iii) sent by United States registered or certified mail, return receipt requested, postage prepaid, at a post office regularly maintained by the United States Postal Service (any Notice so sent will be deemed to have been received on the date of delivery as confirmed by the return receipt), addressed to the respective parties as follows:

Notices intended for Senior Lender will be addressed to:

Greystone Servicing Company LLC  
419 Belle Air Lane  
Warrenton, Virginia 20186  
Attention: FHLMC Asset Management

Notices intended for Subordinate Lender will be addressed to:

Housing Authority of City of Los Angeles  
2600 Wilshire Boulevard  
Los Angeles, California 90057  
Attention: President and Chief Executive Officer  
Attention: Director of Legal Affairs

(b) Any party, by Notice given pursuant to this Section 10, may change the person or persons and/or address or addresses, or designate an additional person or persons or an additional address or addresses, for its Notices, but Notice of a change of address will only be effective upon receipt. Neither party will refuse or reject delivery of any Notice given in accordance with this Section 10.


(a) Assignments/Successors. This Agreement will be binding upon and will inure to the benefit of the respective legal successors and permitted assigns of the parties to this Agreement. No other party will be entitled to any benefits under this Agreement, whether as a third-party beneficiary or otherwise. This Agreement may
be assigned at any time by Senior Lender to any subsequent holder of the Senior Note.

(b) **No Partnership or Joint Venture.** Nothing in this Agreement or in any of the Senior Loan Documents or Subordinate Loan Documents will be deemed to constitute Senior Lender as a joint venturer or partner of Subordinate Lender.

(c) **Further Assurances.** Upon Notice from Senior Lender, Subordinate Lender will execute and deliver such additional instruments and documents, and will take such actions, as are required by Senior Lender to further evidence or implement the provisions and intent of this Agreement.

(d) **Amendment.** This Agreement may be amended, changed, modified, altered or terminated only by a written instrument signed by the parties to this Agreement or their successors or assigns.

(e) **Governing Law.** This Agreement will be governed by the laws of the State in which the Land is located.

(f) **Severable Provisions.** If any one or more of the provisions contained in this Agreement, or any application of any such provisions, is invalid, illegal, or unenforceable in any respect, the validity, legality, enforceability, and application of the remaining provisions contained in this Agreement will not in any way be affected or impaired.

(g) **Term.** The term of this Agreement will commence on the date of this Agreement and will continue until the earliest to occur of the following events:

(i) The payment of all the Senior Indebtedness; provided that this Agreement will be reinstated in the event any payment on account of the Senior Indebtedness is avoided, set aside, rescinded or repaid by Senior Lender as described in Section 2(e) of this Agreement.

(ii) The payment of all the Subordinate Indebtedness other than by reason of payments which Subordinate Lender is obligated to remit to Senior Lender pursuant to this Agreement.

(iii) The acquisition by Senior Lender or by a third-party purchaser of title to the Mortgaged Property pursuant to a foreclosure of, deed in lieu of foreclosure, or trustee’s sale or other exercise of a power of sale or similar disposition under the Senior Mortgage.

(iv) With the prior written consent of Senior Lender, without limiting the provisions of Section 5(d), the acquisition by Subordinate Lender of title to the Mortgaged Property subject to the Senior Mortgage pursuant to a
foreclosure, or a deed in lieu of foreclosure, of (or the exercise of a power of sale under) the Subordinate Mortgage.

(h) **Counterparts.** This Agreement may be executed in two or more counterparts, each of which will be deemed an original but all of which together will constitute one and the same instrument.

(i) **Entire Agreement.** This Agreement represents the entire understanding and agreement between the parties regarding the matters addressed in this Agreement, and will supersede and cancel any prior agreements regarding such matters.

(j) **Authority.** Each person executing this Agreement on behalf of a party to this Agreement represents and warrants that such person is duly and validly authorized to do so on behalf of such party with full right and authority to execute this Agreement and to bind such party with respect to all of its obligations under this Agreement.

(k) **No Waiver.** No failure or delay on the part of any party to this Agreement in exercising any right, power, or remedy under this Agreement will operate as a waiver of such right, power, or remedy, nor will any single or partial exercise of any such right, power or remedy preclude any other or further exercise of such right, power, or remedy or the exercise of any other right, power or remedy under this Agreement.

(l) **Remedies.** Each party to this Agreement acknowledges that if any party fails to comply with its obligations under this Agreement, the other parties will have all rights available at law and in equity, including the right to obtain specific performance of the obligations of such defaulting party and injunctive relief.

[SIGNATURE AND ACKNOWLEDGMENT PAGES FOLLOW]
IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the day and year first above written.

SENIOR LENDER:

GREYSTONE SERVICING COMPANY LLC, a Delaware limited liability company

By: _________________________________
   Name: _______________________________
   Title: _______________________________

ACKNOWLEDGMENT

STATE OF ___________     )
   §
COUNTY OF ___________     )

On ___________, 20__, before me, ____________________________________________, a Notary Public, personally appeared ____________________________________________, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacity, and that by her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of ___________ that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

__________________________________________
Signature of Notary

(Affix seal here)
SUBORDINATE LENDER:

HOUSING AUTHORITY OF THE CITY OF LOS ANGELES, a California public body, corporate and politic

By: ______________________________________
Name: ___________________________________
Title: ________________________________

ACKNOWLEDGMENT

STATE OF CALIFORNIA    )
) §
COUNTY OF LOS ANGELES  )

On ______________, 20__, before me, ________________________________________________, a Notary Public, personally appeared __________________ who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacity, and that by her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct

WITNESS my hand and official seal.

________________________________
Signature of Notary

(Affix seal here)
CONSENT OF BORROWER

Borrower acknowledges receipt of a copy of this Subordination Agreement, dated ______________, 20__, by and between GREYSTONE SERVICING COMPANY LLC, a Delaware limited liability company and the HOUSING AUTHORITY OF THE CITY OF LOS ANGELES and consents to the agreement of the parties set forth in this Agreement.

BORROWER:

JORDAN DOWNS PHASE S3, LP, a California limited partnership

By: ______________________________
    Name: __________________________
    Title: ____________________________

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA )
COUNTY OF LOS ANGELES ) §

On ______________, 20__, before me, __________________________________, a Notary Public, personally appeared ______________ who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacity, and that by her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct

WITNESS my hand and official seal.

___________________________
Signature of Notary

(Affix seal here)
EXHIBIT A

LEGAL DESCRIPTION
TAB 12.

Authority Promissory Note  
(Acquisition Loan)
AUTHORITY ACQUISITION NOTE  
(Jordan Downs Phase S3)  

$3,400,000.00 Los Angeles, California 
As of [_____] 1, 2020 

FOR VALUE RECEIVED, Jordan Downs Phase S3, LP, a California limited partnership (the “Borrower”), hereby promises to pay, in lawful money of the United States of America, to the order of Housing Authority of the City of Los Angeles, its successors and assigns (the “Lender”) the principal sum of Three Million Four Hundred Thousand Dollars ($3,400,000.00) with interest from the date hereof on the principal balance outstanding from time to time at the rate determined as hereinafter set forth. Capitalized terms not otherwise defined in this Authority Acquisition Note (this “Note”) shall have the meaning set forth in the Ground Lease Agreement between Borrower and Lender of even date herewith. 

Interest shall accrue on the principal balance outstanding from time to time at the fixed rate per annum stated below (computed on the basis of a 365-day year and actual days elapsed). Interest shall commence at Closing and shall accrue thereafter at a rate equal to the interest rate stated below on the outstanding principal balance. 

The interest rate on this Note shall be four percent (4%) simple interest per annum. 

All unpaid interest and principal shall be due and payable on the date that is fifty-five (55) years from the date the Construction Loan is paid in full or converted into permanent financing in whole or in part (“Conversion”), but not later than [______], 2077. 

Commencing at Conversion, principal and interest shall be payable as an annual payment to the extent available from Net Cash Flow of the Borrower, in the priority set forth in the Distribution of Net Cash Flow at Exhibit A attached hereto. Such payments shall be applied first to accrued interest, if any, then to principal. The Borrower may prepay the outstanding principal balance of this Note, in full or in part, at any time without penalty or premium. 

This Note shall become due and payable in full in the event of (a) a Transfer that is not permitted under the Ground Lease or approved by Lender, subject to the cure periods set forth in Section 13.4(a) of the Ground Lease, (ii) the date of any “Event of Default”, as defined and provided for in the Ground Lease, the Deed of Trust, or of any uncured breach or default under any of the other “Loan Documents” (as such term is defined in the Deed of Trust), and (iii) the expiration or earlier termination of the Ground Lease. 

Payments of principal, interest, and all other amounts hereunder shall be made in currency of the United States to the Lender at its principal office in Los Angeles, California, or such other place as the Lender may designate from time to time in writing. 

The Borrower agrees to the full extent permitted by law that in case of a default hereunder, neither the Borrower nor anyone claiming through or under the Borrower shall or will set up, claim, or seek to take advantage of any appraisement, valuation, stay, extension, or redemption laws now or hereafter enacted.
hereafter in force, in order to prevent or hinder the enforcement or foreclosure of the Deed of Trust, or the absolute sale of any collateral, or the final and absolute putting into possession thereof, immediately after such sale, of the purchasers thereat, and the Borrower, for itself and all who may at any time claim through or under it, hereby waives, to the full extent that it may lawfully so do, the benefit of all such laws, and any and all right to have the assets comprising any collateral marshalled upon any enforcement or foreclosure of the lien of the Deed of Trust, or to have any collateral appraised for the purpose of reducing any deficiency judgment obtained against the Borrower upon enforcement or foreclosure of the Deed of Trust and the Borrower further agrees that the Lender or any court having jurisdiction to foreclose such lien may sell any collateral, in part or as an entirety.

The obligations of the Borrower to make the payments required to be made hereunder shall be absolute and unconditional, and shall not be subject to diminution by set-off, counterclaim, abatement, or otherwise (except in connection with a judicial proceeding involving a claim asserted by the Lender under this Note wherein the failure by the Borrower to raise as a defense any such set-off, counterclaim, or abatement would, pursuant to applicable law, operate as a permanent bar to the Borrower's asserting in a separate judicial proceeding a claim against the Lender based upon such set-off, counterclaim, or abatement). Until such time as the principal of, interest on, and all other amounts due under this Note shall have been fully paid, the Borrower shall not suspend or discontinue any payments required to be made hereunder except to the extent of any prepayment hereof.

Upon the occurrence of a default in the payment of any amount due hereunder continuing uncured beyond ten (10) days from the date the Lender gives written notice to the Borrower of such default, the principal of, interest on, and all other amounts owing under this Note may be declared due and payable.

If it is necessary for the Lender to employ attorneys or incur expenses for the collection of amounts payable hereunder, all costs and expenses incident to such collection, including without limitation reasonable fees of such attorneys, shall be added to the principal amount hereof and be collectible as a part hereof.

The Borrower (and any other person becoming obligated hereunder) hereby waives presentment, demand, dishonor, protest, notice for payment, notice of nonpayment, notice of default, notice of compromise or surrender, and any other demand or notice whatsoever in connection with payment of this Note. Failure to accelerate the debt evidenced hereby by reason of the occurrence of an event of default, or the acceptance of a past due payment of interest or principal, or any other waiver, extension, or forbearance of any kind shall not be construed as a novation or a waiver of the right of the Lender to thereafter insist upon strict compliance with the terms hereof without previous notice of such intention being given to the Borrower.

Except as provided below in this paragraph, neither the Borrower nor any partner of the Borrower shall have any direct or indirect personal liability for payment of the principal of, or interest on, the Loan or the performance of the covenants of the Borrower under the Deed of Trust. The sole recourse of the Lender with respect to the principal of, or interest on, the Note and defaults by the Borrower in the performance of its covenants under the Deed of Trust shall be to the property described in the Deed of Trust; provided, however, that nothing contained in the foregoing limitation
of liability shall (a) limit or impair the enforcement against all such security for this Note of all the rights and remedies of the Lender hereunder, or (b) be deemed in any way to impair the right of the Lender to assert the unpaid principal amount of this Note as demand for money within the meaning and intendment of Section 431.70 of the California Code of Civil Procedure or any successor provision thereto. The foregoing limitation of liability is intended to apply only to the obligation for the repayment of the principal of, and payment of interest on this Note and the performance of the Borrower's obligations under the Deed of Trust, except as hereafter set forth; nothing contained herein is intended to relieve the Borrower of its obligation to indemnify the Authority under Sections 7.3 and 10.3 of the Ground Lease, or for liability for: (i) fraud or willful misrepresentation; (ii) the failure to pay taxes, assessments or other charges which may create liens on the Property that are payable or applicable prior to any foreclosure under the Deed of Trust (to the full extent of such taxes, assessments or other charges); (iii) the fair market value of any personal property or fixtures removed or disposed of by the Borrower other than in accordance with the Deed of Trust; and (iv) the misappropriation of any proceeds under any insurance policies or awards resulting from condemnation or the exercise of the power of eminent domain or by reason of damage, loss or destruction to any portion of the Property.

Notwithstanding any other provisions of this Note, all liens, claims, charges, and priorities related to the loan contemplated by this Note shall be subordinate and junior to the Construction Loan and Permanent Loan.

This Note shall be governed by and construed in accordance with the laws of the State of California.

[SIGNATURE PAGE FOLLOWS]
In witness whereof, the Borrower has caused this Note to be executed, sealed and delivered, as of the date first above written.

BORROWER:

JORDAN DOWNS PHASE S3, LP,
a California limited partnership

By: Jordan S3-Michaels LLC,
a California limited liability company
   its administrative general partner

By: _______________________________________
   Milton R. Pratt, Jr.
   Vice President

By: La Cienega LOMOD, Inc.,
a California nonprofit public benefit corporation,
   its managing general partner

By: _______________________________________
   Tina Smith-Booth
   President
Exhibit A

Distribution of Net Cash Flow

[To be attached]
Authority Subordinate Deed of Trust (Acquisition Loan)
RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

Housing Authority of the
City of Los Angeles
2600 Wilshire Blvd.
Los Angeles, CA 90057
Attn: President and Chief Executive Officer

No fee for recording pursuant to
Government Code Section 27383

AUTHORITY SUBORDINATE LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS, SECURITY AGREEMENT, AND FIXTURE FILING
AUTHORITY ACQUISITION LOAN
(Jordan Downs Phase S3)

THIS AUTHORITY SUBORDINATE LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS, SECURITY AGREEMENT, AND FIXTURE FILING (this “Deed of Trust”) is made as of [___] 1, 2020, by and among Jordan Downs Phase S3, LP, a California limited partnership (“Trustor”), ________________ (“Trustee”), and the Housing Authority of the City of Los Angeles, a public body, corporate and politic (“Beneficiary”).

FOR GOOD AND VALUABLE CONSIDERATION, including the indebtedness herein recited and the trust herein created, the receipt of which is hereby acknowledged, Trustor hereby irrevocably grants, transfers, conveys, and assigns to Trustee, IN TRUST, WITH POWER OF SALE, for the benefit and security of Beneficiary, under and subject to the terms and conditions hereinafter set forth, Trustor's leasehold interest in the property located in the City of Los Angeles, County of Los Angeles, State of California, that is described in the attached Exhibit A, incorporated herein by this reference, and the Trustor's fee interest in any improvements constructed thereon (collectively, the “Property”).

TOGETHER WITH all interest, estates, or other claims, both in law and in equity which Trustor now has or may hereafter acquire in the Property and the Rents (as defined in Section 2.3);

TOGETHER WITH all easements, rights-of-way, and rights used in connection therewith or as a means of access thereto, including (without limiting the generality of the foregoing) all tenements, hereditaments, and appurtenances thereof and thereto;

TOGETHER WITH any and all buildings and improvements of every kind and description now or hereafter erected thereon, and all property of Trustor now or hereafter affixed to or placed upon the Property;

TOGETHER WITH all building materials and equipment now or hereafter delivered to said property and intended to be installed therein;
TOGETHER WITH all right, title and interest of Trustor, now owned or hereafter acquired, in and to any land lying within the right-of-way of any street, open or proposed, adjoining the Property, and any and all sidewalks, alleys, and strips and areas of land adjacent to or used in connection with the Property;

TOGETHER WITH all estate, interest, right, title, other claim or demand, of every nature, in and to such property, including the Property, both in law and in equity, including, but not limited to, all deposits made with or other security given by Trustor to utility companies, the proceeds from any or all of such property, including the Property, claims or demands with respect to the proceeds of insurance in effect with respect thereto, which Trustor now has or may hereafter acquire, any and all awards made for the taking by eminent domain or by any proceeding or purchase in lieu thereof of the whole or any part of such property, including without limitation, any awards resulting from a change of grade of streets and awards for severance damages to the extent Beneficiary has an interest in such awards for taking as provided in Paragraph 4.1 herein;

TOGETHER WITH all of Trustor's interest in all articles of personal property or fixtures now or hereafter attached to or used in and about the building or buildings now erected or hereafter to be erected on the Property which are necessary to the complete and comfortable use and occupancy of such building or buildings for the purposes for which they were or are to be erected, including all other goods and chattels and personal property as are ever used or furnished in operating a building, or the activities conducted therein, similar to the one herein described and referred to, and all renewals or replacements thereof or articles in substitution therefor, whether or not the same are, or shall be attached to said building or buildings in any manner; and

TOGETHER WITH all of Trustor's interest in all building materials, fixtures, equipment, work in process, and other personal property to be incorporated into the Property; all goods, materials, supplies, fixtures, equipment, machinery, furniture and furnishings, signs, and other personal property now or hereafter appropriated for use on the Property, whether stored on the Property or elsewhere, and used or to be used in connection with the Property; all rents, issues, and profits, and all inventory, accounts, accounts receivable, contract rights, general intangibles, chattel paper, instruments, documents, notes drafts, letters of credit, insurance policies, insurance and condemnation awards and proceeds, trade names, trademarks, and service marks arising from or related to the Property and any business conducted thereon by Trustor; all replacements, additions, accessions, and proceeds; and all books, records, and files relating to any of the foregoing.

All of the foregoing, together with the Property, is herein referred to as the “Security.” To have and to hold the Security together with acquittances to Trustee, its successors and assigns forever.

FOR THE PURPOSE OF SECURING:
(a) Payment of just indebtedness of Trustor to Beneficiary as set forth in the Note (defined in Article 1 below) until paid or cancelled. Said principal and other payments shall be due and payable as provided in the Note. Said Note and all its terms are incorporated herein by reference, and this conveyance shall secure any and all extensions thereof, however evidenced; and

(b) Payment of any sums advanced by Beneficiary to protect the Security pursuant to the terms and provisions of this Deed of Trust following a breach of Trustor's obligation to advance said sums and the expiration of any applicable cure period, with interest thereon as provided herein; and

(c) Performance of every obligation, covenant, or agreement of Trustor contained herein and in the Loan Documents (defined in Section 1.1(b) below).

AND TO PROTECT THE SECURITY OF THIS DEED OF TRUST, TRUSTOR COVENANTS AND AGREES:

ARTICLE 1
DEFINITIONS

Section 1.1 Definitions. In addition to the terms defined elsewhere in this Deed of Trust, the following terms shall have the following meanings in this Deed of Trust:

(a) “Ground Lease” means that certain Ground Lease Agreement dated as of substantially even date herewith providing Trustor a leasehold interest in the property located in the City of Los Angeles, County of Los Angeles, State of California, that is described in the attached Exhibit A and a fee interest in any improvements constructed thereon.

(b) “Loan Documents” means this Deed of Trust, the Note, the Ground Lease, and any other debt, loan, or security instruments between Trustor and the Beneficiary relating to the Note.

(c) “Note” means that certain Authority Acquisition Note in the principal amount of Three Million Four Hundred Thousand Dollars ($3,400,000.00), dated as of substantially even date herewith, executed by Trustor in favor of Beneficiary, the payment of which is secured by this Deed of Trust. (Copies of the Note are on file with Beneficiary and terms and provisions of the Note are incorporated herein by reference.).

(d) “Principal” means the principal amount required to be paid under the Note.

(e) “Senior Deed of Trust” means any deed of trust to which this deed of trust is subordinated.

(f) “Senior Lender” means the beneficiary of a Senior Deed of Trust.
(g) “Senior Loan” means that certain (1) construction loan from CIT Bank, N.A., in the approximate amount of Thirty-Six Million Eight Hundred Thousand Dollars ($36,800,000) and (2) a Freddie Mac permanent loan from Greystone Servicing Company LLC, in the approximate amount of Eleven Million Seven Hundred Thirty Thousand Dollars ($11,730,000.00) and refinancings of such loans pursuant to Section 3.2 of the Ground Lease.

ARTICLE 2
MAINTENANCE AND MODIFICATION OF THE PROPERTY AND SECURITY

Section 2.1 Maintenance and Modification of the Property by Trustor. Trustor agrees that at all times prior to full payment of the sum owed under the Note, Trustor will, at Trustor's own expense, maintain, preserve, and keep the Security or cause the Security to be maintained and preserved in good condition. Trustor will from time to time make or cause to be made all repairs, replacements, and renewals deemed proper and necessary by it. If there arises a condition in contravention of this requirement, and if the Trustor has not cured such condition within thirty (30) days after receiving a Beneficiary notice of such a condition, and the Trustor has not initiated diligent efforts to cure such condition within such period, then in addition to any other rights available to the Beneficiary, the Beneficiary shall have the right to perform all acts necessary to cure such condition, and to establish or enforce a lien or other encumbrance against the Security. Beneficiary shall have no responsibility in any of these matters or for the making of improvements or additions to the Security.

Trustor agrees to pay fully and discharge (or cause to be paid fully and discharged) all claims for labor done and for material and services furnished in connection with the Security, diligently to file or procure the filing of a valid notice of cessation upon the event of a cessation of labor on the work or construction on the Security for a continuous period of thirty (30) days or more, and to take all other reasonable steps to forestall the assertion of claims of lien against the Security or any part thereof. Trustor irrevocably appoints, designates, and authorizes Beneficiary as its agent (said agency being coupled with an interest) with the authority, but without any obligation, to file for record any notices of completion or cessation of labor or any other notice that Beneficiary deems necessary or desirable to protect its interest in and to the Security or the Loan Documents; provided, however, that Beneficiary shall exercise its rights as agent of Trustor only in the event that Trustor shall fail to take, or shall fail to diligently continue to take, those actions as hereinbefore provided.

Upon demand by Beneficiary, Trustor shall make or cause to be made such demands or claims as Beneficiary shall specify upon laborers, materialmen, subcontractors, or other persons who have furnished or claim to have furnished labor, services, or materials in connection with the Security. Nothing herein contained shall require Trustor to pay any claims for labor, materials, or services which Trustor in good faith disputes and is diligently contesting provided that Trustor shall, within thirty (30) days after the filing of any claim of lien, record in the Office of the Recorder of the County of Los Angeles, a surety bond in an amount one and a half times the amount of such claim item to protect against a claim of lien.

Section 2.2 Granting of Easements. Except as set forth in the Loan Documents, Trustor may not grant easements, licenses, rights-of-way, or other rights or privileges in the
nature of easements with respect to any property or rights included in the Security except those required or desirable for installation and maintenance of public utilities including, without limitation, access, water, gas, electricity, sewer, telephone, and telegraph, or those required by law and as approved, in writing, by Beneficiary, which approval shall not be unreasonably withheld or delayed.

Section 2.3 Assignment of Rents. As part of the consideration for the indebtedness evidenced by the Note, Trustor hereby absolutely and unconditionally assigns and transfers to Beneficiary all the rents and revenues of the Property including those now due, past due, or to become due by virtue of any lease or other agreement for the occupancy or use of all or any part of the Property, regardless of to whom the rents and revenues of the Property are payable (collectively, the “Rents”). After the occurrence and during the continuation of an Event of Default (as defined in Section 7.1), Trustor hereby authorizes Beneficiary or Beneficiary’s agents to collect the aforesaid rents and revenues and hereby directs each tenant of the Property to pay such Rents to Beneficiary or Beneficiary's agents. Prior to the occurrence of an Event of Default, Trustor shall collect and receive all Rents of the Property as trustee for the benefit of Beneficiary and Trustor shall apply the Rents so collected to the sums secured by this Deed of Trust with the balance, so long as no Event of Default has occurred, to the account of Trustor, it being intended by Trustor and Beneficiary that this assignment of rents constitutes an absolute assignment and not an assignment for additional security only. Upon delivery of written notice by Beneficiary to Trustor of an Event of Default, and without the necessity of Beneficiary entering upon and taking and maintaining full control of the Property in person, by agent, or by a court-appointed receiver, Beneficiary shall immediately be entitled to possession of all Rents of the Property as specified in this Section 2.3 as the same becomes due and payable, including but not limited to Rents then due and unpaid, and all such Rents shall immediately upon delivery of such notice be held by Trustor as trustee for the benefit of Beneficiary only; provided, however, that the written notice by Beneficiary to Trustor of an Event of Default shall contain a statement that Beneficiary exercises its rights to such Rents. Trustor agrees that commencing upon delivery of such written notice of an Event of Default, each tenant of the Property shall make such Rents payable to and pay such Rents to Beneficiary or Beneficiary's agents on Beneficiary's written demand to each tenant therefor, delivered to each tenant personally, by mail, or by delivering such demand to each rental unit, without any liability on the part of said tenant to inquire further as to the existence of a default by Trustor.

Except for the financing previously approved by the Beneficiary pursuant to the Loan Documents, Trustor hereby covenants that Trustor has not executed any prior assignment of said Rents, that Trustor has not performed, and will not perform, any acts or has not executed and will not execute, any instrument which would prevent Beneficiary from exercising its rights under this Section 2.3, and that at the time of execution of this Deed of Trust, there has been no anticipation or prepayment of any of the Rents of the Property for more than two (2) months prior to the due dates of such rents. Trustor covenants that Trustor will not hereafter collect or accept payment of any Rents of the Property more than two (2) months prior to the due dates of such Rents. Trustor further covenants that Trustor will execute and deliver to Beneficiary such further assignments of rents and revenues of the Property as Beneficiary may from time to time request.
Upon and during the continuation of an Event of Default, Beneficiary may in person, by agent, or by a court-appointed receiver, regardless of the adequacy of Beneficiary's security, enter upon and take and maintain full control of the Property in order to perform all acts necessary and appropriate for the operation and maintenance thereof including, but not limited to, the execution, cancellation, or modification of leases, the collection of all Rents of the Property, the making of repairs to the Property, and the execution or termination of contracts providing for the management or maintenance of the Property, all on such terms as are deemed best to protect the security of this Deed of Trust. In the event Beneficiary elects to seek the appointment of a receiver for the Property upon an Event of Default, Trustor hereby expressly consents to the appointment of such receiver. Beneficiary or the receiver shall be entitled to receive a reasonable fee for so managing the Property.

All Rents collected upon and during the continuation of an Event of Default shall be applied first to the costs, if any, of taking control of and managing the Property and collecting the Rents, including, but not limited to, attorney's fees, receiver's fees, premiums on receiver's bonds, costs of repairs to the Property, premiums on insurance policies, taxes, assessments, and other charges on the Property, and the costs of discharging any obligation or liability of Trustor as lessor or landlord of the Property and then to the sums secured by this Deed of Trust. Beneficiary or the receiver shall have access to the books and records used in the operation and maintenance of the Property and shall be liable to account only for those Rents actually received. Beneficiary shall not be liable to Trustor, anyone claiming under or through Trustor, or anyone having an interest in the Property by reason of anything done or left undone by Beneficiary under this Section 2.3.

If the Rents of the Property are not sufficient to meet the costs, if any, of taking control of and managing the Property and collecting the Rents, any funds expended by Beneficiary for such purposes shall become indebtedness of Trustor to Beneficiary secured by this Deed of Trust pursuant to Section 3.3 hereof. Unless Beneficiary and Trustor agree in writing to other terms of payment, such amounts shall be payable upon notice from Beneficiary to Trustor requesting payment thereof and shall bear interest from the date of disbursement at the rate stated in Section 3.3.

Any entering upon and taking and maintaining of control of the Property by Beneficiary or the receiver and any application of Rents as provided herein shall not cure or waive any default hereunder or invalidate any other right or remedy of Beneficiary under applicable law or provided herein. This assignment of rents of the Property shall terminate at such time as this Deed of Trust ceases to secure indebtedness held by Beneficiary. The rights of the Beneficiary under this Section 2.3 are subject to the rights of the Senior Lender and any other senior lender.

ARTICLE 3
TAXES AND INSURANCE; ADVANCES

Section 3.1 Taxes, Other Governmental Charges and Utility Charges. Trustor shall pay, or cause to be paid prior to the date of delinquency, all taxes, assessments, charges, and levies imposed by any public authority or utility company which are or may become a lien affecting the Security or any part thereof; provided, however, that Trustor shall not be required to
pay and discharge any such tax, assessment, charge, or levy so long as (a) the legality thereof shall be promptly and actively contested in good faith and by appropriate proceedings, and (b) Trustor maintains reserves adequate to pay any liabilities contested pursuant to this Section 3.1. With respect to taxes, special assessments, or other similar governmental charges, Trustor shall pay such amount in full prior to the attachment of any lien therefor on any part of the Security; provided, however, if such taxes, assessments, or charges may be paid in installments, Trustor may pay in such installments. Except as provided in clause (b) of the first sentence of this paragraph, the provisions of this Section 3.1 shall not be construed to require that Trustor maintain a reserve account, escrow account, impound account, or other similar account for the payment of future taxes, assessments, charges, and levies.

In the event that Trustor shall fail to pay any of the foregoing items required by this Section to be paid by Trustor, Beneficiary may (but shall be under no obligation to) pay the same, after Beneficiary has notified Trustor of such failure to pay and Trustor fails to fully pay such items within seven (7) business days after receipt of such notice. Any amount so advanced therefor by Beneficiary, together with interest thereon from the date of such advance at the maximum rate permitted by law, shall become an additional obligation of Trustor to the Beneficiary and shall be secured hereby, and Trustor agrees to pay all such amounts.

Section 3.2 Provisions Respecting Insurance. Trustor agrees to provide insurance conforming in all respects to that required under the Loan Documents during the course of construction and following completion, and at all times until all amounts secured by this Deed of Trust have been paid and all other obligations secured hereunder fulfilled, and this Deed of Trust reconveyed.

All such insurance policies and coverages shall be maintained at Trustor's sole cost and expense. Certificates of insurance for all of the above insurance policies, showing the same to be in full force and effect, shall be delivered to Beneficiary upon demand therefor at any time prior to Beneficiary's receipt of the entire Principal and all amounts secured by this Deed of Trust.

Section 3.3 Advances. In the event Trustor shall fail to maintain the full insurance coverage required by this Deed of Trust or shall fail to keep the Security in accordance with the Loan Documents, Beneficiary, after at least seven (7) days prior notice to Beneficiary, may (but shall be under no obligation to) take out the required policies of insurance, pay the premiums on the same, make such repairs or replacements as are necessary and provide for payment thereof, or expend such funds as necessary to remedy such failure by Trustor; and all amounts so advanced therefor by Beneficiary shall become an additional obligation of Trustor to Beneficiary (together with interest as set forth below) and shall be secured hereby, which amounts Trustor agrees to pay on the demand of Beneficiary, and if not so paid, shall bear interest from the date of the advance at the lesser of ten percent (10%) per annum or the maximum rate permitted by law.

ARTICLE 4
DAMAGE, DESTRUCTION OR CONDEMNATION
Section 4.1 **Awards and Damages.** All judgments, awards of damages, settlements, and compensation made in connection with or in lieu of (1) taking of all or any part of or any interest in the Property by or under assertion of the power of eminent domain, (2) any damage to or destruction of the Property or in any part thereof by insured casualty, and (3) any other injury or damage to all or any part of the Property ("Funds") are hereby assigned to and shall be paid to Beneficiary by a check made payable to Beneficiary. Such Funds shall be applied to restoration or repair of the Property damaged, provided such restoration or repair is economically feasible and (after completion of the repair or restoration) the security of this Deed of Trust is not thereby impaired, as determined in Beneficiary's reasonable discretion. Such work or repair shall be in accordance with plans and specifications approved by the Beneficiary and commenced no later than the later of (a) one hundred twenty (120) days after the damage or loss occurs or (b) thirty (30) days following receipt of the Funds, and shall be complete within one (1) year thereafter. If such restoration or repair is not economically feasible, or if Trustor fails to provide additional monies to fund any deficiency in connection with such restoration, or if the security of this Deed of Trust would be impaired, then the Funds will be used to repay any amounts due under this Deed of Trust with the excess, if any, paid to Trustor. Beneficiary must consent to in the settlement and adjustment of all claims under insurance policies provided under this Deed of Trust. All or any part of the amounts so collected and recovered by Beneficiary may be released to Trustor upon such conditions as Beneficiary may impose for its disposition. Application of all or any part of the Funds collected and received by Beneficiary or the release thereof shall not cure or waive any default under this Deed of Trust. The rights of Beneficiary under this Section 4.1 are subject to the rights of the Senior Lender and any other senior lender.

**ARTICLE 5**

**AGREEMENTS AFFECTING THE PROPERTY; FURTHER ASSURANCES; PAYMENT OF PRINCIPAL AND INTEREST**

Section 5.1 **Other Agreements Affecting Property.** Trustor shall duly and punctually perform all terms, covenants, conditions, and agreements binding upon it under the Loan Documents and any other agreement of any nature whatsoever now or hereafter involving or affecting the Security or any part thereof.

Section 5.2 **Agreement to Pay Attorneys' Fees and Expenses.** In the event of any Event of Default (as defined in Section 7.1) hereunder, and if Beneficiary should employ attorneys or incur other expenses for the collection of amounts due or the enforcement of performance or observance of an obligation or agreement on the part of Trustor in this Deed of Trust, Trustor agrees that it will, on demand therefor, pay to Beneficiary the reasonable fees of such attorneys and such other reasonable expenses so incurred by Beneficiary; and any such amounts paid by Beneficiary shall be added to the indebtedness secured by the lien of this Deed of Trust, and shall bear interest from the date such expenses are incurred at the lesser of ten percent (10%) per annum or the maximum rate permitted by law.

Section 5.3 **Payment of the Principal.** Trustor shall pay to Beneficiary the Principal and any other payments as set forth in the Note in the amounts and by the times set out therein.
Section 5.4  **Personal Property; Fixture Filing.** To the maximum extent permitted by law, the personal property subject to this Deed of Trust shall be deemed to be fixtures and part of the real property and this Deed of Trust shall constitute a fixtures filing under the California Commercial Code. As to any personal property not deemed or permitted to be fixtures, this Deed of Trust shall constitute a security agreement under the California Commercial Code. Trustor hereby grants Beneficiary a security interest in such items.

Section 5.5  **Financing Statement.** Trustor shall execute and deliver to Beneficiary such financing statements pursuant to the appropriate statutes, and any other documents or instruments as are required to convey to Beneficiary a valid perfected security interest in the Security. Trustor agrees to perform all acts which Beneficiary may reasonably request so as to enable Beneficiary to maintain such valid perfected security interest in the Security in order to secure the payment of the Note in accordance with their terms. Beneficiary is authorized to file a copy of any such financing statement in any jurisdiction(s) as it shall deem appropriate from time to time in order to protect the security interest established pursuant to this instrument. Trustor shall pay all costs of filing such financing statements and any extensions, renewals, amendments, and releases thereof, and shall pay all reasonable costs and expenses of any record searches for financing statements, and releases thereof, as Beneficiary may reasonably require. Without the prior written consent of Beneficiary, Trustor shall not create or suffer to be created pursuant to the California Commercial Code any other security interest in the Security, including replacements and additions thereto.

Section 5.6  **Operation of the Security.** Trustor shall operate the Security (and, in case of a transfer of a portion of the Security subject to this Deed of Trust, the transferee shall operate such portion of the Security) in full compliance with the Loan Documents.

Section 5.7  **Inspection of the Security.** At any and all reasonable times upon seventy-two (72) hours' notice, Beneficiary and its duly authorized agents, attorneys, experts, engineers, accountants, and representatives, shall have the right, without payment of charges or fees, to inspect the Security.

Section 5.8  **Nondiscrimination.** Trustor herein covenants by and for itself, its heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, age, sex, sexual orientation, marital status, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Security, nor shall Trustor itself or any person claiming under or through it establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Security. The foregoing covenants shall run with the land.

**ARTICLE 6**  
HAZARDOUS WASTE

Trustor shall keep and maintain the Property in compliance with, and shall not cause or permit the Property to be in violation of any federal, state, or local laws, ordinances, or
regulations relating to industrial hygiene or to the environmental conditions on, under, or about the Property including, but not limited to, soil and ground water conditions; provided however, that if any condition causing non-compliance with this Section existed at the Property prior to the date of this Agreement or at other property within the vicinity of the Leased Premises, the Borrower shall not be in default hereunder. Trustor shall not use, generate, manufacture, store, or dispose of on, under, or about the Property or transport to or from the Property any flammable explosives, radioactive materials, hazardous wastes, toxic substances, or related materials, including without limitation, any substances defined as or included in the definition of “hazardous substances,” “hazardous wastes,” “hazardous materials,” or “toxic substances” under any applicable federal or state laws or regulations (collectively referred to hereinafter as “Hazardous Materials”) except such of the foregoing as are used in construction of the improvements on the Property or as may be customarily kept and used in and about residential property.

Trustor shall immediately advise Beneficiary in writing if at any time it receives written notice of: (i) any and all enforcement, cleanup, removal, or other governmental or regulatory actions instituted, completed, or threatened against Trustor or the Property pursuant to any applicable federal, state, or local laws, ordinances, or regulations relating to any Hazardous Materials, (“Hazardous Materials Law”); (ii) all claims made or threatened by any third party against Trustor or the Property relating to damage, contribution, cost recovery compensation, loss, or injury resulting from any Hazardous Materials (the matters set forth in clauses (i) and (ii) above are hereinafter referred to as “Hazardous Materials Claims”); and (iii) Trustor's discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Property that could cause the Property or any part thereof to be classified as “border-zone property” under the provision of California Health and Safety Code, Sections 25220 et seq., or any regulation adopted in accordance therewith, or to be otherwise subject to any restrictions on the ownership, occupancy, transferability, or use of the Property under any Hazardous Materials Law.

Beneficiary shall have the right to join and participate in, as a party if it so elects, any legal proceedings or actions initiated in connection with any Hazardous Materials Claims. Trustor shall indemnify and hold harmless Beneficiary and its board members, supervisors, directors, officers, employees, agents, successors, and assigns from and against any loss, damage, cost, expense, or liability directly or indirectly arising out of or attributable to the use, generation, storage, release, threatened release, discharge, disposal, or presence of Hazardous Materials on, under, or about the Property including without limitation: (a) all foreseeable consequential damages; (b) the costs of any required or necessary repair, cleanup, or detoxification of the Property and the preparation and implementation of any closure, remedial, or other required plans; and (c) all reasonable costs and expenses incurred by Beneficiary in connection with clauses (a) and (b), including but not limited to reasonable attorneys' fees; provided however that this indemnification shall not apply to any loss, damage, cost, expense or liability directly or indirectly arising out of or attributable to any condition that existed at the Property prior to the date of this Deed of Trust or at other property within the vicinity of the Property.
Without Beneficiary's prior written consent, which shall not be unreasonably withheld, Trustor shall not take any remedial action in response to the presence of any Hazardous Materials on, under, or about the Property, nor enter into any settlement agreement, consent decree, or other compromise in respect to any Hazardous Material Claims, which remedial action, settlement, consent decree, or compromise might, in Beneficiary's reasonable judgment, impair the value of Beneficiary's security hereunder; provided, however, that Beneficiary's prior consent shall not be necessary in the event that the presence of Hazardous Materials on, under, or about the Property either poses an immediate threat to the health, safety, or welfare of any individual or is of such a nature that an immediate remedial response is necessary and it is not reasonably possible to obtain Beneficiary's consent before taking such action, provided that in such event Trustor shall notify Beneficiary as soon as practicable of any action so taken. Beneficiary agrees not to withhold its consent, where such consent is required hereunder, if either: (i) a particular remedial action is ordered by a court of competent jurisdiction; (ii) Trustor will or may be subjected to civil or criminal sanctions or penalties if it fails to take a required action; (iii) Trustor establishes to the reasonable satisfaction of Beneficiary that there is no reasonable alternative to such remedial action which would result in less impairment of Beneficiary's security hereunder; or (iv) the action has been agreed to by Beneficiary.

Trustor hereby acknowledges and agrees that (i) this Article is intended as Beneficiary's written request for information (and the Trustor's response) concerning the environmental condition of the Property as required by California Code of Civil Procedure Section 726.5, and (ii) each representation and warranty in this Deed of Trust or any of the other Loan Documents (together with any indemnity applicable to a breach of any such representation and warranty) with respect to the environmental condition of the property is intended by Beneficiary and Trustor to be an “environmental provision” for purposes of California Code of Civil Procedure Section 736.

In the event that any portion of the Property is determined to be “environmentally impaired” (as that term is defined in California Code of Civil Procedure Section 726.5(e)(3)) or to be an “affected parcel” (as that term is defined in California Code of Civil Procedure Section 726.5(e)(1)), then, without otherwise limiting or in any way affecting Beneficiary's or Trustee's rights and remedies under this Deed of Trust, Beneficiary may elect to exercise its rights under California Code of Civil Procedure Section 726.5(a) to (1) waive its lien on such environmentally impaired or affected portion of the Property and (2) exercise (a) the rights and remedies of an unsecured creditor, including reduction of its claim against Trustor to judgment, and (b) any other rights and remedies permitted by law. For purposes of determining Beneficiary's right to proceed as an unsecured creditor under California Code of Civil Procedure Section 726.5(a), Trustor shall be deemed to have willfully permitted or acquiesced in a release or threatened release of Hazardous Materials, within the meaning of California Code of Civil Procedure Section 726.5(d)(1), if the release or threatened release of Hazardous Materials was knowingly or negligently caused or contributed to by any lessee, occupant, or user of any portion of the Property and Trustor knew or should have known of the activity by such lessee, occupant, or user which caused or contributed to the release or threatened release. All costs and expenses, including (but not limited to) attorneys' fees, incurred by Beneficiary in connection with any action commenced under this paragraph, including any action required by California Code of Civil Procedure Section 726.5(b) to determine the degree to which the Property is
environmentally impaired, plus interest thereon at the lesser of ten percent (10%) or the maximum rate permitted by law, until paid, shall be added to the indebtedness secured by this Deed of Trust and shall be due and payable to Beneficiary upon its demand made at any time following the conclusion of such action.

Trustor is aware that California Civil Code Section 2955.5(a) provides as follows: “No lender shall require a borrower, as a condition of receiving or maintaining a loan secured by real property, to provide hazard insurance coverage against risks to the improvements on that real property in an amount exceeding the replacement value of the improvements on the property.”

ARTICLE 7
EVENTS OF DEFAULT AND REMEDIES

Section 7.1 Events of Default. Each of the following shall constitute an Event of Default following the expiration of any applicable notice and cure periods: (1) failure to make any payment to be paid by Trustor under the Loan Documents within ten (10) days after the date due; (2) failure to observe or perform any of Trustor's other covenants, agreements, or obligations under the Loan Documents (which failure has not been cured within the times and in the manner set forth in the Loan Documents); or (3) failure to make any payment or perform any of Trustor's other covenants, agreements, or obligations under any other debt instruments or regulatory agreement secured by the Property, which default shall not be cured within the times and in the manner provided therein, provided, however, to the extent that the Trustor cures its failure to perform as described in this Section 7.1(3), Trustor shall be deemed to have cured the Event of Default arising from this Section 7.1(3).

Section 7.2 Acceleration of Maturity. If an Event of Default shall have occurred and be continuing, then at the option of Beneficiary, the amount of any payment related to the Event of Default and the unpaid Principal of the Note (including all interest thereon) shall immediately become due and payable, upon written notice by Beneficiary to Trustor (or automatically where so specified in the Loan Documents), and no omission on the part of Beneficiary to exercise such option when entitled to do so shall be construed as a waiver of such right.

Section 7.3 Beneficiary's Right to Enter and Take Possession. If an Event of Default shall have occurred and be continuing, Beneficiary may:

(a) Either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court, and without regard to the adequacy of its security, enter upon the Security and take possession thereof (or any part thereof) and of any of the Security, in its own name or in the name of Trustee, and do any acts which it deems necessary or desirable to preserve the value or marketability of the Property, or part thereof or interest therein, increase the income therefrom or protect the security thereof. The entering upon and taking possession of the Security shall not cure or waive any Event of Default or Notice of Default (as defined below) hereunder or invalidate any act done in response to such Default or pursuant to such Notice of Default and, notwithstanding the continuance in possession of the Security, Beneficiary shall be entitled to exercise every right provided for in this Deed of Trust,
or by law upon occurrence of any Event of Default, including the right to exercise the power of sale;

(b) Commence an action to foreclose this Deed of Trust as a mortgage, appoint a receiver, or specifically enforce any of the covenants hereof;

(c) Deliver to Trustee a written declaration of default and demand for sale, and a written notice of default and election to cause Trustor's interest in the Security to be sold ("Notice of Default and Election to Sell"), which notice Trustee or Beneficiary shall cause to be duly filed for record in the Official Records of the County of Los Angeles; or

(d) Exercise all other rights and remedies provided herein, in the instruments by which Trustor acquires title to any Security, or in any other document or agreement now or hereafter evidencing, creating, or securing all or any portion of the obligations secured hereby, or provided by law.

Section 7.4 Foreclosure By Power of Sale. Should Beneficiary elect to foreclose by exercise of the power of sale herein contained, Beneficiary shall give notice to Trustee (the "Notice of Sale") and shall deposit with Trustee this Deed of Trust which is secured hereby (and the deposit of which shall be deemed to constitute evidence that the unpaid principal amount of the Note is immediately due and payable), and such receipts and evidence of any expenditures made that are additionally secured hereby as Trustee may require.

(a) Upon receipt of such notice from Beneficiary, Trustee shall cause to be recorded, published, and delivered to Trustor such Notice of Default and Election to Sell as then required by law and by this Deed of Trust. Trustee shall, without demand on Trustor, after lapse of such time as may then be required by law and after recordation of such Notice of Default and Election to Sell and after Notice of Sale having been given as required by law, sell the Security, at the time and place of sale fixed by it in said Notice of Sale, whether as a whole or in separate lots or parcels or items as Trustee shall deem expedient and in such order as it may determine unless specified otherwise by Trustor according to California Civil Code Section 2924g(b), at public auction to the highest bidder, for cash in lawful money of the United States payable at the time of sale. Trustee shall deliver to such purchaser or purchasers thereof its good and sufficient deed or deeds conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed or any matters of facts shall be conclusive proof of the truthfulness thereof. Any person, including, without limitation, Trustor, Trustee, or Beneficiary, may purchase at such sale, and Trustor hereby covenants to warrant and defend the title of such purchaser or purchasers.

(b) After deducting all reasonable costs, fees, and expenses of Trustee, including costs of evidence of title in connection with such sale, Trustee shall apply the proceeds of sale to payment of: (i) the unpaid Principal amount of the Note; (ii) all other amounts owed to Beneficiary under the Loan Documents; (iii) all other sums then secured hereby; and (iv) the remainder, if any, to Trustor.
(c) Trustee may postpone sale of all or any portion of the Property by public announcement at such time and place of sale, and from time to time thereafter, and without further notice make such sale at the time fixed by the last postponement, or may, in its discretion, give a new Notice of Sale.

Section 7.5 Receiver. If an Event of Default shall have occurred and be continuing, Beneficiary, as a matter of right and without further notice to Trustor or anyone claiming under the Security, and without regard to the then value of the Security or the interest of Trustor therein, shall have the right to apply to any court having jurisdiction to appoint a receiver or receivers of the Security (or a part thereof), and Trustor hereby irrevocably consents to such appointment and waives further notice of any application therefor. Any such receiver or receivers shall have all the usual powers and duties of receivers in like or similar cases, and all the powers and duties of Beneficiary in case of entry as provided herein, and shall continue as such and exercise all such powers until the date of confirmation of sale of the Security, unless such receivership is sooner terminated.

Section 7.6 Remedies Cumulative. No right, power, or remedy conferred upon or reserved to Beneficiary by this Deed of Trust is intended to be exclusive of any other right, power, or remedy, but each and every such right, power, and remedy shall be cumulative and concurrent and shall be in addition to any other right, power, and remedy given hereunder or now or hereafter existing at law or in equity.

Section 7.7 No Waiver.

(a) No delay or omission of Beneficiary to exercise any right, power, or remedy accruing upon any Event of Default shall exhaust or impair any such right, power, or remedy, or shall be construed to be a waiver of any such Event of Default or acquiescence therein; and every right, power, and remedy given by this Deed of Trust to Beneficiary may be exercised from time to time and as often as may be deemed expeditious by Beneficiary. Beneficiary's expressed or implied consent to a breach by Trustor, or a waiver of any obligation of Trustor hereunder, shall not be deemed or construed to be a consent to any subsequent breach, or further waiver, of such obligation or of any other obligations of Trustor hereunder. Failure on the part of Beneficiary to complain of any act or failure to act or to declare an Event of Default, irrespective of how long such failure continues, shall not constitute a waiver by Beneficiary of its right hereunder or impair any rights, power, or remedies consequent on any Event of Default by Trustor.

(b) If Beneficiary (i) grants forbearance or an extension of time for the payment of any sums secured hereby, (ii) takes other or additional security or the payment of any sums secured hereby, (iii) waives or does not exercise any right granted in the Loan Documents, (iv) releases any part of the Security from the lien of this Deed of Trust, or otherwise changes any of the terms, covenants, conditions, or agreements in the Loan Documents, (v) consents to the granting of any easement or other right affecting the Security, or (vi) makes or consents to any agreement subordinating the lien hereof, any such act or omission shall not release, discharge, modify, change, or affect the original liability under this Deed of Trust, or any other obligation of Trustor or any subsequent purchaser of the Security or any part thereof, or any
maker, co-signer, endorser, surety, or guarantor (unless expressly released); nor shall any such act or omission preclude Beneficiary from exercising any right, power, or privilege herein granted or intended to be granted in any Event of Default then made or of any subsequent Event of Default, nor, except as otherwise expressly provided in an instrument or instruments executed by Beneficiary shall the lien of this Deed of Trust be altered thereby.

Section 7.8 Suits to Protect the Security. Beneficiary shall have power to (a) institute and maintain such suits and proceedings as it may deem expedient to prevent any impairment of the Security and the rights of Beneficiary as may be unlawful or any violation of this Deed of Trust, (b) preserve or protect its interest (as described in this Deed of Trust) in the Security, and (c) restrain the enforcement of or compliance with any legislation or other governmental enactment, rule, or order that may be unconstitutional or otherwise invalid, if the enforcement for compliance with such enactment, rule, or order would impair the Security thereunder or be prejudicial to the interest of Beneficiary.

Section 7.9 Beneficiary May File Proofs of Claim. In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition, or other proceedings affecting Trustor, its creditors, or its property, Beneficiary, to the extent permitted by law, shall be entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have the claims of Beneficiary allowed in such proceedings and for any additional amount which may become due and payable by Trustor hereunder after such date.

Section 7.10 Waiver. Trustor waives presentment, demand for payment, notice of dishonor, notice of protest and nonpayment, protest, notice of interest on interest and late charges, and diligence in taking any action to collect any sums owing under the Note or in proceedings against the Security, in connection with the delivery, acceptance, performance, default, endorsement, or guaranty of this Deed of Trust.

ARTICLE 8
MISCELLANEOUS

Section 8.1 Amendments: Prior Agreements. This instrument cannot be waived, changed, discharged, or terminated orally, but only by an instrument in writing signed by Beneficiary and Trustor.

Section 8.2 Reconveyance by Trustee. Upon written request of Beneficiary stating that (i) all sums secured hereby have been paid or forgiven, and (ii) that all obligations of Trustor under the Loan Documents have been satisfied, and upon surrender of this Deed of Trust to Trustee for cancellation and retention, and upon payment by Trustor of Trustee's reasonable fees, Trustee shall reconvey the Security to Trustor, or to the person or persons legally entitled thereto.

Section 8.3 Notices. If at any time after the execution of this Deed of Trust it shall become necessary or convenient for one of the parties hereto to serve any notice, demand, or communication upon the other party, such notice, demand, or communication shall be in writing and shall be served by depositing the same in the registered United States mail, return receipt requested, postage prepaid and:
If to Beneficiary: Housing Authority of City of Los Angeles
2600 Wilshire Blvd.
Los Angeles, CA 90057
Attn: President and Chief Executive Officer
Attn: Director of Legal Affairs

with copy to: Reno & Cavanaugh, PLLC
455 Massachusetts Avenue, Suite 400
Washington, DC 20001
Attn: Megan Glasheen

If to Trustor: Jordan Downs Phase S3, LP
c/o The Michaels Organization
2 Cooper Street
Camden, NJ 08102
Attn: John J. O’Donnell

with copy to: Levine, Staller, Sklar, Chan & Brown, P.A.
3030 Atlantic Avenue
Atlantic City, NJ 08401
Attn: Arthur M. Brown

Any notice, demand, or communication shall be deemed given, received, made, or communicated, if mailed in the manner herein specified, on the delivery date or date delivery is refused by the addressee, as shown on the return receipt. Either party may change its address at any time by giving written notice of such change to Beneficiary or Trustor as the case may be, in the manner provided herein, at least ten (10) days prior to the date such change is desired to be effective.

Section 8.4 Successors and Joint Trustors. Where an obligation is created herein binding upon Trustor, the obligation shall also apply to and bind any transferee or successors in interest. Where the terms of this Deed of Trust have the effect of creating an obligation of Trustor and a transferee, such obligation shall be deemed to be a joint and several obligation of Trustor and such transferee. Where Trustor is more than one entity or person, all obligations of Trustor shall be deemed to be a joint and several obligation of each and every entity and person comprising Trustor.

Section 8.5 Captions. The captions or headings at the beginning of each Section hereof are for the convenience of the parties and are not a part of this Deed of Trust.

Section 8.6 Invalidity of Certain Provisions. Every provision of this Deed of Trust is intended to be severable. In the event any term or provision hereof is declared to be illegal or invalid for any reason whatsoever by a court or other body of competent jurisdiction, such illegality or invalidity shall not affect the balance of the terms and provisions hereof, which terms and provisions shall remain binding and enforceable. If the lien of this Deed of Trust is
invalid or unenforceable as to any part of the debt, or if the lien is invalid or unenforceable as to any part of the Security, the unsecured or partially secured portion of the debt, and all payments made on the debt, whether voluntary or under foreclosure or other enforcement action or procedure, shall be considered to have been first paid or applied to the full payment of that portion of the debt which is not secured or partially secured by the lien of this Deed of Trust.

Section 8.7  **Governing Law.** This Deed of Trust shall be governed by and construed in accordance with the laws of the State of California.

Section 8.8  **Gender and Number.** In this Deed of Trust, the singular shall include the plural and the masculine shall include the feminine and neuter and vice versa, if the context so requires.

Section 8.9  **Deed of Trust, Mortgage.** Any reference in this Deed of Trust to a mortgage shall also refer to a deed of trust and any reference to a deed of trust shall also refer to a mortgage.

Section 8.10  **Actions.** Trustor agrees to appear in and defend any action or proceeding purporting to affect the Security.

Section 8.11  **Substitution of Trustee.** Beneficiary may from time to time substitute a successor or successors to any Trustee named herein or acting hereunder to execute this Deed of Trust. Upon such appointment, and without conveyance to the successor trustee, the latter shall be vested with all title, powers, and duties conferred upon any Trustee herein named or acting hereunder. Each such appointment and substitution shall be made by written instrument executed by Beneficiary, containing reference to this Deed of Trust and its place of record, which, when duly recorded in the proper office of the county or counties in which the Property is situated, shall be conclusive proof of proper appointment of the successor trustee.

Section 8.12  **Statute of Limitations.** The pleading of any statute of limitations as a defense to any and all obligations secured by this Deed of Trust is hereby waived to the full extent permissible by law.

Section 8.13  **Acceptance by Trustee.** Trustee accepts this Deed of Trust when this Deed of Trust, duly executed and acknowledged, is made public record as provided by law. Except as otherwise provided by law the Trustee is not obligated to notify any party hereto of pending sale under this Deed of Trust or of any action of proceeding in which Trustor, Beneficiary, or Trustee shall be a party unless brought by Trustee.

Section 8.14  **Compliance with Internal Revenue Code Section 42.** Beneficiary acknowledges that Trustor intends to enter into an extended use agreement, which constitutes the extended low-income housing commitment described in Section 42(h)(6)(B) of the Internal Revenue Code, as amended (the “**Code**”). As of the date hereof, Code Section 42(h)(6)(E)(ii) does not permit the eviction or termination of tenancy (other than for good cause) of an existing tenant of any low-income unit or any increase in the gross rent with respect to such unit not otherwise permitted under Code Section 42 for a period of three (3) years after the date the building is acquired by foreclosure or by instrument in lieu of foreclosure. In the event the
extended use agreement is recorded against the Property, Beneficiary agrees to comply with the provisions set forth in Code Section 42(h)(6)(E)(ii).

**ARTICLE 9**
**SUBORDINATE DEED OF TRUST**

This Deed of Trust is and shall at all times continue to be subordinate, subject, and inferior (in payment and priority) to the Senior Loan and the Senior Deed of Trust, and the liens, rights, payment interests, priority interests, and security interests granted to Beneficiary hereunder and the Loan and the Loan Documents are, and are hereby expressly acknowledged to be in all respects and at all times, subject to the terms of the [Subordination Agreement (Jordan Downs – Housing Authority)] by and among Beneficiary, Trustor and Senior Lender of even date herewith. Exhibit B and Exhibit C, attached hereto, are hereby incorporated into this Deed of Trust by this reference.

[remainder of this page intentionally left blank]
IN WITNESS WHEREOF, Trustor has executed this Deed of Trust as of the day and
year first above written.

TRUSTOR:

JORDAN DOWNS PHASE S3, LP,
a California limited partnership

By: Jordan S3-Michaels LLC,
a California limited liability company
its administrative general partner

By: _______________________________
Milton R. Pratt, Jr.
Vice President

By: La Cienega LOMOD, Inc.,
a California nonprofit public benefit corporation,
its managing general partner

By: _______________________________
Tina Smith-Booth
President
A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California )
County of ______________________ )

On _____________________, before me, ____________________________,
Notary Public, personally appeared ____________________________,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature ____________________________
A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California )
County of ______________________ )

On _________________________, before me, ,
(insert name and title of the officer)
Notary Public, personally appeared ,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _______________
EXHIBIT A

Legal Description

THOSE PORTIONS OF LOTS 4 AND 5, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS SHOWN ON THE MAP OF TRACT NO. 16154, AS PER MAP RECORDED IN BOOK 540, PAGES 48 TO 50, INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

COMMENCING AT THE CENTERLINE INTERSECTION OF ONE HUNDRED FIRST STREET, 30.00 WIDE, AND GRAPE STREET, 30.00 FEET WIDE, AS SHOWN ON SAID TRACT NO. 16154; THENCE ALONG SAID CENTERLINE OF ONE HUNDRED FIRST STREET SOUTH 89°33'07" EAST 403.04 FEET; THENCE NORTH 00°26'53" EAST 30.00 FEET TO A POINT ON THE NORTH LINE OF SAID ONE HUNDRED FIRST STREET, SAID POINT ALSO BEING THE TRUE POINT OF BEGINNING; THENCE CONTINUING NORTH 00°26'53" EAST 221.99 FEET; THENCE SOUTH 89°33'07" EAST 238.26 FEET; THENCE SOUTH 08°31'20" WEST 211.19 FEET TO THE BEGINNING OF A CURVE CONCAVE NORTHWESTERLY, HAVING A RADIUS OF 15.00 FEET; THENCE SOUTHWESTERLY ALONG SAID CURVE 21.45 FEET, THROUGH A CENTRAL ANGLE OF 81°55'33" TO SAID NORTH LINE OF ONE HUNDRED FIRST TO SAID NORTH LINE OF ONE HUNDRED FIRST STREET; THENCE ALONG SAID NORTH LINE NORTH 89°33'07" WEST 193.74 FEET TO THE TRUE POINT OF BEGINNING.

APN: 6046-019-926, 6046-021-908, AND 6046-021-917
EXHIBIT B

Investor Rider

This Rider is attached to and made a part of the promissory note, the deed of trust, and loan agreement or other document(s) evidencing, securing, and governing a loan in the amount of Three Million Four Hundred Thousand Dollars ($3,400,000.00) (the “Loan”) made by the Housing Authority of the City of Los Angeles (“Lender”) to Jordan Downs Phase S3, LP, a California limited partnership (“Borrower” or the “Partnership”) for the construction of approximately ninety-two (92) units of rental housing (including one (1) manager’s unit) and related improvements (the “Project”). The Amended and Restated Agreement of Limited Partnership forming or continuing the Borrower and previously approved by Lender is referred to hereinafter as the “Partnership Agreement”.

The parties hereto agree that the following covenants, terms, and conditions shall be part of and shall modify or supplement each of the documents evidencing, securing, or governing the disbursement of the Loan (the “Loan Documents”), and that in the event of any inconsistency or conflict between the covenants, terms, and conditions of the Loan Documents and this Rider, the following covenants, terms, and conditions shall control and prevail:

1. **Non-recourse Obligation.** The Loan is a non-recourse obligation of Borrower. Neither Borrower nor any of its general and limited partners, nor any other party shall have any personal liability for repayment of the Loan. The sole recourse of Lender under the Loan Documents for repayment of the Loan shall be the exercise of its rights against the Project and related security thereunder.

2. **General Partner and Limited Partner Change.** The withdrawal, removal, and/or replacement of a general partner of the Partnership pursuant to the terms of the Partnership Agreement shall not constitute a default under any of the Loan Documents, and any such actions shall not accelerate the maturity of the Loan, provided that (i) the Borrower’s limited partner provides the Lender with prior written notice of removal and substitution of a general partner of Borrower, and (ii) with respect to Jordan S3-Michaels LLC, the administrative general partner of Borrower, any substitute general partner is reasonably acceptable to Lender.

 Additionally, the transfer of any limited partnership interests in Borrower or in any limited or special limited partner of Borrower pursuant to the terms of the Partnership Agreement shall not constitute a default under any of the Loan Documents, and any such actions shall not accelerate the maturity of the Loan.

3. **Monetary Default.** If a monetary event of default occurs under the terms of any of the Loan Documents, prior to exercising any remedies thereunder Lender shall give Borrower and each of the general and limited partners of the Partnership, as identified in the Partnership Agreement, simultaneous written notice of such default. Borrower shall have a period of seven (7) days after such notice is given within which to cure the default prior to exercise of remedies by Lender under the Loan Documents, or such longer period of time as may be specified in the
Loan Documents. Borrower’s limited partners shall have the right, but not the obligation, to cure any default under the Loan Documents within the applicable cure periods provided to Borrower thereunder.

4. Non-Monetary Default. If a non-monetary event of default occurs under the terms of any of the Loan Documents, prior to exercising any remedies thereunder Lender shall give Borrower and each of the general and limited partners of the Partnership, as identified in the Partnership Agreement, simultaneous written notice of such default. If the default is reasonably capable of being cured within thirty (30) days, Borrower shall have such period to effect a cure prior to exercise of remedies by Lender under the Loan Documents, or such longer period of time as may be specified in the Loan Documents. If the default is such that it is not reasonably capable of being cured within thirty (30) days or such longer period if so specified, and if Borrower (a) initiates corrective action within said period, and (b) diligently, continually, and in good faith works to effect a cure as soon as possible, then Borrower shall have such additional time as is reasonably necessary to cure the default prior to exercise of any remedies by Lender. If Borrower fails to take corrective action or to cure the default within a reasonable time, Lender shall give Borrower and each of the general and limited partners of the Partnership written notice thereof, whereupon the limited partner may remove and replace the general partner with a substitute general partner who shall effect a cure within a reasonable time thereafter in accordance with the foregoing provisions. In no event shall Lender be precluded from exercising remedies if its security becomes or is about to become materially jeopardized by any failure to cure a default or the default is not cured within one hundred eighty (180) days after the first notice of default is given, or such longer period of time as may be specified in the Loan Documents. Borrower’s limited partners shall have the right, but not the obligation, to cure any default under the Loan Documents within the applicable cure periods provided to Borrower thereunder.

Additionally, notwithstanding the occurrence of any monetary or nonmonetary default under the terms of any of the Loan Documents, during the Compliance Period (as defined in the Partnership Agreement), Lender shall not (i) commence foreclosure proceedings with respect to the Property under the Loan Documents or exercise any other rights or remedies it may have under the Loan Documents, including, but not limited to, accelerating sums due under the Loan Documents, collecting rents, appointing (or seeking the appointment of) a receiver or exercising any other rights or remedies hereunder or (ii) join with any other creditor in commencing any bankruptcy reorganization arrangement, insolvency or liquidation proceedings with respect to Borrower.

5. Casualty, Condemnation, Etc. 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, 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 rebuild the Project in a manner that provides adequate security to Lender for repayment of the Loan or if such proceeds are insufficient then Borrower shall have funded any deficiency, (b) 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 material default then exists under the
Loan Documents (subject to any applicable cure periods thereunder). 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 Loan in a manner that provides adequate security to Lender for repayment of the remaining balance of the Loan.

6. **Force Majeure.** There shall be no default for construction or rehabilitation delays beyond the reasonable control of Borrower, provided that such delays do not exceed one hundred eighty (180) days, or such longer period of time as may be specified in the Loan Documents.

7. **Purchase Rights.** The execution and delivery of the purchase option and right of first refusal agreement described in the Partnership Agreement shall not constitute a default under the Loan Documents or accelerate the maturity of the Loan thereunder. Any requisite consent of Lender to (a) the exercise of said purchase option and right of first refusal agreement by the project sponsor identified therein, and to (b) the assumption without penalty of Loan obligations by the project sponsor and the release of Borrower from such obligations, shall not be unreasonably withheld. Subject to any such consent requirement, the exercise of rights under such agreement shall not constitute a default or accelerate maturity of the Loan.

8. **Loan Assumption.** If the purchase option and right of first refusal agreement described in the Partnership Agreement is not exercised and the Project is sold subject to low-income housing use restrictions as contained in an existing regulatory agreement or other recorded covenant, any requisite consent of lender to said sale, and to the assumption without penalty of loan obligations by the purchaser and the release of Borrower from such obligations, shall not be unreasonably withheld, provided, however, that the principals of purchaser shall be comparable to the principals of Borrower in (a) experience and track record of developing, operating, maintaining, and, if applicable, managing, affordable housing financed with sources and restrictions comparable to the Approved Financing (as defined in the Ground Lease), (b) financial wherewithal, and (c) such other underwriting criteria as may be employed by lender at the time of any such proposed assumption.

9. **Lender Approvals, Etc.** In any approval, consent, or other determination by Lender required under any of the Loan Documents, Lender shall act reasonably and in good faith.

10. **Subordination.** Lender acknowledges that Borrower and the California Tax Credit Allocation Committee intend to enter into, or concurrently with the execution and delivery of the Loan Documents are entering into, an extended use agreement, which constitutes the extended low-income housing commitment described in Section 42(h)(6)(B) of the Internal Revenue Code, as amended. Lender agrees to subordinate the Loan and Lender’s rights under the Loan Documents executed in conjunction therewith to the relevant provisions of said extended use agreement. This subordination is being made in consideration of the allocation of tax credits to the Project, absent which the development of the Project would not occur, and this mortgage loan would not be made.

Subject to the prior written approval of the Lender, which approval shall not be unreasonably withheld, conditioned or delayed, the Borrower may refinance the Approved
Financing loans (as defined in the Loan Documents). Any refinancing of the Approved Financing loans shall be on commercially reasonable terms in an amount not to exceed the then outstanding principal balance of such Approved Financing loans plus reasonable costs. The Borrower shall reimburse the Lender for any costs it incurs related to the refinancing of the Approved Financing loans.

11. **Notice Address.**

The notice address of the limited partner is: Berkadia Jordan Downs S3 Investor, LP  
Two Liberty Place  
50 South 16th Street, Suite 2825  
Philadelphia, PA 19102  
Attn: Managing Director

with a copy to: Nixon Peabody LLP  
Exchange Place  
53 State Street  
Boston, MA 02109  
Attn: Roger W. Holmes

12. **Third Party Beneficiary Status.** Borrower’s limited partners shall be intended third party beneficiaries of this Rider for purposes of the rights granted to the limited partners hereunder.

[signatures page follows]
In Witness Whereof, the undersigned have caused this Rider to be executed this ____ day of ______________, 2020.

LENDER:

HOUSING AUTHORITY OF CITY OF LOS ANGELES,
a public body, corporate and politic

By: ___________________________
   Douglas Guthrie
   President and Chief Executive Officer
BORROWER:

JORDAN DOWNS PHASE S3, LP,
a California limited partnership

By: Jordan S3-Michaels LLC,
a California limited liability company
its administrative general partner

By: _______________________________
    Milton R. Pratt, Jr.
    Vice President

By: La Cienega LOMOD, Inc.,
a California nonprofit public benefit corporation,
its managing general partner

By: _______________________________
    Tina Smith-Booth
    President
EXHIBIT C

RAD Rider to Loan Documents

JORDAN DOWNS PHASE S3, LP AND
HOUSING AUTHORITY OF THE CITY OF LOS ANGELES

This RAD Rider to Loan Documents (this “Rider”) modifies the deed of trust and related documents (collectively, the “Loan Documents”) entered into between the HOUSING AUTHORITY OF THE CITY OF LOS ANGELES, a public body, corporate and politic, organized and existing under the laws of the State of California (the “Authority”) and JORDAN DOWNS PHASE S3, LP, a California limited partnership (the “Borrower”), in connection with a loan of Three Million Four Hundred Thousand Dollars ($3,400,000.00) Authority Funds) by the Authority to the Borrower to be used for the acquisition of a leasehold interest in real property in the County of Los Angeles, California as more particularly described in Exhibit A attached to the aforementioned deed of trust (the “Property”).

1. Inconsistent Provisions. If the provisions of this Rider are inconsistent with the provisions of the Loan Documents, the provisions of this Rider shall be controlling.

2. Defined Terms. Capitalized terms not defined herein are as defined in the Loan Documents.

3. HUD Regulatory Documents. By the acceptance, execution and/or recording of this Rider, Lender acknowledges that twenty-five (25) units in to be constructed on the Property are subject to: (a) requirements applicable to the U. S. Department of Housing and Urban Development’s (“HUD”) Rental Assistance Demonstration (“RAD”) Program authorized by the Consolidated and Further Continuing Appropriations Act of 2012 as amended by the Consolidated Appropriations Act, 2014 (Pub. L. No. 113-76, approved January 17, 2014), the Consolidated and Further Continuing Appropriations Act, 2015 (Pub. L. No. 114-125, approved December 6, 2014), and Division L, Title II, Section 237 of the Consolidated Appropriations Act (Pub. L. No. 114-113, enacted December 17, 2015); (b) HUD Notice H-2019-09 PIH 2019-23 (HA) (September 5, 2019), as may be further amended; and (c) requirements contained in (i) the RAD Use Agreement (Form HUD 52625), (ii) the RAD Conversion Commitment (HUD Form 52624), as amended, and (iii) the Rental Assistance Demonstration (RAD) for the Conversion of Public Housing to the Section 8 Project-Based Voucher (PBV) Program Housing Assistance Payment Contract (HUD Form 52530A (04/2015) and HUD 52621 (4/2017)). Such requirements in Sections (a) and (b) herein shall be referred to as the “RAD Requirements.” If there is a conflict between a provision of the Loan Documents and any RAD Requirement, then the RAD Requirement shall govern, except as such RAD Requirement may have been expressly waived in writing by HUD.

4. Subordination to RAD Use Agreement. The lien on the Property pursuant to the Loan Documents is subordinate and subject to the RAD Use Agreement pursuant to that certain
5. **Transfer Restrictions.** The Authority agrees that any transfers of interests in the Property or Project will be done in accordance with the RAD Requirements.

6. **Transferred Funds Not Deemed to Create Relationship With HUD.** Nothing contained in any of the Loan Documents, nor any act of HUD, shall be deemed or construed to create any relationship of third-party beneficiary, principal and agent, limited or general partnership, joint venture, or any association or relationship involving HUD.

7. **Notices.** Any notices of Borrower default provided pursuant to the Loan Documents shall also be provided to HUD as follows:

   If to HUD, to: United States Department of Housing and Urban Development  
   451 Seventh Street, S.W.  
   Washington, DC 20410  
   Attn: Office of the General Counsel

   [signature pages follow]
IN WITNESS WHEREOF, the Borrower and the Authority have duly executed and delivered this Rider contemporaneous with the Loan Documents.

**BORROWER:**

**JORDAN DOWNS PHASE S3, LP,**

a California limited partnership

By: Jordan S3-Michaels LLC,

a California limited liability company

its administrative general partner

By: _______________________________

Milton R. Pratt, Jr.

Vice President

By: La Cienega LOMOD, Inc.,

a California nonprofit public benefit corporation,

its managing general partner

By: _______________________________

Tina Smith-Booth

President
A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California ...) County of ______________________ )

On ______________________, before me, ______________________, (insert name and title of the officer) Notary Public, personally appeared ______________________, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature __________________
A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California )
County of ______________________ )

On _________________________, before me, ______________________,
Notary Public, personally appeared ______________________,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature ______________________
AUTHORITY:

HOUSING AUTHORITY OF THE CITY OF LOS ANGELES
a public body, corporate and politic

By: ___________________________
    Douglas Guthrie
    President and Chief Executive Officer
A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California  )
County of ______________________   )

On _________________________, before me, ________________________, Notary Public, personally appeared ________________________, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature____________________
TAB IV.

LIHTC EQUITY DOCUMENTS
TAB 14.

Purchase Option
PURCHASE OPTION AGREEMENT

Jordan Downs Phase S3

This Purchase Option Agreement (this “Agreement”) is made and entered into as of ______, 2020 among Jordan Downs Phase S3, LP, a California limited partnership (the “Partnership”), Jordan S3-Michaels LLC, a California limited liability company (the “Administrative General Partner”), La Cienega LOMOD, Inc., a California nonprofit public benefit corporation (the “Optionee”), and the Housing Authority of the City of Los Angeles, a public body, corporate and politic (the “HACLA”) and is consented to hereinbelow by Berkadia Jordan Downs S3 Investor, LP, a Delaware limited partnership (the “Investor Limited Partner”).

RECITALS

A. Concurrently with the execution and delivery of this Agreement, the Administrative General Partner, Optionee, Investor Limited Partner are entering into that certain Amended and Restated Agreement of Limited Partnership (the “Partnership Agreement”), Jordan S3-Michaels LLC, a California limited liability company (the “Administrative General Partner”), La Cienega LOMOD, Inc., a California nonprofit public benefit corporation (the “Optionee”), and the Housing Authority of the City of Los Angeles, a public body, corporate and politic (the “HACLA”) and is consented to hereinbelow by Berkadia Jordan Downs S3 Investor, LP, a Delaware limited partnership (the “Investor Limited Partner”).

B. The Project is or will be subject to an extended use agreement (the “Extended Use Agreement”) with the Agency restricting the Project’s use to low-income housing (such use restrictions under the Regulatory Agreement and the Extended Use Agreement being referred to collectively herein as the “Use Restrictions”).

C. The Optionee desires to have the option to acquire the Project or the Partnership Interests on the terms and conditions of this Agreement.

D. Capitalized terms used herein and not otherwise defined shall have the meanings set
forth in the Partnership Agreement.

NOW, THEREFORE, in consideration of the execution and delivery of the Partnership Agreement and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. **Grant of Option.** The Partnership hereby grants to the Optionee, or its designee, including, without limitation, HACLA, an option to purchase the Partnership’s interest in the real estate, ground lease, structures, improvements, fixtures, and personal property comprising the Project or associated with the physical operation thereof, located at the Project and owned by the Partnership at the time of purchase, during the Option Period (as defined herein), on the terms and conditions set forth in this Agreement and subject to the conditions precedent to the exercise of the Option specified herein. The Project is legally described in Exhibit A attached hereto and made a part hereof. The rights of Optionee under this Section 1 are hereinafter referred to as the “Option”.

2. **Term of Option.** The term of this Option shall commence on the first calendar day of the 15th year following the commencement of the ten-year tax credit period for the Project, and shall expire at 11:59 p.m. (Pacific Time) on the eighteenth (18th) year following the commencement of such ten-year tax credit period (the “Option Period”). In the event that different component buildings that comprise the Project have different tax credit periods, the Option Period will be based on the latest of these periods.

3. **Purchase Price Under Option.** The purchase price for the Project pursuant to the Option (the “Option Price”) shall be the greater of the following amounts, subject to the provision set forth hereinbelow:

   (a) **Price Formula.** An amount, determined by the Partnership’s Accountants, which is equal to the sum of (1) the outstanding principal, accrued interest, any prepayment penalty and any other amounts due under all mortgage documents relating to the Project, whether or not such amounts are due upon sale, and the total amount of all other indebtedness of the Partnership as of the date of closing; (2) plus exit taxes for all Partners; and (3) the amount of any unreimbursed deficiency in Code Section 42 low-income housing tax credits recognized by the Investor Limited Partner, or its successor as investor limited partner of Partnership, with respect to the Project as compared to the level agreed to be provided to the Investor Limited Partner by the Partnership, as the same may have been adjusted pursuant to the Partnership Agreement (the “Tax Credit Shortfall”). In computing such price, it shall be assumed that each of the Partners of the Partnership (or their constituent partners or members) has an effective combined federal, state and local income tax rate calculated using the maximum of such rates in effect on the date of closing; or

   (b) **Fair Market Value.** An amount equal to the sum of one hundred percent (100%) of the fair market value of the Project, appraised in accordance with the procedures described in Section 6 below (the “Appraised Fair Market Value”). If the Optionee desires to acquire the reserves held by Project Lenders or the Partnership in connection with the transfer of the Project, the Option Price under this paragraph (b) shall include the fair market value of such reserves.
Fair market value shall be calculated considering the nature of the reserves and any existing restrictions on the use or availability of the reserves.

4. Conditions Precedent. Notwithstanding anything in this Agreement to the contrary, the Option granted hereunder to Optionee shall be contingent on the following being true and correct at the time of exercise of the Option and any purchase pursuant thereto: (i) all amounts then owed to the Investor Limited Partner, or its successor limited partner of the Partnership, under the Partnership Agreement and the Guaranty (other than the Tax Credit Shortfall, if any, included in the purchase price) have been, or concurrently with the exercise of the Option will be, paid in full and (ii) all required Authority and Project Lender approvals have been obtained.

If any or all of such conditions precedent have not been satisfied, the Option shall not be exercisable by the Optionee. Upon any of the events terminating the Option under this Section 4 with respect to the Optionee, the Option shall be void and of no further force and effect.

5. Exercise of Option. The Option may be exercised by the Optionee by (a) giving prior written notice of its intent to exercise the Option to the Partnership and each of its Partners in the manner provided in the Partnership Agreement and in compliance with the requirements of this Section 5 (the “Option Exercise Notice”), and (b) complying with the contract and closing requirements of Section 7 hereof. Any such Option Exercise Notice may be given during the period commencing six (6) months prior to commencement of the Option Period and terminating at the end of the Option Period. It shall be a condition precedent to the exercise of the Option at any time prior to the end of the Compliance Period that Optionee shall covenant and agree to maintain the Project as a qualified low-income housing project for the balance of the Compliance Period. The Option may be exercised by Optionee (or an Affiliate of Optionee) during the Option Period.

6. Determination of Option Price. Upon delivery of the Option Exercise Notice, the Partnership and the Optionee shall determine the Option Price utilizing the Appraised Fair Market Value of the Project determined as follows: As soon as practicable following the delivery of the Option Exercise Notice, the Optionee and the Investor Limited Partner shall select a mutually acceptable independent appraiser familiar with properties similar to the Project in Los Angeles, California (“Independent Appraiser”). If the parties have not selected a mutually acceptable Independent Appraiser by the date fifteen (15) business days after delivery of the Option Exercise Notice, the Investor Limited Partner shall provide the Optionee with a list of at least three (3) but no more than five (5) appraisers approved by Investor Limited Partner for the Los Angeles, California market. Optionee shall respond in writing with its choice of the name of one (1) Independent Appraiser from such list within fifteen (15) business days of receipt of the Optionee's candidates. The selected Independent Appraiser shall determine the Appraised Fair Market Value. The Partnership and the Optionee shall each pay one-half of the fees and expenses of any Independent Appraiser selected pursuant to this Section 6.

7. Contract and Closing. Upon determination of the purchase price, the Partnership and the Optionee, shall enter into a written contract for the purchase and sale of the Project in accordance with the terms of this Agreement and containing such other terms and conditions as are standard and customary for similar commercial transactions in the geographic area which the
Project is located, providing for a closing not later than the date specified in the Option Exercise Notice or one hundred eighty (180) calendar days after the Option Price has been determined, whichever is later. In the absence of any such contract, this Agreement shall be specifically enforceable upon the exercise of the Option. The purchase and sale hereunder shall be closed through a deed-and-money escrow with the title insurer for the Project or another mutually acceptable title company, provided, however, that the purchase price may be paid in cash or by assumption of debts of the Partnership, or a combination thereof. Upon closing, the Partnership shall deliver to the Optionee, along with the deed to the property, a CLTA Owner’s Policy dated as of the close of escrow in the amount of the purchase price, subject to the liens, encumbrances and other exceptions then affecting the title. The Optionee shall be responsible for all costs including, but not limited to, transfer taxes, title policy premiums and recording costs.

8. **Use Restrictions.**

   (a) In consideration of the Option granted hereunder at the price specified herein, unless other use restrictions remain on the Project at the closing of the sale, Optionee hereby agrees that the deed granting the Project to Optionee shall contain a covenant running with the land, restricting the use of the Project to low-income housing to the extent required by those Use Restrictions contained in the Regulatory Agreement and the Extended Use Agreement. Such deed covenant shall include a provision requiring Optionee to pay any and all costs, including attorneys’ fees, incurred by the Investor Limited Partner in enforcing or attempting to enforce the Use Restrictions, and to pay any and all damages incurred by the Investor Limited Partner from any delay in or lack of enforceability of the same. All provisions relating to the Use Restrictions contained in such deed and in this Agreement shall be subject and subordinate to any third-party liens encumbering the Property.

   (b) In the absence of a deed to Optionee conforming to the requirements of this Agreement, the provisions of this Agreement shall run with the land. In the event that the Option is not exercised, or the sale pursuant thereto is not consummated, then, upon conveyance of the Project to anyone other than Optionee hereunder, the foregoing provisions shall terminate and have no further force or effect.

9. **Alternative Purchase of Partnership Interests.** Notwithstanding the foregoing, the Optionee may, at its election, in lieu of a direct acquisition of the Project pursuant to the Option, acquire the limited partnership Interests (but not less than all of such interests) of any of the Partners which it does not already wholly own, provided that if the Optionee elects to purchase either the Investor Limited Partner’s Interest, such Optionee must purchase both of the Investor Limited Partner’s Interest for a purchase price equal to one hundred percent (100%) of the fair market value of the Interests of the Partners, as applicable. Upon delivery of the Option Exercise Notice, the Partnership and the Optionee shall determine the Option Price of the limited partnership Interests pursuant to this Section 9 and the appraisal process set forth in Section 6 above.

10. **Applicable Law.** This Agreement shall be construed in accordance with the laws of the State of California.
11. Notices. All notices, demands or other communications hereunder shall be in writing and deemed to have been given when the same are (i) deposited in the United States mail and sent by certified or registered mail, postage prepaid, (ii) deposited with Federal Express or similar overnight delivery service, (iii) transmitted by telex or other facsimile transmission, answerback requested, or (iv) delivered personally, in each case to the parties at the addresses set forth below or at such other addresses as such parties may designate by notice to the Partnership:

To Optionee: Housing Authority of the City of Los Angeles  
2600 Wilshire Blvd., Third Floor  
Los Angeles CA 90057  
Attn: President and Chief Executive Officer

with copy to: Reno & Cavanaugh, PLLC  
455 Massachusetts Avenue, Suite 400  
Washington, DC 20001  
Attn: Megan Glasheen

To Partnership: Jordan Downs Phase S3, LP  
c/o The Michaels Development Company I, L.P.  
2 Cooper Street  
Camden, NJ 08102  
Attn: John J. O’Donnell

with copy to: Levine, Staller, Sklar, Chan & Brown, P.A.  
3030 Atlantic Avenue  
Atlantic City, NJ 08401  
Attn: Arthur M. Brown

To Administrative General Partner: Jordan Downs S3-Michaels LLC  
c/o The Michaels Development Company I, L.P.  
2 Cooper Street  
Camden, NJ 08102  
Attn: John J. O’Donnell

with copy to: Levine, Staller, Sklar, Chan & Brown, P.A.  
3030 Atlantic Avenue  
Atlantic City, NJ 08401  
Attn: Arthur M. Brown

To Managing General Partner: La Cienega LOMOD, Inc.  
2600 Wilshire Blvd., Fourth Floor  
Los Angeles CA 90057  
Attn: Tina Smith-Booth, President

with copy to: Reno & Cavanaugh, PLLC  
455 Massachusetts Avenue, Suite 400
12. Binding Provisions. The covenants and agreements contained herein shall be binding upon, and inure to the benefit of, the heirs, legal representatives, successors and assignees of the respective parties hereto, except in each case as expressly provided to the contrary in this Agreement.

13. Counterparts. This Agreement may be executed in several counterparts and all so executed shall constitute one agreement binding on all parties hereto, notwithstanding that all the parties have not signed the original or the same counterpart.

14. Amendments. This Agreement may be amended only by a written instrument executed in one or more counterparts by the parties hereto.

15. Time. Time is of the essence with respect to this Agreement, and all provisions relating thereto shall be so construed.

16. Legal Fees. Except as provided otherwise herein, in the event that legal proceedings are commenced by the Partnership against the Optionee, or by the Optionee, against the Partnership in connection with this Agreement or the transactions contemplated hereby, each party shall bear its own attorney’s fees and expenses.

17. Assignment. Optionee may assign its rights under this Agreement to an Affiliate wholly controlled by or under common control with Optionee, including, without limitation, HACLA. Except for the foregoing, Optionee shall not assign its interest in this Agreement without the Investor Limited Partner’s prior written consent.

18. Rights Subordinate; Priority of Requirements of Section 42 of the Code. This Agreement is hereby subordinated in all respects to any regulatory agreements (including, without limitation, the Rental Assistance Demonstration Use Agreement to be recorded on the Project) and to the terms and conditions of the Mortgages securing the Project Loans, including any lien of any deed of trust securing any loans made to the Partnership, with respect to the Project. In addition, it is the intention of the parties that nothing in this Agreement be construed
to affect the Partnership’s status as owner of the Project for federal income tax purposes prior to exercise of the Option granted hereunder. Accordingly, notwithstanding anything to the contrary contained herein, both the grant and the exercise of the Option shall be subject in all respects to all applicable provisions of Section 42 of the Code. In the event of a conflict between the provisions contained in this Agreement and Section 42 of the Code, the provisions of Section 42 shall control except for the determination of the purchase price unless Section 42 is amended in a manner that makes it mutually beneficial to amend the purchase price. Each Project Lender and their respective successors and assigns are hereby each made an express third party beneficiary of the foregoing subordination, and this Section 18 shall not be modified without the prior written consent of each Project Lender.

[Signatures Follow on Next Page]
IN WITNESS WHEREOF, the parties have executed this document as of the date first set forth hereinabove.

PARTNERSHIP:

JORDAN DOWNS PHASE S3, LP,
a California limited partnership

By: Jordan S3-Michaels LLC,
a California limited liability company
    its administrative general partner

By: _______________________________
    Milton R. Pratt, Jr.
    Vice President

By: La Cienega LOMOD, Inc.,
a California nonprofit public benefit corporation,
    its managing general partner

By: _______________________________
    Tina Smith-Booth
    President
A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California           
County of ________________________

On _________________________, before me, (insert name and title of the officer), Notary Public, personally appeared ________________________, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature____________________
A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California )
County of ______________________  )

On _________________________, before me, ________________________
Notary Public, personally appeared ________________________, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature__________________
ADMINISTRATIVE GENERAL PARTNER:

JORDAN S3-MICHAELS LLC,
a California limited partnership

By: _______________________________
Milton R. Pratt, Jr.
Vice President
A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California  )
County of ______________________  )

On _________________________, before me, ________________________________, Notary Public, personally appeared ________________________________, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature________________
OPTIONEE:

LA CIENEGA LOMOD, INC.
a California nonprofit public benefit corporation,

By: _______________________________
    Tina Smith-Booth
    President
A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California )
County of ______________________ )

On _________________________, before me, ____________________________________________,
______________________________ (insert name and title of the officer)

Notary Public, personally appeared ____________________________________________,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature________________________
HACLA:

HOUSING AUTHORITY OF THE CITY OF LOS ANGELES,
a public body, corporate and politic

By: ________________________________

Douglas Guthrie
President and Chief Executive Officer
A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California )
County of ______________________ )

On _________________________, before me, ________________________, Notary Public, personally appeared ________________________, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature____________________
INVESTOR LIMITED PARTNER:

BERKADIA JORDAN DOWNS S3 INVESTOR, LP,
a Delaware limited partnership

By: Riverside Capital, LLC,
its general partner

By: ________________________________
    Drew Ries
    Chief Financial Officer &
    Chief Operating Officer
A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California )
County of ______________________ )

On _________________________, before me, _________________________, (insert name and title of the officer)
Notary Public, personally appeared _________________________, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature____________________
EXHIBIT A

LEGAL DESCRIPTION

THOSE PORTIONS OF LOTS 4 AND 5, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS SHOWN ON THE MAP OF TRACT NO. 16154, AS PER MAP RECORDED IN BOOK 540, PAGES 48 TO 50, INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

COMMENCING AT THE CENTERLINE INTERSECTION OF ONE HUNDRED FIRST STREET, 30.00 WIDE, AND GRAPE STREET, 30.00 FEET WIDE, AS SHOWN ON SAID TRACT NO. 16154; THENCE ALONG SAID CENTERLINE OF ONE HUNDRED FIRST STREET SOUTH 89°33'07" EAST 403.04 FEET; THENCE NORTH 00°26'53" EAST 30.00 FEET TO A POINT ON THE NORTH LINE OF SAID ONE HUNDRED FIRST STREET, SAID POINT ALSO BEING THE TRUE POINT OF BEGINNING; THENCE CONTINUING NORTH 00°26'53" EAST 221.99 FEET; THENCE SOUTH 89°33'07" EAST 238.26 FEET; THENCE SOUTH 08°31'20" WEST 211.19 FEET TO THE BEGINNING OF A CURVE CONCAVE NORTHWESTERLY, HAVING A RADIUS OF 15.00 FEET; THENCE SOUTHWESTERLY ALONG SAID CURVE 21.45 FEET, THROUGH A CENTRAL ANGLE OF 81°55'33" TO SAID NORTH LINE OF ONE HUNDRED FIRST TO SAID NORTH LINE OF ONE HUNDRED FIRST STREET; THENCE ALONG SAID NORTH LINE NORTH 89°33'07" WEST 193.74 FEET TO THE TRUE POINT OF BEGINNING.

APN: 6046-019-926, 6046-021-908, AND 6046-021-917
TAB 15.

Right of First Refusal
RIGHT OF FIRST REFUSAL AGREEMENT
Jordan Downs Phase S3

This Right of First Refusal Agreement (the “Agreement”) is made and entered into as of __________, 2020, among Jordan Downs Phase S3, LP, a California limited partnership (the “Owner”), Jordan Downs Phase S3-Michaels LLC, a California limited liability company (the “Administrative General Partner”), La Cienega LOMOD, Inc., a California nonprofit public benefit corporation (the “Managing General Partner”), and the Housing Authority of the City of Los Angeles, a public body, corporate and politic (the “Optionee”) and is consented to hereinbelow by Berkadia Jordan Downs S3 Investor, LP, a Delaware limited partnership (the “Investor Limited Partner”).

RECITALS

WHEREAS, the Owner was formed to acquire, own, construct, develop, finance, maintain, operate and eventually dispose of a 92-unit multifamily apartment development intended for rental to low-income tenants located in Los Angeles, California (the “Project”);

WHEREAS, an Affiliate of Optionee is the Managing General Partner of Owner under the Amended and Restated Agreement of Limited Partnership of the Owner of even date herewith (the “Partnership Agreement”); and

WHEREAS, the Owner desires to give, grant, bargain, sell and convey to Optionee certain rights of first refusal to purchase the Project on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the foregoing, of the mutual promises of the parties hereto and of other good and valuable consideration, the receipt and sufficiency of which the parties hereto acknowledge, the parties hereby agree as follows:
1. **Right of First Refusal.** The Owner hereby grants to Optionee a right of first refusal to purchase all right, title and interest held by the Owner in the Project, in accordance with the terms and conditions set forth below. The Project is legally described in Exhibit A attached hereto. The rights of the Optionee under this Section are hereinafter referred to as the “**Right of First Refusal**”. Owner will not transfer, sell, alienate, assign, give, bequeath, or otherwise dispose of the Project or any portion thereof to any third party without first offering the Project for a period of ninety (90) calendar days to Optionee. It is the intention of the parties that this Right of First Refusal is issued pursuant to Section 42(i)(7) of the Internal Revenue Code of 1986, as amended (“**Code**”). Accordingly the provisions hereof, including the provisions and procedures of Section 2 hereof should be interpreted to satisfy the minimum requirements of such Section 42(i)(7) as interpreted from time to time by the Internal Revenue Service, except for the Purchase Price provided in Section 3 hereof, including, without limitation the right, if any, of Optionee to exercise the right granted hereby without the necessity of the receipt of an offer to purchase the Project from a third party. If it is reasonably determined by counsel for Owner, Investor Limited Partner and Optionee that a third party offer is not necessary under Section 42(i)(7) of the Code, Optionee shall have the right to exercise the Right of First Refusal by written notice as set forth in Section 2.

2. **Exercise of Right of First Refusal.**

   (a) In the event that the Owner receives an offer to purchase, transfer, sell, alienate, assign, give, bequeath, or otherwise dispose of the Project or any portion thereof at any time during the period beginning on the date of termination of the Compliance Period, and for three (3) years thereafter, the Owner shall provide Optionee, Administrative General Partner, Managing General Partner, and Investor Limited Partner written notice of its receipt of such an offer (the “**Offer Notice**”). Optionee shall have ninety (90) days from receipt of the Offer Notice to provide written notice to Owner (“**ROFR Notice**”) stating that Optionee wishes to exercise the Right of First Refusal. If Optionee fails to deliver the ROFR Notice within the applicable ninety (90) day period, or if such ROFR Notice is delivered but Optionee does not consummate the purchase of the Project within one hundred eighty (180) calendar days from the date of delivery of the ROFR Notice, this Right of First Refusal shall terminate. Thereafter, the Owner shall be permitted to sell the Project free of the Right of First Refusal. All costs of the exercise of the Right of First Refusal, including without limitation any filing or recording fees and applicable transfer taxes, shall be paid by Optionee.

   (b) Notwithstanding anything to the contrary contained in this Section 2, the right of Optionee to exercise the Right of First Refusal and consummate any purchase pursuant thereto is contingent on each of the following being true and correct at the time of delivery of the ROFR Notice and the closing of the purchase thereto: (i) the Optionee is an entity described in Section 42(i)(7) of the Code; and (ii) all amounts then owed to the Investor Limited Partner, or its successor limited partner of the Partnership, under the Partnership Agreement and the Guaranty have been, or concurrently with the exercise of the Right of First Refusal (other than the Tax Credit Shortfall payable at Closing(as defined herein)) will be, paid in full.

   (c) The closing on the sale of the Project shall take place in Los Angeles, California,
at the time and place set forth in the Election Notice (the “Closing”).

3. Purchase Price. The Project’s purchase price under the Right of First Refusal (the “Purchase Price”) shall be the “minimum purchase price” as defined in Section 42(i)(7)(B) of the Code plus (i) the amount of any partner and affiliate entity loans made for the benefit of the Project, (ii) an amount sufficient to distribute to members of the Grantor cash equal to the State, local and Federal taxes projected to be imposed on the members of the Grantor as a result of the sale of the Project pursuant to this Agreement, and (iii) the amount of any unreimbursed deficiency in Code Section 42 low-income housing tax credits recognized by the Investor Limited Partner, or its successor as investor limited partner of the Owner, with respect to the Project as compared to the level agreed to be provided to the Investor Limited Partner by the Owner (the “Tax Credit Shortfall”).

4. Payment of Purchase Price. The Purchase Price shall be paid at Closing in one of the following methods:

(a) The payment of all cash or immediately available good funds at Closing; or

(b) The assumption of any assumable Project Loans if Optionee has obtained the consent of the Project Lenders to the assumption of such Project Loans, which consent shall be secured at the sole cost and expense of Optionee. Any Purchase Price balance remaining after the assumption of the Loans shall be paid by Optionee in immediately available funds.

5. Termination Events. The Right of First Refusal shall terminate, and if exercised, then any obligation of the Owner to close the sale of the Project shall terminate on the occurrence of any one or more of the following events, and if terminated shall not be reinstated unless such reinstatement is agreed to in a writing signed by Optionee and the Investor Limited Partner:

(a) the transfer of the Project to a lender in total or partial satisfaction of any loan;

(b) any transfer or attempted transfer of all or any part of the Right of First Refusal, whether by operation of law or otherwise, except as otherwise permitted under Section 7 of this Agreement;

(c) the Project ceases to be a “qualified low-income housing project” within the meaning of Section 42 of the Code; or

6. Conveyance and Condition of the Property. The Owner’s right, title and interest in the Project shall be conveyed by quitclaim deed, subject to such liens, encumbrances and parties in possession as shall exist as of the date of Closing. Optionee shall accept the Project “as is,” without any warranty or representation as to the condition thereof whatsoever, including without limitation, without any warranty as to fitness for a particular purpose, habitability, or otherwise and no indemnity for hazardous waste or other conditions with respect to the Project will be provided. It is a condition to Closing that all amounts due the Owner and its Partners from Optionee or its Affiliates be paid in full. Optionee shall pay all closing costs, including, without limitation, the Owner’s reasonable attorney’s fees related to the conveyance of the Project.
7. **Transfer.** Except for an assignment by Optionee to an entity entitled to exercise the Right of First Refusal pursuant to Section 42(i)(7) of the Code, this Right of First Refusal shall not be transferred or assigned to any Person without the Consent of the Investor Limited Partner. In the case of any such permitted transfer, such transferee shall be disqualified from the exercise of any rights hereunder at all times during which Optionee would have been ineligible to exercise such rights hereunder had it not effected such transfer.

8. **Notice.** All notices, demands or other communications hereunder shall be in writing and deemed to have been given when the same are (i) deposited in the United States mail and sent by certified or registered mail, postage prepaid, (ii) deposited with Federal Express or similar overnight delivery service, (iii) transmitted by telecopier or other facsimile transmission, answerback requested, or (iv) delivered personally, in each case to the parties at the addresses set forth below or at such other addresses as such parties may designate by notice to the Partnership:

<table>
<thead>
<tr>
<th>To</th>
<th>Housing Authority of the City of Los Angeles</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2600 Wilshire Blvd., Third Floor</td>
</tr>
<tr>
<td></td>
<td>Los Angeles CA 90057</td>
</tr>
<tr>
<td></td>
<td>Attn: President and Chief Executive Officer</td>
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<tr>
<th>with copy to</th>
<th>Reno &amp; Cavanaugh, PLLC</th>
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<tbody>
<tr>
<td></td>
<td>455 Massachusetts Avenue, Suite 400</td>
</tr>
<tr>
<td></td>
<td>Washington, DC 20001</td>
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<tr>
<td></td>
<td>Attn: Megan Glasheen</td>
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<table>
<thead>
<tr>
<th>To Partnership</th>
<th>Jordan Downs Phase S3, LP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>c/o The Michaels Development Company I, L.P.</td>
</tr>
<tr>
<td></td>
<td>2 Cooper Street</td>
</tr>
<tr>
<td></td>
<td>Camden, NJ 08102</td>
</tr>
<tr>
<td></td>
<td>Attn: John J. O’Donnell</td>
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</tbody>
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<thead>
<tr>
<th>with copy to</th>
<th>Levine, Staller, Sklar, Chan &amp; Brown, P.A.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3030 Atlantic Avenue</td>
</tr>
<tr>
<td></td>
<td>Atlantic City, NJ 08401</td>
</tr>
<tr>
<td></td>
<td>Attn: Arthur M. Brown</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>To Administrative General Partner</th>
<th>Jordan S3-Michaels LLC</th>
</tr>
</thead>
<tbody>
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<td>c/o The Michaels Development Company I, L.P.</td>
</tr>
<tr>
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<td>Atlantic City, NJ 08401</td>
</tr>
</tbody>
</table>

{D0936789.DOC / 4    DC114-118} - 4 -
9. **Option to Purchase.** The parties hereto agree that if the Internal Revenue Service hereafter issues public authority to permit the owner of a low-income housing tax credit project to grant an “option to purchase” pursuant to Section 42(i)(7) of the Code as opposed to a “right of first refusal” without adversely affecting the status of such owner as owner of its project for federal income tax purposes, then the parties shall grant Optionee an option to purchase the Project at the Purchase Price.

10. **Definitions.** Capitalized terms not otherwise defined, shall have the meanings given them in the Partnership Agreement or (if not therein defined), in the Code or Treasury Regulations promulgated thereunder, as such may be published and amended from time to time.

11. **Severability of Provisions.** Each provision of this Agreement shall be considered severable, and if for any reason any provision that is not essential to the effectuation of the basic purposes of the Agreement is determined to be invalid and contrary to any existing or future law, such invalidity shall not impair the operation of or affect those provisions of this Agreement that are valid.

12. **Amendments.** This Agreement shall not be amended except by written agreement between Optionee and the Owner with the Consent of the Investor Limited Partner.

13. **Governing Law.** This Agreement shall be construed and enforced in accordance with the laws of the State California, without regard to principles of conflicts of law.
14. **Headings.** All headings in this Agreement are for convenience of reference only. Masculine, feminine, or neuter gender, shall include all other genders, the singular shall include the plural, and vice versa as the context may require.

15. **Counterparts.** This Agreement may be executed in several counterparts, each of which shall be deemed to be an original and all of which together shall constitute one agreement binding on all parties hereto, notwithstanding that all parties shall not have signed the same counterpart.

16. **Rights Subordinate; Priority of Requirements of Section 42 of the Code.** This Agreement and the grants herein are hereby subordinated in all respects to: (i) any and all applicable Regulatory Agreements (including, without limitation, the Rental Assistance Demonstration Use Agreement to be recorded against the Project), (ii) to the terms and conditions of the Project Loans, including any lien of any deed of trust securing any loans made to the Owner, with respect to the Project, and (iii) any other encumbrances to which title to the Project is (a) now subject, or (b) becomes subject to between the date of this Agreement and the date of exercise of such right of first refusal or buyout option. In addition, it is the intention of the parties that nothing in this Agreement be construed to affect the Owner’s status as owner of the Project for federal income tax purposes prior to exercise of the Right of First Refusal granted hereunder. Accordingly, notwithstanding anything to the contrary contained herein, both the grant and the exercise of the Right of First Refusal shall be subject in all respects to all applicable provisions of Section 42 of the Code, including, in particular, Section 42(i)(7) (but with recognition of any partner loans made for the benefit of the Project). In the event of a conflict between the provisions contained in this Agreement and Section 42 of the Code, the provisions of Section 42 shall control except for the determination of the Purchase Price, unless Section 42 is amended in a manner that makes it mutually beneficial to amend the Purchase Price. Each Project Lender and their respective successors and assigns are hereby each made an express third party beneficiary of the foregoing subordination, and this Section 16 shall not be modified without the prior written consent of each Project Lender.

[Signatures Follow on Next Page]
IN WITNESS WHEREOF, the parties have executed this document as of the date first set forth hereinafore.

**PARTNERSHIP:**

**JORDAN DOWNS PHASE S3, LP,**

a California limited partnership

By: Jordan S3-Michaels LLC,
a California limited liability company
its administrative general partner

By: _______________________________
Milton R. Pratt, Jr.
Vice President

By: La Cienega LOMOD, Inc.,
a California nonprofit public benefit corporation,
its managing general partner

By: _______________________________
Tina Smith-Booth
President
A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California )
County of ______________________ )

On ______________________, before me, ____________________________, Notary Public, personally appeared ____________________________, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature_________________
A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California )
County of ______________________ )

On _________________________, before me, _______________________, Notary Public, personally appeared ______________________, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature___________________
ADMINISTRATIVE GENERAL PARTNER:

JORDAN S3-MICHAELS LLC,
a California limited partnership

By: _______________________________
Milton R. Pratt, Jr.
Vice President
A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California )
County of ______________________ )

On _________________________, before me, ________________________, Notary Public, personally appeared ______________________, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature____________________
MANAGING GENERAL PARTNER:

LA CIENEGA LOMOD, INC.
a California nonprofit public benefit corporation,

By: ______________________________

Tina Smith-Booth
President
A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California  )
County of ______________________  )

On _________________________, before me, __________________________________________,
Notary Public, personally appeared ________________________________________________,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

    WITNESS my hand and official seal.

    Signature____________________
OPTIONEE:

HOUSING AUTHORITY OF THE CITY OF LOS ANGELES,
a public body, corporate and politic

By: ____________________________
Douglas Guthrie
President and Chief Executive Officer
A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California )
County of ______________________ )

On _________________________, before me, ________________________,
Notary Public, personally appeared ________________________,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature______________________
INVESTOR LIMITED PARTNER:

BERKADIA JORDAN DOWNS S3 INVESTOR, LP,
a Delaware limited partnership

By: Riverside Capital, LLC,
   its general partner

By: ____________________________
   Drew Ries
   Chief Financial Officer &
   Chief Operating Officer
A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California )
County of ______________________ )

On _________________________, before me, ________________________________, Notary Public, personally appeared ________________________________, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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WITNESS my hand and official seal.

Signature____________________
EXHIBIT A

LEGAL DESCRIPTION

THOSE PORTIONS OF LOTS 4 AND 5, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS SHOWN ON THE MAP OF TRACT NO. 16154, AS PER MAP RECORDED IN BOOK 540, PAGES 48 TO 50, INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

COMMENCING AT THE CENTERLINE INTERSECTION OF ONE HUNDRED FIRST STREET, 30.00 WIDE, AND GRAPE STREET, 30.00 FEET WIDE, AS SHOWN ON SAID TRACT NO. 16154; THENCE ALONG SAID CENTERLINE OF ONE HUNDRED FIRST STREET SOUTH 89°33'07" EAST 403.04 FEET; THENCE NORTH 00°26'53" EAST 30.00 FEET TO A POINT ON THE NORTH LINE OF SAID ONE HUNDRED FIRST STREET, SAID POINT ALSO BEING THE TRUE POINT OF BEGINNING; THENCE CONTINUING NORTH 00°26'53" EAST 221.99 FEET; THENCE SOUTH 89°33'07" EAST 238.26 FEET; THENCE SOUTH 08°31'20" WEST 211.19 FEET TO THE BEGINNING OF A CURVE CONCAVE NORTHWESTERLY, HAVING A RADIUS OF 15.00 FEET; THENCE SOUTHWESTERLY ALONG SAID CURVE 21.45 FEET, THROUGH A CENTRAL ANGLE OF 81°55'33" TO SAID NORTH LINE OF ONE HUNDRED FIRST TO SAID NORTH LINE OF ONE HUNDRED FIRST STREET; THENCE ALONG SAID NORTH LINE NORTH 89°33'07" WEST 193.74 FEET TO THE TRUE POINT OF BEGINNING.

APN: 6046-019-926, 6046-021-908, AND 6046-021-917