RESOLUTION AUTHORIZING THE HOUSING AUTHORITY OF THE CITY OF LOS ANGELES, THROUGH ITS INSTRUMENTALITY LA CIENEGA LOMOD, INC. ("LOMOD"), OR IN THE FUTURE THROUGH A TO-BE-ESTABLISHED SPECIAL PURPOSE ENTITY WITH LOMOD AS ITS SOLE MEMBER AND MANAGER, TO ENTER INTO A LIMITED PARTNERSHIP TO ACQUIRE A REAL PROPERTY ASSET WITH 669 MULTI-FAMILY DWELLING UNITS AND OTHER IMPROVEMENTS COMMONLY KNOWN AS BALDWIN VILLAGE APARTMENTS; LEND UP TO $500,000 TO THE PARTNERSHIP TO FINANCE THE ACQUISITION OF THE PROPERTY; RECORD A REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS WITH THE PARTNERSHIP TO MAINTAIN LONG-TERM AFFORDABILITY; AND EXECUTE ANY AND ALL RELATED DOCUMENTS AND TO UNDERTAKE VARIOUS ACTIONS IN CONNECTION THERewith.

Douglas Guthrie
President & Chief Executive Officer

Geoffrey Moen
Director of Development

Purpose: To authorize the Housing Authority of the City of Los Angeles ("HACLA"), through its nonprofit instrumentality La Cienega LOMOD, Inc. ("LOMOD") to enter into Avanath Baldwin Village, LP, a Delaware limited partnership (the “Partnership”) with Avanath Capital Management LLC or its affiliate (“Avanath”) to purchase an unrestricted property with 669 multifamily dwelling units and other improvements (the “Property”), and to authorize a loan from HACLA to the Partnership and a Regulatory Agreement and Declaration of Restrictive Covenants Running with the Land (“Regulatory Agreement”), in order to compel the Partnership to maintain the Property as affordable to low-income households for a period not to exceed fifty-five (55) years.

Regarding: Approval of this resolution is consistent with Resolution Nos. 9588, 9589 and 9590 adopted by the Board of Commissioners on April 23, 2020 approving the revised Acquisition and Disposition of Real Property Policy (the “Acquisition Policy”); authorizing internal resources up to $1 million for the Acquisition Program to be used for due diligence, closing costs, minor property repairs and equity for acquisition; and providing authority to accept grants from private and public sources to facilitate property acquisition.

Resolution No. 9729, adopted on August 26, 2021, authorized the President & CEO, or designee, to solicit innovative developer, investment, acquisition and other partnerships to expand the affordable housing portfolio of the Housing Authority of the City of Los Angeles (the “Solicitation”).

Issues:
Solicitation Response

HACLA received a response to the Solicitation from Avanath Capital Management, LLC (“Avanath”) on March 31, 2022 ("Response"), proposing to partner with HACLA to purchase a 669-unit multi-family real property asset, subject to the rent stabilization ordinance, located at multiple addresses including, but not limited to, 4220 Santa Rosalía Drive in the City of Los Angeles (the “Property”). Avanath was selected by the current owner to purchase the Property following a public marketing process. In the Response, Avanath proposed to restrict thirty-five percent (35%) of the units at the Property to households with incomes not exceeding sixty
percent (60%) of the median income for Los Angeles County ("AMI") and another thirty-five percent (35%) of the units at the Property to household with incomes not exceeding eighty percent (80%) of AMI, at rents (or the tenant’s portion of rent, if the tenant is receiving assistance from a third party) affordable to such households, and together with other terms.

In accordance with the process set forth in the Solicitation, HACLA staff elected to engage in negotiations with Avanath regarding the terms of the proposed partnership. Following these negotiations, HACLA found that the Response was consistent with the criteria for preference under the evaluation criteria of the Solicitation. Avanath entered into a purchase and sale agreement with the current owner to close escrow on the purchase the Property in August of 2022.

**Proposed Partner**

Avanath is an investment firm that acquires, owns, renovates, and operates affordable, workforce, and value-oriented apartment communities across the U.S. Avanath partners with institutional investors to purchase housing in major metropolitan and suburban markets. Through a series of special purpose limited partnerships, Avanath owns a portfolio of over 13,000 multi-family units across more than seventy properties in thirteen states and the District of Columbia. In Southern California, Avanath owns thirteen properties, including the Castelar Apartments in the City of Los Angeles. Avanath manages its portfolio properties through its property management affiliate, Avanath Communities, Inc.

**Property**

The Property consists of forty (40) parcels with a total land area of approximately twenty-four (24) acres on multiple city blocks along Santa Rosalia and Santo Tomas Drives in the Crenshaw/Baldwin Village neighborhood of the City of Los Angeles. The Property is located in City Council District 10. A map showing the location of the Property is included as Attachment 2.

The parcels are each improved with separate two-story, wood-frame buildings, ranging in size from eight (8) to twenty-four (24) units, built between 1948 and 1955. The Property has a total of 669 units, including eighteen (18) studios, three hundred twenty-four (324) one-bedroom units, two hundred ninety-six (296) two-bedroom units, and six (6) three-bedroom units. The building interiors consist of original kitchen and bath finishes. The buildings are set back from the street with grassy front yards and mature street trees. Communal laundry facilities are located in laundry buildings within the Property. Off-street parking is provided in garages accessed from rear alleys. A listing of the description of each parcel is included as Attachment 3. A Property Acquisition Summary is included as Attachment 4.

The Property is located proximate to retail and employment centers, including the Baldwin Hills Crenshaw shopping mall, Macy’s department store, and surrounding commercial developments. The Kaiser Permanente Baldwin Hills Crenshaw Medical Offices are located immediately to the east of the site. Multiple schools are located within one mile of the Property. The Property is served by the Los Angeles County Metropolitan Transportation Authority’s ("Metro") 105 bus line. Metro is also constructing an underground mass transit station approximately one-half mile east of the Property (Martin Luther King) as part of its new K Line transit project.
Due Diligence Investigations

Avanath has undertaken the following due diligence investigations of the property, which has been reviewed by HACLA:

- **Title report** showing no exceptions that would interfere with the proposed acquisition.

- **Phase I Environmental site assessment** indicating no recognized environmental conditions ("RECs").

- **Seismic report** indicating that the buildings meet the building stability requirements as determined by local ordinances. Additionally, the buildings were deemed to have a Probable Maximum Loss ("PML") percentage of 15%. No Further action is required per the report.

- **Appraisal** prepared by Colliers providing an as-is opinion of a fair market value of $230,000,000, which exceeds the contract purchase price of $220,000,000.

- **Zoning report** indicating that all 61 buildings situated on 40 different tax parcels were deemed to be legal conforming with respect to use. Additionally, at the time of the report no zoning, building, or fire code violations were discovered.

- **Property Condition Assessment ("PCA")**. The third-party inspection prepared by AEI identified $1,000 in immediate repairs, which are included in Avanath’s capital expenditure budget. The PCA also recommended an ongoing capital program funded with deposits to replacement reserves of $333 per unit per annum over a twelve-year schedule, which has been underwritten by Avanath and will be reflected in the senior loan documents.

Financing Plan

The purchase of the Property will be financed with three sources:

1. Avanath as the Administrative General Partner ("AGP") of the partnership is arranging a first lien loan to purchase the Property ("Senior Loan") from the Federal National Mortgage Association ("Fannie Mae") through a designated underwriter and servicer. The Senior Loan is anticipated to have a term of 10 years with payments of interest only at a floating rate. The loan principal balance will be due upon maturity.

2. A subordinate loan of $500,000 will be made from HACLA to the Partnership ("HACLA Loan"). The HACLA Loan will be repaid from surplus cash remaining after payment of all operating expenses and debt service payments on the Senior Loan, but before payment of any other fees or expenses or any distributions. The terms of the HACLA loan are discussed below.

3. The remaining capital to fund the purchase will come from cash equity invested by Avanath through the Partnership's limited partner ("LP") entity, together with minority cash contributions by the general partners (discussed below).
Although, the majority of financing for the Property and future investments is anticipated to be funded through a low-interest, Fannie Mae loan product and an investment fund held by Avanath, HACLA’s subordinate loan, with its 30-year repayment schedule provides an important cushion during the first few years of operation, allowing Avanath the opportunity to make some limited capital investments in the Property early, through available operating income in order to upgrade outdated infrastructure and update units on turnover. The recommended public investment of the HACLA Loan to the Partnership is necessary to assist in the creation and improvement of critical long-term affordable housing stock within the City of Los Angeles for low- and moderate-income households.

In addition to reasonable proceeds from the HACLA Loan repayment, LOMOD is anticipated to receive an annual Partnership Administration Fee as the Managing General Partner of Avanath Baldwin Village, LP starting at $135,000 annually. Avanath’s investment approach is to typically hold the properties they acquire over an extended period of time. The majority of properties in Avanath’s Southern California portfolio have been under their ownership for an average of 8-10 years and although Avanath operates nationally, their largest ownership stake is in the state of California. These data points confirm Avanath’s stated investment philosophy and asset approach to purchase, invest and hold properties. Assuming the Partnership or an affiliate of Avanath controls the Property for at least ten (10) years, the total fee received by LOMOD is anticipated to net over $1.4 million. Although limited in its Partnership interest, LOMOD will receive 0.01% of any cash received by the Partnership at a sale, transfer or refinancing. This percentage is commensurate with the initial contribution of LOMOD to the Partnership and although it is not expected to offer a high return, will ensure an equitable share of any distributable proceeds achieved by the Partnership annually and at a future capital event.

The unique over-arching purpose of this particular transaction is to secure the significant long-term affordability of 70% of the units at the Property for fifty-five years through HACLA’s Regulatory Agreement. The recording of this Regulatory Agreement limits the return on investment to the Partnership or any future owner because rents on 70% of the units must remain affordable. Both the Regulatory Agreement and State law require that any tax savings received by the Partnership as a result of a Welfare Tax Exemption, obtained by the Partnership for 70% of the units at the Property, be used to pay for the continued affordability of the Property and the Partnership must certify this reinvestment of public benefit each year to the Board of Equalization (California Revenue and Taxation Code Section 214(g)(2)(B) or the “Statute”).

Typically, the market value of a property is based on the capitalized net operating income (“NOI”) of the property, or the rent less any expenses for ownership and operation, divided by a capitalization rate (see Proforma Exercise in Attachment 12 & 13). Given the low rents required by the covenant to be recorded against the Property, debt service payments for loans needed to finance the acquisition of the Project, and the Partnership’s reinvestment commitment to services, local hire and resident support services, projected NOI for the Site anticipates that the Property will not be able to achieve a full unencumbered Fair Market Value during the term of the Regulatory Agreement; thereby creating returns reasonable for a public-private partnership and netting out a significant public benefit of at least 468 restricted units.

The Proforma Exercise compares the proposed affordable preservation business plan to a market rate value-add investment thesis in which all units would remain unrestricted. Holding other variables constant, the exercise indicates that the market rate scenario is likely to generate a higher internal rate of return for equity investment over a 10 year hold period than the proposed
affordable restriction scenario. Financial modeling estimates indicate that the return to equity over the same period would decrease by approximately 500 basis points if there were no statutory welfare exemption, resulting in a return commensurate with senior lien debt and likely insufficient to attract equity investment. The analysis therefore indicates that the welfare exemption is necessary to offset the loss in gross potential rent caused by the proposed restrictions and would be used to reduce rents otherwise necessary for the units occupied by lower income households, consistent with the intent and requirements of the Statute.

**Partnership Terms**

The proposed Partnership would encompass three actions by HACLA, with terms summarized below.

1. Entry into the Partnership Agreement

   - HACLA, through its instrumentality, La Cienega LOMOD, Inc. will enter into a special purpose limited partnership with Avanath. LOMOD or its LLC will serve as the Managing General Partner ("MGP") of the Partnership with a 0.01% voting and capital interest in the Partnership and will perform certain substantial management duties as required under Rule 140 of the California Board of Equalization. Entities created and controlled by Avanath will serve as the AGP and limited partner (LP) of the Partnership. The MGP will make an initial capital contribution equal to 0.01% of the equity capital required for the acquisition. This figure will depend on the final loan amount and closing costs, and is expected to be approximately $12,000, and will not exceed $20,000.

   - Among other duties, LOMOD will prepare and file the necessary forms to obtain a welfare exemption from ad valorem property taxes for the Property in accordance with the provision of California Revenue and Taxation Code Section 214(g). LOMOD will receive a Partnership Administration fee of $135,000 annually, escalating at the lesser of 3% or the consumer price index for Los Angeles.

   - The AGP will be responsible for arranging all financing for the Property.

   - LOMOD will have consent rights to certain Major Decisions.

   - LOMOD will make no guarantees, will be indemnified by the AGP in carrying out its management duties, and will have no liability, except in certain cases such as fraud, gross negligence, or willful misconduct.

   - The Partnership may make a portion of the LP’s or AGP’s interest available for a tenant investment program in the Partnership, provided that any additional limited partners admitted to the Partnership will have limited rights and that any such investment will not dilute the MGP’s interest in the Partnership.

   - The MGP will have a right of first refusal to purchase the Property pursuant to the terms of any qualified third-party purchase offer for a period of twenty-four (24) months, provided that the MGP will need to provide a letter of intent indicating its exercise of such right together with a letter of intent within ten (10) business days.

2. HACLA Loan to Partnership
To assist in financing the acquisition of the Property, HACLA will lend $500,000 to the Partnership through the HACLA Loan. The HACLA Loan will have a term of 30 years and will bear interest at a fixed rate of 5.0%. Payments of principal and interest will be made after payment of operating and capital expenses and payments to the senior lender, but before the payment of all other fees and any partner distributions. The HACLA loan carries a prepayment penalty for the first ten-years.

HACLA and the Partnership will enter into a loan agreement, note, and deed of trust (the “Loan Documents”).

The Loan Documents will be subordinate to the Senior Lender and a related Subordination Agreement will be executed.

3. Regulatory Agreement

HACLA and the Partnership will enter into the Regulatory Agreement for a term of fifty-five (55) years.

The Regulatory Agreement will restrict thirty-five percent (35%) of the units at the Property to households with incomes not exceeding sixty percent (60%) of the median income for Los Angeles County (“AMI”) and another thirty-five percent (35%) of the units at the Property to households with incomes not exceeding eighty percent (80%) of AMI (the “Restricted Units”). The remaining thirty percent (30%) of the Units at the Property will be unrestricted.

The Partnership will be given two (2) years to come into compliance with the rent restrictions under the Regulatory Agreement, however, HACLA does not require the Partnership to relocate or evict any existing household on the basis of the fact that they do not meet income restrictions. The Partnership agrees to rent all newly vacant units to eligible households until it meets minimum compliance standards.

The tenant-paid rent for each Restricted Unit, including a reasonable utility allowance, will be limited to thirty percent (30%) of sixty percent (60%) of AMI for households with incomes of up to sixty percent (60%) of AMI, and thirty percent (30%) of eighty percent (80%) of AMI for households with incomes of up to eighty percent (80%) of AMI.

Households who qualify as eligible for a Restricted Unit but whose income later increases beyond eighty percent (80%) of AMI will be allowed to remain at the Property and will be counted as Restricted Units unless their income exceeds one hundred forty percent (140%) of AMI. Rent for households with incomes between eighty (80%) and one hundred ten percent (110%) of AMI will be restricted to thirty percent (30%) of one hundred ten percent (110%) of AMI. Rent for households between one hundred ten percent (110%) and one hundred forty percent (140%) of AMI will be restricted to thirty percent (30%) of household gross income. Rent for households with incomes exceeding one hundred forty percent (140%) of AMI will be unrestricted, except as provided below. Restricted Units may float among existing units at the Property but cannot drop below a total of 234 units restricted to 60% of AMI and 234 units restricted to 80% of AMI.
• HACLA will approve, prior to closing, a first-year operating budget and a ten-year capital improvement plan with planned expenditures of not less than $25,000 per unit across the Property. Restricted Units, when upgraded, will receive the same level of fixtures, appliances and rehabilitation as Unrestricted Units. Although not all units are anticipated to be rehabilitated or improved at the same time, the ongoing capital investments made in Restricted and Unrestricted unit on a property-wide basis should be reasonably aligned with the percentage of such unit types in the Property.

• The Partnership must receive permission from HACLA for demolition of any units and if the Partnership develops or sells a portion of the Property for development, the percentage of affordable units does not change; presumably netting a higher number of affordable units over time.

• No existing residents may be permanently displaced as a result of the acquisition or any improvements or future development of the Property

• HACLA will have the right to approve any proposed third-party sale or transfer if the Partnership were to sell the Property during the term.

• HACLA will approve, prior to closing, a Management Plan and form of lease for the Property.

• Capital improvement work at the Property will be performed subject to a Local Hire Plan giving preference to residents of the local area. The Local Hire Plan will be prepared by Avanath and submitted to HACLA for review and approval as part of the Management Plan.

• The owner of the Property will be required to maintain the Property in accordance with the Housing Quality Standards of the Section 8 program.

• The affordability covenant provisions of the Regulatory Agreement cannot be subordinated or foreclosed upon. This provision requires approval of a waiver from Fannie Mae’s underwriting standards, which waiver has been sought by Avanath and is under consideration. The staff recommends that, if Fannie Mae disapproves the waiver request, then the President and Chief Executive Officer be authorized to decide whether to execute the Regulatory Agreement and to make the Loan.

Vision Plan:  

**Place Strategy #2: Increase functionality and effectiveness of the Asset Management portfolio.** This broad strategy includes identifying opportunities to develop the Asset Management portfolio to provide affordable housing opportunities, collect fees for asset management services, and ensure the portfolio is stable and productive.

**Place Strategy #3 - Improve and expand Section 8 program, policies, and efficiencies.** This strategy involves the acquisition of property for the purpose of a larger variety of readily available housing units that are anticipated to serve Section 8 Voucher participants.
Place Strategy #4 – Steward efforts to reduce or eliminate homelessness. With a specific focus on housing for at risk or unhoused individuals, HACLA’s acquisition participation creates additional permanent housing solutions for residents most in need.

**Funding:**

The Chief Administrative Officer confirms the following:

**Source of Funds:** The HACLA Loan of up to $500,000, together with legal costs for document preparation and closing and the initial de minimis capital contribution of MGP, will be sourced from the proceeds of HACLA’s unrestricted and uncommitted non-federal proceeds from the non-public housing portfolio.

**Budget and Program Impact:**

The proposed actions and expenditures are consistent with HACLA’s Acquisition Program and the Solicitation. Payments of principal and interest on the HACLA Loan will be made at regular intervals, and may be prepaid at any time subject to a penalty in certain years. The HACLA Loan will be secured by a note and deed of trust that will be subordinate to a senior loan on the Property and will be paid subordinate to the senior loan but prior to any distributions to partners and equity investors. HACLA Development services staff have reviewed the project underwriting and believes the risk of default for HACLA Loan repayment is remote. Staff analysis of cash flow from rents demonstrate that the Property has the capacity to meet the payment schedule of $32,526 annually according to the Loan Amortization Schedule; collecting an approximate return to HACLA of $980,000 by loan maturity. Any default on the HACLA Loan would result in an accelerated payment with an increased interest rate and a prepayment penalty in the first ten years. HACLA has the ability to pursue payment of its loan through performance and judicial means and there is no expectation that a default or senior lender foreclosure will have a direct impact on HACLA’s budget or program.

**Environmental Review:**

**CEQA:**

The acquisition of the Property falls within the provisions of Title 14, Division 6, Chapter 3, Sections 15301 (Existing Facilities) of the California Code of Regulations. It is therefore categorically exempt from the provisions of the California Environmental Quality Act (“CEQA”).

Upon the Board’s adoption of this resolution finding that this categorical exemption applies to the acquisition of the Property, a Notice of Exemption (“NOE”) for the Property will be filed with the Los Angeles County Registrar-Recorder/County Clerk (“LA RR/CC”), as applicable, pursuant to Public Resources Code section 21152(b).

**NEPA:**

The proposed resolution requires no federal action or federal funding. It is therefore not subject to the provisions of the National Environmental Protection Act (“NEPA”).

**Section 3 & MBE/WBE:**

The acquisition of the Property is not subject to Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C § 1701u) and its associated regulations (24 C.F.R. Part 75) or HACLA’s Section 3 Policy and Compliance Plan (“Section 3 Policy”). However, following the effective date of the Regulatory Agreement, HACLA will approve a local hiring plan submitted by the Partnership, which will require the Partnership to use commercially reasonable efforts to cause
a certain percentage of any new positions generate by the capital work to be filled by residents of the Property or the surrounding area.

Attachments:
Attachment 1: Resolution
Attachment 2: Map showing location of Property
Attachment 3: Legal Description
Attachment 4: Acquisition Property Summary
Attachment 5: Limited Partnership Agreement
Attachment 6: Regulatory Agreement and Declaration of Restrictive Covenant
Attachment 7: Loan Agreement
Attachment 8: Note
Attachment 9: Deed of Trust
Attachment 10: Subordination Agreement of Regulatory Agreement and Declaration of Restrictive Covenants
Attachment 11: Subordination Agreement of Loan Documents
Attachment 12: Proforma Exercise – Affordability Restrictions Scenario
Attachment 13: Proforma Exercise – Market Rate Value Add Scenario
ATTACHMENT 1

Resolution
RESOLUTION AUTHORIZING THE HOUSING AUTHORITY OF THE CITY OF LOS ANGELES, THROUGH ITS INSTRUMENTALITY LA CIENEGA LOMOD, INC. (“LOMOD”), OR IN THE FUTURE THROUGH A TO-BE-ESTABLISHED SPECIAL PURPOSE ENTITY WITH LOMOD AS ITS SOLE MEMBER, TO ENTER INTO A LIMITED PARTNERSHIP TO ACQUIRE A REAL PROPERTY ASSET WITH 669 MULTI-FAMILY DWELLING UNITS AND OTHER IMPROVEMENTS COMMONLY KNOWN AS BALDWIN VILLAGE APARTMENTS; LEND UP TO $500,000 TO THE PARTNERSHIP TO FINANCE THE ACQUISITION OF THE PROPERTY; RECORD A REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS WITH THE PARTNERSHIP TO MAINTAIN LONG-TERM AFFORDABILITY; AND EXECUTE ANY AND ALL RELATED DOCUMENTS AND TO UNDERTAKE VARIOUS ACTIONS IN CONNECTION THEREWITH.

WHEREAS, the Housing Authority of the City of Los Angeles (“HACLA”) is authorized to acquire and dispose of real property and enter into contracts and agreements related thereto pursuant to the California Health and Safety Code Section 34200 et seq. and particularly with respect to Section 34315;

WHEREAS, the HACLA Board of Commissioners (“Board”) adopted, by Resolution No. 9639, on October 22, 2020, an Acquisition and Disposition of Real Property Policy (the “Policy”) to institute a revised and updated real property acquisition program (“Acquisition Program”) and to revise and restate its Prior Policy to reflect HACLA’s Build HOPE Vision Plan goals and to provide for the disposition of real property;

WHEREAS, the HACLA Board approved the solicitation of innovative developer, investment, acquisition, and other partnerships to expand the affordable housing portfolio of HACLA (“Solicitation”) in August of 2021 through Resolution No. 9729;

WHEREAS, HACLA received a response (“Response”) to the Solicitation from Avanath Capital Management, LLC (“Avanath”) on April 14th, 2022, proposing to partner with HACLA to purchase an unrestricted 669-unit multifamily real property asset located at multiple addresses including but not limited to 4220 Santa Rosalia Drive in the City of Los Angeles (the “Property”), and to restrict thirty-five percent (35%) of the units at the Property to household with incomes not exceeding sixty percent (60%) of the median income for Los Angeles County (“AMI”) and another thirty-five percent (35%) of the units at the Property to household with incomes not exceeding eighty percent (80%) of AMI, at rents (or the tenant’s portion of rent, if the tenant is receiving assistance from a third party) affordable to such households, together with other terms; and

WHEREAS, HACLA now desires to enter into a partnership (“Partnership”) with Avanath, through HACLA’s instrumentality, La Cienega LOMOD, Inc. (“LOMOD”) and to make a loan of up to $500,000 to the Partnership; and

WHEREAS, an analysis of the public investment in the Property and the return expectations for the Partnership was conducted by HACLA’s Development Services Department confirming that the public funds being requested are necessary to produce the public benefit of long-term low- and moderate-income affordability at the Property and the projected returns to the Partnership are within a reasonable range for a Property of this size and age with all of the public benefit requirements of the HACLA Loan and Regulatory Agreement.

NOW, THEREFORE, BE IT RESOLVED that the Board of Commissioners of the Housing Authority of the City of Los Angeles does hereby authorize and approve as follows:

Section 1. The recitals hereinafore set forth are true and correct, and this Board so finds. This Resolution is being adopted pursuant to the powers granted the Authority by Chapter 1 of Part 2 of Division 24 of the California Health and Safety Code.
Section 2. The Housing Authority of the City of Los Angeles ("HACLA") hereby authorizes and approves its instrumentality, La Cienega LOMOD, Inc. ("LOMOD") to enter into a partnership known as Avanath Baldwin Village, LP (the "Partnership"), a Delaware limited partnership, and execute the Limited Partnership Agreement with Avanath Tomas GP, LLC, a Delaware limited liability company ("AGP"), and Avanath Rosalia LP, LLC ("LP"), a Delaware limited liability company, in which Partnership LOMOD will be the Managing General Partner, with a 0.01% voting and capital interest, pursuant to a limited partnership agreement and upon such terms as LOMOD has negotiated with the AGP and LP, for the purpose of acquiring, owning, and operating a real property asset with multiple addresses including but not limited to 4220 Santa Rosalia Drive in the City of Los Angeles, on multiple parcels set forth below in Attachment 3, and containing 669 multi-family dwelling units and other improvements commonly known as Baldwin Village Apartments, and to make a capital contribution equal to 0.01% of the equity capital to purchase the property in accordance with the limited partnership agreement, not to exceed $20,000, and provided further that the Board hereby authorizes and approves of LOMOD withdrawing from the Partnership in the future, subject to its concurrent replacement in the Partnership by a special purpose California limited liability company having LOMOD as its sole member and manager and having the ability to perform those duties assigned to LOMOD under the Partnership’s limited partnership agreement, and upon the same terms and with the same voting and capital interests in the Partnership as LOMOD has at that time.

Section 3. The Board hereby authorizes and approves lending $500,000 to the Partnership to finance the acquisition of the property (the "Loan"), which Loan shall be subordinate to a senior loan used to finance the acquisition of the Property, shall be for a term not to exceed thirty (30) years, shall bear interest at a rate of 5.0% per annum, provided that payments of principal and interest on the Loan shall be made after payment of all operating expenses and of principal and interest on the senior loan, and prior to any other fees, payments, or distributions, and the execution of a Loan Agreement, Note, and Deed of Trust ("Loan Documents") in substantial conformity with the form of the Loan Documents attached hereto, with such changes therein as approved with the advice of legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. The Board hereby authorizes and approves the execution and recording of a regulatory agreement and declaration of restrictive covenants ("Regulatory Agreement") with the Partnership, which Regulatory Agreement shall restrict thirty-five percent (35%) or two hundred thirty-four (234) of the units at the Property to occupancy by households with incomes not exceeding sixty percent (60%) of the median area income for Los Angeles County ("AMI") as published from time to time by the California Tax Credit Allocation Committee ("TCAC") ("60% AMI Restricted Units") at rents (or the tenant’s portion of rent, if the tenant is receiving assistance from a third party) that are affordable to such households, and shall restrict an additional thirty-five percent (35%) or two hundred thirty-four (234) of the units to occupancy by households with incomes not exceeding eighty percent (80%) of AMI at rents (or the tenant’s portion of rent, if the tenant is receiving assistance from a third party) affordable to such households, together with other terms as set forth in the form of document attached hereto, all for a term of fifty-five (55) years from the effective date of the Regulatory Agreement, which shall survive foreclosure or deed in lieu of foreclosure, and all in substantial conformity with the form of document attached hereto, with such changes therein as approved with the advice of legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof, provided that, notwithstanding the foregoing, if a waiver is sought from and is not approved by Fannie Mae to permit the Regulatory Agreement to survive foreclosure or deed in lieu of foreclosure, then the President and Chief Executive Officer shall be authorized, in his sole discretion, to decide whether or not to execute the Regulatory Agreement and to make the Loan.

Section 5. The Board hereby finds that the acquisition of the Property falls within the provisions of Title 14, Division 6, Chapter 3, Section 15301 (Existing Facilities) of the California Code of
Regulations, and further finds that it is therefore categorically exempt from the provisions of the California Environmental Quality Act (“CEQA”).

Section 6. The President and CEO, or Designated Officers below, are authorized to execute any and all related documents necessary to carry out the actions set forth above and to undertake various actions in connection therewith, with such changes therein as approved with the advice of legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 7. BE IT FURTHER RESOLVED The “Designated Officers” of HACLA referred to herein are as follows:

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<thead>
<tr>
<th>Name</th>
<th>Title</th>
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<tbody>
<tr>
<td>Douglas Guthrie</td>
<td>President &amp; Chief Executive Officer</td>
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<tr>
<td>Marlene Garza</td>
<td>Chief Administration Officer</td>
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<tr>
<td>Jenny Scanlin</td>
<td>Chief Strategic Development Officer</td>
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<tr>
<td>Margarita Lares</td>
<td>Chief Programs Officer</td>
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</tbody>
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Section 8. BE IT FURTHER RESOLVED that this Resolution shall be effective upon its adoption.

APPROVED AS TO FORM: HOUSING AUTHORITY OF THE CITY OF LOS ANGELES

By: ___________________________ By: ___________________________
JAMES JOHNSON, General Counsel CIELO CASTRO, Chairperson

DATE ADOPTED: _____________________
ATTACHMENT 2
Property Description

The Land referred to herein is situated in the City of Los Angeles, County of Los Angeles, State of California, and is described as follows:

PROPERTY A:

PARCEL 1:
LOT 1 OF TRACT NO. 15021, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 319 PAGES 38 TO 40 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 2:
LOT 2 OF TRACT NO. 15021, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 319 PAGES 38 TO 40 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 3:
LOT 3 OF TRACT NO. 15021, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 319 PAGES 38 TO 40 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 4:
LOT 4 OF TRACT NO. 15021, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 319 PAGES 38 TO 40 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 5:
LOT 5 OF TRACT NO. 15021, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 319 PAGES 38 TO 40 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 6:
LOT 6 OF TRACT NO. 15021, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 319 PAGES 38 TO 40 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 7:
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PARCEL 8:
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PARCEL 9:
LOT 9 OF TRACT NO. 15021, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 319 PAGES 38 TO 40 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 10:
LOT 10 OF TRACT NO. 15021, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 319 PAGES 38 TO 40 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PROPERTY B:
PARCEL 1:
LOT 26 OF TRACT NO. 14763, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 312 PAGES 34 TO 38 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 2:
LOT 27 OF TRACT NO. 14763, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 312 PAGES 34 TO 38 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 3:
LOT 2 OF TRACT NO. 14763, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 312 PAGES 34 TO 38 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 4:
LOT 8 OF TRACT NO. 14763, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 312 PAGES 34 TO 38 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PROPERTY C:
PARCEL 1:
LOT 84 OF TRACT NO. 19268, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 495 PAGES 29 TO 34 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 2:
LOT 85 OF TRACT NO. 19268, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 495 PAGES 29 TO 34 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 3:
LOT 86 OF TRACT NO. 19268, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 495 PAGES 29 TO 34 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 4:
LOT 90 OF TRACT NO. 19268, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 495 PAGES 29 TO 34 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 5:
LOT 91 OF TRACT NO. 19268, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 495 PAGES 29 TO 34 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 6:
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PARCEL 7:
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PARCEL 8:
LOT 94 OF TRACT NO. 19268, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 495 PAGES 29 TO 34 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PROPERTY D:
PARCEL 1:
LOT 3 OF TRACT NO. 15020, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 319 PAGES 34 TO 37 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 2:
LOT 4 OF TRACT NO. 15020, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 319 PAGES 34 TO 37 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 3:
LOT 5 OF TRACT NO. 15020, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 319 PAGES 34 TO 37 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 4:
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LOT 2 OF TRACT NO. 15020, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 319 PAGES 34 TO 37 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

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PARCEL 16:
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PARCEL 18:
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ATTACHMENT 4

Acquisition Property Summary
Acquisition Property Profile: Baldwin Village Apartments
BOC Meeting Date: 07.28.2022

PROPERTY LOCATION
The Property consists of forty (40) parcels with a total land area of approximately twenty-four (24) acres on multiple city blocks along Santa Rosalia and Santo Tomas Drives in the Crenshaw/Baldwin Village neighborhood of the City of Los Angeles. The Property is located in City Council District 10. According to the 2020 American Community Survey, this zip code area currently has a median household income of $47,230.

PROPERTY DESCRIPTION
The parcels consist of separate 2-story, wood-frame buildings, ranging from eight (8) to twenty-four (24) units each, built between 1948 and 1955. The Property has a total of 669 units. Communal laundry facilities are located on the Property. Garages can be accessed from alleys along with street parking.

Assessor’s Parcel Number: Please see Attachment 3
Land Area: 1,037,061 s.f.
Building Square Footage: 652,786 s.f.
Parking: 800 parking spaces
Amenities:

PROPERTY CONDITION
The interiors consist of original kitchen and bath finishes. The Property Condition Assessment (PCA) identified $1,000 in immediate repairs along with an ongoing capital expenditure program of $333 per unit per year over a 12-year period. The partnership intends to invest $25,000 per unit in capital improvements over a 10-year period.

COMMUNITY AMENITIES

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<td>School</td>
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<td>Hillcrest Drive Elementary School</td>
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<td>4041 Hillcrest Dr</td>
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<td>Park</td>
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<td>Jim Gilliam Park</td>
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<tr>
<td>3782 W Martin Luther King Jr Blvd</td>
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<td>4000 S La Brea Ave</td>
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UNIT MIX

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<tr>
<td>1BR/1BA</td>
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<td>2BR/2BA</td>
<td>296 units</td>
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<td>3BR/2BA</td>
<td>31 units</td>
<td>1,234 sq. ft.</td>
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ZONING AND PERMITTING
Zone: 24 parcels zoned R3-1XL; 16 parcels zoned RD1.5-1XL.
LA City Planning Entitlements: N/A; subject to LAHD oversight due to Rent Stabilization Ordinance (RSO)
Certificate of Occupancy: Current
ATTACHMENT 5

Limited Partnership Agreement
AGREEMENT OF LIMITED PARTNERSHIP

OF AVANATH BALDWIN VILLAGE, LP,
a Delaware limited partnership

DATE: As of August __, 2022
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AGREEMENT OF LIMITED PARTNERSHIP
OF AVANATH BALDWIN VILLAGE, LP,
a Delaware limited partnership

This Agreement of Limited Partnership of Avanath Baldwin Village, LP (“Agreement”) is made as of August [__], 2022, between Avanath Tomas GP, LLC, a Delaware limited liability company (“Administrative General Partner”), La Cienega LOMOD, Inc., a California nonprofit public benefit corporation (“Managing General Partner”), which is an instrumentality of the Housing Authority of the City of Los Angeles (“HACLA”), and Avanath Rosalia LP, LLC, a Delaware limited liability company (“Avanath LP”). Avanath LP and any such additional parties as and when admitted to the Partnership (as hereinafter defined) as limited partners shall each be referred to herein as a “Limited Partner” and collectively as the “Limited Partners.” Administrative General Partner, Managing General Partner, and the Limited Partners, shall be individually a “Partner” and collectively, the “Partners.” Administrative General Partner and Managing General Partner are herein referred to collectively, as the “General Partners” and may be referred to individually as “General Partner” as the context may require.

ARTICLE I
GENERAL PROVISIONS

1.1 Organization. Avanath Baldwin Village, LP, a Delaware limited partnership (the “Partnership”), was formed pursuant to the terms of the Delaware Revised Uniform Limited Partnership Act, 6 Del. C. § 17-101 et seq. (as amended from time to time, the “Act”), pursuant to that certain Certificate of Limited Partnership filed with the office of the Delaware Secretary of State on [_______], 2022 (the “LP Certificate”). The Partnership shall be operated in accordance with, and the Partners shall be governed by, the terms and conditions of this Agreement and the Act. If any term of this Agreement is inconsistent with any term of the Act that is not mandatory, then this Agreement shall control. The Administrative General Partner shall cause to be executed, acknowledged, and verified, as applicable, such other documents or instruments as may be necessary and/or appropriate in order to continue the Partnership’s existence in accordance with the provisions of the Act.

1.2 Business of the Partnership.

(a) The Partnership intends to acquire that certain real property located in the City of Los Angeles, County of Los Angeles, State of California, as more particularly described on Exhibit A attached hereto (the “Land”). For purposes of this Agreement, the term “Property” means the Land together with all improvements from time to time thereon and all other tangible and intangible property owned by the Partnership and used in connection with the ownership or operation thereof.

(b) The sole purposes of the Partnership are:

(i) acquiring, owning, improving, operating, and disposing of the Property.
(ii) Borrowing money, mortgaging the Property, or otherwise entering into loan transactions; and

(iii) Engaging in any lawful act or activity and exercising any powers permitted to limited partnerships organized under the laws of the State of Delaware that are related or incidental to and necessary, convenient, or advisable for the accomplishment of the above-mentioned purposes.

(c) The Partnership shall only take actions consistent with such purposes. For purposes of this Agreement, the term “Project” means the overall financing, refinancing, renovation, and operation of the Property as contemplated by the Project Plan and Budget and this Agreement. For purposes of this Agreement, the term “Project Plan and Budget” means the project plan and budget for the Project that is Approved by the Partners.

(d) The Partnership intends to allocate not less than $25,000 in capital expenditures per unit over the next ten (10) years from and after the acquisition of the Property (as shall be further set forth in the Project Plan and Budget). Such capital improvements shall include, but not limited to, infrastructure, building preservation and improvement and interior renovations to units. Both income restricted and unrestricted units shall receive the same level of capital improvements, including, but not limited to, finishes, appliances, panes, windows, and other improvements, shall be of comparable design, and shall be distributed on the floors of buildings and between the various buildings within the Project in a manner not to segregate restricted units from unrestricted units. Administrative General Partner shall use commercially reasonable efforts to ensure that a minimum of thirty percent (30%) of contractor firms hired for any capital improvements are minority or women-owned firms.

(e) In the event the Partnership elects to evaluate developing or adding housing to the Property, including the addition of affordable housing units, during the term of the Partnership, then Administrative General Partner shall use commercially reasonable efforts to utilize HACLA as a resource in such analysis or evaluation. Notwithstanding anything to the contrary herein, Administrative General Partner may cause the Partnership to (a) create a program for residents of the Project to invest in the Partnership alongside the Partners at any time during the term of the Partnership, but in such case only by acquiring a portion of the Residual Percentage owned by the Avanath LP, and in no case by acquiring decision rights or Voting Percentage in the Partnership, and (b) proceed with the development and/or expansion of the Project, at its sole and absolute discretion, in accordance with the then current Project Plan and Budget, provided that in no event shall the Project be converted to condominiums without the consent of the General Partners.

(f) Without limiting the foregoing, the Partnership will operate the Property in a manner that furthers the public charitable purpose of the Managing General Partner by providing affordable housing for low income persons and families and in compliance with the terms of those certain regulatory and extended use agreements, as applicable, recorded against the Property (as may be amended, collectively the “Regulatory Agreement”), including, without limitation, that certain Regulatory Agreement, to be entered into by the Partnership and HACLA, a Related Party of the Managing General Partner, in form and substance Approved by the Partners (the “HACLA Regulatory Agreement”).
1.3 **Principal Place of Business.** The principal office and place of business of the Partnership shall initially be 1920 Main Street, Suite 150, Irvine, CA 92614. The address of the registered agent and registered office for the Partnership in the State of Delaware shall be located at 251 Little Falls Dr, Wilmington, DE 19808, and the name of the Partnership’s registered agent at such address is Corporation Service Company. If Approved (as hereinafter defined), a General Partner may change the principal office, place of business, or registered agent of the Partnership. For purposes of this Agreement and subject to Section 1.6 of this Agreement, “Approve”, “Approved”, or “Approval” shall refer to a proposed decision, action, report, budget, election, or any other matter that has been proposed by a General Partner and has received the written approval of the majority of the Limited Partners and the approval of the majority of the General Partners based on Voting Percentage or for the purposes of Section 5.3, a MPG Consent Decision. For purposes of this Agreement, the term “Voting Percentage” means 1% with respect to Administrative General Partner, 98.99% with respect to Avanath LP, and 0.01% with respect to Managing General Partner.

1.4 **Term.** The term of the Partnership commenced as of the date of the filing of the LP Certificate in the office of the Secretary of State of the State of Delaware and shall continue until January 1, 2052, unless earlier dissolved pursuant to the provisions of this Agreement.

1.5 **Admission of Partners.** Avanath LP is hereby admitted as the sole limited partner of the Partnership as of the date of execution of this Agreement. Administrative General Partner and Managing General Partner are hereby admitted as the sole General Partners of the Partnership as of the date of execution of this Agreement.

1.6 **Special Purpose Entity Restrictions.** The Partnership anticipates obtaining the Permanent Loan from [____________] (the “Permanent Lender”), concurrent with the acquisition of the Property pursuant to a certain loan agreement (the “Permanent Loan Agreement”). Notwithstanding anything in this Agreement to the contrary, the Partnership shall comply with the covenants to maintain its status as a single asset entity (as described in Section [_______] of the Permanent Loan Agreement).
ARTICLE II
CAPITAL CONTRIBUTIONS

2.1 Initial Capital. On the date the Property is acquired, (i) Avanath LP shall contribute or be deemed to have contributed to the Partnership 98.99% of the capital ("Avanath LP Contribution") as determined by the Partners as a Major Decision that is necessary to cover the costs of purchasing the Property and renovating and operating the Property in accordance with the initial Project Plan and Budget (collectively "Project Costs"), (ii) Administrative General Partner shall contribute or be deemed to have contributed to the Partnership 1% of the Project Costs ("AGP Contribution"), and (ii) Managing General Partner shall contribute .01% or be deemed to have contributed to the Partnership 0.01% of the Project Costs (collectively with the Avanath LP Contribution and AGP Contribution, the “Initial Capital”). The Partners anticipate that the Initial Capital along with the capital currently held by the Partnership and advances from any Approved financing of the Partnership (“Authorized Financing”) will cover the Project Costs. The percentage of Initial Capital funded by each Partner pursuant to this Section 2.1 shall constitute the “Residual Percentages” of each Partner.

2.2 Additional Contributions. No Partner is required to make additional capital contributions, however, if the Partners Approve the making of additional contributions to the Partnership, the Partners shall contribute to the Partnership an amount equal to such Partner’s Residual Percentage share of the additional capital being contributed (unless Limited Partners and Administrative General Partner agree to modify such percentages). The Capital Account and Contribution Account of each such Partner shall be credited by the amount contributed by such Partner to the capital of the Partnership pursuant to this Section as and when such contributions are made. For avoidance of doubt, the Managing General Partner may, but shall not be required to make additional contributions to the Partnership as provided in this Section, notwithstanding the terms contained in this Section.

2.3 Contribution Accounts. The Partnership shall maintain for accounting purposes the following memorandum account (“Contribution Account”) for each Partner as follows:

(i) The balance of such account shall be increased by, and as of the date of, each contribution of capital made by such Partner, including, without limitation, the Initial Capital.

(ii) The balance of the Contribution Account of each Partner shall be decreased by any distributions to such Partner under Section 4.3(b).

2.4 Form of Contributions. Unless otherwise Approved, all contributions by the Partners to the Partnership shall be paid in cash.

2.5 No Right to Interest or Return of Capital. Except as specifically provided for herein, no Partner shall be entitled to any return of or interest on contributions made to the Partnerships.

2.6 No Third-Party Rights. Any obligations or rights of the Partnership or the Partners to make or require any contribution under this Article II shall not result in the grant of any rights to or confer any benefits upon any individual or entity, or the heirs, executors, administrators, legal
representatives, successors and assigns of such individual or entity (a “Person”) who is not a Partner, and no such Person shall have the right, under any circumstances, to enforce the obligations of the Partners under this Agreement to make contributions.

2.7 Limitations. Except as set forth in this Article II or Exhibit B, and subject to Section 1.6, no Partner shall be entitled or required to make any contribution or loan to the Partnership. No Partner shall have any liability for the repayment of the contribution of any other Partner (other than as set forth in this Article II or Exhibit B), and each Partner shall look only to the assets of the Partnership for return of its contributions.

2.8 Third Party Loans and Other Financing.

(a) Initial Permanent Loan. On the date the Property is acquired, the Partnership shall obtain a loan from (i) the Permanent Lender (the “Permanent Loan”), which Permanent Loan is evidenced by certain documents, including the Loan Agreement (collectively, the “Permanent Loan Documents”), and (ii) HACLA (the “HACLA Loan” and together with the Permanent Loan, the “Loans”), which HACLA Loan is evidenced by certain documents, including that certain Loan Agreement (“HACLA Loan Agreement” and collectively, the “HACLA Loan Documents” and together with the Permanent Loan Documents, the “Loan Documents”). By execution of this Agreement, the Partners have Approved the Permanent Loan and HACLA Loan as a Major Decision. The Administrative General Partner and the Managing General Partner are authorized to execute and deliver the Loan Documents on behalf of the Partnership. The net proceeds of the Loans shall be used to pay Project Costs in accordance with the Project Plan and Budget. The Loans shall constitute an Authorized Financing hereunder.

(b) Recourse Guaranty. If, in connection with any Authorized Financing, any lender requires the execution of standard nonrecourse carve-out guaranties and environmental indemnities, as applicable, to facilitate the closing and funding of any Authorized Financing (each, a “Recourse Guaranty”), Administrative General Partner may elect, in its sole and absolute discretion, to cause a Related Party of Administrative General Partner, to provide all such Recourse Guaranties in form and substance acceptable to Administrative General Partner, in its sole and absolute discretion. To the extent that Administrative General Partner or its Related Party is required to pay amounts under any Recourse Guaranty (a “Recourse Guaranty Payment”) for any reason, the Partnership shall upon five days’ written demand reimburse the Administrative General Partner or its Related Party (as applicable) for any Recourse Guaranty Payment, plus interest thereon, at the lesser of (i) 10% per annum compounded annually and (ii) the maximum interest rate permitted by law. No Partner shall have any obligation to fund capital to the Partnership in order to fund any such reimbursements to Administrative General Partner or its Related Party. Notwithstanding anything contained in this Agreement, (i) the Administrative General Partner shall not be required to pay any Recourse Guaranty Payment for any Authorized Financing until such Authorized Financing is paid in full; and (ii) the Managing General Partner shall not be responsible to pay any Recourse Guaranty Payment at any time.

(c) Managing General Partner Responsibilities. Managing General Partner shall reasonably cooperate with Administrative General Partner in such manner as Administrative General Partner may reasonably request to facilitate any Partnership financing or financing modification including without limitation executing an amendment to this Agreement or an
assignment to evidence the admission of a new limited partner (including any limited partner being admitted in connection with a tenant ownership program that may be established by the Partnership) and to modify the terms hereof in connection with such admission (including adding such terms required by such limited partner), provided that any such admission of a new limited partner will in no way decrease the Residual Percentage and/or Voting Percentage of the Managing General Partner without Managing General Partner’s approval.

ARTICLE III
CAPITAL ACCOUNTS AND ALLOCATIONS

3.1 Tax Matters. Certain additional tax matters affecting the Partners are set forth in Exhibit B attached hereto. Each Partner acknowledges and agrees that it has read such Exhibit in its entirety, has consulted with its own tax advisors and is aware of the income tax consequences of the matters set forth therein and the economic impact of such matters on the amounts receivable by it under this Agreement. No Partner has made any representation or warranty to any other Partner with respect to the tax effect of the matters set forth in this Agreement except as specifically set forth herein.

ARTICLE IV
DISTRIBUTIONS

4.1 Maintenance of Reserves and Prohibited Distributions.

(a) Reserves – General. The Partnership shall maintain such reserves (i) as required pursuant to the Permanent Loan or any other Authorized Financing or (ii) as Approved.

(b) Prohibited Distributions. Notwithstanding any provision of this Agreement to the contrary, the Partnership shall not make any distributions prohibited by the terms of the Act or the Authorized Financing.

4.2 Distributions of Distributable Cash. Cash funds received from operation of the Property (not including Capital Event Proceeds or advances from Authorized Financing), less the sum of (a) an amount sufficient for the payment of all expenses of the Partnership set forth in the Project Plan and Budget then due and payable (including but not limited to the Partnership Administration Fee, and for avoidance of doubt, including scheduled capital expenditures incurred pursuant to the Project Plan and Budget and any debt service due on the Loans), and (b) reserves for the Partnership established pursuant to Section 4.1(a) above, including, (i) reserves to manage contingent liabilities and (ii) reserves for contractual obligations with third parties (such difference referred to herein as “Distributable Cash”), subject to the terms of any Authorized Financing, shall be distributed at the time and in such amounts, as Administrative General Partner shall determine, but in all events in the following priority (but subject to the provisions of ARTICLE IX):

(a) First, to reimburse amounts owed to Administrative General Partner and its Related Party in connection with any Recourse Guaranty Payment; and

(b) Second, to the Partners in accordance with their Residual Percentages.
4.3 **Distribution of Capital Event Proceeds.** Net proceeds received by the Partnership from any sale, financing, refinancing, or other capital event (but excluding insurance proceeds to the extent that the Partners are required by any Authorized Financing or elect as a Major Decision to utilize to repair, restore or replace damaged or destroyed property or improvements at the Property) (“Capital Event Proceeds”), less the sum of (a) an amount sufficient for the payment of all expenses of the Partnership set forth in the Project Plan and Budget then due and payable, and for avoidance of doubt, including capital expenditures incurred pursuant to the Project Plan and Budget and any debt service due on the Loans, shall be distributed within two Business Days of receipt by the Partnership, in the following priority (but subject to the provisions of ARTICLE IX):

(a) First, to reimburse amounts owed to Administrative General Partner and its Related Party in connection with any Recourse Guaranty Payment; and

(b) Second, pro rata to the Partners until the balance of their Contribution Accounts have been reduced to zero; and

(c) Third, pro rata to the Partners in accordance with their Residual Percentages.

4.4 **Distributions Upon Liquidation.** In the event the Partnership (or a Partner’s interest therein) is “liquidated” within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g), then any distributions shall be made pursuant to Section 4.3 to the Partners (or such Partner, as appropriate).

4.5 **Compliance with Applicable Law.** Notwithstanding any provision to the contrary contained in this Agreement, the General Partner shall not make any distribution of Distributable Cash to any Partner if such distribution would violate Section 17-607 of the Act or other applicable Laws.

**ARTICLE V**

**POWERS AND DUTIES**

5.1 **Management of the Partnership.**

(a) Subject to the terms and conditions of this Agreement, the General Partners shall have responsibility and authority for the management and operation of the business and affairs of the Partnership. The Administrative General Partner, after consultation with the Managing General Partner and after obtaining Approval if the execution of such document would constitute a Major Decision, is authorized to execute documents on behalf of the Partnership, provided that no such Approval violates any applicable law. Each General Partner agrees to execute any documents on behalf of the Partnership that are Approved. Except for the authority expressly granted to the General Partners in this Agreement, and subject to the Limited Partners’ rights under this Agreement, no Partner, employee, or other agent of the Partnership shall have any authority to bind or act for the Partnership or any other Partner in carrying on their respective businesses or activities. Any savings to the Partnership and the Project attributable to the Property Tax Exemption shall be used to maintain the affordability of the units occupied by lower income individuals or otherwise passed on to the low-income tenants at the Project in accordance with all applicable provisions of Section 214(g) of the California Revenue & Taxation Code (the “Property Tax Rules”). The Partners acknowledge that the savings contemplated by the Property Tax Exemption are necessary
in order for the Partnership to meet its debt underwriting and financing assumptions, and therefore to keep the Project affordable to low-income tenants. The Partners further acknowledge that the Partners would not undertake to develop the Project and provide affordable housing created by the Project unless the savings contemplated by the Property Tax Exemption were available to help underwrite the Project’s operating expense.

(b) Managing General Partner Authority and Duties.

The Managing General Partner shall have the following duties and obligations with respect to the Project:

(i) **Substantial Services.** The Managing General Partner shall provide regular, continuous and substantial services to the Partnership and shall be the “managing general partner” of the Partnership, as such term is used in Section 214(g) of California Revenue & Taxation Code, and as further defined in the Property Tax Rules of the BOE, specifically, Property Tax Rule 140.1(a)(6). The Managing General Partner, within the authority granted to it under this Agreement, shall materially participate in the control, management and direction of the Partnership’s business, and shall manage and control the affairs of the Partnership and carry out the purposes of the Partnership. The Managing General Partner directly, or indirectly, under its supervision, manages the Partnership. In so doing, the Managing General Partner shall take all actions necessary or appropriate to protect the interest of the Partners and of the Partnership. The Managing General Partner shall devote such of its time as is necessary to the affairs of the Partnership.

(ii) **Annual Inspections.** The Managing General Partner shall annually conduct a physical inspection of the Project to ensure that the property is being used as low-income housing and meets all of the requirements applicable pursuant to the Property Tax Exemption provided for under Section 214(g) of the California Revenue & Taxation Code, as amended, and as further defined by Property Tax Rule 140.

(iii) **Welfare Exemption.** The Managing General Partner shall obtain and maintain on an annual basis the Property Tax Exemption and Supplemental Clearance Certification ("SCC") for the Project (and will rely on the information obtained from the Administrative General Partner to obtain such SCC), certifying that the Project meets all of the requirements set forth in Property Tax Rule 140 (the “Property Tax Exemption”). Notwithstanding anything to the contrary herein, if the Managing General Partner, in its reasonable discretion, is unable to make the representation necessary to file the application for the Property Tax Exemption or to update the certificates required by the BOE based upon the provisions of this Agreement, then the Partners shall reasonably cooperate to amend the Partnership Agreement and/or take reasonable actions to allow the Managing General Partner to make the necessary representations. Further, (i) if the Partners fail to take reasonable actions to permit the Managing General Partner to file the Property Tax Exemption or to update the certificates required by the BOE and/or (ii) if the BOE amends the Property Tax Rules so that the Project no longer qualifies for the Property Tax Exemption, then in each case, the Managing General Partner shall not be in default under this Agreement if the Partnership’s subsequent inability to obtain or maintain the Property Tax Exemption is due to the failure of the Partnership to take reasonably appropriate actions and/or amend this Agreement so that it is in compliance with the Property Tax Rules (if applicable, as amended).
(iv) **No Default.** In addition, if in any year the Project no longer qualifies for the Property Tax Exemption due to any action or inaction by any Person other than the Managing General Partner or any Related Party thereof (including but not limited to the failure of the Administrative General Partner to submit accurate information to the BOE), the Managing General Partner shall not be in default under this Agreement, shall not be responsible for any damages, fees or costs, including any consequential or punitive damages, as a result of such failure to qualify for the Property Tax Exemption, and further, such non-qualification under this Section shall not cause or be deemed to cause the removal of the Managing General Partner from the Partnership under the provisions of Section 10(a).

(v) **Substantial Management Duties.** The Managing General Partner shall undertake the specific substantial management duties ("**Substantial Management Duties**") on behalf of the Partnership:

- (A) execute and enforce all contracts by the Partnership;
- (B) execute and deliver all Project Documents on behalf of the Partnership;
- (C) monitor compliance with all governmental regulations and file or supervise the filing of all required documents with governmental agencies related to the Project;
- (D) prepare or cause to be prepared all reports to be provided to the Partners or Lenders on a monthly, quarterly, annual or other basis consistent with the requirements of this Agreement and the Project Documents, as applicable;
- (E) Vote in all matters related to the Partnership that require a vote of the majority in interest or unanimous approval of the General Partners; and
- (F) ensure that charitable services or benefits, such as vocation training, education programs, childcare and after-school programs, cultural activities, family counseling, transportation, meals, and linkages to health and/or social services are provided or information regarding charitable services or benefits are made available to the low-income housing tenants of the Project.

(vi) Managing General Partner represents, warrants, and covenants to the other Partners that (A) Managing General Partner is a California non-profit public benefit corporation meeting the requirements of California Revenue and Taxation Code Section 214, (B) Managing General Partner has been recognized by the IRS as being a tax-exempt entity within the meaning of 501(c)(3) of the Code, (C) a valid and current Organizational Clearance Certificate is in effect with respect to Managing General Partner, and (D) none of the officers, directors, partners, shareholders or members of the other Partners, nor any of their Related Parties, individually or collectively, have a controlling vote or majority interest in the Managing General Partner;

(vii) Managing General Partner agrees to maintain its status as an eligible non-profit public benefit corporation meeting the requirements of California Revenue and Taxation Code Section 214 for purposes of satisfying the requirements of the Property Tax Rules.
and to file a “Supplemental Clearance Certificate” related to the Project, annually as required by the Property Tax Rules.

(viii) Managing General Partner shall immediately notify the other Partners if it becomes aware of any reason that would jeopardize the Property Tax Exemption pursuant to the Property Tax Rules and shall provide copies to the other Partners of all documents filed by the Managing General Partner in connection with the Property Tax Exemption.

(c) Delegation of Duties. Notwithstanding anything contained in the Agreement to the contrary, the Managing General Partner may delegate its Substantial Management Duties only in the event that such a delegation is to persons who, under its supervision, perform such duties for the Partnership. If the Managing General Partner elects to delegate one or more of its Substantial Management Duties, then the Managing General Partner shall demonstrate by maintaining appropriate records and otherwise that it is actually supervising the performance of the delegated duties. Accordingly, the Managing General Partner hereby delegates to the Administrative General Partner, the Substantial Management Duties described in Section 5.1(b)(iv) of this Agreement, with the exception of Section 5.1(b)(iv)(E), which delegation shall terminate upon the earlier of (i) the removal of the Managing General Partner or the Administrative General Partner as a general partner of the Partnership pursuant to the terms of this Agreement, (ii) the sale of the Project, (iii) the termination of this Agreement or the Partnership, or (iv) the breach of this Agreement by the Administrative General Partner. The Administrative General Partner shall indemnify, defend and hold harmless the Managing General Partner and its directors, officials, commissioners, agents, employees and contractors (collectively, the “Indemnitees”) from and against, and, upon demand reimburse the Indemnitees from, all claims, demands, liabilities, losses, damages, judgments, penalties, costs and expenses, including, without limitation, reasonable attorneys’ fees and disbursements, which may be imposed upon, asserted against or incurred or paid by the Indemnitees by reason of the Administrative General Partner’s negligence, willful misconduct, or breach of this Agreement related to its performance or lack of performance of the delegated Substantial Management Duties and, for avoidance of doubt, any and all Major Decisions that are not MGP Consent Decisions and for which Managing General Partner did not affirmatively Approve. Notwithstanding the foregoing, the Administrative General Partner shall have no liability for actions hereunder if the Administrative General Partner reasonably believes in good faith that such actions are within the scope of the authority conferred under this Agreement and such action (or failure to act) does not constitute negligence, willful misconduct, malfeasance, a material breach of the Administrative General Partner’s fiduciary duty to the Managing General Partner, a breach of this Agreement, or a violation of State or Federal securities law. The foregoing indemnification obligations of the Administrative General Partner shall survive the expiration or termination of this Agreement.

(d) Administrative General Partner Duties. The Administrative General Partner shall reasonably cooperate with Managing General Partner to collect and provide resident data and other data necessary for Managing General Partner to annually prepare for, and obtain, the Property Tax Exemption in accordance with the Property Tax Rules. The Administrative General Partner shall further perform the following management duties on behalf of the Partnership:
(i) rent, maintain and repair the low-income housing property, or if such duties are delegated to a management agent, participate in the hiring and overseeing of the work of the management agent;

(ii) acquire, hold, assign or dispose of the Partnership’s Property, or any interest therein, subject to the terms and conditions of the Partnership Agreement;

(iii) borrow money on behalf of the Partnership, encumber Partnership assets, place title in the name of a nominee to obtain financing, prepay in whole or in part, refinance, increase, modify or extend any obligation subject in each instance to the terms and conditions of the Partnership Agreement; and

(iv) determine the amount and timing of distributions to Partners and establish and maintain all required reserves.

(e) The Managing General Partner shall, with the cooperation of the Administrative General Partner, maintain records and documents evidencing the duties performed by the Managing General Partner (“Management Documents”). Such records and documents may include, but are not limited to:

(A) accounting books and records;
(B) tax returns;
(C) budgets and financial reports;
(D) reports required by Lenders;
(E) documents related to the construction of the Project;
(F) legal documents such as contracts, deeds, notes, leases and deeds of trust;
(G) documents related to complying with government regulations and filings;
(H) documents related to property inspections;
(I) documents related to charitable services or benefits provided or the information provided regarding such services or benefits;
(J) reports prepared for the Partners;
(K) bank account record;
(L) audited annual financial statement of the Partnership, provided that such audited financial statements are not required prior to the year the Project is placed in service; and
(M) any property management agreement.
5.2 **Sale of Property.**

(a) **Sale Authority.** Notwithstanding anything to the contrary contained in this Agreement, once a sale of the Property has been Approved, Administrative General Partner shall cause the Partnership to (i) engage a broker or brokers, (ii) incur expenses in connection with the marketing of the Property, such as the preparation of studies, sales offerings and brochures, and legal fees to prepare and negotiate agreements, (iii) proceed with the marketing and sale of the Property, and (iv) execute agreements, deeds, certificates, assignments, and other certificates with respect to such sale (and, if expressly required by Section 5.3 of this Agreement, to the extent Approved by the Partners) on behalf of the Partnership and thereby bind the Partnership.

(b) **Managing General Partner Responsibilities.** Managing General Partner shall reasonably cooperate with Administrative General Partner in such manner as Administrative General Partner may reasonably request to facilitate the marketing and sale of the Property; provided that Managing General Partner shall have no obligation to incur any costs or fees associated with any such marketing and sale and, and to the extent not paid for by the Partnership, Administrative General Partner will be responsible to pay all reasonable attorneys’ fees and other reasonable staff and administrative out-of-pocket costs incurred by Managing General Partner in preparation for a sale.

(c) **Alternative Right to Sell Partnership Interest of all Partners.** Administrative General Partner shall have the right to restructure the sale of the Property as a sale of the Partnership Interest of all the Partners, and in such event, each Partner shall be obligated to convey to the third party good and marketable title to its Partnership Interest free and clear of all liens and encumbrances. Each Partner agrees to cooperate and to take all actions and execute all documents reasonably necessary or appropriate to reflect the sale of the Partnership Interest of each Partner; provided that (i) the net proceeds from the sale of the Partnership Interest of each Partner shall not be less to each Partner than each Partner would have received had the Property been sold instead of the Partnership Interest and (ii) the sale of the Partnership Interest does not increase the tax liability of the selling Partner as compared to a sale of the fee interest in the Property. Except with respect to the Managing General Partner, in the event the Partners are required in connection with any sale under this Section to take on joint and several liability, each Partner hereby agrees to indemnify and hold harmless the other Partners for all liabilities so incurred by the non-indemnifying Partner in excess of such Partner’s Residual Percentage, except that no Partner shall indemnify another Partner for the fraud, misappropriation, negligence, willful misconduct, or breach of this Agreement of any such Partner and upon the closing of any such sale, the Partners shall enter into a contribution agreement to effectuate such indemnification in form and substance acceptable to the Partners. For avoidance of doubt, the Administrative Partner and other Partners (to the extent applicable and subject to Section 6.1 hereof) agree to indemnify and hold harmless the Managing General Partner for all liabilities so incurred with respect to such sale, except to the extent such liability is caused by the fraud, misappropriation, negligence, willful misconduct, or breach of this Agreement by the Managing General Partner.

5.3 **Specific Approval Rights of Partners.** Notwithstanding any provision of this Agreement to the contrary (except for Sections 1.6, 2.8 and 5.2 which shall be controlling), no General Partner shall, in the exercise of its authority on behalf of the Partnership under this Agreement, nor shall any General Partner permit any Related Party of such General Partner to,
take or cause the Partnership to take any of the following actions (each, a “**Major Decision**”), except to the extent such action is otherwise Approved in this Agreement or, in each instance, Approved in accordance with this **Section 5.3** (the parties agree that subsections b, d, m, n and x, and to the limited extent set forth below, j and l of this **Section 5.3** are actions that require an affirmative vote by the Managing General Partner (a “**MGP Consent Decision**”) in addition to Approval by the Partners.

(a) Except as provided in **Section 2.8**, borrow money, issue evidences of indebtedness, or grant any mortgages or other encumbrances on or security interests in the assets of the Partnership, including any financing or refinancing of the Property or any portion thereof, or modify, amend, extend, renew, change, or prepay, in whole or in part, any borrowing, financing, or refinancing, including, granting any approvals or consents, or make any commitments to borrow funds or give any consideration to obtain a commitment for the loan of funds;

(b) In connection with any financing, guaranty the payment of any money, or debt of another Person, or guaranty the performance of any other obligation of another Person;

(c) Except as provided in **Section 5.2**, sell, convey, exchange, mortgage, subdivide, or otherwise transfer or encumber (including the granting of any easement or license) all of or any interest in the Property or any real or personal, tangible or intangible property, other than non-material transfers of personal, tangible, or intangible property in the ordinary course of business;

(d) Take any action that would violate an affirmative or negative covenant or other provision of any document evidencing or securing any Authorized Financing, the HACLA Regulatory Agreement, or other material agreement binding on the Partnership or the Property or take any action that is in violation of applicable Laws;

(e) Enter into or amend, modify, or terminate any contract for the servicing, operation, management, renovation, construction, design, improvement, maintenance, or repair of the Property other than any contract that (i) is terminable without penalty upon not more than thirty (30) days’ prior written notice from the Partnership, (ii) is entered into in the ordinary course of the Partnership’s business, or (iii) is for work or services contemplated in the Project Plan and Budget and that otherwise does not require Approval under the terms of this Agreement;

(f) Take any action that would cause the guarantor or guarantors under the, Recourse Guaranty to incur any liability thereunder;

(g) Amend, modify, or deviate from the Project Plan and Budget (and no Project Plan and Budget shall become operative or effective until Approved);

(h) Amend, modify, or deviate from plans and specifications for the renovation of the Project (the **“Project Plans”**);

(i) Institute legal action or proceedings (including any tax abatement proceeding) or otherwise bring or prosecute any claim available to the Partnership, or settle any claim against the Partnership or any other matter, in each case outside of the ordinary course of business of the Partnership; or settle any tax abatement or eminent domain taking.
Notwithstanding the foregoing, the commencement of any litigation by the Partnership involving an aggregate claim of $50,000 or more shall require Approval;

(j) Change the business of the Partnership as described in Section 1.2(b), name the Project (or change the name of the Project), change the primary use of the Project, or make or agree to any changes to the zoning of the Property or any portion thereof, materially alter, redevelop, or renovate the Project or the Property (other than in accordance with the Approved Project Plans, the Project Plan and Budget, or as is reasonably required to protect the health and safety of Project residents); provided that change to the business of the Partnership and/or primary use of the Project shall be a MGP Consent Decision;

(k) Approve the terms or provisions of any restrictive covenants or easement agreements or any documents establishing, evidencing, or relating to a condominium or similar association or related entity affecting the Property or any portion thereof or any amendments or modifications thereof;

(l) Subject to Section 1.6, dissolve the Partnership, effect a merger, conversion, consolidation or other reorganization of the Partnership or modify or amend this Agreement or the LP Certificate, provided that any such action described in this subsection (except for a dissolution under Section 9.1(a)(i) shall be a MGP Consent Decision if any such foregoing action shall cause the Voting Percentage and/or Residual Percentage of the Managing General Partner to be decreased or eliminated or would otherwise limit or eliminate any of the rights of the Managing General Partner under this Agreement;

(m) Except as permitted under this Agreement or any Approved Related Party Agreement, employ or contract with or pay any amount to any Related Party of a Partner or any other Person in which a Partner has a direct or indirect financial interest in connection with any services to be provided to the Project. In order to be valid, any Approval in connection with the foregoing must expressly acknowledge that such compensation or reimbursement is to be paid to such Partner or a Related Party of such Partner;

(n) Grant any general power of attorney or other unlimited authority to act on behalf or in the name of the Partnership, except in connection with any action otherwise permitted by the Administrative General Partner without Approval in this Agreement or as otherwise set forth in the Loan Documents;

(o) Select accounting principles, practices, or policies with respect to the maintenance of the Partnership’s books and records and any material change to accounting and related matters material to the Partnership or the Partners or any material changes to accounting principles, practices, or policies;

(p) File any voluntary petition for the Partnership under the Bankruptcy Code, or seek the protection of any other federal or State bankruptcy or insolvency law or debtor relief statute, or consent to the institution or continuation of any involuntary bankruptcy proceeding, or fail to contest any involuntary bankruptcy proceeding within 15 days of its institution, or the admission in writing of the inability to pay debts generally as they become due; or the making of a general assignment for the benefit of creditors;
(q) Make any other decision or take any other action that by any provision of this Agreement is required to be Approved or as to which the Act specifically mandates that the vote or approval of the Partners is required (and such provision of the Act has not been superseded by this Agreement);

(r) Other than in the ordinary course of the Partnership’s business, exercise any right or remedy under or otherwise in connection with any agreement entered into by the Partnership, including, any approval, consent, election, recoveries, termination right or post-closing direction;

(s) Enter into (or amend) any lease or other use or occupancy agreement for space within the Project other than leases to residential tenants with a rental term of a year or less pursuant to an Approved form of lease and with rents satisfying the requirements of the HACLA Regulatory Agreement and the Project Plan and Budget;

(t) Take any action or make any decision that could be reasonably expected to trigger remedies against either or both the Partnership and the Property under any agreement to which the Partnership is a party;

(u) Engage a property manager or leasing agent or enter into a property management or leasing agent agreement;

(v) Repair or rebuild the Property or any portion thereof in case of material damage to the Property (i.e., costing more than $50,000) arising out of a casualty or condemnation;

(w) The payment of any leasing commissions or fees other than as set forth in the Project Plan and Budget; or

(x) Take any action that is reasonably foreseeable to jeopardize the Property Tax Exemption under the Property Tax Rules.

The General Partner proposing a Major Decision shall submit such Major Decision in writing for the other Partners’ review and decision. A submission of a Major Decision to the Partners shall not be deemed to be complete unless accompanied by all supporting documentation reasonably requested by the Partners to enable the Partners to make an informed decision with respect to such Major Decision. Each Partner shall provide a decision in writing with respect to a Major Decision to the requesting General Partner within five Business Days following the Partners’ receipt of a complete submission with respect to such Major Decision request. In the event of a failure of a Partner to respond to any such Major Decision request, the requesting General Partner shall resubmit the Major Decision request and all supporting documentation to such Partner. A Partner’s failure to provide a decision in writing to the requesting General Partner within two Business Days following such Partner’s receipt of such resubmission shall be deemed disapproval of such Major Decision (except if the Partner who has failed to respond is the Managing General Partner, in which event, the failure to respond shall be deemed approval of such Major Decision). If a General Partner takes any action that is a Major Decision without first obtaining Approval (or deemed Approval), the other Partners retain all rights and remedies hereunder and, in addition, all amounts spent by such General Partner in taking such action shall
not be Project Costs hereunder and such General Partner shall receive no credit or reimbursement for any such amounts spent.

5.4 Additional Rights of Limited Partners.

(a) Additional Rights. In addition to other rights reserved or granted to Limited Partners, each Limited Partner and its agents and representatives shall have the right, at any time and from time to time, upon reasonable notice (which shall not be deemed to require notice of more than two (2) Business Days) and during normal business hours to:

(i) review (A) the books and records required to be maintained under ARTICLE VIII below and (B) any information and reports relating to the management, operations, policies, or strategies of the Property or other assets of the Partnership; and

(ii) discuss, provide advice, and consult with the General Partners with respect to the business, financial, and other operations of the Partnership and any other matters materially affecting the business and affairs of the Partnership.

5.5 Partnership Expenses.

(a) Except as provided in this Agreement, in an Approved Related Party Agreement, or as otherwise Approved, none of any Partner, any Related Party of any Partner, or any partner, shareholder, officer, director, employee, agent, or representative of any Partner or Related Party of any Partner shall receive any salary or other compensation from the Partnership for services rendered pursuant to this Agreement or otherwise in connection with the Project. Each Partner shall be entitled to reimbursement of any expenses it pays on behalf of the Partnership to the extent such expenses are provided for in the Project Plan and Budget.

(b) Except as otherwise expressly provided in this Agreement, all Partners shall be solely responsible for paying all of their respective individual overhead costs.

(c) Managing General Partner shall receive an annual amount equal to $135,000 (the “Partnership Administration Fee”) in connection with providing its services as Managing General Partner required under this Agreement. The then current Partnership Administration Fee shall be increased on January 1st of each calendar year by the lesser of 3% or Consumer Price Index for the Los Angeles-Long Beach-Anaheim CA metropolitan area as measured by the United States Bureau of Labor Statistics, and shall be paid in advance of any debt service payments made by the Partnership in any year during the duration of the Partnership in accordance with Article IV hereof.

(d) All payments to Partners pursuant to this Section 5.5 shall be considered to be guaranteed payments as defined in Section 707(c) of the Code.

5.6 Employees. Subject to Section 1.6, all persons engaged by any General Partner in connection with such General Partner’s services hereunder shall be either such General Partner’s employees or its agents or independent contractors and in any event shall not be employees of the Partnership. Each Partner shall be solely responsible for the salaries of its employees and any employee benefits to which such employees may claim to be entitled. Each Partner shall indemnify and hold harmless the Partnership, the other Partners and any of their agents, officers, partners,
members, employees, representatives, directors, shareholders, or the like from any loss, cost, expense, claim, or damage in connection with the failure or claimed failure of such Partner to fully comply with all applicable laws and regulations having to do with worker’s compensation, social security, unemployment insurance, hours of labor, working conditions, wrongful discharge, employment discrimination, and other employer-employee related subjects with respect to such Partner’s employees.

5.7 Other Business Activities of the Partners; Related Parties.

(a) Related Parties. For purposes of this Agreement, the term “Related Party” means with respect to any Person, (i) any Person who directly or indirectly through one or more intermediaries Controls, is Controlled by, or is under common Control with such Person, (ii) any Person who is a member of the immediate family of such Person, or (iii) any Person in which such Person or one or more members of the immediate family of such Person has a five percent (5%) or more beneficial interest (whether an initial, residual, or contingent interest) or as to which such Person serves as a trustee or general partner or in a similar fiduciary capacity. A Person shall be deemed to Control a Person if it or any member of the immediate family of such Person owns, directly or indirectly, at least five percent (5%) of the beneficial interest in such Person (whether an initial, residual, or contingent interest) or otherwise has the power to direct the management, operations, or business of such Person, whether through ownership of voting securities, by contract or otherwise. Notwithstanding anything to the contrary contained herein, Limited Partners, Administrative General Partner, and any direct or indirect owner of any Limited Partner or Administrative General Partner is not a Related Party of Managing General Partner.

(b) General Provisions. Every Limited Partner and all of the Limited Partner’s and General Partner’s Related Parties may engage in or possess any interest, directly or indirectly, in any other business venture of any nature or description independently or with others, including, but not limited to, the ownership, financing, leasing, operation, management, syndication, brokerage, or development of real property competitive with the Property. Being a Limited Partner in the Partnership and the assumption by any Limited Partner of any duties hereunder shall be without prejudice to any Limited Partner’s rights (or the rights of its Related Parties or the General Partners’ Related Parties) to have such other interests and activities and to receive and enjoy profits or compensation therefrom, and neither the Partnership nor the other Partners shall have any right by virtue of this Agreement in and to such ventures or the income or profits derived therefrom.

(c) Related Party Transactions. No Partner shall engage or pay any compensation to any Related Party of said Partner for the provision of services to the Partnership unless (i) the Partner discloses such engagement to the other Partners as a transaction with a Related Party of said Partner, (ii) such engagement complies with Section 1.6 and (iii) such engagement or payment is Approved. For purposes of this Agreement, any contract or agreement between the Partnership and a Related Party of a Partner, which is Approved, shall be referred to as an “Approved Related Party Agreement.” The Partnership and Avanath Communities, Inc., a California corporation and a Related Party of Administrative General Partner, has or shall enter into that certain Management Agreement, in form and substance Approved by the Partners (“Management Agreement”). The Partners hereby acknowledge and agree that the Management Agreement, HACLA Regulatory Agreement and HACLA Loan Documents shall each constitute an Approved Related Party Agreement.
ARTICLE VI
LIABILITIES OF PARTNERS; INDEMNIFICATION

6.1 Limitation of Liability of Limited Partner.

(a) No Limited Partner shall take part in the management or control of the business of the Partnership nor transact any business in the name of the Partnership. Except as otherwise expressly provided in this Agreement, no Limited Partner shall have the power or authority to bind the Partnership or to sign any agreement or document in the name of the Partnership. No Limited Partner shall have any power or authority with respect to the Partnership except insofar as the consent of any Limited Partner be expressly required (including without limitation for “Approval” to be obtained) and except as otherwise expressly provided in this Agreement. Nothing in this Section shall limit or restrict the rights of any Limited Partner set forth in this Agreement.

(b) The liability of any Limited Partner shall be limited to its capital contributions as and when payable under the provisions of this Agreement. No Limited Partner (i) shall have any liability to contribute or loan money to the Partnership (other than its capital contribution obligations explicitly set forth herein), (ii) shall have any liability with respect to the liabilities or obligations of the Partnership, and (iii) shall be personally liable for any obligations of the Partnership. No personal liability shall at any time be asserted or enforceable against any Limited Partner’s principals, partners, shareholders, officers, or employees or any of its Related Parties on account of this Agreement or on account of any covenant, undertaking, or agreement contained in this Agreement. Without limiting the foregoing, each other Partner acknowledges that the liability of any member, partner or shareholder of any Limited Partner is solely that of a member of a limited liability company, partner of a limited partnership, or shareholder of a corporation, and no personal or direct liability shall at any time be asserted or enforceable against any such member, its board of directors, any shareholder, member, or partner thereof, or any officer, employee, or agent of such member on account of or arising out of any obligations arising out of or related to this Agreement. Each other Partner further waives any claim against any member, partner or shareholder of any Limited Partner, irrespective of the compliance or noncompliance now or in the future with any requirements relating to the limitation of liability of a member of a limited liability company.

(c) Notwithstanding anything to the contrary contained herein, no Limited Partner shall have any fiduciary duty, responsibility, or obligation to the Partnership or to any Partner or any duty, implied or express, of loyalty, care, good faith, or fair dealing, in connection with any Approved Related Party Agreement, any Approval or election to exercise rights hereunder, or any determination or other action by any Limited Partner hereunder, all of which, shall be given, taken, or withheld in the sole and absolute discretion of such Limited Partner in the best interests of itself and any of its Related Parties and may be without regard to the best interests of the Partnership or any other Partner and its Related Parties or the financial, tax, or other effect on the Partnership or any other Partner.

(d) Nothing in this Section 6.1 shall in any way limit the liability of any Limited Partner to any other Partner for any claim, action, or damage said other Partner may have against
such Limited Partner in connection with (i) a default by such Limited Partner pursuant to this Agreement and (ii) any fraudulent action of such Limited Partner.

6.2 Exculpatory Provisions. None of the Partners, any Related Party of a Partner or any Partner’s agents, officers, partners, members, commissioners, employees, representatives, directors, or shareholders (each such party, an “Partnership Indemnified Party”) shall be liable, responsible or accountable in damages or otherwise to the Partnership or any Partner for (a) any act performed in good faith within the scope of the authority conferred by this Agreement that does not constitute a breach of this Agreement, (b) any good faith failure or refusal to perform any acts except those required by the terms of this Agreement, or (c) any performance or omission to perform any acts based upon reasonable good faith reliance on the advice of accountants or legal counsel for the Partnership other than those that would constitute a breach of this Agreement; provided, however, that each Partnership Indemnified Party shall nevertheless be liable and shall not be entitled to indemnification in all events for its own fraud, misappropriation, negligence, willful misconduct, or breach of this Agreement. Notwithstanding the foregoing, no commissioner, officer, director, agent, or employee of the Managing General Partner or its Related Party, shall be personally liable under this Agreement in the event of any default or breach by the Managing General Partner, for any amount which may become due to the Partnership or its successors or assigns, or on any obligation under the terms of this Agreement.

6.3 Indemnification. To the fullest extent permitted by Law, provided that no indemnification shall be given with respect to acts or omissions that constitute fraud, misappropriation, negligence, willful misconduct, or breach of this Agreement, the Partnership shall indemnify, save harmless, defend and reimburse each Partnership Indemnified Person from any loss, cost, damage, claim, judgment, fine, liability, fee or expense (including legal fees and costs), incurred by reason of (a) such party’s status as a Partner or a Related Party of a Partner or such party’s status as agent, officer, partner, member, employee, representative, director, or shareholder of such Partner or Related Party, (b) any act performed, or omission to perform, in good faith within the scope of the authority conferred by this Agreement that does not constitute a breach of this Agreement, (and for avoidance of doubt, without limitation, any Approved action taken by the Partnership pursuant to Section 5.3(p) of this Agreement), (c) any good faith failure or refusal to perform any acts except those required by the terms of this Agreement, or (d) any performance or omission to perform any acts based upon reasonable good faith reliance on the advice of accountants or legal counsel for the Partnership other than those which would constitute a breach of this Agreement.

6.4 General Indemnity Provisions. Each indemnity provided for under this Agreement shall be subject to the following provisions:

(a) The indemnity shall cover the costs and expenses of the Partnership Indemnified Person, including reasonable attorneys’ fees and court costs, related to any actions, suits, or judgments incident to any of the matters covered by such indemnity.

(b) The Partnership Indemnified Person shall notify the Partnership of any claim against the Partnership Indemnified Person covered by the indemnity within forty-five (45) days after the Partnership Indemnified Person has notice of such claim, but failure to notify the Partnership shall in no case prejudice the rights of the Partnership Indemnified Person under this
Agreement unless the Partnership shall be prejudiced by such failure and then only to the extent the Partnership shall be prejudiced by such failure. Should the Partnership fail to discharge or undertake to defend the Partnership Indemnified Person against such liability with counsel reasonably acceptable to the Partnership Indemnified Person within thirty (30) days of the Partnership’s receipt of notice of the existence of the applicable claim (or such shorter period as is reasonably required under the then applicable circumstances in order to mitigate in material respect the exposure of the Partnership Indemnified Person with respect to the applicable claim), then the Partnership Indemnified Person may settle such liability. In such event, the liability of the Partnership hereunder shall be conclusively established by such settlement, which amount of such liability shall include both the settlement consideration and the reasonable costs and expenses, including attorneys’ fees, incurred by the Partnership Indemnified Person in effecting such settlement.

(c) Payment of a claim shall not be a condition precedent to any indemnification provided in this Agreement.

ARTICLE VII
TRANSFER OF COMPANY INTEREST

7.1 Transfer by the Partners.

(a) General Restrictions. Without first obtaining Approval, no General Partner shall, sell, assign, transfer, mortgage, charge, or otherwise encumber, or permit or suffer any other Person to sell, assign, transfer, mortgage, charge or otherwise encumber, or contract to do or permit any of the foregoing, directly or indirectly and whether voluntarily or by operation by law (collectively referred to as a “Transfer”), all or any part of its rights as a Partner hereunder, including without limitation, its (i) right to distributions as set forth in ARTICLE IV and (ii) rights of approval or rights to participate in the management of the business and affairs of the Partnership in accordance with the terms hereof (such Partner’s “Partnership Interest”), except as provided in this ARTICLE VII. Any attempt to effect any of the foregoing prohibited actions shall be void and, in addition to other rights and remedies at law and in equity, the other Partners shall be entitled to injunctive relief enjoining the prohibited action. The Partners expressly acknowledge that damages at law would be an inadequate remedy for a breach or threatened breach of the provisions concerning Transfer set forth in this Agreement. The giving of consent or approval by a Partner required under this ARTICLE VII in any one or more instances shall not limit or waive the need for such consent or approval in any other or subsequent instances. Notwithstanding anything in this ARTICLE VII or this Agreement to the contrary, no Partner (including any Limited Partner) shall have the right to effect any Transfer of its Partnership Interest if the Transfer (i) in the opinion of counsel to the Partnership, may constitute a violation of any state or federal securities laws or other applicable Laws or (ii) is prohibited by any Authorized Financing. In addition, no transfer of any interest in the Partnership may be made to any person or entity if (i) in the opinion of legal counsel to the Partnership, it could result in the Partnership being treated as an association or publicly traded partnership taxable as a corporation, or (ii) such transfer is effected through an “established securities market” or a “secondary market (or the substantial equivalent thereof)”, within the meaning of Section 7704 of the Code.

(b) Transfers in Partners. For purposes of this ARTICLE VII, Transfers of direct or indirect interests in Managing General Partner or a change in any Person managing General
Partner by contract shall be deemed Transfers subject to the restrictions of this ARTICLE VII. Notwithstanding anything to the contrary contained in this Agreement but subject to the terms of the Loan Documents, the Partners shall not unreasonably withhold Approval of the transfer of the Managing General Partner’s interest to a new special purpose entity California limited liability company (the “Substitute Managing General Partner”) after the execution of this Agreement, provided that (i) any such Substitute Managing General Partner shall be and shall have no members and no managers other than the Managing General Partner, the Housing Authority of the City of Los Angeles, or an instrumentality that is wholly controlled by the Housing Authority of the City of Los Angeles, (ii) such Substitute Managing General Partner shall have obtained an Organizational Clearance Certificate, if required by the California State Board of Equalization (“BOE”), and (iii) any costs (including reasonable attorneys’ fees) incurred by the Partnership, Permanent Lender, HACLA, any Partner, and/or any guarantor of the Partnership in connection with admission of such Substitute Managing General Partner shall be the responsibility of the Managing General Partner and Managing General Partner shall reimburse any such party with respect to any such costs.

(c) Conditions to Substitutions. An assignee or transferee of a Partner shall not be entitled to vote on Partnership matters and shall not have any other rights of a Partner other than its right to distributions and allocations, unless and until the assignee is admitted as a substituted Partner. An assignee or transferee shall become a substituted Partner when and if the assignee or transferee (i) pays all Partnership expenses incurred in connection with its substitution; (ii) submits a duly executed instrument of assignment and assumption, in a form reasonably satisfactory to the non-assigning Partners, specifying the Partnership Interest assigned to such assignee or transferee and setting forth the assigning Partner’s intention that the assignee succeed to such portion of the assigning Partner’s Partnership Interest and acknowledging that the assignor or transferor remains liable for its obligations; (iii) is approved by the Administrative General Partner; and (iv) executes a copy of this Agreement, an amendment to this Agreement, or a joinder to this Agreement (as may be subsequently amended). The admission of a substituted Partner shall be effective as of the close of the day on which all of the conditions specified in this Section 7.1(c) have been satisfied and from such date such substituted Partner shall have all rights and obligations of a Partner hereunder.

(d) Withdrawal by Partners. Notwithstanding any provision of the Act or the Loan Documents to the contrary, no Partner may resign, withdraw, or withdraw capital from the Partnership, except pursuant to a right expressly set forth herein; provided, however, that in no event may Managing General Partner resign, withdraw, or withdraw capital from the Partnership for so long as any obligation remains outstanding under the Permanent Loan; provided that, subject to the terms of the Loan Documents, the Managing General Partner may resign, withdraw, or withdraw capital from the Partnership (if any) if (i) any of the following occur: (A) the Administrative General Partner is in material breach of any of its obligations under this Agreement or the HACLA Regulatory Agreement beyond any applicable notice and cure period, (B) the Administrative General Partner is in violation of Section 9.2(b) of this Agreement, or (C) the Managing General Partner is required to resign or withdraw from the Partnership pursuant to applicable law, and (ii) the Managing General Partner has provided at least sixty (60) days prior written notice to the Administrative General Partner of any such election of the Managing General Partner to withdraw or resign.
ARTICLE VIII
REPORTING,
RECORDS AND ACCOUNTING MATTERS

8.1 Fiscal Year and Taxable Year. Except as otherwise provided by the Code, the taxable year of the Partnership shall be the calendar year. The fiscal year of the Partnership shall be the same as its taxable year.

8.2 Partnership Funds. Subject to Section 1.6, no Partnership funds, assets, credit, or other resources of any kind or description shall be paid to, or used for the benefit of, any Partner or officer of the Partnership, except as specifically provided in this Agreement or after the Approval of the Partners has been obtained. All funds of the Partnership shall be deposited only in the accounts of the Partnership in the Partnership’s name, shall not be commingled with funds of any Partner or officer of the Partnership and shall be withdrawn only upon such signature or signatures as may be Approved, as applicable. Approved representatives of Administrative General Partner shall be signatories on the Partnership’s bank accounts. Partnership funds shall be held in accounts at an Approved depository institution. The General Partners shall cause all cash funds received by the Partnership from any source to be deposited immediately upon receipt into accounts of the Partnership.

8.3 Maintenance of Records. Administrative General Partner shall maintain, or cause to be maintained, at the expense of the Partnership, in a manner customary and consistent with good accounting principles, practices, and procedures and the provisions of Exhibit B, a comprehensive system of office records, books, and accounts (which records, books, and accounts shall be and remain the property of the Partnership). Administrative General Partner, at the Partnership’s expense, shall cause audits to be performed annually and audited statements and income tax returns to be prepared as required by this Agreement and as requested by Avanath LP or required by the Loan Documents. The costs and expenses associated with each annual audit shall be a cost and expense of the Partnership. Such books and records of account shall be prepared and maintained by Administrative General Partner at the principal place of business of the Partnership or such other place or places as may from time to time be Approved. Each Partner or its duly authorized representative shall have the right to inspect, examine, and copy, and audit such books and records of account (and audit internal systems and procedures of Administrative General Partner) at the Partnership’s office during reasonable business hours. Not more than once per year (or as may otherwise be required by the terms of the Act), Administrative General Partner shall promptly deliver to Limited Partners, at the Partnership’s expense, a copy of this Agreement as in effect from time to time, and any amendments thereto and, upon request, shall so deliver any additional documents or information required by the Act or requested by a Limited Partner. Administrative General Partner shall provide Managing General Partner with a quarterly reporting package which shall include a rent roll, aged receivables and operating statements for the Partnership. The provisions of this Section 8.3 shall not limit Managing General Partner’s record keeping obligations pursuant to Section 5.1(b).

8.4 Accountants and Tax Returns.

(a) For purposes of this Agreement, the term “Accountants” means the firm of independent certified public accountants Approved and engaged from time to time by the
Partnership for purposes of reviewing or auditing the Partnership’s financial statements or other information furnished by the General Partners with respect to the Property and performing such other duties as are imposed on such accountants by this Agreement. Selecting or terminating any Accountants shall require Approval. The initial Approved Accountants is the firm of Novogradac & Company LLP.

(b) Administrative General Partner shall assist and provide all documentation required by the Accountants in a timely manner to permit the Accountants to prepare drafts of all tax returns required of the Partnership for Approval so that drafts of all tax returns (including all schedules and exhibits thereto and upon request, copies of all supporting work papers), are submitted to Limited Partners, together with a request to any Limited Partner for its consent, within ninety (90) days following the end of each fiscal year. Administrative General Partner shall file or cause to be filed all such tax returns required of the Partnership which have been Approved. Whether the Partnership uses a “proration method” or “interim closing of books method” for its annual tax returns shall be determined by Administrative General Partner as set forth in Section 5(e) of Exhibit B.

8.5 Taxation as a Partnership. It is the intent of the Partnership and its Partners that the Partnership be treated as a partnership for income tax purposes, the terms of this Agreement shall be construed so as to accomplish that goal, and General Partners will use their best efforts to cause the Partnership to be so treated.

ARTICLE IX
DISSOLUTION AND EVENTS OF DEFAULT

9.1 Dissolution.

(a) Events Causing Dissolution. Subject to Section 1.6, the Partnership shall be dissolved and its affairs wound up upon the occurrence of any of the following events:

(i) the sale, exchange, or other disposition by the Partnership of all or substantially all of its assets; provided, however, (A) that if, in connection with such sale or other disposition, the Partnership receives securities, a promissory note, or other non-cash consideration for all or a part of the purchase price of such property, the Partnership shall not be dissolved until such securities or promissory note(s) or other non-cash consideration are satisfied, sold, or otherwise disposed of and (B) at the election of Administrative General Partner, the dissolution of the Partnership may be deferred until the expiration of any construction defect statute of limitations under applicable Laws or such earlier time determined by Administrative General Partner;

(ii) upon Approval of the Partners that the Partnership shall be dissolved; or

(iii) any other event causing the dissolution of the Partnership under the Act unless Avanath LP within ninety (90) days after receiving notice of such event elects to continue the Partnership and designates a new General Partner, if necessary. The Partnership shall not be dissolved by the death, resignation, withdrawal, bankruptcy, or dissolution of a Partner. Notwithstanding any other provision of this Agreement, the Bankruptcy of a General Partner shall not cause such General Partner to cease to be a general partner of the Partnership and upon the
occurrence of a Bankruptcy with respect to a General Partner, the Partnership shall continue without dissolution.

(b) **Winding Up.** If the Partnership is dissolved, then the Administrative General Partner shall proceed without any unnecessary delay to sell or otherwise liquidate all property of the Partnership. Any act or event (including the passage of time) causing a dissolution of the Partnership shall in no way affect the validity of, or shorten the term of, any lease, deed of trust, mortgage, contract or other obligation entered into by or on behalf of the Partnership.

(c) **Application of Assets in Winding Up.** In winding up the Partnership, after paying or making provision for payment of all of its third-party liabilities and paying all other costs and expenses incurred in connection with winding up and terminating the Partnership, the Administrative General Partner shall distribute the remaining net proceeds and liquid assets among the Partners pursuant to Section 4.4.

(d) **Termination.** The Partnership shall terminate, except for the purpose of suits, other proceedings, and appropriate action as provided in the Act, when all of its property shall have been disposed of and the net proceeds and liquid assets, after satisfaction of liabilities to Partnership creditors, including the HACLA Loan, shall have been distributed among the Partners. As soon as practicable after the termination of the Partnership, the Administrative General Partner shall cause a certificate of cancellation to be filed with the Delaware Secretary of State. The Administrative General Partner shall have authority to distribute any Partnership property discovered after dissolution, convey real estate, and take such other action as may be necessary on behalf of and in the name of the Partnership.

9.2 **Events of Default.** There will be an “**Event of Default**” under this Agreement with respect to any Partner if any event or circumstance shall transpire or exist with respect to such Partner and such event or circumstance is designated as an Event of Default under this Agreement or any one or more of the following events or circumstances shall transpire or exist with respect to that Partner or a Related Party of such Partner, as applicable, and shall not be cured within any applicable period of notice and grace specified below:

(a) **Breach of Obligations.** If a Partner is in breach of any obligation under this Agreement and such default or breach is not corrected within thirty (30) days after written notice thereof identifying the default with specificity from another Partner; provided that if such default is non-monetary in nature and is not susceptible of cure within such thirty (30) day period, if the defaulting Partner initiates such cure and diligently prosecutes such cure to completion, such grace period shall be extended for such time (not to exceed ninety (90) days) as is reasonably necessary to allow such defaulting Partner to effect such cure; provided further that if such default or breach is willful, flagrant, and material and not susceptible of cure, then no notice or grace period shall be required and such breach or default shall immediately constitute an Event of Default.

(b) **Fraud, Negligence or Willful Misconduct.** If a Partner or a Related Party of such Partner shall commit an act involving fraud, malfeasance, misappropriation of Partnership funds, willful misconduct, waste, or gross negligence in connection with any of its obligations hereunder and/or under the HACLA Regulatory Agreement, provided that the occurrence of any of the foregoing by any member, partner, shareholder, officer, director, employee, agent, or
representative of any Partner or Related Party of any Partner without the involvement or knowledge of such Partner or any other principal executive officer of such Partner will not constitute an Event of Default if such Partner indemnifies the Partnership in connection with any such actions as set forth in Section 6.3 of this Agreement and within a reasonably prompt period (as permitted by contractual obligations and legal requirements) terminates the individual or individuals responsible for such actions or otherwise removes such individual or individuals from any direct or indirect participation in any Partnership matters.

(c) Prohibited Transfer. Any Transfer by a Partner or with respect to a Partner in violation of the provisions of ARTICLE VII.

(d) Bankruptcy. If a Partner shall (i) initiate proceedings of any nature under the federal Bankruptcy Code, or any amendment or successor thereto, (the “Bankruptcy Code”) or any similar state or federal law for the relief of debtors, (ii) make a general assignment for the benefit of creditors, (iii) have initiated against it a proceeding under any section or chapter of the Bankruptcy Code, or any similar federal or state law for the relief of debtors, which proceeding is not dismissed or discharged within a period of sixty (60) days after the filing thereof, (iv) admit in writing its inability to pay its debts as they mature or to perform its obligations under this Agreement, (v) be the subject of an attachment or execution or other judicial seizure of all or any substantial part of said Partner’s assets or of its Partnership Interest or any part thereof, which remains undismissed or undischarged for a period of sixty (60) days after levy thereof, or (vi) consent to the appointment of a receiver or have a receiver appointed to manage it or any substantial part of its assets or of its Partnership Interest or any part thereof, which receivership remains in place for a period of at least sixty (60) days (any such event, a “Bankruptcy”). The defined term “Bankruptcy” herein is intended to replace and shall supersede and replace the events set forth in Section 17-402(a)(4) of the Act.

9.3 Remedies. Upon an Event of Default by any Partner, the other Partners shall have, in addition to any other rights set forth in this Agreement, all of their respective rights at law and in equity.

ARTICLE X
REPLACEMENT OF MANAGING GENERAL PARTNER

(a) Subject to Section 1.6, Administrative General Partner (after receiving direction to do so from Avanath LP or Avanath LP’s consent) shall have the right to remove Managing General Partner as a Partner by providing notice of such removal to Managing General Partner, but solely upon (a) a sale of all or substantially all of the Property in fee or the sale of equity interests, in each case, to a Person other than a Related Party of the Administrative General Partner, and (b) an Event of Default with respect to the Managing General Partner (subject to subsection (c) of this paragraph), and/or (c) subject to Section 5.1(b)(iv) of this Agreement, at any time that the Property Tax Exemption under the Property Tax Rules is not in effect. From and after the date of such removal as provided for in this paragraph, Managing General Partner shall have no rights or authority with respect to the Partnership and shall have no right to distributions, the payment of any fees or other amounts or other benefits from the Partnership (including the Partnership Administration Fee). From and after the date of such removal, which removal occurs at a time when no Event of Default is in effect with respect to Managing General Partner and the
Property Tax Exemption under the Property Tax Rules is in effect, Managing General Partner shall still have the right to receive distributions under Section 4.2 and Section 4.3 but shall have no other rights or authority with respect to the Partnership (including without limitation the right to consent to the admission of new Partners or any other Major Decisions). Notwithstanding anything else contained in this Agreement, the sole method of terminating the General Partner is set forth in this paragraph.

MANAGING GENERAL PARTNER ACKNOWLEDGES THAT THE PROVISIONS OF THIS ARTICLE X ARE REASONABLE UNDER THE CIRCUMSTANCES THAT EXIST AS OF THE DATE OF THIS AGREEMENT.

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Managing General Partner’s Initials

ARTICLE XI
CERTAIN ADDITIONAL PROVISIONS RELATING TO THE MANAGING GENERAL PARTNER

11.1 Covenants.

(a) Notice of Bankruptcy. Managing General Partner shall notify the other Partners immediately upon the occurrence of a Bankruptcy pursuant to Section 9.2(d) of this Agreement with respect to itself.

(b) Additional Representations and Warranties of Managing General Partner. The Managing General Partner represents to the other Partners as of the date hereof:

(i) It is validly existing and qualified to transact business and is in good standing in the state in which it is organized and in each other jurisdiction in which such qualification and/or standing is necessary to the conduct of its business;

(ii) It is not currently:

(A) the subject of or a party to any completed or pending bankruptcy, reorganization, including any receivership, or other insolvency proceeding;

(B) preparing or intending to be the subject of a Bankruptcy (as defined above);

(C) the subject of any judgment unsatisfied of record or docketed in any court; or

(D) Insolvent (as defined in the Permanent Loan Agreement);

(iii) The organizational documents, including, without limitation, all certificates, instruments, other documents and any amendments thereto pursuant to which the
Managing General Partner is organized, operates or is governed, and any other document that affects the control of, or the ability to oversee the management and day-to-day operations of the Managing General Partner (collectively, the “Organizational Documents”) of the Managing General Partner provided to the other Partners as of the date hereof are true, correct and complete; and

(iv) It is not in violation of any applicable civil or criminal laws or regulations, including those requiring internal controls, intended to prohibit, prevent, or regulate money laundering, drug trafficking, terrorism, or corruption, of the United States and the jurisdiction where the Mortgaged Property (as defined in the Permanent Loan Agreement) is located or where the Managing General Partner resides, is domiciled, or has its principal place of business, and the Managing General Partner is not a Person (as defined in the Permanent Loan Agreement):

(A) against whom proceedings are pending for any alleged violation of any such laws;

(B) that has been convicted of any violation of, has been subject to civil penalties or Economic Sanctions (as defined in the Permanent Loan Agreement) pursuant to, or had any of its property seized or forfeited under, any such laws; or

(C) with whom any United States Person (as defined in the Permanent Loan Agreement), any entity organized under the laws of the United States or its constituent states or territories, or any entity, regardless of where organized, having its principal place of business within the United States or any of its territories, is a Sanctioned Person (as defined in the Permanent Loan Agreement) or is otherwise prohibited from transacting business of the type contemplated by the Permanent Loan Agreement and the other Permanent Loan Documents under any other applicable law.

(c) Additional Covenants of Managing General Partner.

(i) The Managing General Partner shall maintain its existence, its entity status, franchises, rights, and privileges under the laws of the state of its formation or incorporation (as applicable);

(ii) The Managing General Partner shall not dissolve or liquidate for any reason (whether voluntary or involuntary);

(iii) Promptly upon request of any other Partner, the Managing General Partner shall deliver true, correct and complete copies of its then-current Organizational Documents;

(iv) The Managing General Partner shall remain in compliance with any applicable civil or criminal laws or regulations (including those requiring internal controls) intended to prohibit, prevent, or regulate money laundering, drug trafficking, terrorism, or corruption, of the United States and the jurisdiction where the Mortgaged Property is located or where the Managing General Partner is domiciled, is registered as a foreign entity, or has its
principal place of business, and at no time shall Managing General Partner be a Person (as defined in the Permanent Loan Agreement):

(A) against whom proceedings are pending for any alleged violation of any such laws;

(B) that has been convicted of any violation of, has been subject to civil penalties or Economic Sanctions (as defined in the Permanent Loan Agreement) pursuant to, or had any of its property seized or forfeited under, any such laws; or

(C) with whom any United States Person (as defined in the Permanent Loan Agreement), any entity organized under the laws of the United States or its constituent states or territories, or any entity, regardless of where organized, having its principal place of business within the United States or any of its territories, is a Sanctioned Person (as defined in the Permanent Loan Agreement) or is otherwise prohibited from transacting business of the type contemplated by the Permanent Loan Agreement and the other Permanent Loan Documents under any other applicable law; and

(v) The Managing General Partner shall give the other Partners prompt written notice of any name change or entity conversion with respect to the Managing General Partner.

ARTICLE XII
MISCELLANEOUS

12.1 Notices. Any and all notices, demands, consents, approvals, offers, elections and other communications required or permitted under this Agreement (collectively, “Notices”) shall be deemed to have been properly given (i) upon delivery, if delivered in person, by facsimile transmission, or electronic mail with receipt acknowledged by the recipient thereof and confirmed by telephone by sender (if sent by facsimile) or upon transmission to the email address of the recipient without notice of failure to deliver or rejection (if sent by electronic mail), (ii) one (1) Business Day (defined below) after having been deposited for overnight delivery with any reputable overnight courier service with all freight charges prepaid, or (iii) three (3) Business Days after having been deposited in any post office or mail depository regularly maintained by the U.S. Postal Service and sent by registered or certified mail, postage prepaid, return receipt requested, except that whenever under this Agreement a Notice is either received on a day that is not a Business Day or is required to be delivered on or before a specific day that is not a Business Day, the day of receipt or required delivery shall automatically be extended to the next Business Day; provided further that the refusal by a party to receive delivery of any Notice shall be deemed such party’s receipt of the same.

All such Notices shall be addressed:

If to Administrative General Partner or Avanath LP, to:

c/o Avanath Affordable Housing IV, LLC
1920 Main Street, Suite 150
Irvine, CA 92614
Attention: Wesley Wilson
Email: wwilson@avanath.com

with a copy (that will not constitute notice) to:

Manatt, Phelps & Phillips, LLP
695 Town Center Drive, 14th Floor
Costa Mesa, California 92626
Attention: Grace Winters
Email: gwinters@manatt.com

If to Managing General Partner:

La Cienega LOMOD, Inc.
2600 Wilshire Blvd.,
Los Angeles, California 90057
Attention: Tina Smith-Booth, President
E-mail: [__________________]

By Notice given as herein provided, the parties hereto and their respective successors and assigns shall have the right from time to time and at any time during the term of this Agreement to change their respective addresses effective upon receipt by the other parties of such Notice and each shall have the right to specify as its address any other address within the United States of America.

12.2 Amendments. Subject to Section 1.6, this Agreement may be amended only if such amendment is Approved. The Partners shall execute any such Approved amendment in order to evidence same.

12.3 Interpretation; Business Days.

(a) The table of contents and titles of the Articles and Sections in this Agreement are for convenience only and shall not be considered in construing this Agreement.

(b) Pronouns used with reference to the Partners shall be construed to refer to the feminine, neuter, singular and plural as the identity of the individual or entity referred to may require.

(c) This Agreement constitutes the entire agreement among the Partners and supersedes any prior written or oral agreements with respect to the subject matter of this Agreement.

(d) No provision of this Agreement (including any obligation of any Partner to make contributions) shall be interpreted as bestowing any rights whatsoever upon any third party. A cross-reference to another section shall be deemed to be to such section of this Agreement, unless explicitly stated otherwise.

(e) The terms “include”, “includes” and “including” as used in this Agreement shall be deemed to be followed by the phrase “without limitation.”
(f) For purpose of this Agreement, “Business Day” means each Monday, Tuesday, Wednesday, Thursday, and Friday that is not a day on which banking institutions in the State of California are authorized or obligated by law or executive order to close.

12.4 Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same instrument.

12.5 No Partition; Nature of Interest. No Partner nor any legal successor of a Partner shall have the right to partition the Partnership or any Property or any part thereof or interest therein, or to file a complaint or institute any proceeding at law or in equity to partition the Partnership or any Property or any part thereof or interest therein. Each Partner, for such Partner and such Partner’s legal successor, hereby waives, to the fullest extent permitted by law, any such rights. No Partner shall have any interest in any specific assets of the Partnership, and no Partner shall have the status of a creditor with respect to any distributions of Distributable Cash pursuant to Section 4.2 hereof. The interest of each Partner in the Partnership is personal property. The Partners intend that, during the term of this Agreement, the rights of the Partners and their successors in interest, as among themselves, shall be governed solely by the terms of this Agreement and by the Act.

12.6 Severability. If any provision of this Agreement is determined to be unenforceable for any reason, it shall be adjusted rather than voided, if possible, to achieve the intent of the parties. In any event, all other provisions shall be deemed valid and enforceable to the greatest possible extent.

12.7 Binding on Successors. Subject to the provisions of ARTICLE VII, the rights and obligations of the Partners under this Agreement shall inure to the benefit of and bind their respective successors and assigns.

12.8 Confidentiality. All parties agree to maintain the confidentiality of the terms and conditions of this Agreement and to maintain the confidentiality of (a) any information provided by one party to the others and (b) all information contained in any Partnership books, records, computer discs, and similar materials containing Partnership information, invoices, and other documents received or maintained by the Partnership pursuant to this Agreement, other than information that is available from public sources. Any party may, however, disclose any of such information to its agents, directors, officers, employees, advisors, attorneys, a Related Party, or representatives who require such information for the purpose of performing or assisting in the performance of its obligations or services hereunder, and to investors or lenders or proposed investors or lenders, provided that in all such cases such parties shall be informed of the confidential nature of such information. Any party hereto may also disclose any such information (a) to the extent required by law or court order, including the California Public Records Act (“CPRA”), provided that such party shall have first, to the extent reasonably practicable, advised the other of the requirement to disclose such information and shall have afforded the other an opportunity to dispute such requirement and seek relief therefrom by legal process, including pursuant to the CPRA requirements, (b) in connection with any suit, action, arbitration, or other proceedings between or among the parties hereto or their respective Related Parties, or (c) to the
extent required in connection with the preparation or filing of any tax returns or other filings required by any applicable Law.

12.9 Representations and Warranties.

(a) Each Partner represents to the other Partners as of the date hereof:

   (i) Such Partner is a validly existing entity under the laws of the state of its incorporation or formation, with full power and authority and legal right to be a Partner of the Partnership and to carry on its business in the manner and in the locations in which such business has been and is now being conducted by it, to execute and deliver this Agreement, and to perform its obligations hereunder.

   (ii) No consent of any third party is required as a condition to the entering into of this Agreement by such Partner other than such consent as has been previously obtained.

   (iii) The execution and delivery of this Agreement has been duly authorized and executed by such Partner and this Agreement constitutes the valid and binding obligation and agreement of such Partner, enforceable in accordance with its terms (subject to the effect of bankruptcy, insolvency or creditor’s rights generally, and to limitations imposed by general principles of equity).

   (iv) Neither the execution and delivery of this Agreement, nor compliance with the terms and provisions hereof, will result in any breach of the terms, conditions or provisions of, or conflict with or constitute a default under, or result in the creation of any lien, charge or encumbrance upon any property or assets of such Partner pursuant to the terms of any indenture, mortgage, deed of trust, note, evidence of indebtedness, agreement, or other instrument to which such Partner may be party or by which it or any of its properties or assets may be bound, or violate any provision of law, or any applicable order, writ, injunction, judgment, or decree of any court, or any order or other public regulation of any governmental commission, bureau, or administrative agency.

   (v) No order, permission, consent, approval, license, authorization, registration or validation of, or filing with, or exemption by, any governmental agency, commission, board, or public authority is required to authorize, or is required in connection with the execution, delivery, and performance by such Partner of this Agreement or the taking of any action thereby contemplated, that has not been already obtained, other than any such order, permission, consent, approval, license, authorization, registration, or validation of, or filing with, or exemption by, any governmental agency, commission, board, or public authority required in connection with the ordinary course of operations of the Partnership.

(b) The representations and warranties set forth in this Agreement shall survive the admission of the Partners as partners in the Partnership.

12.10 Brokerage Commissions. Each of the Partners represents and warrants to the other Partners that it has not dealt with any broker, investment banker, consultant, or other third party in connection with the negotiation of this Agreement or the transactions contemplated herein. Each
of the Partners agrees to indemnify, defend, and hold the other Partners harmless from and against any liability, claim, damage, cost, or expense (including reasonable attorneys’ fees) arising out of or in connection with any misrepresentation under this Section 12.10. In addition, no brokerage fees or commissions shall be payable by the Partnership or the Partners in connection with any purchase by any Partner or its designee of the Property or the other Partners’ Interests pursuant to this Agreement and each Partner shall indemnify and hold harmless the Partnership and the other Partners from and against any such claims for brokerage fees or commissions made based upon the actions of such Partner, including any fees and expenses in defending any such claims.

12.11 Partner Estoppel Certificates. Upon the written request of a Partner or any lender to such Partner, the other Partners shall, within fifteen (15) days of its receipt of such request, execute and deliver a written statement certifying: (i) that this Agreement is unmodified and in full force and effect (or, if modified, that this Agreement is in full force and effect as modified, and stating any and all modifications), (ii) that such Partner is not in default hereunder and, to its actual knowledge, the requesting Partner is not in default hereunder, in each case except as specified in such statement, and (iii) that to its actual knowledge, no event has occurred which with the passage of time or the giving of notice, or both, would ripen into a default hereunder, except as specified in such statement. Such written statement may be relied upon by a Partner’s prospective purchasers, investors or lenders.

12.12 Time is of the Essence. Time is of the essence with respect to all time or notice deadlines set forth herein, however, this provision shall not affect the rights of any defaulting party hereunder to cure such default within the time periods (if any) explicitly set forth herein, if and as so permitted pursuant to the terms of this Agreement.

12.13 Construction. The Partners acknowledge that each Partner and its counsel have reviewed and revised this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any amendment or Exhibit thereof.

12.14 Captions Not Binding; Exhibits. The captions in this Agreement are inserted for reference only and in no way define, describe, or limit the scope or intent of this Agreement or of any of the provisions thereof. All Exhibits attached hereto are incorporated by reference as if set out herein in full.

12.15 Waiver. No waiver by any party hereto of any failure or refusal by any other party to comply with its obligations hereunder shall be deemed a waiver of any other or subsequent failure or refusal to so comply.

12.16 Right to Specific Performance. The failure or refusal by a Partner to comply with any or all of the provisions of this Agreement, subject to any applicable notice and cure period as set forth in Section 9.2(a), shall entitle any other Partner to specific performance of the terms, covenants and conditions of this Agreement or any part hereof in addition to any and all other remedies available to such Partner at law or in equity.

12.17 Dispute Resolution; Choice of Forum; Governing Law.
(a) If a dispute arises out of or relates to this Agreement, or the breach thereof, between the Partners and if the dispute cannot be settled through negotiation within ten (10) days of commencement of the dispute, the Partners agree first to attempt in good faith to settle the dispute by mediation administered in accordance with the California rules and law by a mutually agreeable certified mediator ("Mediation Proceeding") before resorting to litigation, or some other dispute resolution procedure. Such mediator shall be selected from a panel of former or retired judges of the Superior Court of the State of California or any higher court in the State of California who are sophisticated and knowledgeable in affordable multifamily residential housing, including litigation or dispute resolution experience regarding the foregoing. The selection of the mediator shall be made by mutual agreement of the parties, or if no agreement is timely reached, by submission to the American Arbitration Association (the “AAA”). The party initiating the Mediation Proceeding shall be responsible for all reasonable costs associated with the Mediation Proceeding, including any fee of the mediator.

(b) In the event any such dispute is not resolved pursuant to a Mediation Proceeding, then the Partners may bring a suit for award of monetary damages or equitable relief for any violation of the terms of this Agreement or any other reason, provided that the unsuccessful party to such litigation covenants and agrees to pay the successful party all costs and expenses reasonably incurred, including without limitation reasonable attorneys’ fees. For the purpose of this Agreement, the term “attorneys’ fees” shall mean the fees and expenses of counsel to the parties hereto, which may include printing, photostating, duplicating, and other expenses, air freight charges, and fees billed for law clerks, paralegals, librarians, and others not admitted to the bar but performing services under the supervision of an attorney. Such term shall also include all such fees and expenses incurred with respect to appeals, reference out, and bankruptcy proceedings, and whether or not any action or proceeding is brought with respect to the matter for which said fees and expenses were incurred. Notwithstanding anything to the contrary in this Agreement, the prevailing party in any such litigation or proceeding shall not be entitled to recover any attorneys’ fees and/or expenses from the Managing General Partner.

(c) ALL JUDICIAL PROCEEDINGS WITH RESPECT TO THIS AGREEMENT SHALL BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION HAVING SITUS IN LOS ANGELES COUNTY, CALIFORNIA, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH PARTY ACCEPTS, FOR ITSELF, SUCH JURISDICTION.

(d) The provisions of Section 12.17(a) and (b) shall in no way limit the right of any Partner to exercise self-help remedies or to obtain provisional, ancillary, or equitable remedies (including, without limitation, temporary restraining orders or preliminary or permanent injunctions) from a court of competent jurisdiction before, after, or during the pendency of any Mediation Proceeding. The exercise of such remedy shall not waive the right of any Partner to resort to an Mediation Proceeding.

(e) The laws of the State of Delaware, including, without limitation, the Act, shall govern the organization and internal affairs of the Partnership and the liability of the Partners. Nevertheless, to the extent that reference need be made to the law of any state to enforce the decision made by any legal proceeding brought pursuant to Section 12.17(b) or (d), or to apply or interpret the procedural rules applicable to any legal proceeding brought pursuant to Section
12.17(b) or (d), the internal laws of the State of California (without reference to the rules regarding conflict or choice of laws of such State) shall be utilized for such purpose.

12.18 The Managing General Partner’s Liability. Notwithstanding anything to the contrary set forth in this Agreement or any related agreements between the parties, written or oral, the liability of the Managing General Partner to the other Partners or to the Partnership or to any third person, in all instances hereunder, shall be limited solely to the interest of the Managing General Partner in the Partnership, including any interest the Managing General Partner may now have or in the future may have or any right to payment (now or in the future) of any fees, distributions, or other items of compensation under this Agreement or any related agreements. The liability of the Managing General Partner hereunder is non-recourse and shall not, in any event, extend to or be enforceable against, any other assets of the Managing General Partner or a Related Party or personally to any officers, directors, commissioners, employees, or representatives of the Managing General Partner or a Related Party.

12.19 Right of First Refusal.

(a) Offered Interests. During the twenty-four (24) month period following the Effective Date, in the event that the Partnership receives a bona fide letter of intent or offer letter from an independent third party with terms and conditions that Administrative General Partner is willing to accept (the “Third Party LOI”) to sell the fee interest in the Property (the “Fee Interest”), then the Managing General Partner shall have a right of first refusal to purchase such Fee Interest on the same terms and conditions as set forth in the Third Party LOI (the “ROFR Right”).

(b) Notice. The Partnership shall give written notice (the “Offering Notice”) to the Managing General Partner, specifying the terms and conditions of the Third Party LOI, including the purchase price and closing timeline, and the Managing General Partner shall have ten (10) business days thereafter to notify the Partnership in writing of its election to purchase the Fee Interest on the same terms and conditions (the “ROFR Election Notice”).

(c) Closing. If the Managing General Partner delivers the ROFR Election Notice, it shall close on the Fee Interest pursuant to the terms set forth in the Offering Notice. If the Managing General Partner does not deliver a ROFR Election Notice, its right to exercise the ROFR Right shall be deemed to have been waived, and the Partnership shall thereafter, subject to Section 7.1, and the terms of the Regulatory Agreement, be free to market the Property and Transfer the Fee Interest to any independent third party on terms and conditions materially similar to those set forth in the Offering Notice.

[Remainder of Page Intentionally Left Blank.]
IN WITNESS WHEREOF, each of the parties has executed this Agreement as of the date first written above.

Limited Partner:

Avanath Rosalia LP, LLC,
a Delaware limited liability company

By: Avanath AH IV Baldwin Village Holdco, Inc.,
a Delaware corporation,
its managing member

By: ______________________________
Name: Wesley Wilson
Title: CFO
Administrative General Partner:

Avanath Tomas GP, LLC,
a Delaware limited liability company

By: Avanath AH IV Baldwin Village Holdco, Inc.,
a Delaware corporation,
itss managing member

By: ____________________________
Name: Wesley Wilson
Title: CFO

Managing General Partner:

La Cienega LOMOD, Inc.
a California nonprofit public benefit corporation

By: ____________________________
Name: __________________________
Title: __________________________
Exhibit A

Description of Property

All that real property situated in the City of Los Angeles, County of Los Angeles, State of California and more particularly described as follows:

PROPERTY A:

PARCEL 1:

LOT 1 OF TRACT NO. 15021, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 319 PAGES 38 TO 40 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 2:

LOT 2 OF TRACT NO. 15021, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 319 PAGES 38 TO 40 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 3:

LOT 3 OF TRACT NO. 15021, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 319 PAGES 38 TO 40 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 4:

LOT 4 OF TRACT NO. 15021, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 319 PAGES 38 TO 40 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 5:

LOT 5 OF TRACT NO. 15021, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 319 PAGES 38 TO 40 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 6:

LOT 6 OF TRACT NO. 15021, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 319 PAGES 38
PARCEL 7:
LOT 7 OF TRACT NO. 15021, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 319 PAGES 38 TO 40 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 8:
LOT 8 OF TRACT NO. 15021, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 319 PAGES 38 TO 40 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 9:
LOT 9 OF TRACT NO. 15021, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 319 PAGES 38 TO 40 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 10:
LOT 10 OF TRACT NO. 15021, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 319 PAGES 38 TO 40 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PROPERTY B:

PARCEL 1:
LOT 26 OF TRACT NO. 14763, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 312 PAGES 34 TO 38 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 2:
LOT 27 OF TRACT NO. 14763, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 312 PAGES 34 TO 38 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 3:
LOT 2 OF TRACT NO. 14763, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 312 PAGES 34 TO 38 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 4:

LOT 8 OF TRACT NO. 14763, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 312 PAGES 34 TO 38 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PROPERTY C:

PARCEL 1:

LOT 84 OF TRACT NO. 19268, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 495 PAGES 29 TO 34 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 2:

LOT 85 OF TRACT NO. 19268, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 495 PAGES 29 TO 34 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 3:

LOT 86 OF TRACT NO. 19268, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 495 PAGES 29 TO 34 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 4:

LOT 90 OF TRACT NO. 19268, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 495 PAGES 29 TO 34 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 5:

LOT 91 OF TRACT NO. 19268, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 495 PAGES 29 TO 34 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 6:
LOT 92 OF TRACT NO. 19268, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 495 PAGES 29 TO 34 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 7:

LOT 93 OF TRACT NO. 19268, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 495 PAGES 29 TO 34 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 8:

LOT 94 OF TRACT NO. 19268, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 495 PAGES 29 TO 34 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PROPERTY D:

PARCEL 1:

LOT 3 OF TRACT NO. 15020, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 319 PAGES 34 TO 37 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 2:

LOT 4 OF TRACT NO. 15020, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 319 PAGES 34 TO 37 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 3:

LOT 5 OF TRACT NO. 15020, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 319 PAGES 34 TO 37 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 4:

LOT 1 OF TRACT NO. 15020, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 319 PAGES 34 TO 37 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 5:
LOT 2 OF TRACT NO. 15020, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAPRecorded IN BOOK 319 PAGES 34 TO 37 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 6:

LOT 6 OF TRACT NO. 15020, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP Recorded in BOOK 319 PAGES 34 TO 37 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 7:

LOT 7 OF TRACT NO. 15020, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP Recorded in BOOK 319 PAGES 34 TO 37 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 8:

LOT 8 OF TRACT NO. 15020, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP Recorded in BOOK 319 PAGES 34 TO 37 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 9:

LOT 9 OF TRACT NO. 15020, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP Recorded in BOOK 319 PAGES 34 TO 37 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 10:

LOT 10 OF TRACT NO. 15020, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP Recorded in BOOK 319 PAGES 34 TO 37 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 11:

LOT 11 OF TRACT NO. 15020, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP Recorded in BOOK 319 PAGES 34 TO 37 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 12:
LOT 12 OF TRACT NO. 15020, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 319 PAGES 34 TO 37 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 13:

LOT 13 OF TRACT NO. 15020, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 319 PAGES 34 TO 37 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 14:

LOT 14 OF TRACT NO. 15020, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 319 PAGES 34 TO 37 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 15:

LOT 15 OF TRACT NO. 15020, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 319 PAGES 34 TO 37 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 16:

LOT 16 OF TRACT NO. 15020, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 319 PAGES 34 TO 37 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 17:

LOT 17 OF TRACT NO. 15020, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 319 PAGES 34 TO 37 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 18:

LOT 18 OF TRACT NO. 15020, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 319 PAGES 34 TO 37 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

For conveyancing purposes only: APN 5032-010-006 (Affects Parcel 1 of Property A)

5032-010-007 (Affects Parcel 2 of Property A)
5032-010-008 (Affects Parcel 3 of Property A)
5032-010-009 (Affects Parcel 4 of Property A)
5032-010-010 (Affects Parcel 5 of Property A)
5032-009-012 (Affects Parcel 6 of Property A)
5032-009-013 (Affects Parcel 7 of Property A)
5032-009-014 (Affects Parcel 8 of Property A)
5032-009-015 (Affects Parcel 9 of Property A)
5032-009-016 (Affects Parcel 10 of Property A)
5032-012-005 (Affects Parcel 1 of Property B)
5032-012-006 (Affects Parcel 2 of Property B)
5032-015-002 (Affects Parcel 3 of Property B)
5032-014-004 (Affects Parcel 4 of Property B)
5030-014-004 (Affects Parcel 1 of Property C)
5030-014-005 (Affects Parcel 2 of Property C)
5030-014-006 (Affects Parcel 3 of Property C)
5030-014-010 (Affects Parcel 4 of Property C)
5030-014-011 (Affects Parcel 5 of Property C)
5030-014-012 (Affects Parcel 6 of Property C)
5030-014-013 (Affects Parcel 7 of Property C)
5030-014-014 (Affects Parcel 8 of Property C)
5028-005-001 (Affects Parcel 1 of Property D)
5028-005-002 (Affects Parcel 2 of Property D)
5028-005-003 (Affects Parcel 3 of Property D)
5030-019-009 (Affects Parcel 4 of Property D)
5030-019-010 (Affects Parcel 5 of Property D)
5031-001-001 (Affects Parcel 6 of Property D)
5031-001-002 (Affects Parcel 7 of Property D)
5031-001-003 (Affects Parcel 8 of Property D)
5031-001-004 (Affects Parcel 9 of Property D)
5031-002-001 (Affects Parcel 10 of Property D)
5031-002-002 (Affects Parcel 11 of Property D)
5031-002-003 (Affects Parcel 12 of Property D)
5031-002-004 (Affects Parcel 13 of Property D)
5031-003-001 (Affects Parcel 14 of Property D)
5031-003-002 (Affects Parcel 15 of Property D)
5031-003-003 (Affects Parcel 16 of Property D)
5031-003-004 (Affects Parcel 17 of Property D)
5031-003-005 (Affects Parcel 18 of Property D)
Exhibit B

Tax Addendum


   (a) A separate capital account will be maintained for each Partner (a “Capital Account”). Such Partner’s Capital Account will from time to time be (i) increased by (A) the amount of money and the Gross Asset Value of any property contributed (or deemed contributed) by the Partner to the Partnership (net of liabilities secured by the property or to which the property is subject), and (B) the Net Income and any other items of income and gain allocated to the Partners under Paragraph 2 and specially allocated to the Partner under Paragraph 4, and (ii) decreased by (A) the amount of money and the Gross Asset Value of any property distributed to the Partner by the Partnership (net of liabilities secured by the property or to which the property is subject), and (B) the Net Losses and any other items of deduction and loss allocated to the Partners under Paragraph 2 and specially allocated to the Partner under Paragraph 4.

   (b) In the event that assets of the Partnership other than money are distributed to a Partner in liquidation of the Partnership, or in the event that assets of the Partnership other than money are distributed to a Partner in kind, in order to reflect unrealized gain or loss, the Capital Accounts of the Partners will be adjusted for the hypothetical “book” gain or loss that would have been realized by the Partnership if the distributed assets had been sold for their Gross Asset Values in a cash sale. In the event of the liquidation of a Partner’s interest in the Partnership, in order to reflect unrealized gain or loss, the Capital Accounts of the Partners will be adjusted for the hypothetical “book” gain or loss that would have been realized by the Partnership if all Partnership assets had been sold for their Gross Asset Values in a cash sale.


   (a) After giving effect to the special allocations set forth in Paragraph 4, the Net Income and Net Losses of the Partnership for each Fiscal Year or other relevant period will be allocated to each Partner in such manner as to cause the balance in the Partner’s Adjusted Capital Account, immediately after making all of the allocations required for the relevant Fiscal Year, to equal (as nearly as possible) the distributions that would be made to the Partner if the Partnership were dissolved, its affairs wound up and its assets sold for cash equal to their respective Gross Asset Values, all Partnership liabilities were satisfied (limited with respect to each nonrecourse liability to the Gross Asset Value of the assets securing the liability), and the net assets of the Partnership were distributed to the Partners in accordance with the terms of this Agreement immediately after making the allocation.

   (b) Notwithstanding any provision to the contrary in this Agreement, regardless of whether a Partner has a negative balance in its Capital Account upon liquidation of the Partnership (or upon liquidation of its interest in the Partnership), no Partner shall be obligated to contribute the amount of such negative balance in cash to the Partnership for distribution to those Partners with positive Capital Account balances and/or creditors of the Partnership.
3. **Intentionally Deleted.**

4. **Special Allocations.** The following special allocations will be made in the following order:

   (a) **Regulatory Allocations.** Allocations of individual items of income and gain will be made in accordance with the “minimum gain chargeback,” “partner nonrecourse debt minimum gain chargeback” and “qualified income offset” provisions of the Regulations promulgated under Section 704 of the Code.

   (b) **Nonrecourse Deductions.** Any Nonrecourse Deductions will be allocated to the Partners in accordance with their Residual Percentages.

   (c) **Partner Nonrecourse Deductions.** Any Partner Nonrecourse Deductions will be allocated to the Partner that bears the Economic Risk of Loss for the member nonrecourse debt to which such deductions relate as provided in Section 1.704-2(i)(1) of the Regulations.

   (d) **Intentionally Deleted.**

   (e) **Liquidating Allocations.** The distribution and allocation provisions of ARTICLE IV and this Exhibit B should result in distributions to each Partner upon liquidation of the Partnership being in accordance with each such Partner’s positive Capital Accounts, as provided by the United States Treasury Regulations under Code Section 704(b). However, if upon liquidation of the Partnership, the Capital Accounts of the Partners are in such ratios or balances that distributions under ARTICLE IV would not be in accordance with the positive Capital Accounts of the Partners as required by the Regulations under Code Section 704(b), such failure shall not affect or alter the distributions required under ARTICLE IV. Rather, Administrative General Partner, after obtaining Approval, will have the authority to make other allocations of Net Income and Net Losses, or items of income and gross income, gain, loss, or deduction, among the Partners (including allocations in prior years, if necessary, and the amendment of tax returns to reflect the same) which, to the extent possible, will result in the Capital Accounts of each Partner having a balance prior to distribution equal to the amount of distributions to be received by such Partner under ARTICLE IV.

   (f) **Unrelated Business Taxable Income; Fractions Rule.** Notwithstanding anything to the contrary in this Agreement, (1) without violating the requirements of clause (2) below, all allocations under this Exhibit B may be adjusted insofar as may be required in the judgment of Administrative General Partner in order to minimize the recognition of unrelated business taxable income (as defined in Code Sections 512-514) by any Partner (or any direct or indirect member or partner of a Partner) which is a “qualified organization” (within the meaning of Code Section 514(c)(9)(C)); and (2) if for any Fiscal Year an allocation under this Exhibit B would cause a violation of the “fractions rule” as defined in Code Section 514(c)(9)(E) in the judgment of Administrative General Partner, then, notwithstanding any other provision in this Agreement to the contrary, all allocations under this Exhibit B shall be adjusted insofar as may be required to meet the requirements of Code Section 514(c)(9)(E) and shall be utilized for such Fiscal Year in filing federal and state income tax returns for the Partnership.
5. **Allocation of Certain Tax Items.**

   (a) Except as otherwise provided in this Paragraph 5, all items of income, gain, loss or deduction for federal, state and local income tax purposes will be allocated in the same manner as the corresponding “book” items are allocated under Paragraph 2 (as a component of Net Income or Net Losses), or Paragraph 4.

   (b) In accordance with Code Section 704(c) and the Regulations thereunder, income, gain, loss, and deduction with respect to any property contributed to the capital of the Partnership will, solely for tax purposes, be allocated among the Partners so as to take account of any variation between the adjusted basis of such property to the Partnership for federal income tax purposes and the initial Gross Asset Value thereof (computed in accordance with subparagraph (i) of the definition of the term Gross Asset Value below).

   (c) In the event the Gross Asset Value of any Partnership asset is adjusted pursuant to subparagraph (ii) or (iv) of the definition of the term Gross Asset Value, subsequent allocations of income, gain, loss, and deduction with respect to such asset will take account of any variation between the adjusted basis of such asset for federal income tax purposes and its Gross Asset Value in the same manner as under Code Section 704(c) and the Regulations thereunder.

   (d) In the event the Partnership has in effect an election under Section 754 of the Code, allocations of income, gain, loss, or deduction to affected Partners for federal, state and local tax purposes will take into account the effect of such election pursuant to applicable provisions of the Code.

   (e) Except as set forth in (f), any elections or other decisions relating to such allocations or any other tax and accounting matters will be made reasonably and in good faith by Administrative General Partner, provided that any items of loss or deduction attributable to property contributed by a Partner shall, to the extent of an amount equal to the excess of (A) the federal income tax basis of such property at the time of its contribution over (B) the Gross Asset Value of such property at such time, be allocated in its entirety to such contributing Partner and the tax basis of such property for purposes of computing the amounts of all items allocated to any other Partner (including a transferee of the contributing Partner) shall be equal to its Gross Asset Value upon its contribution to the Partnership.

   (f) Administrative General Partner shall determine, in its sole and absolute discretion, if and when the Partnership will make an election under Section 754 of the Code.

6. **Allocation Between Assignor and Assignee.** The portion of the income, gain, losses, credits, and deductions of the Partnership for any Fiscal Year during which an interest in the Partnership is assigned by a Partner (or by an assignee or successor in interest to a Partner), that is allocable with respect to such Partnership Interest will be apportioned between the assignor and the assignee of the Partnership Interest on whatever reasonable, consistently applied basis is selected by the Administrative General Partner and permitted by the applicable Regulations under Section 706 of the Code.
7. **Tax Reporting.** The Partners are aware of the income tax consequences of the allocations made by this Exhibit B and hereby agree to be bound by the provisions of this Exhibit B in reporting their shares of Partnership income and loss for income tax purposes.

8. **Profit Shares.** Solely for purposes of determining a Partner’s proportionate share of the Partnership’s “excess nonrecourse liabilities,” as defined in Regulations Section 1.752-3(a), the Partners’ interests in Partnership profits will be deemed to be in accordance with their respective shares of Nonrecourse Deductions.

9. **Withholding Taxes with Respect to Partners.** The Partnership shall comply with any withholding requirements under federal, state, and local law and shall remit any amounts withheld to, and file required forms with, the applicable jurisdictions. All amounts withheld from Partnership revenues or distributions by or for the Partnership pursuant to the Code or any provision of any state or local law, and any taxes, fees, or assessments levied upon the Partnership, shall be treated for purposes of this Exhibit B as having been distributed to those Partners whose identity or status caused the withholding obligations, taxes, fees, or assessments to be incurred. If the amount withheld was not withheld from the affected Partner’s actual share of Distributable Cash or Capital Events Proceeds, Administrative General Partner on behalf of the Partnership may, after obtaining Approval, (A) require such affected Partner to reimburse the Partnership for such withholding or (B) reduce any subsequent distributions to which such affected Partner is entitled by the amount of such withholding. Each Partner agrees to furnish the Partnership with such representations and forms as the Partnership shall reasonably request to assist it in determining the extent of, and in fulfilling, the Partnership’s withholding obligations, if any. As soon as practicable after becoming aware that any withholding requirement may apply to a Partner, the Administrative General Partner shall advise such Partner of such requirement and the anticipated effect thereof. Each Partner shall pay or reimburse to the Partnership all identifiable costs or expenses of the Partnership caused by or resulting from withholding taxes with respect to such Partner.

10. **Partnership Representative.** The Administrative General Partner shall serve as the “partnership representative” (as defined in Section 6223 of the Code) and is authorized and required to represent the Partnership (at the Partnership’s expense) in connection with all examinations of the Partnership’s affairs by tax authorities, including administrative and judicial proceedings, and to expend Partnership funds for professional services and costs associated therewith. The Partners shall cooperate with each other and shall do or refrain from doing any and all things reasonably required to conduct such proceedings. Notwithstanding the foregoing, (1) the Administrative General Partner will give Limited Partners prior notice of all telephonic or other meetings with the Internal Revenue Service or any state taxing authority, (2) Limited Partners shall have the right to attend such meetings, (3) the Administrative General Partner shall not make any election or decision under the Code or make any statement, filing, or agreement with the Internal Revenue Service or any state taxing authority without the prior approval of Limited Partners, and (4) in any proceeding the Administrative General Partner shall furnish to the other Partners a copy of all notices or other written communications received by the Administrative General Partner from the Internal Revenue Service or any state taxing authority (except such notices or communications that are sent directly to the Partners).

11. **Definitions.** The following terms will have the following meanings. All other capitalized terms used in this Exhibit B shall have the same meaning as in the Agreement.
“**Adjusted Capital Account**” shall mean, the balance in a Partner’s Capital Account after giving effect to the following adjustments:

(i) debit or credit to such Capital Account, as applicable, all capital contributions and distributions to the Partner for the relevant Fiscal Year;

(ii) credit to such Capital Account any amount which such Partner is obligated to restore or is deemed obligated to restore pursuant to the penultimate sentences of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5); and


“**Code**” shall mean the Internal Revenue Code of 1986, as amended.

“**Depreciation**” shall mean, for each Fiscal Year or other period, an amount equal to the depreciation, amortization, or other cost recovery deduction allowable for federal income tax purposes with respect to an asset for such year or other period, except that if the Gross Asset Value of any asset differs from its adjusted basis for federal income tax purposes at the beginning of such year or other period, Depreciation will be an amount which bears the same ratio to such beginning Gross Asset Value as the federal income tax depreciation, amortization, or other cost recovery deduction for such year or other period bears to such beginning adjusted tax basis; provided, however, that if the federal income tax depreciation, amortization, or other cost recovery deduction for such year is zero, Depreciation will be determined with reference to such beginning Gross Asset Value using any method Approved by the Partners.

“**Economic Risk of Loss**” shall have the meaning provided by Sections 1.704-2(b)(4) and 1.752-2 of the Regulations.

“**Fiscal Year**” shall mean, for tax and accounting purposes with respect to the Partnership, each 12 month period ending December 31, unless some other period is required pursuant to the Code.

“**Gross Asset Value**” shall mean, with respect to any asset, the asset’s adjusted basis for federal income tax purposes, except as follows:

(i) the initial Gross Asset Value of any asset contributed by a Partner to the Partnership will be the gross fair market value of such asset, as determined by Administrative General Partner and Approved; and

(ii) the Gross Asset Value of all Partnership assets will be adjusted to equal their respective gross fair market values (taking Section 7701(g) of the Code into account), as of the following times: (a) the acquisition of an additional interest in the Partnership by any new or existing Partner in exchange for more than a de minimis capital contribution; (b) the distribution by the Partnership to a Partner of more than a de minimis amount of Partnership property as consideration for an interest in the Partnership; and (c) the liquidation of a Partner’s interest in the Partnership or the Partnership within the meaning of Section 1.704-1(b)(2)(ii)(g) of the Regulations;
(iii) the Gross Asset Value of any Partnership asset distributed to any Partner will be the gross fair market value (taking Section 7701(g) of the Code into account) of such asset on the date of distribution;

(iv) the Gross Asset Values of Partnership assets will be increased (or decreased) to reflect any adjustments to the adjusted basis of such assets pursuant to Section 732(d), Section 734(b) or Section 743(b) of the Code, but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Regulations Section 1.704-1(b)(2)(iv)(m) and clause (vi) of the definition of “Net Income” hereof; provided, however, that Gross Asset Values will not be adjusted pursuant to this subparagraph (iv) to the extent that Administrative General Partner determines that an adjustment pursuant to subparagraph (ii) of this definition is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to this subparagraph (iv); and

(v) if the Gross Asset Value of any asset has been determined or adjusted pursuant to subparagraphs (i), (ii) or (iv) hereof, such Gross Asset Value will thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing gains or losses from the disposition of such asset.

“Partner Nonrecourse Deductions” in any year shall mean the Partnership deductions that are characterized as “partner nonrecourse deductions” under Sections 1.704-2(i)(1) and 1.704-2(i)(2) of the Regulations.

“Net Income” and “Net Losses” shall mean, for each Fiscal Year or other period, an amount equal to the Partnership’s taxable income or loss, as the case may be for such year or period, determined in accordance with Section 703(a) of the Code (for this purpose, all items of income, gain, loss and deduction required to be stated separately pursuant to Section 703(a)(1) of the Code will be included in taxable income or loss), with the following adjustments: (i) any income of the Partnership that is exempt from federal income tax and not otherwise taken into account in computing Net Income or Net Losses pursuant to this paragraph will be added to such taxable income or loss; (ii) any expenditures of the Partnership described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Regulations Section 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Net Income or Net Losses pursuant to this paragraph will be subtracted from such taxable income or loss; (iii) in the event the Gross Asset Value of any Partnership asset is adjusted pursuant to subparagraph (ii) or (iii) of the definition thereof, the amount of such adjustment will be taken into account as gain or loss from the disposition of such asset for purposes of computing Net Income or Net Losses; (iv) gain or loss resulting from the disposition of any Partnership asset with respect to which gain or loss is recognized for federal income tax purposes will be computed by reference to the Gross Asset Value of the asset disposed of, notwithstanding that the adjusted tax basis of such asset differs from its Gross Asset Value; (v) in lieu of the depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss, there will be taken into account Depreciation for such Fiscal Year or other period, computed in accordance with the definition thereof; (vi) to the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Code Section 734(b) is required, pursuant to Regulations Section 1.704-1(b)(2)(iv)(m)(4), to be taken into account in determining Capital Accounts as a result of a distribution other than in
liquidation of a Partner’s interest in the company, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) from the disposition of such asset and shall be taken into account for purposes of computing Net Income or Losses; and (vii) notwithstanding any other provision of this paragraph, any items which are specially allocated pursuant to Paragraph 4 hereof will not be taken into account in computing Net Income and Net Losses.

“Nonrecourse Deductions” in any year means the Partnership deductions that are characterized as “nonrecourse deductions” under Sections 1.704-2(b)(1) and 1.704-2(c) of the Regulations.

“Regulations” means the income tax regulations (including any temporary regulations) promulgated under the Code.
ATTACHMENT 6

Regulatory Agreement and Declaration of Restrictive Covenant
RECORDING REQUESTED BY AND
WHEN RECORDED RETURN 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

-------------------------------SPACE ABOVE THIS LINE FOR RECORDER’S USE-------------------------------

REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS RUNNING WITH THE LAND

HOUSING AUTHORITY OF THE CITY OF LOS ANGELES

This Regulatory Agreement and Declaration of Restrictive Covenants Running with the Land (this “Agreement”) is executed as of this ___ day of XXX, 2022 (the “Effective Date”), by the HOUSING AUTHORITY OF THE CITY OF LOS ANGELES, a public body, corporate and politic, and its successors and assigns (the “Authority”) and Avanath Baldwin Village, LP, a Delaware limited partnership (the “Owner”) (each party shall be individually a “Party” or collectively, the “Parties” herein), as follows:

RECITALS

WHEREAS, the Authority has been created and organized pursuant to Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State, commencing with Section 34240 (the “Law”); and

WHEREAS, as of the Effective Date the Owner is the record owner of that certain real property located on multiple parcels and at multiple addresses, including 4220 Santa Rosalia Drive in the City of Los Angeles, County of Los Angeles, State of California, with a legal description as set forth in Exhibit A attached hereto (the “Property”); and

WHEREAS, the existing improvements on the Property include a 669-unit multifamily housing development, commonly known as Baldwin Village (also commonly known as Santo Tomas Apartments and Santa Rosalia Apartments) (the “Existing Improvements”); and

WHEREAS, Owner intends to rehabilitate the Existing Improvements as contemplated in the Approved Capital Improvement Plan (as defined herein) resulting in no fewer than four hundred sixty-eight (468) Units serving Eligible Households (the “Improvements”, together with the Property and the Existing Improvements, collectively the “Project”); and

WHEREAS, by Resolution No. [_______________], dated _____, 2022, the Board of Commissioners of the Authority has authorized the funding of a loan to be made to the Owner
for the partial funding of acquisition, operating and/or capital expenditures for the Project (the “Loan”), evidenced by that certain Subordinate Secured Promissory Note made by the Owner to the Authority (the “Note”); and

WHEREAS, the Loan is secured by that certain Subordinate Deed of Trust with Assignment of Rents, Security Agreement, and Fixture Filing (Baldwin Village Apartments) made by Owner, as trustor, to U.S. Bank National Association, as trustee, for the benefit of the Authority, as beneficiary (the “Deed of Trust”); and

WHEREAS, the Owner and La Cienega LOMOD, Inc., a California nonprofit public benefit corporation (“La Cienega”), an instrumentality of the Authority, have entered into that certain Agreement of Limited Partnership of Owner, dated as of [_________], 2022 (the “Limited Partnership Agreement”), which will govern the operations of the Owner; and

WHEREAS, the Parties mutually desire to enter into this Agreement for the purpose of providing affordable housing within the City of Los Angeles as contemplated herein for a period of fifty-five (55) years.

NOW THEREFORE, in consideration of the covenants and representations herein contained, the Authority and the Owner covenant and agree as follows:

1. **Recitals; Definitions.** The Recitals are incorporated herein by this reference. The following terms, wherever used in this Agreement or attached Exhibits, have the meanings set forth in this Section.

   (a) “Affiliate(s)” shall mean, as to any Person, any other Person that, directly or indirectly, is in Control of, is Controlled by or is under common Control with such Person. In no event shall the Authority or La Cienega be deemed to be an Affiliate of the Owner.

   (b) “Agreement” means this Regulatory Agreement and Declaration of Rental Covenants Running with the Land by and between the Authority and Owner.

   (c) “Area Median Income” or “AMI” means the most recent applicable County of Los Angeles median family income set by HUD pursuant to Section 8 of the United States Housing Act of 1937 and published from time to time by HCD in Section 6932 of Title 25 of the California Code of Regulations or successor provision published pursuant to California Health and Safety Code Section 50093(c).

   (d) “Approved Capital Improvement Plan” means the plan setting forth a general summary of the capital improvements anticipated for the Project over the Initial Capital Improvement Period, as approved by the Authority as of the Effective Date.

   (e) “Approved Management Plan” shall mean the plan for occupancy of the Restricted Units and asset and property management, as approved by the Authority as of the Effective Date.
(f) “Approved Marketing and Publicity Plan” shall mean the plan for marketing and publicity of the Project, as approved by the Authority as of the Effective Date.

(g) “Approved Operating Budget” shall mean the proforma operating budget for the Project, as approved by the Authority as of the Effective Date.

(h) “Control” shall mean, with respect to any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management of such Person, whether through ownership of voting securities, by contract or otherwise, but excluding any typical major decision rights of any non-managing members, partners, shareholders, or stockholders which such decision rights shall not be sufficient to establish “Control”. “Controlled” and “Controlling” shall have correlative meanings.

(i) “Eligible Household” means a household that either qualifies as a 60% AMI Lower Income Household or as an 80% AMI Lower Income Household.

(j) “Floating” means that any initially designated Restricted Unit(s) and any subsequently designated Restricted Unit(s) may be replaced by another available comparable (i.e. in unit type and size) unit(s) at the Project (or if no comparable unit(s) at the Project exist, and if not otherwise prohibited by applicable law, regulation or guideline, at the option of the Owner, an available larger unit(s) (i.e. more bedrooms and increased square footage)) when and if an Eligible Household living in such Restricted Unit(s) no longer qualifies as an Eligible Household as provided in Section 4.

(k) “Force Majeure” means 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; or any other similar causes (other than lack of funds of Owner or Owner’s inability to finance the rehabilitation of the Project) beyond the control or without the fault of the Owner. An extension of time for any cause will be deemed granted if notice by Owner claiming such extension is sent to the Authority within fifteen (15) days from the commencement of the cause and such extension of time is not rejected in writing by the Authority 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.

(l) “ Household Income” means the current gross amount of income of all adult household members that is anticipated to be received during the next twelve (12)-month period, including the income of temporarily absentee family members on the lease, welfare assistance payments, and other such criteria determined in accordance with the definition of Annual Income found in 24 CFR 5.609, as amended or replaced.

(m) “HUD” means the U.S. Department of Housing and Urban Development.

(n) “Immediate Family” includes domestic partner and/or those persons related by blood, marriage and or adoption, such as husband, wife, father, mother, brother, sister,
son, daughter, father-in-law, mother-in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law, his or her significant other, and his or her domestic partner.

(o) “Initial Capital Improvement Period” means the period from the Effective Date to ten (10) years after the Effective Date as set forth in the Approved Capital Improvement Plan.

(p) “Officer’s Certificate” means a certificate executed by an authorized signatory of the Owner who is familiar with the financial condition of the Owner and the operation of the Project.

(q) “Note” has the meaning given in the Recitals.

(r) “Owner” means Avanath Baldwin Village, LP, a Delaware limited partnership.

(s) “Partnership Agreement” has the meaning given in the Recitals.

(t) “Project” has the meaning given in the Recitals.

(u) “Property” has the meaning given in the Recitals.

(v) “Rent” means the maximum rent for a Restricted Unit allowed under this Agreement, less an allowance for tenant-paid Utilities, and constitutes the consideration, including any bonus, benefits, or gratuity, demanded by or received by the Owner for, or in connection with: (1) the use or occupancy of a housing unit and land and facilities associated therewith, (2) any separately charged fees or service charges assessed by the Owner which are required of all tenants, other than security deposits, and including parking, laundry facilities, and other housing services and amenities of any kind that are reasonably deemed as part of rent, (3) possessory interest, taxes, or other fees or charges assessed for use of the land and facilities associated therewith by a public or private entity other than the Owner, and (4) a reasonable Utility allowance which shall be estimated consistent with 26 CFR Section 1.42-10 (1), (2), (3) and (4) shall be an average of estimated costs for the next twelve (12) months. The following shall not be included as Rent: (a) additional service charges resulting in a rent amount above the maximum allowable rent set by this Agreement; and (b) contracts with other agencies resulting in rent payments on behalf of the Eligible Household for more than Rent permitted under this Agreement for Eligible Households, including, without limitation as set forth in Section 3(a)(viii) of this Agreement.

(w) “Rent Stabilization Ordinance” or “RSO” means the Rent Stabilization Ordinance of the City of Los Angeles (Chapter XV of the Municipal Code of the City of Los Angeles, commencing with Section 151, et seq.), as amended from time to time.

(x) “Restricted Unit(s)” means a dwelling unit at the Project that is required to be rented to an Eligible Household and the monthly Rent for such dwelling is restricted as provided in Section 3(a).
“Senior Lender” means XXX.

“Senior Loan” means XXX.

“Senior Loan Documents” means XXX.

“Term” shall have the meaning set forth in Section 2.

“Transfer” shall have the meaning set forth in Section 21.

“Utilities” means the provision of electricity, gas, water, sanitation, or other public services.

“Unit(s)” shall mean any unit of residence on the Property that provides spaces for living, bathing and sleeping.

“60% AMI Lower Income Household” means persons and families whose income does not exceed sixty percent (60%) of AMI adjusted for actual household size, in accordance with California Health and Safety Code Section 50079.5, as such may be amended from time to time.

“80% AMI Lower Income Household” means persons and families whose income does not exceed eighty percent (80%) of AMI adjusted for actual household size, in accordance with California Health and Safety Code Section 50079.5, as such may be amended from time to time.

2. Term. The covenants and conditions contained herein shall run with and burden the Project for a period of fifty-five (55) years from the Effective Date (the “Restriction Period”) in accordance with the provisions hereof. This Agreement shall remain in full force and effect for the Term, notwithstanding the repayment of the Loan, or the expiration of the term of the Loan Agreement, Deed of Trust or any other funding arrangement between the Authority and the Owner or any Affiliate of the Owner, or any sale, assignment, transfer, or conveyance of the Project, unless terminated in writing prior to the Term by the Authority. The Owner shall expressly make the conditions and covenants in this Agreement a part of any deed or other instrument conveying any interest in the Project. However, failure to record this Agreement shall not relieve Owner of any of the obligations specified herein.

Notwithstanding anything to the contrary contained herein, in the event of foreclosure of the Senior Loan or a deed in lieu thereof, the relevant definitions in Section 1, all of Sections 2 through 5, 7, 8, 11, 13, 20, 22, 23, and 31 through 46 of this Agreement shall not terminate and shall be the only provisions in this Agreement that survive such foreclosure or deed in lieu thereof.

3. Income and Rent Restrictions; Tenant Qualification.

(a) Income and Rent Restrictions. Seventy percent (70%) of the Units (initially 468 Units) will be Restricted Units, as follows:
(i) Not less than thirty-five percent (35%) of the Units will be restricted to occupancy by 60% AMI Lower Income Households (the “60% AMI Restricted Units”); and

(ii) Not less than thirty-five percent (35%) of the Units will be Restricted Units restricted to occupancy by 80% AMI Lower Income Households (the “80% AMI Restricted Units”).

(iii) The monthly Rent for a 60% AMI Lower Income Household shall not exceed thirty percent (30%) of sixty percent (60%) of the Area Median Income, divided by twelve (12), based on the bedroom size of the Unit, as published periodically by the California Tax Credit Allocation Committee (the “60% AMI Restricted Rent”).

(iv) The monthly Rent for an 80% AMI Lower Income Household shall not exceed thirty percent (30%) of eighty percent (80%) of the Median Income, divided by twelve (12), based on the bedroom size of the Unit, as published periodically by the California Tax Credit Allocation Committee (the “80% AMI Restricted Rent”).

(v) A 60% AMI Restricted Unit or 80% AMI Restricted Unit shall continue to be treated as a Restricted Unit if the occupants of the Restricted Unit were certified as an Eligible Household prior to occupancy of the Restricted Unit and thereafter self-certified by the tenant upon renewal of their lease each year, notwithstanding an increase in the income of the occupants up to one hundred forty percent (140%) of Area Median Income, adjusted for family size, in accordance with Sections 214(g)(2)(A)(i) and 214(g)(2)(A)(iii) of the California Revenue and Taxation Code. As long as the Eligible Household is in compliance with all other terms of the Lease, any such Eligible Household occupying a 60% AMI Restricted Unit or 80% AMI Restricted Unit shall be permitted to remain at the Project during the Restricted Period by renewing the lease for the subject Unit at the then applicable Rent for the Restricted Unit, notwithstanding any increase in the income of the occupants.

(vi) If the income of an Eligible Household occupying a Restricted Unit increases to an amount greater than sixty percent (60%) of Area Median Income or eighty (80%) percent of Area Median Income, as applicable, then upon any review and recertification of household income, the Rent for that household may be increased by Owner, at its sole and absolute discretion, to the most appropriate Tax Credit Rent tier as periodically published by the California Tax Credit Allocation Committee up to 110% Area Median Income, provided that no such increase may occur more frequently than one (1) time per year and such increases do not exceed allowable percentages on an annualized basis per the Rent Stabilization Ordinance, as applicable. However, no Rent will be set below the allowable rent for a 60% AMI Restricted Unit or 80% AMI Restricted Unit even if the collective household income drops below such the minimum threshold for 60% and 80% of AMI.

(vii) Rent for Eligible Households who have a calculated income between 110% AMI and 140% AMI may be calculated at 30% of the gross income of that Eligible Household as adjusted by household size. Provided that no such increase may occur more frequently than one (1) time per year and Rent increases shall not exceed allowable percentages
under the Rent Stabilization Ordinance, as applicable.

(viii) Notwithstanding anything to the contrary within this Agreement, the Owner shall be permitted to enter into a Section 8 Tenant-Based Assistance Housing Assistance Payments Contract for any Restricted Unit and shall be permitted to receive rental consideration in accordance with the provisions of such contract, provided that (x) if the Restricted Unit is designated for occupancy by a 60% AMI Lower Income Household, then the tenant portion of Rent paid by that household shall not exceed the 60% AMI Restricted Rent, and (y) if the Restricted Unit is designated for occupancy by an 80% AMI Lower Income Household, then the tenant portion of Rent paid by that household shall not exceed the 80% AMI Restricted Rent. For the avoidance of doubt, the total monthly amount received by the Owner for any such Restricted Unit from tenant rent and other sources may be equal to 60% AMI Restricted Rent or 80% AMI Restricted Rent, as applicable, plus the amount of any Section 8 assistance payments received by such tenant.

(ix) Notwithstanding anything contained in this Agreement, during the Restriction Period in no event shall the number of Restricted Units fall below four hundred sixty-eight (468).

(b) Maximum Rent; Increase. The Maximum Monthly Rent to be paid by an Eligible Household per Restricted Unit may be increased to 30% of gross household income for any Eligible Household who reaches, but does not exceed 140% Area Median Income applying the formula(s) set forth in Section 3(a)(viii). If the Eligible Household income exceeds 140% Area Median Income, the Unit is no longer considered a Restricted Unit in compliance with this Agreement and the household is no longer an Eligible Household (“Non-Eligible Household”). The Non-Eligible Household shall have been provided Notices as further described in Section 20 of this Agreement and their Rent may be increased to the current market rent for a comparable Unit in the Project. Owner is required to identify another Restricted Unit within the Project in order to remain in compliance with this Agreement and may Float such Unit. If no Restricted Unit replacement is readily available to Float, the Owner will be required to lease all vacant Units at the Project to Eligible Households within the respective Area Median Income category required until the Project has achieved the affordability levels required in Section 3.

(c) Rent Stabilization. Notwithstanding the foregoing or anything to the contrary within this Agreement, any increase in Rent paid by any household at the Property shall comply with the provisions of (x) the Rent Stabilization Ordinance, as applicable, and (y) any applicable provisions of state and federal law.

(d) Owner Administration and Verification.

(i) Each Restricted Unit provided for under this Agreement shall be administered by the Owner (or its property manager), including tenant selection, lease-up, Rent collection, maintenance, and eviction procedures, among others.

(ii) Each Restricted Unit within the Project shall be rented for the purposes set forth in the Recitals to Eligible Households, and the maximum monthly Rent to be
paid by an Eligible Household per Restricted Unit shall be established as set forth in Section 3. The Owner shall make the selection of any Eligible Household to occupy a Restricted Unit(s), subject to Owner’s verification of a tenant’s eligibility to occupy the Restricted Unit. At a minimum, such verification shall include:

(A) The identity of each household member;
(B) The number of household members; and
(C) The total gross income (i.e., inclusive of all household members’ individual income).

(iii) Prior to initial occupancy, the Owner shall verify each prospective Eligible Household’s eligibility using third party verification forms obtained from each income source, including but not limited to income from employment or wages, social security or pensions, public assistance, and other income, and shall require from each Eligible Household, a statement that such Eligible Household’s projected future income from all sources does not exceed allowable limits. This statement shall be signed by the Eligible Household under penalty of perjury. In the event that the prospective Eligible Household may be claimed as a dependent for purposes of another party’s (such as parents) income taxes, in addition to the items mentioned above for the prospective Eligible Household, the same items must be produced for any party who may claim the prospective Eligible Household as a dependent. Following an initial verification by the Owner, the Owner may utilize self-certification by existing tenants thereafter to verify that they continue to be an Eligible Household. The Owner need not obtain certification of income eligibility from the Authority under this Agreement. However, the Restricted Unit(s) may be monitored by the Authority on an annual basis to ensure income and Rent restrictions do not exceed the limits set forth in Section 3(a) (for avoidance of doubt, such monitoring shall not require certification by the Owner). The Owner shall maintain tenant eligibility documentation for a period of five (5) years. The Owner may utilize the tenant income certification forms, procedures and guidelines of the California Tax Credit Allocation Committee to ensure compliance with this Section. No Person shall initially occupy a Restricted Unit prior to an income eligibility determination and certification by the Owner.

(iv) Notwithstanding anything contained in this Agreement, the Owner may accept rents paid through the HCV Program or any similar voucher program; provided that the tenant portion of Rent paid by any such household for any Restricted Unit shall not exceed the restrictions set forth in Section 3(a)(viii).

(v) The Owner certifies that the funds that would have been necessary to pay property taxes are used to maintain the affordability of, or reduce Rents otherwise necessary for, the Restricted Units occupied by 60% AMI Lower Income Households and 80% AMI Lower Income Households in accordance with Section 214 of the California Revenue and Taxation Code.

4. **Annual Occupancy Report.** On an annual basis, the Owner shall provide the Authority with a copy of an occupancy summary report (in a form approved by the Authority, but with no certification of the Owner required) showing the present occupants of all Units in the Project, the monthly vacancy reports for the Project by Unit number, Rent and size of each Restricted Unit(s) at the Project, a summary of the Area Median Income calculated for the Eligible Household, the last date for each Eligible Household Income Certification, and any other
information that the Authority reasonably requests and that relates to verification of Household Eligibility. If the household size of a previously verified Eligible Household has changed since the prior annual report, or the Area Median Income of an Eligible Household has changed since the prior annual report, the Owner is required to provide the Authority with additional income documentation, if applicable, to allow for an updated verification of Household Eligibility. If a previously Eligible Household is later determined to no longer be an Eligible Household, such Unit(s) will no longer continue to be treated as a Restricted Unit(s); provided, however, that the Owner shall designate another Unit as a Restricted Unit to replace such Unit occupied by a household that no longer qualifies as an Eligible Household by Floating the Restricted Unit.

5. **Existing Tenants.** Notwithstanding anything herein to the contrary, any tenant of Project as of the Effective Date (the "Existing Residents") who is in good standing upon the expiration of their current lease, shall be permitted at their option to enter into a new lease with the Owner upon the expiration of their current lease. Owner shall cause the Project to be in compliance with the income restrictions set forth in Section 3(a)(i) and 3(a)(ii) within two (2) years after the Effective Date, provided, however, if Owner can demonstrate to Authority’s reasonable satisfaction that it has made progress in achieving such compliance, Authority shall reasonably extend the time period for Owner to achieve such compliance. Owner agrees that it will not evict Existing Residents on the sole basis of not meeting the Eligible Household criteria nor will it permanently relocate Existing Residents outside of the Project solely for the purpose of making more Units available for Eligible Households.

6. **Tenant Selection.** The Owner shall provide the Authority for its review and approval Owner's written tenant selection plan which shall be consistent with the requirements (if any) of the Senior Lender. Owner shall rent the Restricted Units to any Eligible Household according to the tenant selection plan.

7. **Conflicts of Interest Self-Certification.** Before approving a tenant for tenancy in any Restricted Unit(s), Owner shall require each prospective tenant to self-certify under penalty of perjury that they are not: (a) an Owner, developer, or sponsor of the Project, (b) an officer, employee, agent or consultant, or elected or appointed official of an Owner, developer or sponsor of the Project; or (c) a member of the Immediate Family of any such person described in subsections (a) or (b). Owner shall not rent any Restricted Unit(s) to any said individuals; provided that, notwithstanding anything to the contrary in this Section, any tenant’s or prospective tenant’s participation in the Owner’s anticipated tenant-investment program allowing tenants to obtain an indirect ownership interest in the Property shall not invalidate such self-certification or otherwise be prohibited in any way, so long as such tenant otherwise satisfied the Household Eligibility requirements at initial occupancy of a Restricted Unit at the Project.

8. **Annual Determinations.** The Owner shall initially verify the Household Income of each Eligible Household, as follows: (i) for all Existing Residents who will occupy or are occupying Restricted Units (whether pursuant to an existing lease or pursuant to a new lease or renewal lease), within two (2) years after the Effective Date, provided, however, if Owner can demonstrate to Authority’s reasonable satisfaction that it has made progress in achieving such compliance, Authority shall reasonably extend the time period for Owner to achieve such compliance, and (ii) upon initial occupancy of each Restricted Unit by new tenants. After such
initial verification, the Owner shall verify the Household Income of each Eligible Household on an annual basis, provided that the same may be achieved by self-certification by the tenant upon renewal of their lease each year. If a previously Eligible Household is later determined to no longer be an Eligible Household, then Section 3(b) shall apply to such household.


10. Continuous Vacancies. If at any time a Restricted Unit(s) offered for rent remains vacant for a continuous period of two (2) months, the Authority may refer to the Owner a list of Eligible Households interested in renting such Restricted Unit(s). If the Authority makes such referrals to the Owner and the Owner declines to rent to such Eligible Households, the Owner’s refusal to rent must be based on a non-discriminatory basis. Owner agrees to provide to the Authority the basis for any such refusal to rent within ten (10) business days of any written request by the Authority to Owner at the address in Section 36 of this Agreement.

11. Required Provisions for Rental or Lease Agreements for Restricted Unit(s). For the Restricted Unit(s), Owner shall use the form of rental agreement provided to the Authority as of the Effective Date (the “Restricted Unit Lease”), as may be amended by Owner from time to time. In the event that Owner amends the terms of the Restricted Unit Lease, any such amended Restricted Unit Lease shall:

   (a) Provide for termination of the rental or lease agreement and deemed consent by a tenant to immediate eviction: (1) for failure to provide any information required by this Agreement or reasonably requested by the Owner to establish or re-certify the tenant’s income qualification or the income qualification of the tenant’s household for occupancy of a Restricted Unit in accordance with the standards set forth in this Agreement, or (2) for failure to qualify as an Eligible Household, as applicable, as the result of any material misrepresentation made by such tenant(s) with respect to their income computation or certification; and

   (b) Prohibit the subleasing of any Restricted Unit (this includes listing any Restricted Unit(s) for vacation/short-term rental on Airbnb or like websites); and

   (c) Permit the termination of an existing tenancy or an eviction only upon good cause. Good cause includes, but is not limited to, the non-payment of Rent, any of the events described in Section 11(a), repeated violation of the terms or conditions of the rental agreement or lease agreement, or violations of applicable federal, state or local law; and

   (d) Provide at least thirty (30) days written notice prior to any rent increase.

12. Approved Capital Improvement Plan and Approved Operating Budget. The Owner represents that it has prepared the Approved Capital Improvement Plan and Approved Operating Budget in good faith based on information known by Owner as of the Effective Date with the intent to reflect the improvements anticipated to be performed on the Project during the Initial Capital Improvement Period and operations of the Project anticipated during the first year following the Effective Date. The Owner shall use commercially reasonable efforts to improve the Project consistent with the Approved Capital Improvement Plan (as the same may be modified...
from time to time by the Owner) and applicable local, state or federal laws. The Owner shall use commercially reasonable efforts to deliver to the Authority any and all material changes, amendments, or modifications to the Approved Capital Improvement Plan and/or Approved Operating Budget, and any new capital improvement plan and/or operating budget at such time as the material change, amendment or modification is being contemplated by the Owner. Notwithstanding anything herein to the contrary, although the Authority has the right under this Agreement to receive (for informational purposes only) any such changes to the Approved Capital Improvement Plan and/or Approved Operating Budget, the Authority’s approval shall not be required with respect to any changes to the Approved Operating Budget or Approved Capital Improvement Plan, unless any such change results in a decrease of twelve percent (12%) or more in the initial Approved Operating Budget (in the aggregate and not by line item), and the Owner shall have no obligation to implement any of the Authority’s comments or input thereon. To the extent the Authority’s approval is required for any such change (as expressly noted in this Section), then such approval shall not be unreasonably withheld.

13. **Utilization of Restricted Unit(s).** Each Unit that constitutes a Restricted Unit under this Agreement shall be leased or rented (i.e., the Restricted Unit(s) shall not be withdrawn from the market) and fully utilized in a manner consistent with the Space and Occupancy Standards set forth in the Uniform Housing Code, Chapter V.

14. **Renovation, Designation and Utilization of Affordable Unit(s).**

   (a) The Restricted Units shall be of reasonably comparable design and construction quality, shall reflect the average number of bedrooms per Unit and average square footage as the unrestricted Units, and shall have access to all common facilities equal to the unrestricted Units. The Owner shall use commercially reasonable efforts to cause the Restricted Units to be distributed on the floors of buildings and between the various buildings in a manner not to segregate Restricted Units from unrestricted Units. The Restricted Units shall have the same standard fixtures, finishes, paint, windows, appliances, and other improvements as the unrestricted Units. The Owner agrees to: (1) maintain and operate each Restricted Unit so as to provide decent, safe, and sanitary housing; and (2) provide each Restricted Unit with the same level of services (including security), amenities, and maintenance as is provided to the unrestricted Units. Any optional services provided to unrestricted Units must also be optional for tenants of Restricted Unit(s) and available under the same terms and conditions. At the commencement of each Eligible Household’s respective lease of a Restricted Unit, all non-purchased incentives being offered to tenants of unrestricted Units, such as free parking (if applicable), must be equally offered to each Eligible Household. However, any promotional non-purchased incentives offered to new tenants after commencement of a new lease need not be offered to existing tenants, but must be equally offered to new tenants of both Restricted Unit(s) and unrestricted Unit(s). For the avoidance of doubt, the foregoing is not intended to preclude Owner from offering additional rent incentives for Units (whether such Units are unrestricted Units or Restricted Units) which Owner has been otherwise reasonably unable to rent.

   (b) The Owner shall cause all Units to at minimum comply with the applicable requirements for housing quality standards in accordance with the HUD Housing Choice Voucher Program (24 Code of Federal Regulations Section 982, et seq.), as amended from time to time (the
“HCV Program Standards”).

(c) The Owner shall cause the Project to be developed, maintained, and operated in compliance with all applicable federal, state and local rules, laws, and regulations, including applicable requirements related to accessibility to the extent required in connection with obtaining required permits and approvals for rehabilitation and renovation of the Project.

(d) Owner shall be permitted to proceed with any demolition of a Restricted Unit, provided that the provisions relative to relocation and replacement shall be approved by the Authority, such approval not to be unreasonably withheld. Notwithstanding the foregoing, subject to the terms of the Senior Loan Documents, the Owner shall be permitted to demolish any Unit (i) as may be required pursuant to Section 28 of this Agreement, and/or (ii) when such demolition is duly ordered by a public agency having authority for such, or if such demolition is necessary as the result of an emergency in order to protect life or property, provided that the Owner in such case shall cause any Restricted Unit so demolished to be rebuilt and reoccupied as quickly as possible using commercially reasonable efforts.

(e) All newly developed Units within the Project will be counted towards the overall Project total Units and the Owner will be required to maintain the same percentages of AMI affordability for the total number of Units in the Project.

15. Condominium Conversions. The Owner shall not convert any Restricted Unit(s) to condominiums or cooperative ownership or sell condominium or cooperative conversion rights to any Restricted Unit(s) during the Restriction Period without the Authority’s prior written consent which consent may be given in its sole discretion.

16. Marketing and Management of the Project.

(a) The Authority has approved the Approved Marketing and Publicity Plan and Approved Management Plan provided to the Authority as of the Effective Date. During the Restriction Period, Owner shall market the Project to Eligible Households to encourage their participation in applying for and occupying a Restricted Unit. Marketing plans for the Project shall include, but not be limited to, advertising on the internet-based City of Los Angeles Housing Resource Center at http://housing.lacity.org, or if such website ceases to exist, then on a similar platform. The marketing requirements and procedures adopted by the Owner shall meet the requirements of federal, state and local fair housing laws and policies.

(b) The Owner represents that it has prepared the Approved Marketing and Publicity Plan and Approved Management Plan in good faith based on information known by Owner as of the Effective Date with the intent to reflect the proposed efforts of the Owner to market and manage the Project. The Owner shall use commercially reasonable efforts to market and manage the Project consistent with the Approved Marketing and Publicity Plan and Approved Management Plan (as each of the same may be modified from time to time by the Owner). The Owner shall deliver to the Authority any and all changes, amendments, or modifications to the Approved Marketing and Publicity Plan and Approved Management Plan.
The Owner agrees that during the Restriction Period the Authority shall have the right to review and comment on any changes to the marketing plans and management plans established by the Owner for the Project from time to time and request changes thereto in order to maintain and preserve the affordability restrictions set forth in Section 3 of this Agreement, and maintain the physical appearance and living conditions of the Project for the benefit of the Eligible Households.

17. **Financial Reporting.**

   (a) Not later than forty-five (45) days following the end of each calendar quarter, the Owner shall deliver to the Authority an operating statement (with aged receivables) for the year to date and a detailed monthly rent roll all of which shall be accompanied by an Officer’s Certificate of the Owner certifying to signer’s knowledge, (A) that such statements fairly represent the financial condition and results of operations of the Owner, (B) that as of the date of such Officer’s Certificate, no Default exists under this Agreement, or the Note or any other Loan Document (if such Loan remains outstanding) or, if so, specifying the nature and status of each such Default and the action then being taken by the Owner or proposed to be taken to remedy such Default, and (C) that as of the date of such Officer’s Certificate, no material litigation exists involving the Owner or the Project in which all or substantially all of the potential liability is not covered by insurance, or, if so, specifying such litigation and the actions being taking in relation thereto.

18. **Repayment.** In the event the Owner charges an Eligible Household monthly Rent above the applicable amounts specified in Section 3, the Owner agrees to repay the Eligible Household the difference between the monthly Rent charged and the maximum monthly Rent allowed in this Agreement for the period that the disallowed monthly Rent was being charged within ten (10) days of the Authority’s written request. Written proof of such repayment shall be provided to the Authority within ten (10) days of such repayment.

19. **Future Project Development.** If the Owner determines to add housing Units to the Project, the Owner shall consult with the Authority in good faith regarding the future development of such Units. Any Units added to the Project shall be subject to income and rent restrictions such that at all times during the Term not less than thirty-five percent (35%) of the Units shall be restricted to occupancy by sixty percent (60%) AMI Lower Income Households and an additional thirty-five percent (35%) of the Units shall be restricted to occupancy by eighty percent (80%) AMI Lower Income Households. Notwithstanding the foregoing or anything to the contrary herein, neither the consent nor approval of the Authority shall be required with respect to any such future development.

20. **Tenant Notices.** Below are the written noticing provisions Owner is required to give to all tenants of Restricted Units:

   (a) Upon initial move-in/lease execution, The Owner shall give written notice, to all tenants of Restricted Units, of the duration of the rent restrictions under the Agreement. The Owner must maintain, in its files, a copy of each notice containing each tenant's signed acknowledgment of the notice required hereunder. The notice shall, at the least, contain language
that the rent restrictions under the Agreement shall be in effect for fifty-five (55) years, and shall terminate fifty-five (55) years from the Effective Date. Upon termination of the rent restriction period under the Agreement, Rents may be set at market rates unless otherwise restricted by some other legal, regulatory, or contractual requirement.

(b) Sixty (60) days prior to a rent increase due to the Eligible Housing becoming ineligible as a result of a certification of their household income as exceeding 140% Area Median Income.

(c) Thirty-Six (36) months prior to the termination of the rent restriction period under the Agreement, the Owner must give written notice to its tenants of the termination of the restrictions on the Restricted Units before their Rents may be raised to market rent levels. The Owner must also give written notice pursuant to California Government Code Section 65863.10 (to the extent applicable), to the Mayor of the City of Los Angeles, the Housing Authority of the City of Los Angeles, and the California Department of Housing and Community Development.

(d) Twelve (12) months prior to the termination of the rent restriction period under the Agreement, the Owner must give written notice to its tenants of the termination of the restrictions on the Restricted Units before their Rents may be raised to market rent levels. The Owner must also give written notice, pursuant to California Government Code Section 65863.10 (to the extent applicable), to the Mayor of the City of Los Angeles, the Housing Authority of the City of Los Angeles, and the California Department of Housing and Community Development.

(e) Six (6) months prior to the termination of the rent restriction period under the Agreement, the Owner must give written notice to its tenants of the termination of the restrictions on the Restricted Units before their Rents may be raised to market rent levels. The Owner must also give written notice, pursuant to California Government Code Section 65863.10 (to the extent applicable), to the Mayor of the City of Los Angeles, the Housing Authority of the City of Los Angeles, and the California Department of Housing and Community Development.

(f) Ninety (90) days prior to the termination of the rent restriction period under the Agreement, the Owner must again give written notice to its tenants of the termination of the restrictions on the Restricted Units before their Rents may be raised to market rent levels.

21. **No Transfer Without Consent.** No less than thirty (30) days prior to the date of any proposed Transfer (as defined below in this Section), the Owner shall submit the following information regarding the proposed transferee to the Authority in writing: (i) name, (ii) a summary of experience owning and operating multifamily properties with income and rent restrictions similar to the Project, (iii) copies of any organizational documents that the Authority may reasonably require, (iv) financial information on the transferee that the Authority may reasonably require, (v) a final Assignment (as hereinafter defined), which shall include an assignment and assumption of the terms and conditions of this Agreement (and the other Loan Documents, if the Loan is being assumed by the transferee and not being paid off on or prior to such Transfer) with respect to periods from and after the effective date of such Transfer, executed by a person authorized to bind transferee, and (vi) such other information as may be reasonably requested by the Authority to evaluate such transferee. The Owner shall not Transfer the Project without the
prior written consent of the Authority with respect to the proposed transferee, which consent shall not be unreasonably withheld, conditioned or delayed. For purposes of this Agreement, “Transfer” shall mean any sale, assignment, or transfer of (i) any direct or indirect (excluding any indirect interests held by a non-managing member, limited partner, and/or shareholder) general partner interest in the Owner to a Person other than an Affiliate, or (ii) any fee simple, joint tenancy or ground lease interest in the Project and/or Improvements. The term “Transfer” shall exclude the leasing of any single Unit in the Project to an occupant in compliance with the Agreement. Notwithstanding anything to the contrary contained herein, Authority agrees that any Transfer of the Property in connection with a foreclosure of the Senior Loan or a deed in lieu thereof shall not require the Authority’s consent, execution of an assignment and assumption agreement or payment of any fees to the Authority.

22. **Foreclosure.** If the Project is transferred or acquired in any manner at a foreclosure sale under any deed of trust or mortgage encumbering the Project and/or the Project, or by deed in lieu of foreclosure, then title to the Project shall be taken subject to the limitations provided for herein.

23. **Covenants Run with the Land.** If the Property is transferred or acquired, including at a foreclosure sale under any deed of trust or mortgage encumbering the Property or by a deed in lieu of foreclosure, then the transferee, as Owner, this Agreement shall remain in effect and as an encumbrance on the Property and any new Owner during the term of this Agreement shall be subject to all of the conditions, limitations and restrictions provided for in this Agreement.

24. **Compliance with Federal and State Laws.** Notwithstanding the provisions contained in this Agreement, nothing contained herein shall require the Owner to do anything contrary to or refrain from doing anything required by federal and state laws and regulations promulgated thereunder applicable to the management, maintenance, operation and rental of the Restricted Unit(s). The Owner shall operate the Project, and cause all work to be performed on the Project, in compliance with (i) all applicable laws, ordinances, rules and regulations of federal, state, or municipal governments or agencies now in force or that may be enacted hereafter, including (without limitation and where applicable) state prevailing wage provisions, (ii) the HUD housing quality standards set out in 24 C.F.R. 5.703 and the cost-effective and energy conservation and effectiveness standards in [24 C.F.R. 290.39 (if applicable), 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. Any construction, renovation, or capital improvement at the Project shall proceed only after procurement of each permit, license, or other authorization that may be required by any governmental agency having jurisdiction.

25. **Management Responsibilities.** The Owner is responsible for all management functions with respect to the Project, including without limitation the selection of tenants, certification and recertification of household size and income, evictions, collection of rents and deposits, maintenance, landscaping, routine and extraordinary repairs, replacement of capital items, and security. The Owner is responsible for maintaining the Project in decent, safe and sanitary condition and in good repair. The Authority in its capacity under this Agreement has no obligation to maintain the Project as provided in this paragraph. Notwithstanding anything to the
contrary in this Agreement, Owner may delegate the performance of any of its duties and obligations under this Agreement to its property manager or a third party consultant, agent or representative, provided such delegation shall not relieve Owner of its duties hereunder.

26. **Maintenance and Security.** The Owner shall at its own expense maintain the Project in good condition, in good repair, and in decent, safe, sanitary, habitable and tenantable living conditions for the benefit of Project occupants, subject to reasonable wear and tear. The Owner shall not commit or permit any waste on or to the Project, and shall prevent and/or rectify any physical deterioration of the Project, subject to reasonable wear and tear. The Owner shall provide adequate ongoing security equipment and services for Project occupants and shall maintain the Project in conformance with all applicable state, federal, and local laws, ordinances, codes, and regulations, and the Approved Management Plan and any subsequent Project management plan.

27. **Insurance.** Owner shall cause to have in full force and effect during the Restriction Period insurance coverage as set forth in Exhibit B.

28. **Property Damage and Repair.** Subject to the terms and conditions of the Senior Loan, if any building or improvements on the Project shall be damaged or destroyed in an amounts greater than $100,000 and the same is covered by insurance policies required under Section 27, the Owner shall, commence repairs and restoration within one hundred twenty (120) days (subject to Force Majeure) following receipt of any and all applicable permits from any governmental authority now having or hereafter acquiring jurisdiction over the Property and/or Project required for such repairs and restoration, and diligently repair or restore the Project until completion. Subject to the terms of the Senior Loan, all insurance proceeds collected for such damage or destruction shall be applied to the cost of such repairs or restoration.

29. **Right to Inspect.**

   (a) The Authority, together with its agents, representatives, and consultants shall have the right, (i) on an annual basis or (ii) in the event that the Authority has a reasonable basis to believe there is an active Default by Owner with the requirements of this Agreement, upon forty-eight (48) hours’ notice to Owner, to enter the Project to conduct relevant routine inspections, including inspections or evaluations of the Project to determine compliance with the HVC Program Standards (collectively, the “Inspections”). In addition, (i) on an annual basis or (ii) in the event that the Authority has a reasonable basis to believe there is an active Default by Owner with the requirements of this Agreement, within forty-eight (48) hours of receipt of an Inspection notice, the Owner shall provide to the Authority, at no cost to the Authority, all documents and information requested by the Authority relevant to the inspection or evaluation of the Owner’s compliance with the HCV Program Standards.

   (b) Upon a determination by the Authority that the Project or portions of the Project do not meet the HCV Program Standards, the Authority shall provide written notice of noncompliance (‘Notice of Non-Compliance”) to the Owner and the Owner shall cure the noncompliance within ninety (90) days of receipt of the Notice of Non-Compliance; provided, however, if such noncompliance is, by its nature, not readily susceptible to cure within ninety (90)
days and the Owner has commenced such cure process within the initial ninety (90) day period and thereafter diligently proceeds to cure the same to completion, then such original ninety (90) day period shall be extended one time for an additional thirty (30) days or by such additional time period as may be reasonably agreed to in writing by the Authority for reasonable cause.

(c) In the event that the Owner has not cured the noncompliance within the period set forth in the immediately preceding paragraph, the Authority shall have the right (but not the obligation), to enter and/or cause its agents, representatives, and consultants to enter the Project and perform any and all work and labor necessary to bring the Project into compliance with the HCV Program Standards.

(d) All reasonable out-of-pocket costs and expenses actually expended by the Authority for the work described in this Section 29 shall be reimbursed by the Owner within sixty (60) days of receipt of an invoice from the Authority.

30. Books and Records. The Owner shall maintain books and records to the reasonable satisfaction of the Authority which verify tenant’s eligibility, the Rents, and the proper maintenance of each Restricted Unit at the Project. Such books and records shall be made available for inspection by the Authority (i) on an annual basis or (ii) in the event that the Authority has a reasonable basis to believe there is an active Default by Owner with the requirements of this Agreement, at any time during normal business hours of 9:00 am to 5:00 pm with two (2) business days’ prior written notice.

31. Binding on Successors and Assigns. This Agreement shall be an equitable servitude and a covenant running with the land as a burden on the Property, shall be binding upon the Owner and its successors and assigns in ownership of the Property and shall be binding upon and inure to the benefit of the Authority and its successors and assigns. In the event of the dissolution or other failure of the Authority to remain in existence, the Authority reserves the right to designate a reasonably qualified successor public agency to perform the Authority’s obligations or to exercise the Authority’s rights under this Agreement.

32. Prohibition Against Discrimination. The Owner shall not discriminate against any tenant or potential tenant on the basis of race, color, religion, creed, sex, age, gender, gender identity, gender expression, sexual orientation, marital status, national origin, ancestry, familial status, source of income (which effective January 1, 2020, pursuant to California Government Code Section 12955(p) and LAMC Section 45.67 includes a prospective tenant’s use of any lawful source of income, rental assistance, subsidy, or financial aid from any person whether paid directly to tenant or to Owner on behalf of tenant, including but not limited to vouchers issued under the Section 8 program), disability, genetic information or medical condition, including the actual or perceived affliction of AIDS or the HIV virus.

33. Local Hire Policies. The Owner shall use commercially reasonable efforts to comply with the local hire plan contained in the Approved Management Plan with respect to major capital improvements.
34. **Default and Remedies.** The following shall constitute a “Default” under this Agreement:

(a) **Breach of Covenants.** Failure by the Owner to duly perform, comply with, or observe any of the conditions, terms, or covenants contained in this Agreement, and such failure having continued uncured for a period of thirty (30) days after receipt of written Notice thereof from the Authority to the Owner and Senior Lender, provided, however, if such breach is, by its nature, not readily susceptible to cure within ninety (90) days and the Owner has commenced such cure process within the initial ninety (90) day period and thereafter diligently proceeds to cure the same to completion, then such original ninety (90) day period shall be extended one time for an additional thirty (30) days or by such additional time period as may be reasonably agreed to in writing by the Authority for reasonable cause.

(b) **Representation or Warranty Incorrect.** Any material representation or warranty by Owner contained in this Agreement proves to have been knowingly and intentionally incorrect in any material respect when made.

(c) **Remedies.** In the event of a Default, the Authority may:

   (i) Bring an action in equitable relief seeking the specific performance by the Owner of the terms and conditions of this Agreement, and/or enjoining, abating, or preventing any violation of said terms and conditions, and/or seeking declaratory relief; or

   (ii) Pursue any other remedy allowed at law or in equity.

(d) **Notice and Opportunity to Cure.** The Authority shall provide written notice to the Owner and Senior Lender delivered via U.S. Mail and/or email at the addresses set forth in Section 36 (“Notice”) of any of the events contemplated in Section 34(a) or 34(b) above, outlining in reasonable detail the circumstances and events supporting such determination. In the event the events and circumstances identified in such Notice are not satisfactorily cured within the allotted period of time and such circumstances and events mature into a Default hereunder, the Authority shall have the rights and remedies provided in Section 34(c).

(e) **Waiver.** Any waiver by the Authority of any obligation 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 Owner or to pursue any remedy allowed under this Agreement or applicable law. Any extension of time granted to Owner 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 Owner shall not be construed to be a consent to any other or subsequent act or omission or to waive the requirement for the Authority's written consent to future waivers. It is understood and agreed that no waiver of a breach of any of the provisions of this Agreement shall be construed as a waiver of any other breach; nor shall failure to enforce any portion of this Agreement be construed as a waiver of any of the conditions of this Agreement.
35. **Administrative.** The President and Chief Executive Officer of the Authority or such officer’s designee shall have the authority to act on behalf of the Authority in carrying out the Authority’s obligations under this Agreement (including with respect to approval of a transferee in connection with a Transfer).

36. **Notices.** All notices required under this Agreement shall be in writing, which includes email, sent to the Owner and to the Authority at the addresses below:

If to the Authority:  
Housing Authority of the City of Los Angeles  
2600 Wilshire Boulevard, 3rd Floor  
Los Angeles, CA 90057  
Attn: President and Chief Executive Officer  
Email: douglas.guthrie@hacla.org

with a copy to:  
Housing Authority of the City of Los Angeles  
2600 Wilshire Boulevard, 3rd Floor  
Los Angeles, CA 90057  
Attn: General Counsel  
Email: James.Johnson@hacla.org

with a copy to:  
Lewis Brisbois  
633 West 5th Street Suite 4000  
Los Angeles, CA 90071  
Attn: Brant Dveirin  
Email: Brant.Dveirin@lewisbrisbois.com

If to the Owner:  
Avanath Baldwin Village, LP  
c/o Avanath Affordable Housing IV, LLC  
1920 Main Street, Suite 150  
Irvine, CA 92614  
Attention: Wesley Wilson  
Email: wwilson@avanath.com

With copy to:  
Manatt, Phelps & Phillips, LLP  
695 Town Center Drive, 14th Floor  
Costa Mesa, California 92626  
Attention: Grace Winters  
Email: gwinters@manatt.com

With copy to:  
Northmarq Capital Finance, L.L.C.  
3500 American Boulevard West, Suite 500  
Bloomington, MN 55431  
Attention: Servicing Department  
Email: jworden@northmarq.com
Any Party may change the address to which notices are to be sent by notifying the other parties of the new address in the manner set forth above.

37. **Authority.** Each Party to this Agreement hereby represents and warrants that each person executing this Agreement on behalf of a Party has the right, power, legal capacity and authority to enter into and perform under the Agreement, that no approval or consent of any other persons are necessary, and that the terms and conditions of this Agreement constitute the valid and binding obligations of such Party, enforceable against such Party in accordance with its terms.

38. **Amendments.** This Agreement may be amended only by a written instrument signed by both the Authority and the Owner and duly recorded in the Official Records of the County of Los Angeles. Owner agrees to pay the reasonable out-of-pocket costs and expenses actually expended by the Authority for any required amendment(s) to this Agreement necessitated by Owner, including but not limited to those caused by Owner non-compliance issues or Owner requested changes to the allocation of Restricted Unit(s) that involve substantive changes to the Project (i.e., changes to bedroom type, square footage and location within the Project).

39. **Non-Liability of Officials, Employees and Agents.** None of the Owner’s or the Authority’s officers, officials, commissioners, directors, employees or agents shall be personally liable to the other party hereto for any obligation created under the terms of this Agreement.

40. **Indemnification.** Except for the negligence or willful misconduct of Authority, or any of its boards, officers, commissioners, directors, agents, employees, successors and assigns, Owner undertakes and agrees to defend, indemnify and hold harmless the Authority and any of its boards, officers, agents, employees, assigns, and successors in interest from and against all suits and causes of action, claims, losses, demands and expenses, including, but not limited to, attorney's fees (both in house and outside counsel) and cost of litigation (including all actual litigation costs incurred by the Authority, including but not limited to, costs of experts and consultants), damages or liability of any nature whatsoever, arising in any manner by reason of the negligent acts, errors, omissions or willful misconduct incident to the performance of this Agreement. Rights and remedies available to the Authority under this provision are cumulative of those provided for elsewhere in this Agreement, in the other Loan Documents and allowed under any applicable laws. The provisions of this paragraph shall survive expiration or termination of this Agreement.

41. **Other Agreements.** Owner represents that it has not and/or will not entered into any agreements that would restrict or compromise its ability to comply with the terms of this Agreement. Owner shall not enter into any agreements that are inconsistent with the terms of this Agreement without an express waiver by the Authority in writing.

42. **Assignment and Assumption.** For administrative purposes, in the event of any sale or re-sale of the Project prior to the expiration of the Restriction Period, as condition of close of escrow, the Owner shall require the buyer to (i) execute and record an Assignment, Assumption and Consent Agreement (“Assignment”) with the Authority and (ii) Owner shall pay or cause the payment of the reasonable out-of-pocket costs and expenses actually expended by the Authority in connection with the Assignment. Notwithstanding anything to the contrary contained herein, Authority agrees that any Transfer of the Property in connection with a foreclosure of the Senior
Loan or a deed in lieu thereof shall not require the Authority’s consent, execution of an assignment and assumption agreement or payment of any fees to the Authority.

43. **Recording of Agreement.** This Agreement shall be recorded in the Official Records of the County of Los Angeles.

44. **Governing Law.** This Agreement shall be interpreted under and be governed by the laws of the State of California.

45. **Entire Agreement.** The provisions herein constitute the entire agreement with respect to the matters herein. Each Party to this Agreement acknowledges that no representations, inducements, promises or agreements, orally or otherwise, have been made by any Party or anyone acting on behalf of any Party, which are not embodied herein, and that any other agreement, statement, or promise not contained in this Agreement shall not be valid or binding except more restrictive agreements.

46. **Confidentiality.** Each party agrees to maintain the confidentiality of the terms and conditions of this Agreement and to maintain the confidentiality of (a) any information provided by one party to the others and (b) all information contained in any books, records, computer discs, and similar materials containing the Owner’s information, invoices, and other documents received or maintained by the Owner pursuant to this Agreement, other than information that is available from public sources. Any party may, however, disclose any of such information to its agents, directors, officers, employees, advisors, attorneys, affiliated parties, or representatives who require such information for the purpose of performing or assisting in the performance of its obligations or services hereunder, and to investors or lenders or proposed investors or lenders, provided that in all such cases such parties shall be informed of the confidential nature of such information. Any party hereto may also disclose any such information (a) to the extent required by law or court order, including the California Public Records Act ("CPRA"), provided that such party shall have first, to the extent reasonably practicable, and in accordance with applicable law, advised the other of the requirement to disclose such information and shall have afforded the other an opportunity to dispute such requirement and seek relief therefrom by legal process, including pursuant to the CPRA requirements, (b) in connection with any suit, action, arbitration, or other proceedings between or among the parties hereto or their respective affiliated parties, or (c) to the extent required in connection with the preparation or filing of any tax returns or other filings required by any applicable law.
IN WITNESS WHEREOF, the Authority caused this Agreement to be executed by its duly authorized representative:

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:

By: ________________________
    Becky Churchill Clark, Esq.
    Authority Senior Staff Attorney

[Signatures continued on following page.]
OWNER:

Avanath Baldwin Village, LP,
a Delaware limited partnership

By: Avanath Tomas GP, LLC,
a Delaware limited liability company,
its Administrative General Partner

By: Avanath AH IV Baldwin Village Holdco, Inc.,
a Delaware corporation,
its Sole Member

By:
Name: Wesley Wilson
Title: Chief Financial Officer

By: La Cienega LOMOD, Inc.
a California nonprofit public benefit corporation
its Managing General Partner

By:
Name: Tina Booth
Title: 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: _________________________
EXHIBIT A

Legal Description

APN __________________________
Exhibit B

Insurance Requirements

[NOTE: To be attached.]
ATTACHMENT 7

Loan Agreement
LOAN AGREEMENT

between

HOUSING AUTHORITY OF THE CITY OF LOS ANGELES

and

AVANATH BALDWIN VILLAGE, LP

(Baldwin Village Project)

Dated as of ________________
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[TO COME]
LOAN AGREEMENT
(Baldwin Village Project)

This Loan Agreement (this “Agreement”) is entered into as of _______ 1, 2022 (the “Effective Date”), by and between the HOUSING AUTHORITY OF THE CITY OF LOS ANGELES, a public body, corporate and politic, its successors and assigns (the “Authority”), and Avanath Baldwin Village, LP, a Delaware limited partnership (the “Borrower” and together with the Authority, the “Parties” or each a “Party”), with reference to the following facts:

RECITALS

WHEREAS, the Authority has been created and organized pursuant to Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California, commencing with Section 34240 (the “Law”); and

WHEREAS, the Borrower is the record owner of that certain real property located on multiple parcels and at multiple addresses, including 4220 Santa Rosalia Drive in the City of Los Angeles, County of Los Angeles, State of California, with a legal description as set forth in Exhibit A attached hereto (the “Property”); and

WHEREAS, the existing improvements on the Property include a 669-unit multifamily housing development, commonly known as Baldwin Village (also commonly known as Santo Tomas and Santa Rosalia Apartments) (the “Existing Improvements”); and

WHEREAS, Borrower intends to improve the Existing Improvements in accordance with the Approved Capital Improvement Plan (as defined herein) (the “Improvements” and with the Existing Improvements collectively, the “Project”); and

WHEREAS, the Borrower and La Cienega LOMOD, Inc., a California non-profit public benefit corporation (“La Cienega”) have entered into that certain Agreement of Limited Partnership dated as of [__________], 2022 (the “Limited Partnership Agreement”), under which those parties have agreed to jointly manage and develop the Project; and

WHEREAS, by Resolution No. [______________] on July __, 2022, the Authority Board of Commissioners (the “Authority Board”) has authorized the funding of a loan to be made to the Borrower for the funding of a portion of the Project (the “Loan”), evidenced by that certain Subordinate Secured Promissory Note in the form attached hereto as Exhibit B made by the Borrower to the Authority (the “Note”); and

WHEREAS, the Loan is secured by that certain Subordinate Deed of Trust with Assignment of Rents, Security Agreement, and Fixture Filing (Baldwin Village Project) in the form attached hereto as Exhibit C, made by Borrower, as Trustor to ________ as trustee for the benefit of Authority, as beneficiary (the “Deed of Trust”), and the Regulatory Agreement and Declaration of Restrictive Covenants (Baldwin Village Project) in the form attached hereto as Exhibit D by and between the Borrower and the Authority (the “Regulatory Agreement”), and
with the Note, and the Deed of Trust, each dated as of the Effective Date, and this Agreement, collectively the “Loan Documents”); and

WHEREAS, the Parties mutually desire to enter into this Agreement for the purpose of providing affordable housing within the City of Los Angeles for lower income households.

NOW, THEREFORE, the Parties agree to the terms of this Agreement as follows:

ARTICLE 1 DEFINITIONS AND EXHIBITS

Section 1.1 Recitals; Definitions. The Recitals contained hereinabove are true and correct and are incorporated into this Agreement by this reference. Wherever used in this Agreement, unless otherwise provided, the following capitalized terms have the meanings set forth in this Section 1.1 and whether used in singular or plural form, shall be deemed to refer to the object of such term whether such is singular or plural in nature, as the context may suggest or require.

“Administrative General Partner” means Avanath Tomas GP, LLC, a Delaware limited liability company.

“Affiliate” shall mean, as to any Person, any other Person that, directly or indirectly, is in Control of, is Controlled by or is under common Control with such Person or is a director or officer of such Person or of an Affiliate of such Person. In no event shall the Authority or La Cienega be deemed to be an Affiliate of the Borrower.

“Agreement” shall mean this Loan Agreement.

[“Approved Acquisition Budget” shall mean the proforma acquisition budget, including sources and uses of funds, approved by the Authority.]

“Approved Capital Improvement Plan” shall mean the Capital Improvement Plan prepared by Borrower and approved by the Authority as of the date hereof, which includes, among other things, a per Restricted Unit expenditure of $25,000 over the Initial Capital Improvement Period.

“Approved Financing” shall mean all of the following loans and equity acquired by the Borrower and approved by the Authority for the purpose of financing the Project, in addition to the Loan (and any future refinancing of the Approved Financing subject to Section 4.10), namely the Senior Loan.

“Approved Management Plan” shall mean the plan developed by the Owner and approved by the Authority for occupancy of the Restricted Units and asset and property management, including but not limited to admissions criteria, a tenant selection plan, a uniform lease (which may include addenda required by lenders), and other requirements of this Agreement, and that will apply to all who rent Restricted Units in the Project and is designed to achieve the short- and long-term viability of the Project.
“Approved Marketing and Publicity Plan” shall mean the Marketing and Publicity Plan prepared by the Borrower and approved by the Authority as of the date hereof.

“Approved Operating Budget” shall mean the proforma operating budget, including sources and uses of funds, prepared by the Borrower and approved by the Authority as of the date hereof.

“Authority” shall mean the Housing Authority of the City of Los Angeles, a public body, corporate and politic.

“Borrower” shall mean Avanath Baldwin Village, LP, a Delaware limited partnership.

“Business Day” means a day of the week (but not a Saturday, Sunday or a national holiday) on which the offices of the national banking institutions are open to the public for carrying on substantially all business functions. Unless specifically referenced in this Agreement as a Business Day, all references to “days” shall be to calendar days.

“CEQA” shall mean the California Environmental Quality Act (Public Resources Code Section 21000 et seq.).

“City” shall mean the City of Los Angeles, California.

“Closing” shall mean the Effective Date.

“Control” shall mean, with respect to any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management of such Person, whether through ownership of voting securities, by contract or otherwise, but excluding any typical major decision rights of any non-managing members, partners, shareholders, or stockholders which such decision rights shall not be sufficient to establish “Control”. “Controlled” and “Controlling” shall have correlative meanings.

“De Minimis Amounts” shall mean any Hazardous Materials either (a) being transported on or from the Property or being stored for use by Borrower or its tenant on the Property in connection with Borrower’s or any tenant’s current operations, construction related activities and other activities contemplated by this Agreement or (b) being currently used by Borrower or its tenants on the Property, in either case in such quantities and in a manner that both (1) does not constitute a material violation of any Hazardous Materials Law or require any reporting or disclosure under any Hazardous Materials Law and (2) is consistent with customary business practice for such operations.

“Deed of Trust” shall have the meaning set forth in the Recitals.

“Default” shall have the meaning set forth in Section 5.1.

“Environmental Claim” means any claim, action, investigation, order, decree, or notice by any Person alleging potential liability (including potential liability for investigatory costs, remediation costs, governmental response costs, natural resources damages, property damages, personal
injuries, or penalties) pursuant to Hazardous Materials Law or otherwise arising out of, based on or resulting from (a) environmental, human health, or occupational health and safety conditions, (b) the presence, release or threatened release of any Hazardous Materials at any location, whether or not owned, leased or operated by the Borrower, (c) exposure to Hazardous Substances or (d) any actual or alleged violation of any Hazardous Materials Law (including any failure to obtain any Environmental Permit).

“Environmental Indemnified Party(ies)” shall have the meaning set forth in Section 4.4.

“Environmental Permit” shall mean any permit, license, approval, registration, or other authorization under any applicable Hazardous Materials Law or of any governmental authority relating to Hazardous Materials or Hazardous Materials Laws.

“Financial Reports(s)” means a statement consisting of an operating statement (with aged receivables) for the year to date and a detailed monthly rent roll and accompanied by a certificate of an officer of the Owner, certifying that such Financial Report is true, correct, and complete in all material respects.

“GAAP” means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board, or in such other statements by such other entity as may be in general use by significant segments of the accounting profession, which are applicable to the circumstances as of the date of determination.

“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; provided, however, that the foregoing Hazardous Materials shall not include any De Minimis Amounts.

“Hazardous Materials Law” shall mean all Laws relating to pollution or protection of human health or safety, natural resources, or the environment, including Laws relating to the exposure to or the Release, threatened Release or the presence of Hazardous Materials, or otherwise relating
to the manufacture, processing, distribution, use, discharge, emission, labeling, processing, treatment, storage, disposal, transport, arrangement for transport, treatment, or disposal, or handling of Hazardous Materials and all Laws with regard to recordkeeping, notification, disclosure and reporting requirements respecting Hazardous Materials, and all Laws relating to endangered, threatened, or protected species of fauna and flora, and the management or use of natural resources, in each case as such Laws are applicable to the Property.

“Improvements” shall have the meaning set forth in the Recitals.

“Loan” shall have the meaning set forth in the Recitals.

“Loan Documents” shall have the meaning set forth in the Recitals.

“Loan Maturity Date” shall mean thirty (30) years from the Effective Date.

“Note” shall have the meaning set forth in the Recitals.

“Officer’s Certificate” means a certificate executed by an authorized signatory of the Borrower who is familiar with the financial condition of the Borrower, the status and operation of the Project and the Property.

“Operating Expenses” shall mean 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 and not funded out of any reserves for such, mortgage insurance premiums, if any, and the cost of operations, social services expenses, mandatory debt service payments, maintenance and repairs, and the funding of any reserves required to be maintained by any lender or pursuant to this Agreement. Operating Expenses shall not include (i) distributions or payments to partners of Borrower pursuant to the Partnership Agreement, and (ii) expenditures for social services not required by any lender.

“Parties” shall mean the Authority and the Borrower.

“Partnership Agreement” shall have the meaning set forth in the Recitals.

“Permitted Encumbrances” means, collectively (a) the liens and security interests created by the Loan Documents, (b) all liens, encumbrances and other matters disclosed in the Title Insurance Policy, (c) liens, if any, for Property taxes imposed by any governmental authority not yet delinquent or which are being contested by the Borrower in accordance with the terms and conditions of this Agreement, (d) such other title and survey exceptions as the Authority has approved or may reasonably approve in writing (it being agreed that the Authority has approved any such other title and survey exception disclosed in the Title Insurance Policy issued in connection with the closing of the Loan and the survey delivered to Lender with the Title Policy in connection with the closing of the Loan), (e) inchoate mechanics’ and materialmen’s liens, or actual mechanics’ and materialmen’s liens provided same are discharged or bonded within thirty (30) days of the filing thereof (but in any case prior to the date on which any foreclosure or other
realization thereon is scheduled to occur if sooner than such 30-day period) or which are otherwise reasonably being contested by the Borrower in accordance with the terms and conditions of this Agreement, (f) the tenant leases entered into prior to the date hereof or after the date hereof in accordance with the terms and conditions hereof, and (g) equipment leases for equipment used at the Property so long as the same are secured, if at all, solely by the subject equipment leased thereunder, and the obligations of the Borrower with respect thereto that constitute Authorized Financing hereunder.

“Person” means any natural person, corporation, limited partnership, general partnership, joint stock company, limited liability company, joint venture, association, company, trust, bank, trust company, land trust, business trust or other organization, whether or not a legal entity, or any governmental authority or non-governmental entity.

“Project” shall have the meaning set forth in the Recitals.

“Property” shall have the meaning set forth in the Recitals.

“Regulatory Agreement” shall have the meaning set forth in the Recitals.

“Senior Lender” means Northmarq Capital Finance, L.L.C., a Nebraska limited liability company.

“Senior Loan” means XXX.

“Senior Loan Documents” means XXX.

“Subordination Agreement” shall mean that certain Subordination Agreement between the Authority, the Borrower and the Senior Lender dated as of the Effective Date.

“Surplus Cash” means, with respect to any period, any revenues of the Borrower remaining after paying, or setting aside funds for paying, all of the following:

(i) All sums due or currently required to be paid under the Senior Loan.
(ii) All sums due or currently required to be paid under the Senior Loan Documents, including but not limited to any Imposition Deposits as such term is defined therein.
(iii) All deposits to any replacement reserve, repair reserve or other reserve or escrow required by the Senior Loan Documents that are due or currently payable.
(iv) All reasonable operating expenses of the Property, including but not limited to real estate taxes, insurance premiums, utilities, building maintenance, painting and repairs, management fees, the Partnership Administration Fee (as defined in the Limited Partnership Agreement), payroll, administrative expenses, legal expenses and audit expenses.

“Term” shall have the meaning set forth in Section 2.2.
“Transfer” shall have the meaning set forth in Section 4.10.

“Unit(s)” shall mean any dwelling unit located at the Project.

Section 1.2 Exhibits. The following exhibits are attached to this Agreement and incorporated into this Agreement by this reference:

EXHIBIT A: Legal Description of the Property
EXHIBIT B: Promissory Note
EXHIBIT C: Deed of Trust
EXHIBIT D: Regulatory Agreement

ARTICLE 2  LOAN PROVISIONS

Section 2.1 Loan. The Authority shall loan to the Borrower the sum of Five Hundred Thousand Dollars ($500,000) (the “Loan”) for the purposes set forth in Section 2.4 of this Agreement, and the Borrower shall borrow from the Authority and repay principal and interest on the Loan pursuant to the terms and conditions of this Agreement and the Note.

Section 2.2 Term. The Loan shall mature on the Loan Maturity Date.

Section 2.3 Interest.

(a) The outstanding principal balance of the Loan shall bear interest at five percent (5.00%) per annum (the “Interest Rate”) commencing on the Effective Date and maturing on the Loan Maturity Date. Principal and interest on the Loan. The Interest Rate shall be computed on the basis of a year of 365 days. For the avoidance of doubt, interest shall not compound during the term of this Note.

(b) In the event of a Default, interest on this Note shall accrue at the Interest Rate plus five percent (5%), as of the date of Default and continue until the earlier of such time as the Loan is repaid in full or the Default is cured.

(c) Principal and interest on the Loan shall be due and payable in accordance with the amortization schedule attached as Exhibit A to the Note on each anniversary of the Effective Date until paid in full. Principal and interest on the Loan shall be payable from no more than seventy-five percent (75%) of Surplus Cash. Any unpaid principal and interest on the Loan and any associated fees shall be due and payable on the earlier to occur of: (i) the date of any Default, (ii) the Loan Maturity Date, and (iii) any sale, transfer, assignment, or conveyance of the Borrower’s fee interest in the Project except to an Affiliate of the Borrower or in the event of foreclosure or deed in lieu of foreclosure of the Senior Loan.

(d) In the event of a Default, interest on the Loan shall accrue at the Interest Rate plus five (5%), as of the date of Default and continuing until the earlier of such time as the Loan is repaid in full or the Default is cured.
Section 2.4 Use of Loan Funds.
The Loan proceeds shall be disbursed to the Borrower at Closing and applied by the Borrower to pay acquisition costs of the Project consistent with the Approved Acquisition Budget. The Borrower shall not use the Loan proceeds for any other purpose without the prior written consent of the Authority.

Section 2.5 Security.

The Loan is evidenced by the Note and secured by the Deed of Trust. The Authority agrees that the Deed of Trust shall at all times continue to be, junior, subordinate, subject and inferior (in payment and priority) to the Senior Loan and Senior Loan Documents (and extensions thereof), and the liens, rights, payment interests, priority interests and security interests granted to the Authority in connection with the Loan and the Note, are, and are hereby expressly acknowledged to be in all respects and at all times, subject to the terms and provisions of the Subordination Agreement.

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) The Authority has received the executed Note.

(b) The Deed of Trust and Regulatory Agreement have been executed and are ready to be recorded against the Property in the Office of the Recorder of the County of Los Angeles.

(c) The Authority has received and approved the UCC-1 Fixture Financing Statement that is ready to be filed with the California Secretary of State at Closing.

(d) The Authority has received and approved the Approved Acquisition Budget, Approved Capital Improvement Plan, Approved Operating Budget, Approved Property Management Plan and Approved Marketing and Publicity Plan.

(e) The Borrower has closed all Approved Financing, and delivered copies of the Senior Loan Documents to the Authority.

(f) The Authority has received and approved a copy of the Partnership Agreement, the Borrower structure chart and the executed consents of all of the partners of the Borrower and the owners of the Borrower authorizing the transactions contemplated by this Agreement.

(g) A title insurer reasonably acceptable to the Authority is unconditionally and irrevocably committed to issuing one or more ALTA Lender's Policy of insurance insuring the priority of the Deed of Trust in the amount of the Loan, subject only to Permitted Encumbrances and such exceptions and exclusions as may be reasonably acceptable to the Authority, and containing such endorsements as the Authority may reasonably require.
(h) Borrower has provided the Authority evidence of compliance with all approved CEQA requirements and mitigation measures, if any.

(i) The Borrower has furnished the Authority with evidence of the insurance coverage required under Section 4.11.

(j) There exists no Default nor any act, failure, omission or condition that would constitute an event of Default under this Agreement.

(k) The Authority has received and approved a copy of the Opinion Letter from Borrower’s counsel in form and substance reasonably acceptable to the Authority.

(l) The Borrower has executed and delivered to the Authority all other documents, instruments, and policies required under the Loan Documents.

Section 2.7 Repayment Schedule. The Loan shall be repaid as follows:

(a) Annual Payments of Loan. The Borrower shall repay the Loan in accordance with the Note.

(b) Payment in Full. All principal and accrued interest on the Loan shall be due in full on the earlier to occur of (i) the date of any Default, (ii) the Loan Maturity Date and (iii) the date of any Transfer not authorized by the Authority, except to the extent such authorization is not required under this Agreement.

(c) Prepayment. The entire principal balance, and all interest accrued, may be prepaid ten (10) years after the Effective Date (“Lockout Period”) without charge or penalty. Prior to the Lockout Period, the principal and interest on the Loan may be prepaid at any time with a prepayment penalty (i) for the period commencing on the Effective Date and ending on the date that is five (5) years following the Effective Date, five percent (5.00%) of the amount prepaid and (ii) for the period commencing on the day after the date that is five (5) years following the Effective Date and ending on the date that is ten (10) years following the Effective Date, two percent (2.00%) of the amount prepaid.

Section 2.8 Financial Reports.

(a) Quarterly Financial Reports. The Borrower Financial Reports shall be delivered to the Authority in accordance with Section [17] of the Regulatory Agreement.

(b) Books and Records. The Borrower shall keep and maintain on the Property, the property manager’s office, Borrower’s general business address, or elsewhere with prior notice to the Authority, full and complete books, records and accounts relating to the Project, including all such books, records and accounts adequate to reflect correctly the operation of the Property. Books, records, and accounts shall be kept and maintained in accordance with GAAP consistently applied, or in accordance with past practice. All such books, records, and accounts shall be open to and available for inspection by the Authority, its auditors or other authorized
representatives upon prior written notice at reasonable intervals during normal business hours; provided, however, the ability of the Authority to inspect such books and records shall be limited to not more than once per Borrower’s fiscal year so long as no event of Default has occurred during such fiscal year (or any event which, with the giving of written notice or the passage of time, or both, would constitute an event of Default has occurred and is continuing).

Section 2.9 Recourse/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 Loan Documents 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 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 and Regulatory Agreement, except as hereafter set forth; nothing contained herein is intended to relieve the Borrower of its obligation to indemnify the Authority under Sections 4.4 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.

Section 2.10 Borrower Authorized Representative. The Borrower hereby designates Wesley Wilson, Daryl J. Carter, John R. Williams, Jun Sakumoto and Ellen Guccione (each an “Authorized Representative”) as an individual or agent duly authorized (acting alone) to bind the Borrower contractually and sign any required notices on behalf of the Borrower under the Loan Documents. The Borrower may at any time replace an Authorized Representative with a successor Authorized Representative or add an additional Authorized Representative by sending written notice to the Authority identifying such successor or additional Authorized Representative. The Borrower agrees to be bound by any written request (i) authorized or transmitted by the Authorized Representative on behalf of the Borrower, or (ii) made in the Borrower’s name by the Authorized Representative and accepted by the Authority in good faith and in compliance with these instructions, even if not properly authorized by the Borrower.

ARTICLE 3 EQUAL OPPORTUNITY; NO DISCRIMINATION
Section 3.1 The Borrower shall use commercially reasonable efforts to comply with the local hire plan contained in the Approved Capital Improvement Plan.

Section 3.2 The Borrower, for itself and its successors, assigns, and transferees, agrees that for any capital improvements performed on or at 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 use commercially reasonable efforts to cause the foregoing provisions (a) and (b) of this Section to be inserted in all contracts for the rehabilitation of the Project entered into after the Effective Date; provided, however, that the foregoing provisions shall not apply to contracts or subcontracts for standard commercial supplies or raw materials, and failure to insert the foregoing provisions in such contracts shall not negate the effectiveness of such provisions as relates to the Loan Agreement.

ARTICLE 4 LOAN REQUIREMENTS

Section 4.1 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 upon prior written notice at reasonable times during business hours.

(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 4.2 Audits. The Borrower shall make available for examination upon prior written notice and 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 4.3 Additional Requirements.

The Borrower shall comply with all applicable laws, regulations and administrative requirements governing the use of the Loan proceeds. 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.

Section 4.4 Hazardous Materials.

(a) The Borrower represents, warrants and covenants, as to the Project, to Borrower’s knowledge, after due inquiry, based on the Environmental Reports and except as disclosed to the Authority in writing prior to the Effective Date by delivery of the Environmental Reports listed on Exhibit F (“Environmental Reports”):

(i) there are no Hazardous Materials present in, on, or under, or that have been released at or from the Project, except in compliance with all Hazardous Materials Laws and with all Environmental Permits, and which do not require and have not required remediation in accordance with Hazardous Materials Laws;

(ii) there are no past, present or threatened Releases of Hazardous Materials in violation of Hazardous Materials Laws in, on, under, from or affecting the Project which have not been fully remediated in accordance with Hazardous Materials Laws;

(iii) there are no underground storage tanks, asbestos containing materials or oil and gas wells located on the Project; and

(iv) to Borrower’s knowledge, there are no pending or threatened in writing Environmental Claims related to the Project.

(b) The Authority, in its capacity as lender with respect to the Loan and the Deed of Trust securing repayment of same 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 or arising out of any breach or violation by the Borrower of its obligations under this Section 4.4.

In addition to the indemnities contained in Section 7.4 of this Agreement, Borrower will, at its sole cost and expense, protect, defend, indemnify, and hold 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) and its and their successors and assigns, (hereinafter “Environmental Indemnified Parties”) harmless from and against any
and all out of pocket losses imposed upon or actually incurred by or asserted against any Environmental Indemnified Parties and directly or indirectly arising out of or in any way relating to any one or more of the following (except to the extent caused either by Environmental Indemnified Parties’ gross negligence and willful misconduct or by acts or omissions by any Person other than the Borrower that occur after a foreclosure of the Deed of Trust (if any), repayment of the Loan pursuant to this Agreement, or termination of this Agreement): (a) any past, present or threatened release of Hazardous Materials in violation of Hazardous Materials Laws in, on, above, under, from or affecting the Property or Project, or any remediation thereof; (b) the imposition, recording or filing or the threatened imposition, recording or filing of any environmental claim or liability related to, or encumbering, the Property or the Project; (c) any past, present or threatened violations of any Hazardous Materials Laws in connection with the Property or the Project; and (d) any failure to obtain or maintain in full force and effect any Environmental Permits required to own, develop, operate, construct and manage the Property and Project or for the actual or intended use thereof. Notwithstanding the foregoing, Borrower shall have no liability under this Agreement with respect to Hazardous Materials that (A) are first present, used or stored at, on or under the Property after the date that the Authority or Senior Lender (or its nominee, designee or agent, or other Person who is not an affiliate of Borrower) acquires title to the Property (whether at a foreclosure sale, by the acceptance of a deed-in-lieu of foreclosure or otherwise) (such date, the “Transfer Date”); provided, that, in each instance, Borrower shall bear the burden of proving that such Hazardous Substance was first present, used or stored at, on or under the Property after the Transfer Date; provided, further, that in no event shall Borrower be released from liability under this Agreement to the extent that such liability or Hazardous Materials are caused by, related to, or arise out of, acts of Borrower or any affiliate of Borrower, or (B) arose solely as a result of (i) any Environmental Indemnified Party’s willful misconduct or gross negligence at any time, or (ii) the affirmative act of any receiver appointed by any lender for the Property.

This obligation to indemnify shall survive termination of this Agreement; provided, however, notwithstanding the foregoing, the indemnification obligations of Borrower hereunder shall terminate two (2) years after the full and indefeasible payment by Borrower of the Loan provided that at the time of such payment Borrower furnish to the Authority an updated environmental site assessment in form and substance, and from an environmental consultant, reasonably acceptable to the Authority (which may be an environmental site assessment commissioned by and delivered to a lender who is refinancing the Loan), which updated environmental site assessment discloses, as of the date of such repayment, no actual or threatened in writing (other than as disclosed in environmental site assessment delivered to Authority by Borrower in connection with the origination of the Loan): (A) non-compliance with or violation of applicable Hazardous Materials Laws (or permits issued pursuant to Hazardous Materials Laws) in connection with the Property or operations thereon, which has not been cured in accordance with applicable Hazardous Materials Laws, (B) administrative processes or proceedings or judicial proceedings concerning any environmental matter addressed in this Agreement, or (D) unlawful presence or release of Hazardous Materials (other than De Minimis Amounts) in, on, above or under the Property that has not been fully remediated as required by applicable Hazardous Materials Laws. For purposes of the preceding sentence, (i) payment of the Indebtedness shall not be deemed to have occurred if Authority or a subsidiary, nominee, designee or agent of Authority thereof acquires title to the Property through the exercise of remedies (whether at foreclosure sale, a deed-in-lieu of
foreclosure or any other transfer) and (ii) to the extent a third party suit, proceeding, or claim has been instituted or commenced prior to the termination date set forth in the foregoing sentence, this Agreement shall remain in full force and effect with respect to any such suit, proceeding, or claim (with respect to which Borrower have any obligation pursuant to this Agreement) until the completion of any such suits, proceedings or claims, including, without limitation, the payment by Borrower of any amounts which are due and payable under this Agreement in connection with such suits, proceedings or claims.

(c) The Borrower hereby acknowledges and agrees that (i) this Section 4.4(c) 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 out of pocket costs and expenses, including (but not limited to) reasonable 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.

Section 4.5 Maintenance and Damage.
Borrower shall keep and maintain, or cause to be kept and maintained, the Property and the Project and every part thereof in good condition, working order and repair, subject to ordinary wear and tear, and shall not permit or commit any intentional waste, impairment, or deterioration of any portion of the Property.
Section 4.6 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 4.7 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 4.8 Operation of Project.
The Borrower shall continuously operate the Project as a multi-unit apartment project in accordance with the terms of the Regulatory Agreement.

Section 4.9 Transfer.
The Borrower shall have the right to Transfer the Property and the Project subject to Section 21 of the Regulatory Agreement. In the event that the Borrower Transfers any or all of the Project, the Borrower shall reimburse the Authority for any out of pocket costs it actually incurs related to any such Transfer.

Section 4.10 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 officers, agents, employees and members of the Authority Board of Directors.

(iii) 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) immediately 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) of this Section 4.11. 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 of Directors.

(c) In addition to the immediately above listed 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) and (b), 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 (c) of this Section 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 in this Section.
(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 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, provided however failure to make any payment due to lack of Surplus Cash shall not be a Default under this Agreement.

(b) 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.

(c) 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 or any other debt obligations, following expiration of all applicable notice and cure periods.

(d) 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 subject to the time periods set forth in this paragraph, without the need for any action by the Authority, the indebtedness evidenced by the Note.
(e) **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 subject to the time periods set forth in this paragraph, without the need for any action by the Authority, the indebtedness evidenced by the Note.

(f) **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.

(g) **Liens on Property and Improvements.** There shall be filed any claim of lien (other than liens securing the Approved Financing and approved in writing by the Authority) against the Property and/or Improvements or any part thereof, or any interest or right made appurtenant thereto which lien is not released within sixty (60) days; provided, however that if Borrower commences to discharge, satisfy, release, expunge or dismiss such lien within such sixty (60) period and provides Authority with evidence reasonably satisfactory to Authority that it is diligently pursuing, Authority may in its reasonable discretion extend the sixty (60) day period to a reasonable time to allow Borrower to discharge, satisfy, release, expunge or dismiss such item, as applicable.

(h) **Unauthorized Transfer.** Any Transfer other than as permitted by Section 4.10.

(i) **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; unless with respect to the foregoing misrepresentations or false or misleading information (each, a “**Misrepresentation**”) (A) such Misrepresentation was not knowingly or intentionally made, (B) Authority has suffered no material loss, liability, cost, or damage on account thereof (or Borrower reimburses Authority for the amount thereof) nor has the same resulted in a material adverse change to the Property or the financial condition of the Borrower, (C) such Misrepresentation can be cured (meaning that the facts and circumstances underlying the applicable Misrepresentation can be changed such that the applicable representation or information as made or delivered will be true and correct), and (D) such Misrepresentation is cured within thirty (30) days (or if Borrower is diligently pursuing a cure, such longer period granted in the Authority’s reasonable discretion, after the earlier of (1) the date on which Borrower first has actual knowledge that such Misrepresentation exists, and (2) the date on which Authority first notifies Borrower that such Misrepresentation exists;

Section 5.2 **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 5.3**  **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 5.4**  **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**  **Representations.** To induce the Authority to enter into this Agreement and to fund the Loan, the Borrower hereby represents and warrants to the Authority, as of the Effective Date and until satisfaction of all of the obligations under this Agreement the
Section 6.2 Organization. The Borrower is duly organized and validly existing and is in good standing under the laws of the State of Delaware and has the power and authority to own its property and carry on its business as now being conducted within the State of California. Borrower shall provide an opinion to this effect from its counsel at the time of execution of this Agreement.

Section 6.3 Authority of Borrower. The Borrower has full power and authority to execute, deliver and perform 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 thereof.

Section 6.4 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 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 such documents), and no other proceedings or authorizations on the part of the Borrower or any of its partners are necessary to consummate such transactions, except for such as have been obtained or effected (and true and correct copies of which have been delivered to the Authority).

Section 6.5 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.

Section 6.6 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.

Section 6.7 Pending Proceedings. Except as disclosed in writing to the
Authority prior to execution of this Agreement, the Borrower is not in default under any law or regulation or under any order of any court, board, commission, or agency whatsoever, and there are no claims, actions, suits or proceedings pending or, based on reasonable inquiry, to the knowledge of the Borrower, threatened against or affecting the Borrower, the assets of Borrower or the Project, at law or in equity, before or by any court, board, commission, or agency whatsoever.

Section 6.8  No Debarment. Neither the Borrower nor the Administrative General Partner has been debarred or suspended pursuant to 2 C.F.R. Part 2424.

Section 6.9  Omitted.

Section 6.10  Compliance with Anti-Terrorism, Embargo, Sanctions, and Anti-Money Laundering Laws. Each Person owning a direct interest in the Borrower: (i) is not currently identified on the list of specially designated nationals and blocked Persons subject to financial sanctions that is maintained by the U.S. Treasury Department, Office of Foreign Assets Control (currently accessible at www.treas.gov/ofac/t11sdn.pdf) or any other similar list maintained by the U.S. Treasury Department, Office of Foreign Assets Control (or if such list does not exist, the similar list then being maintained by the United States), including trade embargo, economic sanctions, or other prohibitions imposed by Executive Order of the President of the United States; (ii) is not a Person subject to any trade restriction, trade embargo, economic sanction, or other prohibition under federal law, including the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701 et seq., the Trading with the Enemy Act, 50 U.S.C. App. 1 et seq., and any executive orders or regulations promulgated thereunder; and (iii) is not in violation of Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001, and relating to Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism and the PATRIOT Act, with the result that this Loan is in violation of law.

Section 6.11  PATRIOT Act. The Borrower is in compliance, in all respects, with (i) the Trading with the Enemy Act, as amended, and each of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) and any other enabling legislation or executive order relating thereto, and (ii) the PATRIOT Act. No part of the proceeds of the Loan will be used, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

Section 6.12  Statements. No statement of fact made by the Borrower in this Agreement or in any of the other Loan Documents contains any untrue statement of a material fact or omits to state any material fact necessary to make statements contained herein or therein not misleading.

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 connection with the acquisition of the Property, rehabilitation of the Existing 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 rehabilitation 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 rehabilitation 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 the Authority, or its employee(s), contractor(s) or agent(s). The Borrower’s liability shall not be limited by any provisions or limits of insurance coverage. 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, commissioner, director 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  Conflict of Interest.
(a) No person described in Section 7.7(b) 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 7.7(a) is followed.

(b) The conflict-of-interest provisions of Section 7.7(a) 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 7.8  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 copy to: Housing Authority of the City of Los Angeles
2600 Wilshire Blvd., Third Floor
Los Angeles, CA 90057
Attn: General Counsel

And copy to: Lewis Brisbois
633 West 5th Street Suite 4000
Los Angeles, CA 90071
Attn: Brant Dveirin
Authority Baldwin Village Loan Agreement 25

Borrower: Avanath Baldwin Village, LP
  c/o Avanath Affordable Housing IV, LLC
  1920 Main Street, Suite 150
  Irvine, CA 92614
  Attention: Wesley Wilson
  Email: wwilson@avanath.com

With copy to: Manatt, Phelps & Phillips, LLP
  695 Town Center Drive, 14th Floor
  Costa Mesa, California 92626
  Attention: Grace Winters
  Email: gwinters@manatt.com

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 7.9  Applicable Law. This Agreement shall be governed by the laws of the state of California.

Section 7.10  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 7.11  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 7.12  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; or any other similar causes (other than lack of funds of the Borrower or the Borrower's inability to finance the rehabilitation 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 7.13 Authority Approval. This Loan has been approved by the 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 7.14 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 7.15 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 7.16 Entire Understanding of the Parties. This Agreement constitutes the entire understanding and agreement of the Parties with respect to the Loan.

Section 7.17 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.

[signature page(s) to follow]
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: 

Douglas Guthrie  
President and Chief Executive Officer
BORROWER:

AVANATH BALDWIN VILLAGE, LP,
a Delaware limited partnership

By: Avanath Tomas GP, LLC,
a Delaware limited liability company,
its administrative general partner

By: Avanath AH IV Baldwin Village Holdco, Inc.,
a Delaware corporation,
its sole member

By: _____________________
Name: Wesley Wilson
Title: Chief Financial Officer

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

By: _____________________
Name: Tina Smith-Booth
Title: President
EXHIBIT A

Legal Description of the Property

APN: ________________
EXHIBIT B

Promissory Note with Amortization Schedule
(see attached)
EXHIBIT C

Deed of Trust
(see attached)
EXHIBIT D

Regulatory Agreement
(see attached)
EXHIBIT F

Environmental Reports
(see attached)
ATTACHMENT 8

Note
SUBORDINATE SECURED PROMISSORY NOTE

$500,000.00 Los Angeles,
California

Dated as of _____ 1, 2022

FOR VALUE RECEIVED, the undersigned (the "Borrower") promises to pay the principal sum of up to Five Hundred Thousand Dollars ($500,000.00) (the "Authority Loan"), or so much thereof as may be advanced to the Borrower pursuant to that certain Authority Loan Agreement by and between the Borrower and the Housing Authority of the City of Los Angeles (the "Lender") dated as of even date herewith (the "Authority Loan Agreement") as evidenced by this Subordinate Secured Promissory Note (this “Note”), with interest as provided herein from the date above upon the unpaid balance of this Note, in lawful money of the United States.

(1) Definitions. Capitalized terms used but not defined herein shall have the meaning set forth in the Authority Loan Agreement.

(2) Disbursement. Funds shall be disbursed to the Borrower on the Closing Date as set forth in 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) This Note shall bear interest at five percent (5.00%) per annum from the date hereof (the “Interest Rate”). All interest hereunder shall be computed on the basis of a year of 365 days. For the avoidance of doubt, interest shall not compound during the term of this Note.

(c) Principal and interest hereunder shall be due and payable annually on the anniversary of the Effective Date of the Loan Agreement in accordance with the Payment Schedule attached hereto as Exhibit A, and shall be payable from no more than seventy-five percent (75%) of Surplus Cash (as that term is defined in the Loan Agreement). Any remaining unpaid principal and interest on this Note as well as any fees due to the Authority shall be due and payable on the earlier to occur of: (i) the date of any Default, (ii) thirty (30) years from the Effective Date (the “Loan Maturity Date”), and (iii) any sale, transfer, assignment, or conveyance of the fee interest of the Project except to an Affiliate of the Borrower or in the event of foreclosure or deed in lieu of foreclosure of the Senior Loan.

(d) The entire principal balance of, and all interest accrued on, this Note may be prepaid ten (10) years after the Effective Date (“Lockout Period”) without charge or penalty. Prior to the Lockout Period, the principal and interest on this Note may be prepaid at any time with a prepayment penalty (i) for the period commencing on the Effective Date and ending on the date that is five (5) years following the Effective Date, five percent (5.00%) of the amount
prepaid and (ii) for the period commencing on the day after the date that is five (5) years following the Effective Date and ending on the date that is ten (10) years following the Effective Date, two percent (2.00%) of the amount prepaid.

(e) In the event of a Default, interest on this Note shall accrue at the Interest Rate plus five percent (5%), as of the date of Default and continue until the earlier of such time as the Loan is repaid in full or the Default is cured.

(4) Secured Note. Payment of this Note is secured by a Subordinate Authority Deed of Trust with Assignment of Rents, Security Agreement and Fixture Filing (the “Authority Deed of Trust”) and that certain Regulatory Agreement and Declaration of Restrictive Covenants, each by and between the Borrower and the Lender, each dated as of even date herewith and each encumbering the Project.

(5) Default.

(a) Subject to the notice and cure periods set forth in the Authority 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, provided however failure to make any payment due to lack of Surplus Cash shall not be an event of default under this Note;

(ii) The occurrence of any “Default” under any of the Authority Loan Documents, or breach or violation of any other instrument securing the obligations of the Borrower under this Note or under any other promissory notes hereafter executed by the Borrower to the Lender pursuant to the Authority Loan Documents, 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 Authority 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) Subordination.

The indebtedness evidenced by this Note is and shall be subordinate in right of payment to the prior payment in full of the indebtedness evidenced by that certain Multifamily Note (and any schedules) dated as of even date herewith in the original principal amount of $__________, executed by ______________ and payable to the order of Northmarq Capital Finance, L.L.C., a Nebraska limited liability company (together with its successors and/or assigns, “Senior Lender”), to the extent and in the manner provided in that certain Subordination Agreement dated as of even date herewith between the Borrower, the Lender and Senior Lender (the “Subordination Agreement”). The Authority Deed of Trust (and any exhibits) securing this Note is and shall be subject and subordinate in all respects to the liens, terms, covenants and conditions of the Multifamily Mortgage, Deed of Trust or Deed to Secure Debt (and any exhibits) (“Senior Deed of Trust”) securing the Multifamily Note (the “Senior Note”) and the terms, covenants and conditions of the Multifamily Loan and Security Agreement (the “Senior Loan Agreement”) evidencing the terms of the Multifamily Note, as more fully set forth in the Subordination Agreement. The rights and remedies of the payee and each subsequent holder of this Note under the Authority Deed of Trust are subject to the restrictions and limitations set forth in the Subordination Agreement. Each subsequent holder of this Note shall be deemed, by virtue of such holder’s acquisition of this Note, to have agreed to perform and observe all of the terms, covenants and conditions to be performed or observed by “Subordinate Lender” under the Subordination Agreement.


(a) All notices to the Lender or the Borrower shall be given in the manner and at the addresses set forth in the Authority 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 and other reasonable out of pocket costs of any action or proceeding (including any bankruptcy or appellate proceeding or any non-judicial foreclosure or private sale), and any such costs incurred by the Lender in the enforcement of the provisions of this Note, regardless of whether suit is filed to seek enforcement in case any payment is not paid when due after the expiration of any applicable grace, notice or cure period, or in case it becomes necessary to protect the security for the indebtedness evidenced hereby, or for the foreclosure by Lender of the Authority Deed of Trust, or in the event Lender, through no fault of Lender, is made a party to any litigation because of the existence of the indebtedness evidenced by this Note. All such costs are secured by the Authority Deed of Trust.

(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 (without regard to conflicts of laws), except where federal law is applicable (including, without limitation, any applicable federal usury ceiling or other federal law preempting state usury laws).

(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 Authority Loan Documents, contains the entire agreement between the parties as to the Authority 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 Loan or the performance of the covenants of the Borrower under the other Authority Loan Documents. 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 Authority Loan Documents shall be to the property described in the Authority 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 intent 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 Authority Loan Documents, except as hereafter set forth; nothing contained herein is intended to relieve the Borrower of its obligation to indemnify the Lender under 7.4 of the Authority 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 Authority 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 Authority 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) If any term of this Note, or the application thereof to any person or circumstances, shall be held to be invalid or unenforceable, the remainder of this Note, and as applicable, the application of such term to particular persons or circumstances, shall be valid and enforceable to the fullest extent permitted by law.

(i) Notwithstanding any other provisions of this Note, all liens, claims, charges, and priorities related to the Authority Loan contemplated by this Note shall be subordinate and junior to all liens, claims, charges, and priorities related to the Senior Loan.

[signature page(s) to follow]
IN WITNESS WHEREOF, Borrower has caused this Note to be executed and delivered on the date set forth above.

BORROWER:

AVANATH BALDWIN VILLAGE, LP
a Delaware limited partnership

By its Administrative General Partner
Avanath Tomas GP, LLC,
a Delaware limited liability company

By:
Name: Wesley Wilson
Title:  CFO

By its Managing General Partner
La Cienega LOMOD, Inc.
a California nonprofit public benefit corporation

By:
Name: Tina Booth
Title:  President
Exhibit A

Loan Payment Schedule
ATTACHMENT 9

Deed of Trust
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

SUBORDINATE DEED OF TRUST WITH ASSIGNMENT OF RENTS, SECURITY AGREEMENT, AND FIXTURE FILING
(BALDWIN VILLAGE APARTMENTS)

THIS SUBORDINATE DEED OF TRUST WITH ASSIGNMENT OF RENTS, SECURITY AGREEMENT, AND FIXTURE FILING (this “Deed of Trust”) is made as of _______1, 2022, by Avanath Baldwin Village LP, a Delaware limited partnership (“Trustor”), to U.S. Bank National Association, as Trustee (“Trustee”), for the benefit of 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 fee 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, (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 3.3);

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 5.1 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 indebtedness of Trustor to Beneficiary as set forth in the Authority Note (defined in Article 1 of this Deed of Trust) until paid or cancelled as provided in the Authority Note 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 of this Deed of Trust).

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 Loan” shall mean the loan to the Borrower pursuant to the Loan Agreement in the maximum original amount of Five Hundred Thousand Dollars ($500,000.00) as evidenced by the Authority Note.

(b) “Authority Loan Agreement” means that certain Authority Loan Agreement between Trustor and Beneficiary dated concurrently herewith.

(c) “Authority Note” shall mean the Authority Note of even date herewith evidencing the Authority Loan, executed by Trustor in favor of Beneficiary and secured by this Deed of Trust. Copies of the Authority Note are on file with Beneficiary and terms and provisions of the Authority Note are incorporated herein by reference.

(d) “Authority Regulatory Agreement” means the Regulatory Agreement and Declaration of Restrictive Covenants Running with the Land dated as of the same date hereof, by and between Trustor and Beneficiary.

(e) “Loan Documents” means this Deed of Trust, the Authority Loan Agreement, the Authority Note, the Authority Regulatory Agreement, and any other debt, loan, or security instruments between Trustor and the Beneficiary relating to the Authority Note.

(f) “Principal” means the principal amount required to be paid under the Authority Note.

(g) “Senior Deed of Trust” means the Deed of Trust Restricted Covenants and Assignment of Leases and Rents dated as of the same date hereof made by Trustor to ______________ as trustee for the benefit of the Senior Lender, to which this Deed of Trust is subordinated.

(h) “Senior Lender” means Northmarq Capital Finance, L.L.C., a Nebraska limited liability company.

(i) “Senior Loan” means that certain loan made by _______________ Senior Lender in the amount of ________________ Dollars ($__________ .00).

(j) “Senior Loan Documents” means the Senior Deed of Trust, and any other debt, loan, or security instruments between Trustor and the Senior Lender relating to the Senior Loan.

ARTICLE 2
MAINTENANCE AND MODIFICATION OF THE PROPERTY AND SECURITY

Subordination to Senior Loan Documents. 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 Documents, 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 by and among Beneficiary, Trustor and Senior Lender of even date herewith (the “Subordination Agreement”).

ARTICLE 3

Section 3.1 Maintenance and Modification of the Property by Trustor. Trustor agrees that at all times prior to full payment of the sum owed under the Authority 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 subject to ordinary wear and tear. 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 one hundred twenty (120) 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 Authority Loan Documents; provided, however, that Beneficiary shall exercise its rights as agent of Trustor only after the occurrence and during the continuance of an Event of Default and 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 contains 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 3.2 Granting of Easements. Except as set forth in the Authority 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 3.3 Assignment of Rents. As part of the consideration for the indebtedness evidenced by the Authority 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 8.1), 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 3.3 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 of the Senior Loan previously approved by the Beneficiary pursuant to the Authority 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 3.3, 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, subject to the rights of tenants under any leases, 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 3.3.

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 3.3 are subject to the rights of the Senior Lender and any other senior lender.

ARTICLE 4
TAXES AND INSURANCE; ADVANCES

Section 4.1 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 4.1. 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 4.1 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 4.2 Provisions Respecting Insurance. Trustor agrees to provide insurance conforming in all respects to that required under the Authority 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 4.3 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 Authority Loan Documents, Beneficiary, after at least seven (7) days prior written notice to Trustor, 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 five percent (5%) per annum or the maximum rate permitted by law.

ARTICLE 5
DAMAGE, DESTRUCTION OR CONDEMNATION

Section 5.1 Awards and Damages. Subject to the requirements and provisions of the Senior Loan Documents, 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") in amounts greater than $100,000.00 are hereby assigned to and shall be paid to Beneficiary by a check made payable to Beneficiary. Such Funds shall be disbursed to Borrower to 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 reasonably approved by the Beneficiary and commenced within one hundred twenty (120) days (subject to Force Majeure) following receipt of any and all applicable permits from any governmental authority now having or hereafter acquiring jurisdiction over the Property and/or Project required for such repairs and restoration, and shall be complete within one (1) year thereafter; provided, however, if such restoration or repair cannot be completed within such one (1) year period and Trustor provides evidence reasonably satisfactory to Beneficiary that it has commenced such restoration or repair and is diligently pursuing the same, such one (1) year period shall be extended in Beneficiary's reasonable discretion. 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 in amounts greater than $100,000.00 required under this Deed of Trust. 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 5.1, including the assignment, application and disbursement of the Funds, are subject to the rights of the Senior Lender and any other senior lender.

ARTICLE 6
AGREEMENTS AFFECTING THE PROPERTY; FURTHER ASSURANCES; PAYMENT OF PRINCIPAL AND INTEREST

Section 6.1 Other Agreements Affecting Property. Trustor shall duly and punctually perform all terms, covenants, conditions, and agreements binding upon it under the Authority Loan Documents and any other agreement of any nature whatsoever now or hereafter involving or affecting the Security or any part thereof.

Section 6.2 Agreement to Pay Attorneys' Fees and Expenses. In the event of any Event of Default (as defined in Section 8.1) 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 Default Rate provided in the Authority Loan Agreement.

Section 6.3 Payment of the Principal. Trustor shall pay to Beneficiary the Principal and any other payments as set forth in the Authority Note in the amounts and by the times set out therein.

Section 6.4 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 6.5 Financing Statement. Trustor shall review and reasonably approve 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 Authority 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 6.6  **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 Authority Loan Documents.

Section 6.7  **Inspection of the Security.** At any and all reasonable times upon seventy-two (72) hours' written notice, subject to the rights of tenants under any leases 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; provided, however, that if no Event of Default has occurred, Beneficiary shall not exercise such right of inspection more than two (2) times in a calendar year.

Section 6.8  **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 7**

**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 applicable to the Property 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. 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, operation, maintenance or cleaning 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 in writing 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 in writing 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
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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 out of pocket loss, damage, cost, expense, or liability directly or indirectly actually incurred and 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) 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 (b) all reasonable costs and expenses incurred by Beneficiary in connection with clause (a), including but not limited to reasonable attorneys' fees.

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 Authority 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 out of pocket costs and expenses, including (but not limited to) reasonably attorneys' fees, actually 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 at the default Interest Rate defined in the Authority Loan Agreement, 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 8
EVENTS OF DEFAULT AND REMEDIES

Section 8.1 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 Authority Loan Documents (which failure has not been cured within the times and in the manner set forth in the respective Authority Loan Documents); (2) failure to observe or perform any of Trustor's other covenants, agreements, or obligations under the Authority Loan Documents (which failure has not been cured within the times and in the manner set forth in the Authority 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 8.1, Trustor shall be deemed to have cured the Event of Default arising from this Section 8.1.

Section 8.2 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 Authority 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 Authority 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 8.3 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, subject to the rights of tenants under any leases, 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 8.4 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 Authority 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 Authority Note; (ii) all other amounts owed to Beneficiary under the Authority 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 8.5 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 8.6 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 8.7 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 Authority 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 Authority 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 8.8  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 8.9  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 8.10  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 Authority Note or in proceedings against the Security, in connection with the delivery, acceptance, performance, default, endorsement, or guaranty of this Deed of Trust.

ARTICLE 9
MISCELLANEOUS

Section 9.1  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 9.2  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 Authority 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 9.3  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. Third Floor  
Los Angeles, CA 90057  
Attn: President and CEO

with copy to:  Housing Authority of the City of Los Angeles  
2600 Wilshire Blvd., Third Floor
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 9.4 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 obligations 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 obligations of each and every entity and person comprising Trustor.

Section 9.5 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 9.6 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 9.7 Governing Law. This Deed of Trust shall be governed by and construed in accordance with the laws of the State of California.

Section 9.8 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 9.9 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 9.10 Actions. Trustor agrees to appear in and defend any action or proceeding purporting to affect the Security.

Section 9.11 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 9.12 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 9.13 Substitution of Trustee. Beneficiary may, from time to time, by written instrument executed and acknowledged by Beneficiary and recorded in the county or counties where the Property is located, or by any other procedure permitted by applicable law, substitute a successor or successors for the Trustee named herein or acting hereunder.
IN WITNESS WHEREOF, Trustor has executed this Deed of Trust as of the day and year first above written.

TRUSTOR:

AVANATH BALDWIN VILLAGE, LP  
a Delaware limited partnership

By its Administrative General Partner  
Avanath Tomas GP, LLC,  
a Delaware limited liability company

By:  
Name: Wesley Wilson  
Title: CFO

By its Managing General Partner  
La Cienega LOMOD, Inc.  
a California nonprofit public benefit corporation

By:  
Name: Tina Booth  
Title: 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 New Jersey  )
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 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, ______________________, 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

APN: ____________________
ATTACHMENT 10

Subordination Agreement of Regulatory Agreement and Declaration of Restrictive Covenants
SUBORDINATION AGREEMENT

GOVERNMENTAL ENTITY
THIS SUBORDINATION AGREEMENT FOR REGULATORY AGREEMENT (this “Agreement”) is effective as of the ___ day of August, 2022, by the HOUSING AUTHORITY OF THE CITY OF LOS ANGELES, a public body, corporate and politic, and its successors and assigns (“Governmental Entity”), and AVANATH BALDWIN VILLAGE, LP, a Delaware limited partnership (“Borrower”), for the benefit of NORTHMARQ CAPITAL FINANCE, L.L.C., a Nebraska limited liability company, its successors and assigns (“Lender”).

RECITALS:

A. Simultaneously herewith Lender is making a loan to Borrower in the original principal amount of $__________ (“Loan”) pursuant to a Multifamily Loan and Security Agreement between Lender and Borrower (as supplemented or amended from time to time, the “Loan Agreement”) and evidenced by a Multifamily Note by Borrower to Lender (as supplemented or amended from time to time, the “Note”). The Loan is to be secured by a Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing that will be recorded among the records of Los Angeles County, California (“Official Records”) (as supplemented or amended from time to time, the “Mortgage”) of certain improved real property located in Los Angeles County, California, as more particularly described on Exhibit A attached hereto (“Property”). The Loan Agreement, the Note and the Mortgage, together with all other documents executed with respect to the Loan, are hereinafter collectively referred to as the “Loan Documents”.

B. In connection with the acquisition of the Property, Borrower has entered into a certain Regulatory Agreement and Declaration of Covenants Running with the Land dated as of August __, 2022 (“Regulatory Agreement”) in favor of the Governmental Entity, which was recorded immediately prior hereto in the Official Records, pursuant to which the Property was subjected to certain restrictions by Governmental Entity.

C. As a condition to making the Loan, Lender requires that the lien of the Mortgage be superior to the lien of the Regulatory Agreement. Lender will not make the Loan unless Governmental Entity and Borrower agree to subordinate their rights and obligations under the Regulatory Agreement.

E. Borrower and Governmental Entity hereby agree to subordinate the Regulatory Agreement on and subject to the terms, conditions and requirements set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual benefits accruing to the parties hereto and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:
1. **Recitals.** The foregoing Recitals are hereby incorporated into this Agreement as agreements among the parties.

2. **Subordination.** The Governmental Entity hereby agrees that the Regulatory Agreement is and shall at all times continue to be, subordinate, subject and inferior to the rights of Lender under the Loan Documents and that the liens, rights (including approval and consent rights), remedies, payment interests, priority interests, and security interests granted to Governmental Entity pursuant to or in connection with the Regulatory Agreement are hereby expressly acknowledged to be in all respects and at all times, subject, subordinate and inferior in all respects to the liens, rights (including approval and consent rights), remedies, payment, priority and security interests granted to Lender pursuant to the Loan Documents and the terms, covenants, conditions, operations and effects thereof. Notwithstanding the above, Governmental Entity may exercise the remedies of specific performance or injunctive relief at any time in the event of a default under or breach of the terms of the Regulatory Agreement.

3. **Financing, Encumbrance and Approval.** Governmental Entity hereby approves and acknowledges the financing evidenced by the Mortgage. Governmental Entity further agrees that any transfer of the Property in connection with foreclosure of the Mortgage or a deed in lieu thereof shall not require Governmental Entity’s consent but shall require notice to Governmental Entity.

4. **Regulatory Agreement Survives Foreclosure.** Lender acknowledges that the relevant definitions in Section 1; all of Sections 2 through 5, 7, 8, 11, 13, 20, 22, 23, and 31 through 46 of the Regulatory Agreement shall survive foreclosure.

5. **Lender Notice of Default.** In consideration of Governmental Entity’s agreements contained in this Agreement, Lender agrees that in the event of any default by Borrower under the Loan Documents, Governmental Entity shall be entitled to receive a copy of any notice of default given by Lender to Borrower under the Loan Documents. Neither the giving nor the failure to give a notice to Governmental Entity pursuant to this Section 5 will affect the validity of any notice given by Lender to the Borrower.

6. **Governmental Entity Notice of Default.** Governmental Entity shall give Lender a concurrent copy of each material notice (including without limitation each notice of default) given by Governmental Entity under or with respect to the Regulatory Agreement, and agrees that Lender, at Lender’s sole election, shall have the right (but not the obligation) to cure any default by Borrower under the Regulatory Agreement on its and/or Borrower’s behalf. Governmental Entity hereby represents that, to the best of its knowledge, there is no current default under the Regulatory Agreement.

7. **Governmental Entity's Rights.** Except as set forth in Sections 2 and 8 of this Agreement, nothing in this Agreement is intended to abridge or adversely affect any right or obligation of Borrower and/or Governmental Entity, respectively, under the Regulatory Agreement; provided that, (A) the Regulatory Agreement may be released but it may not be modified, amended, changed or otherwise altered without the prior written consent of Lender so long as the Loan is secured by the Property and (B) for so long as the Loan is secured by the Property, notwithstanding the terms of the Regulatory Agreement to the contrary, neither Borrower nor Governmental Entity will, without Lender’s prior written consent, exercise or seek any right
or remedy under the Regulatory Agreement or available at law or in equity which will or could result in (i) a transfer of possession of the Property or the control, operations or management thereof, (ii) the collection or possession of rents or revenues from or with respect to the Property by any party other than Borrower or Lender; (iii) appointment of a receiver for the Property; (iv) the application of insurance or condemnation proceeds other than as approved by Lender pursuant to the Loan Documents; (v) the removal or replacement of the existing property manager of the Property; or (vi) a material adverse effect on Lender’s security for the Loan.

8. **Foreclosure by Lender.** In the event of foreclosure, deed in lieu of foreclosure, or similar disposition of the Property by Lender, no consent shall be required from Governmental Entity.

9. **Entire Agreement.** This Agreement represents the entire understanding and agreement between the parties hereto with regard to the subordination of the Regulatory Agreement to the lien or charge of the Loan Documents, and shall supersede and cancel any prior agreements with regard to this subject matter.

10. **Binding Provisions.** The covenants and agreements contained in this Agreement shall be binding upon the heirs, personal representatives, successors and assigns of the respective parties to this Agreement.

11. **Applicable Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of California.

12. **Modifications.** This Agreement may not be modified orally or in any manner other than by an agreement in writing signed by the parties hereto or their respective successors in interest.

13. **Notices.** All notices required or permitted hereunder shall be deemed to have been received either (i) when delivered by hand and the party giving such notice has received a signed receipt thereof, or (ii) three (3) days following the date deposited in the United States mail, postage prepaid, by registered or certified mail, return receipt requested, addressed as follows (or addressed in such other manner as the party being notified shall have requested by written notice to the other party):

If to Governmental Entity:

Housing Authority of the City of Los Angeles
2600 Wilshire Boulevard, 3rd Floor
Los Angeles, CA 90057
Attn: President and Chief Executive Officer
Email: douglas.guthrie@hacla.org

with a copy to: Housing Authority of the City of Los Angeles
2600 Wilshire Boulevard, 3rd Floor
Los Angeles, CA 90057
14. **Further Instruments.** Each of the parties hereto will, whenever and as often as they shall be requested to do so by the other, execute, acknowledge and deliver, or cause to be executed, acknowledged or delivered, any and all such further instruments and documents as may be reasonably necessary to carry out the intent and purpose of this Agreement, and to do any and all further acts reasonably necessary to carry out the intent and purpose of this Agreement.

15. **Valid Authorization.** Each person executing this Agreement on behalf of a party hereto 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 hereunder.
16. **Counterparts.** This Agreement may be executed in counterparts each of which shall be deemed an original and all of which when taken together constitute one and the same instrument, binding on all of the parties. The signature of any party to any counterpart shall be deemed a signature to, and may be appended to, any other counterpart.

NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN THE REGULATORY AGREEMENT BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF THE MORTGAGE.
IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the day and year above written.

GOVERNMENTAL ENTITY

_______________________

a ________________________________

By: ________________________________  
Name: ________________________________  
Title: ________________________________

[INSERT ACKNOWLEDGMENT]
BORROWER:

____________________

Name:__________________

[INSERT ACKNOWLEDGMENT]
LENDER:

________________________________
a_________________________________

By:________________________________
Name: ____________________________
Title: _____________________________

[INSERT ACKNOWLEDGMENT]
EXHIBIT A
Legal Description
ATTACHMENT 11

Subordination Agreement of Loan Documents
SUBORDINATION AGREEMENT
(Affordable)

This SUBORDINATION AGREEMENT (this “Agreement”) dated as of [Effective Date], is executed by and among (i) NORTHMARQ CAPITAL FINANCE, L.L.C., a Nebraska limited liability company (“Senior Lender”), (ii) Housing Authority of the City of Los Angeles, a public body corporate and politic (“Subordinate Lender”), and (iii) Avanath Baldwin Village, LP, a Delaware limited partnership (“Borrower”).

RECITALS:

A. Pursuant to that certain Multifamily Loan and Security Agreement dated as of the date hereof, executed by and between Borrower and Senior Lender (as amended, restated, replaced, supplemented or otherwise modified from time to time, the “Senior Loan Agreement”), Senior Lender has agreed to make a loan to Borrower in the original principal amount of $_________ (the “Senior Loan”), as evidenced by that certain Multifamily Note dated as of the date hereof, executed by Borrower and made payable to the order of Senior Lender in the amount of the Senior Loan (as amended, restated, replaced, supplemented or otherwise modified from time to time, the “Senior Note”).

B. In addition to the Senior Loan Agreement, the Senior Loan and the Senior Note are also secured by a certain Multifamily Mortgage, Deed of Trust or Deed to Secure Debt dated as of the date hereof (as amended, restated, replaced, supplemented or otherwise modified from time to time, the “Senior Security Instrument”), encumbering the property described in the Senior Security Instrument as the “Mortgaged Property.”

C. Borrower has requested Senior Lender to permit that certain subordinate loan in the amount of $500,000 (the “Subordinate Loan”) made pursuant to that certain Loan Agreement by and between Subordinate Lender and Borrower (the “Subordinate Loan Agreement”) as evidenced by that certain Subordinate Secured Promissory Note made by Borrower to Subordinate Lender (the “Subordinate Note”) (each dated as of the date hereof), and to allow the Subordinate Loan to be secured by that certain Subordinate Deed of Trust with Assignment of Rents, Security Agreement, and Fixture Filing (Baldwin Village Apartments) (the Subordinate Mortgage”) and recorded as a mortgage lien against the Mortgaged Property.
D. Senior Lender has agreed to permit the Subordinate Loan and to allow the subordinate mortgage lien against the Mortgaged Property subject to all of the conditions contained in this Agreement.

AGREEMENTS:

NOW, THEREFORE, in order to induce Senior Lender to permit the Subordinate Loan to Borrower and to allow a subordinate mortgage lien against the Mortgaged Property, and in consideration thereof, Senior Lender, Subordinate Lender and Borrower agree as follows:

1. Recitals.

The recitals set forth above are incorporated herein by reference.

2. 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, and in all cases any other Person that holds fifty percent (50%) or more of the ownership interests in such Person.

“Borrower” means the Person named as such in the first paragraph on page 1 of this Agreement, any successor or assign of Borrower, including without limitation, a receiver, trustee or debtor-in-possession and any other Person (other than Senior Lender) who acquires title to the Mortgaged Property after the date of this Agreement.

“Business Day” means any day other than (a) a Saturday, (b) a Sunday, (c) a day on which Senior Lender is not open for business, or (d) a day on which the Federal Reserve Bank of New York is not open for business.

“Condemnation Action” means any action or proceeding, however characterized or named, relating to any condemnation or other taking, or conveyance in lieu thereof, of all or any part of the Mortgaged Property, whether direct or indirect.

“Control” (including with correlative meanings, the terms “Controlling,” “Controlled by” and “under common Control with”), as applied to any entity, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or operations of such entity, whether through the ownership of voting securities, ownership interests or by contract or otherwise.

“Default Notice” means: (a) a copy of any written notice from Senior Lender to Borrower and Subordinate Lender stating that a Senior Loan Default has occurred under the Senior Loan Documents; or (b) a copy of the written notice from Subordinate Lender to Borrower and Senior Lender stating that a Subordinate Loan Default has occurred under the Subordinate Loan
Documents. Each Default Notice shall specify the default upon which such Default Notice is based.

“Person” means an individual, an estate, a trust, a corporation, a partnership, a limited liability company or any other organization or entity (whether governmental or private).

“Senior Lender” means the Person named as such in the first paragraph on Page 1 of this Agreement, its successors and assigns and any other Person who becomes the legal holder of the Senior Loan after the date of this Agreement.

“Senior Loan Default” means the occurrence of an “Event of Default” as that term is defined in the Senior Loan Documents.

“Senior Loan Documents” means the Senior Security Instrument, the Senior Note, the Senior Loan Agreement, and all other “Loan Documents” as that term is defined in the Senior Loan Agreement.

“Subordinate Lender” means the Person named as such in the first paragraph on page 1 of this Agreement, any successor or assign of Subordinate Lender, including without limitation, a receiver, trustee or debtor-in-possession and any other Person who becomes the legal holder of the Subordinate Note after the date of this Agreement.

“Subordinate Loan Agreement” means the loan agreement described in Recital C of this Agreement.

“Subordinate Loan Default” means a default by 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 Loan Documents” means the Subordinate Note, the Subordinate Mortgage, the Subordinate Loan Agreement and all other documents evidencing, securing or otherwise executed and delivered in connection with the Subordinate Loan.

“Subordinate Mortgage” means the mortgage described in Recital C of this Agreement.

“Subordinate Note” means the promissory note described in Recital C of this Agreement.

3. Permission to Place Mortgage Lien Against Mortgaged Property.

Senior Lender agrees, notwithstanding the prohibition against inferior liens on the Mortgaged Property contained in the Senior Loan Documents and subject to the provisions of this Agreement, to permit Subordinate Lender to record the Subordinate Mortgage and other recordable Subordinate Loan Documents against the Mortgaged Property to secure Borrower’s obligation to repay the Subordinate Note and all other obligations, indebtedness and liabilities of Borrower to Subordinate Lender under and in connection with the Subordinate Loan.
4. **Borrower’s and Subordinate Lender’s Representations and Warranties.**

Borrower and Subordinate Lender each makes the following representations and warranties to Senior Lender:

(a) **Subordinate Loan Documents.**

The Subordinate Loan is evidenced by the Subordinate Note and is secured by the Subordinate Mortgage, the Subordinate Loan Agreement and the Subordinate Loan Documents.

(b) **Subordinate Note.**

The Subordinate Note contains the following provision:

The indebtedness evidenced by this Note is and shall be subordinate in right of payment to the prior payment in full of the indebtedness evidenced by a Multifamily Note (and any schedules) dated as of even date herewith in the original principal amount of $____________, executed by ________________________ and payable to the order of NORTHMARQ CAPITAL FINANCE, L.L.C., a Nebraska limited liability company (“**Senior Lender**”), to the extent and in the manner provided in that certain Subordination Agreement dated as of even date herewith between the Borrower, the Lender and Senior Lender (the “**Subordination Agreement**”). The Mortgage, Deed of Trust or Deed to Secure Debt (and any exhibits) securing this Note is and shall be subject and subordinate in all respects to the liens, terms, covenants and conditions of the Multifamily Mortgage, Deed of Trust or Deed to Secure Debt (and any exhibits) securing the Multifamily Note and the terms, covenants and conditions of the Multifamily Loan and Security Agreement evidencing the terms of the Multifamily Note, as more fully set forth in the Subordination Agreement. The rights and remedies of the payee and each subsequent holder of this Note under the Mortgage, Deed of Trust or Deed to Secure Debt (and any exhibits) securing this Note are subject to the restrictions and limitations set forth in the Subordination Agreement. Each subsequent holder of this Note shall be deemed, by virtue of such holder’s acquisition of the Note, to have agreed to perform and observe all of the terms, covenants and conditions to be performed or observed by Subordinate Lender under the Subordination Agreement.

(c) **Relationship of Borrower to Subordinate Lender and Senior Lender.**

Subordinate Lender is not an Affiliate of Borrower and is not in possession of any facts which would lead it to believe that Senior Lender is an Affiliate of Borrower.

(d) **Term.**

The term of the Subordinate Note does not end before the stated term of the Senior Note.
(e) **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.

5. **Deliveries.**

Subordinate Lender shall submit, or cause to be submitted, the following items to Senior Lender the later of (a) ten (10) Business Days after the date on which the proceeds of the Subordinate Loan are disbursed to Borrower, and (b) the effective date of the Senior Loan Documents:

(1) **Title Policy Endorsement.**

An endorsement to the policy of title insurance insuring the lien of the Senior Security Instrument which insures that (A) there are no liens or other encumbrances affecting the Mortgaged Property, other than “Permitted Encumbrances” (as defined in the Senior Security Instrument), the Subordinate Mortgage, and other Subordinate Loan Documents filed or recorded against the Mortgaged Property, (B) the lien of the Subordinate Mortgage is subordinate to the lien of the Senior Security Instrument, and (C) this Agreement has been recorded among the applicable land records.

(2) **Certification.**

A certification from Borrower and Subordinate Lender to Senior Lender that the Subordinate Loan Documents do not contain any changes from the Subordinate Loan Documents submitted to, and approved by, Senior Lender prior to the date of this Agreement, which certification may be satisfied by a written communication from Borrower (including via e-mail) on the Effective Date attaching the final, correct and complete Subordinate Loan Documents. Such certification by the Subordinate Lender shall be based solely on the certification of the Borrower to Subordinate Lender.

(3) **Subordinate Loan Documents.**

A complete set of the fully executed Subordinate Loan Documents, certified by Borrower to be true, correct and complete, which certification may be satisfied by a written communication from Borrower (including via e-mail) on the Effective Date attaching the final, correct and complete Subordinate Loan Documents.

6. **Terms of Subordination.**

(a) **Agreement to Subordinate.**

Senior Lender and Subordinate Lender agree that (1) 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 Senior Loan Documents, and (2) the liens, terms, covenants and conditions of
the Subordinate Mortgage 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 Senior Security Instrument and the other Senior Loan Documents and to all advances heretofore made or which may hereafter be made pursuant to the Senior Security Instrument and the other Senior Loan Documents (including but not limited to, all sums advanced for the purposes of (A) protecting or further securing the lien of the Senior Security Instrument, curing defaults by Borrower under the Senior Loan Documents or for any other purpose expressly permitted by the Senior Loan Documents, or (B) constructing, renovating, repairing, furnishing, fixturing or equipping the Mortgaged Property).

(b) **Subordination of Subrogation Rights.**

Subordinate Lender agrees that if, by reason of its payment of real estate taxes or other monetary obligations of 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 Mortgaged Property which (but for this subsection) would be senior to the lien of the Senior Security Instrument, then, in that event, such lien shall be subject and subordinate to the lien of the Senior Security Instrument.

(c) **Payments Before Senior Loan Default.**

Until Subordinate Lender receives a Default Notice (or otherwise acquires actual knowledge) of a Senior Loan Default, Subordinate Lender shall be entitled to retain for its own account all payments made under or pursuant to the Subordinate Loan Documents.

(d) **Payments After Senior Loan Default.**

Borrower agrees that, after it receives a Default Notice (or otherwise acquires knowledge) of a Senior Loan Default, 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, attorneys’ fees, or any other sums secured by the Subordinate Loan Documents) without Senior Lender’s prior written consent. Subordinate Lender agrees that, after it receives a Default Notice from Senior Lender with written instructions directing Subordinate Lender not to accept payments from Borrower on account of the Subordinate Loan, 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, attorneys’ fees, or any other sums secured by the Subordinate Loan Documents) without Senior Lender’s prior written consent. If Subordinate Lender receives written notice from Senior Lender that the Senior Loan Default which gave rise to Subordinate Lender’s obligation not to accept payments has been cured, waived, or otherwise suspended by Senior Lender, the restrictions on payment to Subordinate Lender in this Section 6 shall terminate, and Senior Lender shall have no right to any subsequent payments made to Subordinate Lender by Borrower prior to Subordinate Lender’s receipt of a new Default Notice from Senior Lender in accordance with the provisions of this Section 6(d).
(e) Remitting Subordinate Loan Payments to Senior Lender.

If, after Subordinate Lender receives a Default Notice from Senior Lender in accordance with Section 6(d), Subordinate Lender receives any payments under the Subordinate Loan Documents, Subordinate Lender agrees that such payment or other distribution will be received and held in trust for Senior Lender and unless Senior Lender otherwise notifies Subordinate Lender in writing, will be promptly remitted, in kind to Senior Lender, properly endorsed to Senior Lender, to be applied to the principal of, interest on and other amounts due under the Senior Loan Documents in accordance with the provisions of the Senior Loan Documents. By executing this Agreement, Borrower specifically authorizes Subordinate Lender to endorse and remit any such payments to Senior Lender, and specifically waives any and all rights to have such payments returned to Borrower or credited against the Subordinate Loan. Borrower and Senior Lender acknowledge and agree that payments received by Subordinate Lender, and remitted to Senior Lender under this Section 6, shall not be applied or otherwise credited against the Subordinate Loan, nor shall the tender of such payment to Senior Lender waive any Subordinate Loan Default which may arise from the inability of Subordinate Lender to retain such payment or apply such payment to the Subordinate Loan.

(f) Notice of Payment from Other Persons.

Subordinate Lender agrees to notify (telephonically or via email, followed by written notice) Senior Lender of Subordinate Lender’s receipt from any Person other than Borrower of a payment with respect to Borrower’s obligations under the Subordinate Loan Documents, promptly after Subordinate Lender obtains knowledge of such payment.

(g) Agreement Not to Commence Bankruptcy Proceeding.

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 against or with respect to Borrower, without Senior Lender’s prior written consent.


(a) Notice of Subordinate Loan Default and Cure Rights.

Subordinate Lender shall deliver to Senior Lender a Default Notice within five (5) Business Days in each case that Subordinate Lender has given a Default Notice to Borrower. Failure of Subordinate Lender to send a Default Notice to Senior Lender shall not prevent the exercise of Subordinate Lender’s rights and remedies under the Subordinate Loan Documents, subject to the provisions of this Agreement. Senior Lender shall have the right, but not the obligation, to cure any Subordinate Loan Default within sixty (60) days following the date of such notice; provided, however that Subordinate Lender shall be entitled, during such sixty (60) day period, to continue to pursue its rights and remedies under the Subordinate Loan Documents. All amounts paid by Senior Lender in accordance with the Senior Loan Documents to cure a Subordinate Loan Default shall be deemed to have been advanced by Senior Lender pursuant to, and shall be secured by, the Senior Loan Agreement and the Senior Security Instrument.
(b) Subordinate Lender’s Exercise of Remedies After Notice to Senior Lender.

If a Subordinate Loan Default occurs and is continuing, Subordinate Lender agrees that, without Senior Lender’s prior written consent, it will not commence foreclosure proceedings with respect to the Mortgaged Property under the Subordinate Loan Documents or exercise any other rights or remedies it may have under the Subordinate Loan Documents, including, but not limited to accelerating the Subordinate Loan (and enforcing any “due on sale” provision included in the Subordinate Loan Documents), collecting rents, appointing (or seeking the appointment of) a receiver or exercising any other rights or remedies thereunder unless and until it has given Senior Lender at least sixty (60) days prior written notice; during such sixty (60) day period, however, Subordinate Lender shall be entitled to exercise and enforce all other rights and remedies available to Subordinate Lender under the Subordinate Loan Documents and/or under applicable laws, including without limitation, rights to enforce covenants and agreements of Borrower relating to income, rent, or affordability restrictions contained in any land use restriction agreement.

(c) Cross Default.

Borrower and Subordinate Lender agree that a Subordinate Loan Default shall constitute a Senior Loan Default under the Senior Loan Documents and Senior Lender shall have the right to exercise all rights or remedies under the Senior Loan Documents in the same manner as in the case of any other Senior Loan Default. If Subordinate Lender notifies Senior Lender in writing that any Subordinate Loan Default of which Senior Lender has received a Default 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 shall be deemed cured, and the Senior Loan shall be reinstated, provided, however, that Senior Lender shall not be required to return or otherwise credit for the benefit of Borrower any default rate interest or other default related charges or payments received by Senior Lender during such Senior Loan Default.

8. Default Under Senior Loan Documents.

(a) Notice of Senior Loan Default and Cure Rights.

Senior Lender shall deliver to Subordinate Lender a Default Notice within five (5) Business Days in each case that Senior Lender has given a Default Notice to Borrower. Failure of Senior Lender to send a Default Notice to Subordinate Lender shall not prevent the exercise of Senior Lender’s rights and remedies under the Senior Loan Documents, subject to the provisions of this Section 8(a), nor shall such failure constitute a default by Senior Lender under this Agreement. Subordinate Lender shall have the right, but not the obligation, to cure any such Senior Loan Default within sixty (60) days following the date of such Default Notice or the date on which Subordinate Lender otherwise acquires actual knowledge of Senior Loan Default; provided, however, that Senior Lender shall be entitled during such sixty (60) day period to continue to pursue its remedies under the Senior Loan Documents. Subordinate Lender may have up to ninety (90) days from the date of the Default Notice to cure a non-monetary default if during such ninety (90) day period Subordinate Lender keeps current all payments required by the Senior Loan Documents. In the event that such a non-monetary 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 Senior Lender may exercise during such ninety (90) day period all available rights and remedies to protect and preserve the Mortgaged Property and the rents, revenues and other proceeds from the Mortgaged Property. All amounts paid by Subordinate Lender to Senior Lender to cure a Senior Loan Default shall be deemed to have been advanced by Subordinate Lender pursuant to, and shall be secured by the Subordinate Loan Agreement and the Subordinate Mortgage.

(b) Cross Default.

Subordinate Lender agrees that, notwithstanding any contrary provision contained in the Subordinate Loan Documents, a Senior Loan Default shall not constitute a default under the Subordinate Loan Documents (if no other default has occurred under the Subordinate Loan Documents) until either (1) Senior Lender has accelerated the maturity of the Senior Loan, or (2) Senior Lender has taken affirmative action to exercise its rights under the Senior Loan Documents to collect rent, to appoint (or seek the appointment of) a receiver or to foreclose on (or to exercise a power of sale contained in) the Senior Loan Documents. At any time after a Senior Loan Default is determined to constitute a default under the Subordinate Loan Documents, Subordinate Lender shall be permitted to pursue its remedies for default under the Subordinate Loan Documents, subject to the restrictions and limitations of this Agreement. If at any time Borrower cures any Senior Loan Default to the satisfaction of Senior Lender, as evidenced by written notice from Senior Lender to Subordinate Lender, any default under the Subordinate Loan Documents arising from such Senior Loan Default shall be deemed cured and the Subordinate Loan shall be retroactively reinstated as if such Senior Loan Default had never occurred.


Borrower, Senior Lender and Subordinate Lender each agrees that, in the event of any conflict or inconsistency between the terms of the Senior 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 Senior Lender and Subordinate Lender in the Mortgaged Property; (b) the timing of the exercise of remedies by Senior Lender and Subordinate Lender under the Senior Loan Documents and the Subordinate Loan Documents, respectively; and (c) solely as between Senior Lender and Subordinate Lender, the notice requirements, cure rights, and the other rights and obligations which Senior Lender and 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 Senior Loan Default or Subordinate Loan Default, as the case may be; give Borrower the right to notice of any Senior Loan Default or Subordinate Loan Default, as the case may be other than that, if any, provided, respectively under the Senior Loan Documents or the Subordinate Loan Documents; or create any other right or benefit for Borrower as against Senior Lender or Subordinate Lender.
10. Rights and Obligations of Subordinate Lender Under the Subordinate Loan Documents and of Senior Lender under the Senior 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.

Subordinate Lender shall not, without the prior written consent of 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, except that Subordinate Lender shall have the right to advance funds to cure Senior Loan Defaults pursuant to Section 8(a) and advance funds pursuant to the Subordinate Loan Documents for the purpose of paying real estate taxes and insurance premiums, making necessary repairs to the Mortgaged Property and curing other defaults by Borrower under the Subordinate Loan Documents.

(b) Condemnation or Casualty.

Following the occurrence of (1) a Condemnation Action, or (2) a fire or other casualty resulting in damage to all or a portion of the Mortgaged Property (collectively, a “Casualty”), at any time or times when the Senior Security Instrument remains a lien on the Mortgaged Property the following provisions shall apply:

(A) Subordinate Lender hereby agrees that its rights (under the Subordinate Loan Documents or otherwise) to participate in any proceeding or action relating to a Condemnation Action or a Casualty, or to participate or join in any settlement of, or to adjust, any claims resulting from a Condemnation Action or a Casualty shall be and remain subject and subordinate in all respects to Senior Lender’s rights under the Senior Loan Documents with respect thereto, and Subordinate Lender shall be bound by any settlement or adjustment of a claim resulting from a Condemnation Action or a Casualty made by Senior Lender; provided, however, this subsection or anything contained in this Agreement shall not limit the rights of Subordinate Lender to file any pleadings, documents, claims or notices with the appropriate court with jurisdiction over the proposed Condemnation Action or Casualty; and

(B) all proceeds received or to be received on account of a Condemnation Action 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 Senior Loan) in the manner determined by Senior Lender in its sole discretion; provided, however, that if Senior Lender elects to apply such proceeds to payment of the principal of, interest on and other amounts payable under the Senior Loan, any proceeds remaining after the satisfaction in full of the principal of, interest on and other amounts payable under the Senior Loan shall be paid to, and may be applied by, Subordinate Lender in accordance with the applicable provisions of the Subordinate Loan Documents, provided however, Senior Lender agrees to consult with Subordinate Lender in determining the application of Casualty proceeds,
provided further, however, that 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, shall prevail.

(c) **Insurance.**

Subordinate Lender agrees that all original policies of insurance required pursuant to the Senior Security Instrument shall be held by Senior Lender. The preceding sentence shall not preclude Subordinate Lender from requiring that it be named as a 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 the proceeds of property damage insurance under the Senior Security Instrument, or that it be named as an additional insured under all policies of liability insurance maintained by Borrower with respect to the Mortgaged Property.

(d) **No Modification of Subordinate Loan Documents.**

Borrower and Subordinate Lender each agree 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 in each instance, 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. Any amendment of the Subordinate Loan Documents or assignment of Subordinate Lender’s interest in the Subordinate Loan without Senior Lender’s consent shall be void ab initio and of no effect whatsoever.

11. **Modification or Refinancing of Senior Loan.**

Subordinate Lender consents to any agreement or arrangement in which Senior Lender waives, postpones, extends, reduces or modifies any provisions of the Senior Loan Documents, including any provision requiring the payment of money as long as such terms do not materially effect the Subordinate Loan lien priority and/or change the collateral pledged for the Subordinate Loan. Subordinate Lender further agrees that its agreement to subordinate hereunder shall extend to any new Fannie Mae mortgage debt which is for the purpose of refinancing all or any part of the Senior Loan (including reasonable and necessary costs associated with the closing and/or the refinancing); and that all the terms and covenants of this Agreement shall inure to the benefit of any holder of any such refinanced debt; and that all references to the Senior Loan, the Senior Note, the Senior Loan Agreement, the Senior Security Instrument, the Senior Loan Documents and Senior Lender shall mean, respectively, the refinance loan, the refinance note loan agreement, the mortgage securing the refinance note, all documents evidencing securing or otherwise pertaining to the refinance note and the holder of the refinance note.

12. **Default by Subordinate Lender or Senior Lender.**
If 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.

13. Reinstatement.

To the extent that Borrower makes a payment to Senior Lender or Senior Lender receives any payment or proceeds of the collateral securing the Senior Loan for Borrower’s benefit, which payment or proceeds or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable doctrine, then to the extent of such payment or proceeds received and not retained by Senior Lender, this Agreement shall be reinstated and continue in full force and effect until full and final payment shall have been made to Senior Lender. Subordinate Lender agrees to hold in trust for Senior Lender and promptly remit to Senior Lender any payments received by Subordinate Lender after such invalidated, rescinded or returned payment was originally made.


(a) Process of Serving Notice.

All notices under this Agreement shall be:

(1) in writing and shall be:

(A) delivered, in person;

(B) mailed, postage prepaid, either by registered or certified delivery, return receipt requested;

(C) sent by overnight courier; or

(D) sent by electronic mail with originals to follow by overnight courier;

(2) addressed to the intended recipient at the address(es) below the signature block, as applicable; and

(3) deemed given on the earlier to occur of:

(A) the date when the notice is received by the addressee; or

(B) if the recipient refuses or rejects delivery, the date on which the notice is so refused or rejected, as conclusively established by the records of the United States Postal Service or any express courier service.

(b) Change of Address.

Any party to Agreement may change the address to which notices intended for it are to be
directed by means of notice given to the other parties identified in this Agreement.

   (c) Receipt of Notices.

Senior Lender, Subordinate Lender or Borrower shall not refuse or reject delivery of any notice given in accordance with this Agreement. Each party is required to acknowledge, in writing, the receipt of any notice upon request by the other party.

15. General.

   (a) Assignment/Successors.

This Agreement shall be binding upon Borrower, Senior Lender and Subordinate Lender and shall inure to the benefit of the respective legal successors, transferees and assigns of Borrower, Senior Lender and Subordinate Lender. Borrower shall not assign any of its rights and obligations under this Agreement without the prior written consent of Senior Lender.

   (b) No Partnership or Joint Venture.

Senior Lender’s permission for the placement of the Subordinate Loan does not constitute Senior Lender as a joint venturer or partner of 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 Senior Lender’s consent or approval is required by any provision of this Agreement, such consent or approval may be granted or denied by Senior Lender in its sole and absolute discretion, unless otherwise expressly provided in this Agreement. Wherever Subordinate Lender’s consent or approval is required by any provision of this Agreement, such consent or approval may be granted or denied by Subordinate Lender in its sole and absolute discretion, unless otherwise expressly provided in this Agreement.

   (d) Further Assurances.

Subordinate Lender, Senior Lender and Borrower each agrees, at 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 Mortgage is subordinate to the lien, covenants and conditions of the Senior Loan Documents, 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 jurisdiction in which the Mortgaged Property is located without giving effect to any choice of law provisions thereof that would result in the application of the laws of another jurisdiction. Senior Lender, Subordinate Lender and Borrower agree that any controversy arising under or in relation to this Security Instrument shall be litigated exclusively in the jurisdiction in which the Mortgaged Property is located. The state and federal courts and authorities with jurisdiction in such locale shall have exclusive jurisdiction over all controversies that arise under or in relation to this Agreement. The parties hereto irrevocably consent to service, jurisdiction, and venue of such courts for any such litigation and waive any other venue to which any might be entitled by virtue of domicile, habitual residence or otherwise.

(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: (1) the payment in full of the principal of, interest on and other amounts payable under the Senior Loan Documents; (2) the payment in full of the principal of, interest on and other amounts payable under the Subordinate Loan Documents, other than by reason of payments which Subordinate Lender is obligated to remit to Senior Lender pursuant to Section 6 hereof; (3) the acquisition by Senior Lender of title to the Mortgaged Property pursuant to a foreclosure or a deed in lieu of foreclosure of, or the exercise of a power of sale contained in, the Senior Loan Documents; or (4) the acquisition by Subordinate Lender of title to the Mortgaged Property pursuant to a foreclosure or a deed in lieu of foreclosure of, or the exercise of a power of sale contained in, the Subordinate Loan Documents, 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.

(j) **Sale of Senior Loan.**

Nothing in this Agreement shall limit Senior Lender’s (including any assignee or transferee of Senior Lender) right to sell or transfer the Senior Loan, or any interest in the Senior Loan. The Senior Loan or a partial interest in the Senior Loan (together with this Agreement and the other Loan Documents) may be sold one or more times without prior notice to Borrower.
IN WITNESS WHEREOF, Borrower, Senior Lender and Subordinate Lender have signed and delivered this Agreement under seal (where applicable) or have caused this Agreement to be signed and delivered under seal (where applicable) by a duly authorized representative. Where applicable law so provides, Borrower, Senior Lender and Subordinate Lender intend that this Agreement shall be deemed to be signed and delivered as a sealed instrument.

SENIOR LENDER:

By: ___________________________(SEAL)
Name: ___________________________
Title: ___________________________
Address: _________________________

With a copy to:
Fannie Mae
Attention: Multifamily Asset Management
Drawer AM
1100 15th Street, NW
Washington, DC 20005

SUBORDINATE LENDER:

By: ___________________________(SEAL)
Name: ___________________________
Title: ___________________________
Address: _________________________

BORROWER:

By: ___________________________(SEAL)
Name: ___________________________
Title: ___________________________
Address: _________________________

[Form of Notary to be added]
Attachment 12:
Proforma Exercise – Affordability Restrictions Scenario
### Project Summary: Baldwin Village Apartments

**Draft Date:** 07/29/2022 - 12:31 PM

**NOTE:**

THE FIGURES, ASSUMPTIONS, AND PROJECTIONS PRESENTED IN THIS PROFORMA EXERCISE ARE ESTIMATES BASED ON PUBLIC DATA AVAILABLE TO THE STAFF OF THE HOUSING AUTHORITY OF THE CITY OF LOS ANGELES ("HACLA") AND THEIR EXERCISE OF PROFESSIONAL JUDGEMENT. HACLA DOES NOT REPRESENT THAT ANY FIGURES PRESENTED HEREIN ARE ACCURATE OR FREE FROM ERROR OR THAT THEY ARE CONSISTENT WITH THOSE USED BY HACLA’S PROPOSED PARTNER.

#### General Information

- **Project Name:** Baldwin Village Apartments
- **Project Address:** 4220 Santa Rosalia Drive
- **Acquisition Date:** 8/1/2022
- **Acquisition Type:** Conventional
- **Property Type:** Multi-Family
- **Year Built/Rehabbed:** 1948
- **Owner Partnership Welfare tax exemption refund amt:** $1,809,820 in mo. 12
- **Type:** MGP
- **Interim Financing:** No

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**Current Vacancy:** 7 units (1% of total)

**Existing Units Qualifying for Tax Exemption at Closing (est.):** 70%

**Turnover Per Year:** 10%

#### Uses of Funds

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<tr>
<td><strong>Total</strong></td>
<td>$227,393,785</td>
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<td>$339,901</td>
<td>$227,393,785</td>
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**Sources of Funds - Permanent**

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<tr>
<th></th>
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<th>Commercial</th>
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<tr>
<td><strong>Total</strong></td>
<td>$227,393,785</td>
<td>-</td>
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<td>$339,901</td>
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**Gap / Surplus**

<table>
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<tbody>
<tr>
<td><strong>Total</strong></td>
<td>$227,393,785</td>
<td>-</td>
<td>-</td>
<td>$339,901</td>
<td>$227,393,785</td>
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</tbody>
</table>

The figures, assumptions, and projections presented in this proforma exercise are estimates based on public data available to the staff of the Housing Authority of the City of Los Angeles ("HACLA") and their exercise of professional judgement. HACLA does not represent that any figures presented herein are accurate or free from error or that they are consistent with those used by HACLA’s proposed partner.
Project Summary & Investment Metrics
Baldwin Village Apartments
Draft Date: 07/29/2022 - 12:31 PM

Income Mix & Operating Subsidy

<table>
<thead>
<tr>
<th>Income Restr. Proportion</th>
<th>Existing Units Covered</th>
<th>Vacant Units Covered</th>
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<tr>
<td>30% AMI units</td>
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<tr>
<td>50% AMI Units</td>
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<tr>
<td>60% AMI Units</td>
<td>35% No</td>
<td>35% No</td>
</tr>
<tr>
<td>80% AMI Units</td>
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<td>35% No</td>
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<tr>
<td>100% AMI Units</td>
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<tr>
<td>120% AMI Units</td>
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<tr>
<td>Market Rate</td>
<td>30% No</td>
<td>30% No</td>
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Cap Rate Analysis

- Pro Forma NOI Yr 1 Restricted: $6,462,638
- Pro Forma Yr 1 Cap Rate: 2.94%
- Plus Market Rent: $4,192,053
- Less Property Tax Rate: 1.175208%
- Plus Cost of Services: -
- Adjusted NOI: $8,907,165
- Cap Rate at Market Rents: 4.05%

Conventional Equity Investment

- Hold Period: 10 Yrs
- Exit Date: 8/1/3032
- Market Entry Cap: 3.00%
- Exit Cap Annual Increase: 0.08%
- Exit Cap: 3.75%
- Pro Forma NOI Growth at Sale: 4.31%
- Value at Exit: $357,308,417
- Transaction Costs: 2.00%
- Debt Balance at Exit: $125,431,237

Equity Waterfall

- Partnership Administration Fee: $135,000/yr
- GP Equity Contribution: 1.01% $1,028,880
- AGP Equity Contribution: 1.00% $1,018,693
- MGP Equity Contribution: 0.01% $10,187
- LP Equity Contribution: 98.99% $100,840,379

Returns Summary

- Tier 1 LP Distribution: 98.99% of cash flow to 0.0%
- Tier 2 LP Distribution: 98.99% of cash flow to 0.0%
- Tier 3 LP Distribution: 98.99% of cash flow
- 10 Yr. Hold Avg. Cash on Cash: 2.55%
## Uses of Funds

### Baldwin Village Apartments

**Draft 07/29/2022 - 12:31 PM**

<table>
<thead>
<tr>
<th>Item</th>
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<td>Acquisition Cost or Value</td>
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</tr>
<tr>
<td>Predevelopment Interest / Holding Cost</td>
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<td><strong>Total Acquisition</strong></td>
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<td>Structures - Residential</td>
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<td>Construction Contingency</td>
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<td><strong>Total Construction</strong></td>
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<tr>
<td>Loan Fees</td>
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</tr>
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<td>Lender Legal</td>
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<tr>
<td><strong>Construction Interest and Fees</strong></td>
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# Uses of Funds

## Baldwin Village Apartments

**Drafted:** 07/29/2022 - 12:31 PM

### Bond Fees

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<tr>
<td>Underwriter</td>
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<td>Bond Counsel</td>
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<td>Trustee Fee and Trustee Counsel</td>
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<td>CD/AC Fees</td>
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<td>TCAC Fees-Hard Code amount shown</td>
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### Legal

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### Taxes and Insurance

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<tr>
<td>Property Taxes, 1.18% 2,585,458$ Requirement at closing based on full tax</td>
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### Title & Recording

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### Lease-Up and Reserves

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<td>Lease-Up Reserve</td>
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<td>Capital Improvements Reserve 18 mos unit turns 2,700,000</td>
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<td>3 months operating expense and reserves</td>
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### Organizational Costs/Developer Fee

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</tr>
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### Total Cost

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<th>Description</th>
<th>Amount</th>
</tr>
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<tbody>
<tr>
<td><strong>Total Cost</strong></td>
<td><strong>$227,393,785</strong></td>
</tr>
<tr>
<td>Per Unit</td>
<td>$339,901</td>
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## Residential Rent Schedule

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<th>Occupancy Status</th>
<th>AMI</th>
<th>Sq. Feet</th>
<th>Number of Units</th>
<th>PBV Units</th>
<th>Net Sq. Feet</th>
<th>In Place Rent (Occ. Units)</th>
<th>Unit Upgrade</th>
<th>Gross Restricted Rent (TCAC)</th>
<th>Utility Allowance</th>
<th>Net Restricted Rent (Restricted)</th>
<th>Annual Tenant Rent (Unrest.)</th>
<th>Yr. 1 Annual Tenant Rent</th>
<th>Annual Voucher Subsidy Rent</th>
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<td>-</td>
<td>7134</td>
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<tr>
<td>Studio</td>
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<td>80%</td>
<td>540</td>
<td>6</td>
<td>3240</td>
<td>993</td>
<td>1325</td>
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<tr>
<td>Studio</td>
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<td>3240</td>
<td>993</td>
<td>1325</td>
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<tr>
<td>1BR</td>
<td>Vacant</td>
<td>60%</td>
<td>700</td>
<td>1</td>
<td>700</td>
<td>2375</td>
<td>1775</td>
<td>1339</td>
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<td>1BR</td>
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<td>700</td>
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<td>1785</td>
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<tr>
<td>1BR</td>
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<td>819</td>
<td>1</td>
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<td>2600</td>
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<td>1608</td>
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<td>1</td>
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<td>2600</td>
<td>2000</td>
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<td>819</td>
<td>103</td>
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<tr>
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<td>1,220</td>
<td>1</td>
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<td>Vacant</td>
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<td>1,220</td>
<td>84345</td>
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<td>2600</td>
<td>2000</td>
<td>1744</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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</tr>
<tr>
<td>Total/Average</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,891</td>
<td>1,208</td>
<td>109</td>
<td>1099</td>
<td>75899</td>
<td>3402150</td>
<td>10992147</td>
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## HACLA Utility Allowance Schedule

<table>
<thead>
<tr>
<th>Effective Date: 3/1/2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenant Paid</td>
</tr>
<tr>
<td>--------------------------</td>
</tr>
<tr>
<td>Gas Space Heating</td>
</tr>
<tr>
<td>Gas Cooking</td>
</tr>
<tr>
<td>Gas Water Heating</td>
</tr>
<tr>
<td>Water and Sewer</td>
</tr>
<tr>
<td>Basic Electricity (lights,refrigeration, etc)</td>
</tr>
<tr>
<td>Electric Space Heating</td>
</tr>
<tr>
<td>Electric Cooking</td>
</tr>
<tr>
<td>Electric Water Heating</td>
</tr>
<tr>
<td>Electricity for AirConditioning</td>
</tr>
<tr>
<td>Range (Stove)</td>
</tr>
<tr>
<td>Refrigerator</td>
</tr>
<tr>
<td>Trash Collection/Multi-Family Resident</td>
</tr>
<tr>
<td>Code Enforcement Program</td>
</tr>
<tr>
<td>Rent Stabilization Fee</td>
</tr>
<tr>
<td>Total</td>
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</table>

## Other Income Schedule

<table>
<thead>
<tr>
<th>Income Type</th>
<th>Assumptions</th>
<th>Annual</th>
</tr>
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<tbody>
<tr>
<td>Laundry</td>
<td>$45,224</td>
<td>$45,224</td>
</tr>
<tr>
<td>Vending</td>
<td>$135,600</td>
<td>$135,600</td>
</tr>
<tr>
<td>Parking</td>
<td>$135,600</td>
<td>$135,600</td>
</tr>
<tr>
<td>Commercial Rent</td>
<td>$0 PSF</td>
<td>0 sf</td>
</tr>
<tr>
<td>Other/Misc.</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Other Income</td>
<td>$180,824</td>
<td>$180,824</td>
</tr>
</tbody>
</table>

## Building Area

| Net Rentable Area | 516,715 sf |
| Manager's Unit | - |
| Common Area | 51,672 sf |
| Commercial Area | 0 sf |
| Other Area | - |
| Total | 568,387 sf |
### Profit & Loss Projection

**Baldwin Village Apartments**

**Draft Date:**

### Payroll/Staffing

<table>
<thead>
<tr>
<th>Employee Job Title</th>
<th>Assumptions</th>
<th>Pro-Forma</th>
<th>Unit/Year</th>
<th>Unit/Mo</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manager(s)</td>
<td>$16/hr 1.0 FTE</td>
<td>$75,000</td>
<td>$112</td>
<td>$9</td>
<td>Market comps</td>
</tr>
<tr>
<td>Assistant Manager(s)</td>
<td>$26 2.0 FTE</td>
<td>110,000</td>
<td>164</td>
<td>14</td>
<td>Market comps</td>
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<tr>
<td>Leasing Agent/Administrative Employee(s)</td>
<td>$20 1.5 FTE</td>
<td>62,400</td>
<td>93</td>
<td>8</td>
<td>Market comps</td>
</tr>
<tr>
<td>Maintenance Super</td>
<td>$31 1.0 FTE</td>
<td>65,000</td>
<td>97</td>
<td>8</td>
<td>Market comps</td>
</tr>
<tr>
<td>Maintenance Tech</td>
<td>$22 6.0 FTE</td>
<td>274,560</td>
<td>410</td>
<td>34</td>
<td>Market comps</td>
</tr>
<tr>
<td>Janitors</td>
<td>7.5%</td>
<td>44,022</td>
<td>66</td>
<td></td>
<td>Market comps</td>
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<tr>
<td><strong>Total Salaries</strong></td>
<td></td>
<td><strong>630,582</strong></td>
<td><strong>943</strong></td>
<td><strong>79</strong></td>
<td></td>
</tr>
<tr>
<td>Payroll Taxes</td>
<td>6.0% of salaries</td>
<td>37,859</td>
<td></td>
<td></td>
<td>Portfolio comps</td>
</tr>
<tr>
<td>Workers Compensation</td>
<td>5.0% of salaries</td>
<td>31,549</td>
<td></td>
<td></td>
<td>Portfolio comps</td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>12.0% of salaries</td>
<td>75,718</td>
<td></td>
<td></td>
<td>Market comps</td>
</tr>
<tr>
<td><strong>Employee(s) Payroll Taxes, Workers Comp. &amp; Benefits</strong></td>
<td></td>
<td><strong>149,120</strong></td>
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<td></td>
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</table>

### Revenue

<table>
<thead>
<tr>
<th></th>
<th>Assumptions</th>
<th>Pro-Forma</th>
<th>Unit/Year</th>
<th>Unit/Mo</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rent Revenue - Gross Potential</strong></td>
<td></td>
<td>7,589,997</td>
<td>$11,145</td>
<td>945</td>
<td>From Rent Roll</td>
</tr>
<tr>
<td>Restricted Unit Rents</td>
<td>4,402,150</td>
<td>5,085</td>
<td>424</td>
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<tr>
<td>Utility Reimbursements</td>
<td>65% trash, water, sewer</td>
<td>445,721</td>
<td>666</td>
<td>56</td>
<td>Market comps</td>
</tr>
<tr>
<td>Laundry and Vending Revenue</td>
<td>45,224</td>
<td>68</td>
<td>6</td>
<td>From Rent Roll</td>
<td></td>
</tr>
<tr>
<td>Storage and Parking Spaces</td>
<td>135,600</td>
<td>203</td>
<td>17</td>
<td>From Rent Roll</td>
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<tr>
<td>Miscellaneous Rent Revenue</td>
<td>$250/unit</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Gross Potential Income (GPI)</strong></td>
<td></td>
<td>$7,785,943</td>
<td>$17,617</td>
<td>$1,468</td>
<td></td>
</tr>
<tr>
<td>Vacancy Rate: Restricted Units</td>
<td>3.0%</td>
<td>227,700</td>
<td>340</td>
<td>28</td>
<td>Market comps</td>
</tr>
<tr>
<td>Vacancy Rate: Unrestricted Units</td>
<td>7.0%</td>
<td>238,151</td>
<td>356</td>
<td>30</td>
<td>Market comps</td>
</tr>
<tr>
<td>Vacancy Loss</td>
<td>4.0%</td>
<td>1,113,620</td>
<td>17,84</td>
<td>144</td>
<td>Market estimate</td>
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<tr>
<td><strong>Effective Gross Income</strong></td>
<td></td>
<td>$11,320,092</td>
<td>$6,255</td>
<td>$521</td>
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### Expenses

<table>
<thead>
<tr>
<th></th>
<th>Assumptions</th>
<th>Pro-Forma</th>
<th>Unit/Year</th>
<th>Unit/Mo</th>
<th>Notes</th>
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<tbody>
<tr>
<td><strong>Administrative Expenses: 6200/6300</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conventions and Meetings</td>
<td>$35/unit</td>
<td>24,415</td>
<td>25</td>
<td>3</td>
<td>Portfolio</td>
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<tr>
<td>Office/Administrative Salaries</td>
<td>265,955</td>
<td>539</td>
<td>35</td>
<td>Payroll above</td>
<td></td>
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<tr>
<td>Office Expenses</td>
<td>$50/unit</td>
<td>33,450</td>
<td>50</td>
<td>4</td>
<td>Portfolio</td>
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<tr>
<td>Management Fee</td>
<td>5.00% of rev</td>
<td>566,605</td>
<td>846</td>
<td>71</td>
<td>Market comps</td>
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<td>Site/Resident Manager(s) Salaries</td>
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<td>75,000</td>
<td>112</td>
<td>9</td>
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<tr>
<td>Legal Expense -- Project</td>
<td>$50/unit</td>
<td>33,450</td>
<td>50</td>
<td>4</td>
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<tr>
<td>Bookkeeping Fees/Accounting Services</td>
<td>$50/unit</td>
<td>13,380</td>
<td>20</td>
<td>2</td>
<td>Market comps</td>
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<tr>
<td>Miscellaneous Administrative Expenses</td>
<td>$125/unit</td>
<td>83,625</td>
<td>125</td>
<td>50</td>
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<td><strong>Total Administrative Expenses</strong></td>
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<td>$1,094,280</td>
<td>$1,636</td>
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### Profit & Loss (Continued)

<table>
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<tr>
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<th>Pro-Forma</th>
<th>Unit/Year</th>
<th>Unit/Mo</th>
<th>Notes</th>
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<tbody>
<tr>
<td><strong>Utilities Expense: 6400</strong></td>
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<tr>
<td>Electricity</td>
<td>$500/unit</td>
<td>66,900</td>
<td>100</td>
<td>1</td>
<td>Market/portfolio</td>
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<tr>
<td>Water</td>
<td>$675/unit</td>
<td>451,575</td>
<td>675</td>
<td>56</td>
<td>Paid by property; includes sewer</td>
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<tr>
<td>Gas</td>
<td>$5/unit</td>
<td>10,035</td>
<td>15</td>
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<tr>
<td><strong>Total Utilities Expense</strong></td>
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<td>$528,530</td>
<td>$700</td>
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### Operating & Maintenance Expense: 6500

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<th>Unit/Year</th>
<th>Unit/Mo</th>
<th>Notes</th>
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</thead>
<tbody>
<tr>
<td>Payroll Salaries</td>
<td>$546/unit</td>
<td>365,627</td>
<td>546</td>
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<tr>
<td>Contracts</td>
<td>$1200/unit</td>
<td>802,800</td>
<td>1,200</td>
<td>100</td>
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</tr>
<tr>
<td>Garbage and Trash Removal</td>
<td>$350/unit</td>
<td>234,150</td>
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<tr>
<td>Security Contract</td>
<td>$120/unit</td>
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<td>8</td>
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</tr>
<tr>
<td>Heating/Cooling Repairs and Maintenance</td>
<td>$50/unit</td>
<td>33,450</td>
<td>50</td>
<td>4</td>
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</tr>
<tr>
<td>Miscellaneous Operating and Maintenance Expenses</td>
<td>$50/unit</td>
<td>33,450</td>
<td>50</td>
<td>4</td>
<td></td>
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<tr>
<td><strong>Total Operating &amp; Maintenance Expenses</strong></td>
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<td>1,549,157</td>
<td>2,116</td>
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### Taxes & Insurance: 6700

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<th>Assumptions</th>
<th>Pro-Forma</th>
<th>Unit/Year</th>
<th>Unit/Mo</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real Estate Taxes</td>
<td>$65,000 dr. ast. &amp; 1.18% tax rate</td>
<td>637,932</td>
<td>1,253</td>
<td>104</td>
<td>Tax rate * units over 80% AMI * PP + direct asmnt.</td>
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<tr>
<td>Property and Liability Insurance (Hazard)</td>
<td>$750/unit</td>
<td>501,750</td>
<td>750</td>
<td>63</td>
<td>Market comps</td>
</tr>
<tr>
<td>Worker’s Compensation</td>
<td>31,549</td>
<td>47</td>
<td>4</td>
<td>Payroll above</td>
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<tr>
<td>Health Insurance/Other Employee Benefits</td>
<td>75,718</td>
<td>113</td>
<td>9</td>
<td>Payroll above</td>
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<tr>
<td>Miscellaneous Taxes, Licenses, Permits &amp; Insurance</td>
<td>0/unit</td>
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<td><strong>Total Taxes &amp; Insurance</strong></td>
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### Profit & Loss (Continued)

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<th>Pro-Forma</th>
<th>Unit/Year</th>
<th>Unit/Mo</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Operating Expenses</strong></td>
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<td>4,656,754</td>
<td>$6,961</td>
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### Funded Reserves: 7200

<table>
<thead>
<tr>
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<th>Assumptions</th>
<th>Pro-Forma</th>
<th>Unit/Year</th>
<th>Unit/Mo</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Required Replacement Reserve Deposits</td>
<td>$300/unit</td>
<td>200,700</td>
<td>300</td>
<td>25</td>
<td>Market</td>
</tr>
<tr>
<td><strong>Total Reserve Deposits</strong></td>
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<td>200,700</td>
<td>300</td>
<td>25</td>
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</tbody>
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### Net Operating Income

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<th>Assumptions</th>
<th>Pro-Forma</th>
<th>Unit/Year</th>
<th>Unit/Mo</th>
<th>Notes</th>
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<td></td>
<td></td>
<td>6,482,638</td>
<td>9,660</td>
<td>805</td>
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</tbody>
</table>
# Cash Flow Projection
## Baldwin Village Apartments
### Draft Date: 07/29/2022 - 12:31 PM

<table>
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<tr>
<th>Escalator 8/1/2022</th>
<th>Years 1 through 10</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cal. Yr: 2022</td>
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<tr>
<td><strong>Income</strong></td>
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</tr>
<tr>
<td>Tenant Rent (Restricted)</td>
<td>3.0%</td>
</tr>
<tr>
<td>Tenant Rent (Unrestricted)</td>
<td>3.0%</td>
</tr>
<tr>
<td>Voucher Rent</td>
<td>3.0%</td>
</tr>
<tr>
<td>Gross Potential Rent</td>
<td>3.0%</td>
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<tr>
<td>Other Income</td>
<td>3.0%</td>
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<tr>
<td>Utility Reimbursements</td>
<td>3.0%</td>
</tr>
<tr>
<td>Miscellaneous Rent Revenue</td>
<td>3.0%</td>
</tr>
<tr>
<td>Gross Income</td>
<td></td>
</tr>
<tr>
<td>Tenant Rent Vacancy (Restricted)</td>
<td>3.0%</td>
</tr>
<tr>
<td>Tenant Rent Vacancy (Unrestricted)</td>
<td>7.0%</td>
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<tr>
<td>Subsidy Vacancy</td>
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</tr>
<tr>
<td>Total Vacancy Loss</td>
<td>(156,325)</td>
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<tr>
<td>Effective Gross Income</td>
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<tr>
<td><strong>Expenses</strong></td>
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<tr>
<td>Administrative</td>
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<tr>
<td>Utilities</td>
<td>3.0%</td>
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<tr>
<td>Operations &amp; Maintenance</td>
<td>3.0%</td>
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<tr>
<td>Taxes &amp; Insurance</td>
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<td>Supportive Services</td>
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<td>Other Reserves</td>
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<tr>
<td><strong>Net Operating Income</strong></td>
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**Note:** The above table represents the projected cash flow for Baldwin Village Apartments for Years 1 through 10, including income and expenses, with detailed escalations and percentages for each category. The projections are based on specific assumptions and scenarios as of 07/29/2022.
### Baldwin Village Apartments

**Cash Flow Projection**

**Draft Date:** 07/29/2022 - 12:31 PM

**Baldwin Village Apartments Pro Forma 7.28.22 Scenarios v3**

#### Early Years

**Escalator 8/1/2022**

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<th>Year</th>
<th>Project Yr: 1</th>
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<th>3</th>
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<th>8</th>
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<th>11</th>
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<tbody>
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<td>Cal. Yr: 2022</td>
<td>$125,024,527</td>
<td>$125,024,527</td>
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<td>$125,024,527</td>
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<td>$125,024,527</td>
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<td>1,604,952</td>
<td>2,087,060</td>
<td>2,593,021</td>
<td>3,123,875</td>
<td>3,680,059</td>
<td>4,244,453</td>
<td>4,876,375</td>
<td>5,599,166</td>
<td>3,776,335</td>
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<td>500,000</td>
<td>497,582</td>
<td>490,081</td>
<td>482,197</td>
<td>475,909</td>
<td>465,198</td>
<td>456,040</td>
<td>446,414</td>
<td>436,296</td>
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<td>(24,325)</td>
<td>(23,932)</td>
<td>(23,498)</td>
<td>(23,032)</td>
<td>(22,533)</td>
<td>(22,091)</td>
<td>(21,570)</td>
<td>(21,029)</td>
<td>(13,703)</td>
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<td>(7,501)</td>
<td>(7,844)</td>
<td>(8,288)</td>
<td>(8,712)</td>
<td>(9,157)</td>
<td>(9,624)</td>
<td>(10,118)</td>
<td>(10,636)</td>
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<td>489,419</td>
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<td>473,100</td>
<td>464,452</td>
<td>450,256</td>
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<td>435,480</td>
<td>427,409</td>
<td>413,523</td>
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<td>Total Permanent Debt Service</td>
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<td>(5,945,752)</td>
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<td>(5,945,752)</td>
<td>(5,945,752)</td>
<td>(5,945,752)</td>
<td>(5,945,752)</td>
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<td>1,872,540</td>
<td>1,928,716</td>
<td>1,986,578</td>
<td>2,046,174</td>
<td>2,107,560</td>
<td>2,170,787</td>
<td>2,235,911</td>
<td>2,630,335</td>
<td>(782,864)</td>
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<tr>
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<td>495,000</td>
<td>1,818,000</td>
<td>1,872,540</td>
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<td>1,986,578</td>
<td>2,046,174</td>
<td>2,107,560</td>
<td>2,170,787</td>
<td>2,235,911</td>
<td>2,630,335</td>
<td>(782,864)</td>
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<td>(136,150)</td>
<td>(140,441)</td>
<td>(144,654)</td>
<td>(148,993)</td>
<td>(153,663)</td>
<td>(158,037)</td>
<td>(162,809)</td>
<td>(167,693)</td>
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<td>(224,715,012)</td>
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<td>3.15%</td>
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<td>3.30%</td>
<td>3.38%</td>
<td>3.45%</td>
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<td>3.60%</td>
<td>3.68%</td>
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</tr>
<tr>
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<td>$100,840,379</td>
<td>$97,363,196</td>
<td>$98,832,627</td>
<td>$96,162,299</td>
<td>$94,885,741</td>
<td>$92,971,950</td>
<td>$90,388,599</td>
<td>$87,102,001</td>
<td>$83,077,048</td>
<td>$77,767,335</td>
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<tr>
<td>LP Contributions</td>
<td>100,840,379</td>
<td>100,840,379</td>
<td>3,137,059</td>
<td>526,024</td>
<td>670,328</td>
<td>1,276,556</td>
<td>1,913,792</td>
<td>2,583,351</td>
<td>3,286,598</td>
<td>4,024,953</td>
<td>5,309,713</td>
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<tr>
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<td>968,124</td>
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<tr>
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<td>83,077,048</td>
<td>77,767,335</td>
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<td>LP IRR Check</td>
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</tr>
<tr>
<td>GP Beginning Balance</td>
<td>1,028,880</td>
<td>1,025,409</td>
<td>993,402</td>
<td>987,688</td>
<td>981,149</td>
<td>968,124</td>
<td>948,598</td>
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<td>888,706</td>
<td>77,767,335</td>
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<tr>
<td>GP Contributions</td>
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<td>888,706</td>
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<tr>
<td>GP Distribution</td>
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<tr>
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<td>$97,363,196</td>
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<tr>
<td>LP Contributions</td>
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<tr>
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<td>981,149</td>
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<tr>
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<td>922,239</td>
<td>888,706</td>
<td>77,767,335</td>
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<tr>
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<td>0.34%</td>
<td>3.12%</td>
<td>0.54%</td>
<td>0.69%</td>
<td>1.33%</td>
<td>2.02%</td>
<td>2.78%</td>
<td>3.64%</td>
<td>4.62%</td>
<td>6.39%</td>
<td></td>
</tr>
</tbody>
</table>
Attachment 13:
Proforma Exercise – Market Rate Value Add Scenario
**Project Summary: Baldwin Village Apartments**

**Draft Date:** 07/29/2022 - 12:32 PM

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**NOTE:**

THE FIGURES, ASSUMPTIONS, AND PROJECTIONS PRESENTED IN THIS PROFORMA EXERCISE ARE ESTIMATES BASED ON PUBLIC DATA AVAILABLE TO THE STAFF OF THE HOUSING AUTHORITY OF THE CITY OF LOS ANGELES (“HACLA”) AND THEIR EXERCISE OF PROFESSIONAL JUDGEMENT. HACLA DOES NOT REPRESENT THAT ANY FIGURES PRESENTED HEREIN ARE ACCURATE OR FREE FROM ERROR OR THAT THEY ARE CONSISTENT WITH THOSE USED BY HACLA’S PROPOSED PARTNER.

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**Scenario:**

<table>
<thead>
<tr>
<th>General Information</th>
<th></th>
</tr>
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<tbody>
<tr>
<td><strong>Project Name</strong></td>
<td>Baldwin Village Apartments</td>
</tr>
<tr>
<td><strong>Project Address</strong></td>
<td>4220 Santa Rosalia Drive</td>
</tr>
<tr>
<td><strong>Acquisition Date</strong></td>
<td>8/1/2022</td>
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<tr>
<td><strong>Acquisition Type</strong></td>
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<tr>
<td><strong>Property Type</strong></td>
<td>Multi-Family</td>
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<tr>
<td><strong>Year Built/Rehabbed</strong></td>
<td>1948</td>
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<tr>
<td><strong>Owner</strong></td>
<td>Partnership</td>
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<tr>
<td><strong>Welfare tax exemption refund amt:</strong></td>
<td>$ -</td>
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<tr>
<td><strong>Type:</strong></td>
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<td><strong>Interim Financing</strong></td>
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**Unit Mix**

<table>
<thead>
<tr>
<th>Unit Type</th>
<th>Total Units</th>
<th>Occupied Units</th>
<th>Avg Size (Sq. Ft.)</th>
<th>Est. In Place Rent</th>
<th>Est. Mkt Rent</th>
<th>Est. Value Add Rent</th>
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<tbody>
<tr>
<td>Studio</td>
<td>18</td>
<td>18</td>
<td>540</td>
<td>$991</td>
<td>$1,325</td>
<td>$1,925</td>
</tr>
<tr>
<td>1BR</td>
<td>324</td>
<td>321</td>
<td>700</td>
<td>$1,331</td>
<td>$1,775</td>
<td>$2,375</td>
</tr>
<tr>
<td>2BR</td>
<td>296</td>
<td>294</td>
<td>819</td>
<td>$1,483</td>
<td>$2,000</td>
<td>$2,600</td>
</tr>
<tr>
<td>3BR</td>
<td>31</td>
<td>29</td>
<td>1,220</td>
<td>$1,798</td>
<td>$2,400</td>
<td>$3,000</td>
</tr>
<tr>
<td>Manager Unit</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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</table>

**Total/Average**

<table>
<thead>
<tr>
<th>Studio</th>
<th>18</th>
<th>18</th>
<th>540</th>
<th>$991</th>
<th>$1,325</th>
<th>$1,925</th>
</tr>
</thead>
<tbody>
<tr>
<td>1BR</td>
<td>324</td>
<td>321</td>
<td>700</td>
<td>$1,331</td>
<td>$1,775</td>
<td>$2,375</td>
</tr>
<tr>
<td>2BR</td>
<td>296</td>
<td>294</td>
<td>819</td>
<td>$1,483</td>
<td>$2,000</td>
<td>$2,600</td>
</tr>
<tr>
<td>3BR</td>
<td>31</td>
<td>29</td>
<td>1,220</td>
<td>$1,798</td>
<td>$2,400</td>
<td>$3,000</td>
</tr>
<tr>
<td>Manager Unit</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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</tr>
<tr>
<td><strong>Total/Average</strong></td>
<td>669</td>
<td>662</td>
<td>772</td>
<td>$1,410</td>
<td>$1,891</td>
<td>$2,491</td>
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**Current Vacancy**: 7 units (1% of total)

**Existing Units Qualifying for Tax Exemption at Closing (est.):** 0%

**Turnover Per Year**: 10%

**Uses of Funds**

<table>
<thead>
<tr>
<th>Uses of Funds</th>
<th>Residential</th>
<th>Commercial</th>
<th>Parking</th>
<th>Per Unit</th>
<th>Total</th>
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<tbody>
<tr>
<td>Acquisition</td>
<td>$220,000,000</td>
<td>-</td>
<td>-</td>
<td>$328,849</td>
<td>$220,000,000</td>
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<tr>
<td>Construction</td>
<td>200,700</td>
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<td>-</td>
<td>300</td>
<td>200,700</td>
</tr>
<tr>
<td>Architecture and Furnishings</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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</tr>
<tr>
<td>Due Diligence</td>
<td>75,000</td>
<td>-</td>
<td>-</td>
<td>112</td>
<td>75,000</td>
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<tr>
<td>Permits and Fees</td>
<td>12,042</td>
<td>-</td>
<td>-</td>
<td>18</td>
<td>12,042</td>
</tr>
<tr>
<td>Financing Costs</td>
<td>350,000</td>
<td>-</td>
<td>-</td>
<td>523</td>
<td>350,000</td>
</tr>
<tr>
<td>Bond Fees</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>10,000</td>
<td></td>
</tr>
<tr>
<td>Legal</td>
<td>10,000</td>
<td>-</td>
<td>-</td>
<td>15</td>
<td>10,000</td>
</tr>
<tr>
<td>Taxes and Insurance</td>
<td>3,087,208</td>
<td>-</td>
<td>-</td>
<td>4,615</td>
<td>3,087,208</td>
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<td>Title and Recording</td>
<td>550,000</td>
<td>-</td>
<td>-</td>
<td>822</td>
<td>550,000</td>
</tr>
<tr>
<td>Lease Up and Reserves</td>
<td>3,261,584</td>
<td>-</td>
<td>-</td>
<td>4,875</td>
<td>3,261,584</td>
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<tr>
<td>Developer Fee/Accctg</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$227,546,534</td>
<td>-</td>
<td>-</td>
<td>$340,129</td>
<td>$227,546,534</td>
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</tbody>
</table>

**Sources of Funds - Permanent**

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<thead>
<tr>
<th>Sources of Funds</th>
<th>Residential</th>
<th>Commercial</th>
<th>Parking</th>
<th>Per Unit</th>
<th>Total</th>
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<tbody>
<tr>
<td>First Mortgage</td>
<td>$95,957,945</td>
<td>-</td>
<td>-</td>
<td>$143,435</td>
<td>$95,957,945</td>
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<tr>
<td>HACLA Subordinate Loan (soft)</td>
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<td>-</td>
<td>-</td>
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<td>-</td>
</tr>
<tr>
<td>Equity</td>
<td>131,588,589</td>
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<td>-</td>
<td>196,694</td>
<td>131,588,589</td>
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<tr>
<td><strong>Total</strong></td>
<td>$227,546,534</td>
<td>-</td>
<td>-</td>
<td>$340,129</td>
<td>$227,546,534</td>
</tr>
</tbody>
</table>

**Gap / Surplus**: $ -
### Project Summary & Investment Metrics

#### Baldwin Village Apartments

**Draft Date:** 07/29/2022 - 12:32 PM

### Income Mix & Operating Subsidy

<table>
<thead>
<tr>
<th>Income Restr. Level</th>
<th>Proportion of Existing Units Covered by PBV</th>
<th>Proportion of Vacant Units Covered by PBV</th>
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</thead>
<tbody>
<tr>
<td>30% AMI units</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>50% AMI Units</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>60% AMI Units</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>80% AMI Units</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>100% AMI Units</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>120% AMI Units</td>
<td>0%</td>
<td>0%</td>
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<tr>
<td>Total Units</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Rounded Alloc: Market Rate

PB Vouchers: 0 units

### Market Rate Value Add Scenario Assumptions

- **Upgrade Cost**: $25,000/unit
- **Rent Increase**: $600/pupil

#### Cap Rate Analysis

- **Pro Forma NOI Yr 1 Restricted**: $4,693,967
- **Pro Forma Yr 1 Cap Rate**: 2.13%
- **Plus Market Rent**: 3,815,964
- **Less Property Tax**: Rate: 1.175208%
- **Plus Cost of Services**: -
- **Adjusted NOI**: $8,574,931

Cap Rate at Market Rents: 3.90%

### Conventional Equity Investment

- **Hold Period**: 10 Yrs
- **Exit Date**: 8/1/2032
- **Market Entry Cap**: 3.00%
- **Exit Cap Annual Increase**: 0.08%
- **Exit Cap**: 3.75%

### Profit & Loss Summary

- **Effective Gross Income**: $11,366,255
- **Operating Expenses**:
  - Administrative: $1,096,588
  - Utilities: $528,510
  - Operating & Maint.: $1,549,157
  - Taxes, Insurance & Benefits: $3,297,333
  - Supportive Services: -
  - Reserve Deposits: $200,700
  - Other (Ground Lease): -
- **Total Expenses**: $6,672,288
- **Net Operating Income**: $4,693,967

### Interim Debt Financing

- **n/a**

### Permanent Debt First Mortgage

- **Index**: 1.53%
- **Spread**: 1.50%
- **Cushion**: 1.22%
- **Total Rate**: 4.25%
- **Debt Service Coverage Ratio**: 1.25
- **Amortization**: 30 yrs
- **Stabilized NOI**: $5,097,766
- **Max Loan DSCR**: 95,957,945
- **LTV**: 65%
- **Max Loan on Value**: $147,905,247
- **Max Loan Amount**: $95,957,945

### Bond Transaction

- **I/O Period**: 120 mos
- **I/O Debt Service**: $4,078,213
- **Amortizing Debt Service**: 5,644,673
- **Loan Constant**: 5.88%
- **Actual DSCR Yr 1**: 1.25
- **Actual DSCR 1st Amort. Year**: -
- **Actual LTV Yr 1**: 42.17%
- **Perm Loan Start Date**: 8/1/2022

### HACLA Subordinate Loan (soft)

- **n/a**

### HACLA Subordinate Loan Payment

- **$ -**
## Uses of Funds

**Baldwin Village Apartments**

**Draft 07/29/2022 - 12:32 PM**

<table>
<thead>
<tr>
<th>Item</th>
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<td><strong>Acquisition</strong></td>
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<td>Seller paid</td>
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<tr>
<td>Acquisition Cost or Value</td>
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<td>Broker Fees</td>
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<td>Legal</td>
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<td>-</td>
<td></td>
</tr>
<tr>
<td>Predevelopment Interest / Holding Cost</td>
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<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Total Acquisition</strong></td>
<td></td>
<td>$220,000,000</td>
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<tr>
<td><strong>Construction</strong></td>
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<td></td>
</tr>
<tr>
<td>Off Site Improvements</td>
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<tr>
<td>On-Site Improvements</td>
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<td>-</td>
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</tr>
<tr>
<td>Parking-Resident</td>
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<td>-</td>
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</tr>
<tr>
<td>Public Replacement - Parking Spaces</td>
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<td></td>
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<tr>
<td>Structures - Residential</td>
<td>300/unit</td>
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<td>Market estimate - one year of replacement reserves</td>
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<td>Structures - Commercial</td>
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<td>Prevailing Wage</td>
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<tr>
<td>General Liability Insurance</td>
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</tr>
<tr>
<td>Bond/L OC</td>
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</tr>
<tr>
<td>Construction Contingency</td>
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<tr>
<td><strong>Total Construction</strong></td>
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<tr>
<td><strong>Architecture and Furnishings</strong></td>
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<tr>
<td>Design/Supervision</td>
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</tr>
<tr>
<td>Furnishings-Common Area and SN Units</td>
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<td>-</td>
<td></td>
</tr>
<tr>
<td>Construction Management/Prev Wage Monitor</td>
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<tr>
<td>Reimbursables</td>
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<tr>
<td><strong>Total Architecture and Furnishings</strong></td>
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</tr>
<tr>
<td><strong>Due Diligence</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engineering/Survey/Soils</td>
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<td>$50,000</td>
<td>Survey for multiple parcels and seismic</td>
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<tr>
<td>CEQA/Entitlements Consulting</td>
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<tr>
<td>Environmental Audit/Geotech</td>
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<td>Phase 1</td>
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<tr>
<td>Appraisal</td>
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<td>Market Study</td>
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<td>Community Relations</td>
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<td>LEED Documentation/Consulting/CASP</td>
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<td>Utility Hookups</td>
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<td><strong>Permits and Fees</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Impact Fees-County Fire and Public Works Building Permits/Planning/Entitlements</td>
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<td></td>
</tr>
<tr>
<td><strong>Total Permits and Fees</strong></td>
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</tr>
<tr>
<td><strong>Predevelopment Loan Interest</strong></td>
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<td></td>
</tr>
<tr>
<td>Loan Interest</td>
<td>0.00%</td>
<td>-</td>
<td></td>
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<tr>
<td>Loan Fees</td>
<td>0.00%</td>
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<td></td>
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<tr>
<td>Lender Legal</td>
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<tr>
<td><strong>Total Predevelopment Loan Interest</strong></td>
<td></td>
<td>-</td>
<td></td>
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<tr>
<td><strong>Construction Interest and Fees</strong></td>
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</tr>
<tr>
<td>Loan Interest Construction-Housing</td>
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<td>No commercial</td>
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<td>Commercial Loan Interest</td>
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<td>-</td>
<td>Underwriting/due diligence costs</td>
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<td>Loan Fees</td>
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<td>-</td>
<td>Lender legal for construction loan closing</td>
</tr>
<tr>
<td>Lender Costs</td>
<td></td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Lender Attorney</td>
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<td>-</td>
<td></td>
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<tr>
<td>Lender Due Diligence</td>
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<td>-</td>
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</tr>
<tr>
<td><strong>Total Construction Interest and Fees</strong></td>
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<td></td>
</tr>
<tr>
<td><strong>Permanent Financing</strong></td>
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<td></td>
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</tr>
<tr>
<td>Loan Fees</td>
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<td>Lender Counsel</td>
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<tr>
<td><strong>Total Permanent Financing</strong></td>
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## Uses of Funds

**Baldwin Village Apartments**

### Bond Fees

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underwriter</td>
<td>-</td>
</tr>
<tr>
<td>Financial Advisor</td>
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</tr>
<tr>
<td>Bond Counsel</td>
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</tr>
<tr>
<td>Credit Enhancement Fee (Construction)</td>
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</tr>
<tr>
<td>Trustee Fee and Trustee Counsel</td>
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</tr>
<tr>
<td>CDIAC Fees</td>
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</tr>
<tr>
<td>TEFRA/Misc</td>
<td>-</td>
</tr>
<tr>
<td>Prepaid Annual Issuer Fees</td>
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<tr>
<td>CDIAC Fees</td>
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<tr>
<td>COI Contingency</td>
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</tr>
<tr>
<td>TCAC Fees-Hard Code amount shown</td>
<td>-</td>
</tr>
<tr>
<td>Other:</td>
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<tr>
<td>LACDC Fee</td>
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<tr>
<td><strong>Total Bond Fees</strong></td>
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### Legal

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<td>Lender</td>
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<tr>
<td>Land Use</td>
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</tr>
<tr>
<td>Developer legal for entitlements approval in CEQA</td>
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</tr>
<tr>
<td>Syndication</td>
<td>-</td>
</tr>
<tr>
<td>Developer legal for syndicator counsel</td>
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</tr>
<tr>
<td>Transaction-Construction</td>
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<tr>
<td><strong>Total Legal</strong></td>
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</table>

### Taxes and Insurance

<table>
<thead>
<tr>
<th>Description</th>
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<tr>
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<td>Insurance</td>
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<td>Requirement at closing based on full tax</td>
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### Title & Recording

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<tr>
<td>Title Acquisition</td>
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### Lease-Up and Reserves

<table>
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<th>Amount</th>
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<tbody>
<tr>
<td>Marketing</td>
<td>-</td>
</tr>
<tr>
<td>Reserve for property management fees for lease up</td>
<td>-</td>
</tr>
<tr>
<td>Lease-Up Expense/ Fees</td>
<td>-</td>
</tr>
<tr>
<td>Lease-Up Reserve</td>
<td>-</td>
</tr>
<tr>
<td>Capital Improvements Reserve</td>
<td>18 mos unit turns</td>
</tr>
<tr>
<td>Operating / Rent Reserves</td>
<td>3 months</td>
</tr>
<tr>
<td>3 months operating expense and reserves</td>
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### Organizational Costs/Developer Fee

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<tr>
<td>Relocation</td>
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<tr>
<td>HACLA Administrative Fee</td>
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<td>Syndication Consulting</td>
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<td>Forgone Fee</td>
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<td>First Yr Audit/Accounting</td>
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<tr>
<td>1st yr accounting and tax return</td>
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<td><strong>Total Organizational Costs/Dev Fee</strong></td>
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### Total Cost

<table>
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<tr>
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<tr>
<td><strong>Total Cost</strong></td>
<td>$227,546,534</td>
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### Residential Rent Schedule

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<tr>
<th>Bedroom Type</th>
<th>Occupancy Status</th>
<th>AMI</th>
<th>Sq. Feet</th>
<th>Number of Units</th>
<th>PBV Units</th>
<th>Net Sq. Feet</th>
<th>In Place Rent (OCC. Units)</th>
<th>Unit Upgrade Rent</th>
<th>Gross Restricted Rent (TCAC)</th>
<th>Utility Allowance</th>
<th>Net Restricted Rent</th>
<th>Annual Tenant Rent</th>
<th>Yr. 1 Annual Tenant Rent (Unrestr.)</th>
<th>Annual Voucher Subsidy Rent</th>
<th>Total Annual Rent</th>
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<tbody>
<tr>
<td>Studio</td>
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<tr>
<td>Total/Average</td>
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<td></td>
<td>772</td>
<td>669</td>
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<td>933,228</td>
<td>1,648,425</td>
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<td>$ 11,368,236</td>
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### HACLA Utility Allowance Schedule

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<tr>
<th>Effective Date: 3/1/2022</th>
<th>Tenant Paid</th>
<th>Studio</th>
<th>1BR</th>
<th>2BR</th>
<th>3BR</th>
<th>4BR</th>
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<tbody>
<tr>
<td>Gas Space Heating</td>
<td>Yes</td>
<td>$15</td>
<td>$19</td>
<td>$24</td>
<td>$30</td>
<td>$36</td>
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<td>Gas Cooking</td>
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<td>6</td>
<td>7</td>
<td>9</td>
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<tr>
<td>Gas Water Heating</td>
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<td>15</td>
<td>20</td>
<td>24</td>
<td>31</td>
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<tr>
<td>Water and Sewer</td>
<td>Yes</td>
<td>42</td>
<td>59</td>
<td>76</td>
<td>93</td>
<td>119</td>
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<tr>
<td>Basic Electricity,refrigeration, etc</td>
<td>Yes</td>
<td>14</td>
<td>19</td>
<td>25</td>
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<td>Electric Space Heating</td>
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<td>5</td>
<td>7</td>
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<td>10</td>
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<tr>
<td>Electric Water Heating</td>
<td>No</td>
<td>13</td>
<td>18</td>
<td>23</td>
<td>28</td>
<td>36</td>
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<tr>
<td>Electricity for AirConditioning</td>
<td>No</td>
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<td>3</td>
<td>3</td>
<td>4</td>
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<tr>
<td>Range (Stove)</td>
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<td>9</td>
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<tr>
<td>Refrigerator</td>
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<tr>
<td>Trash Collection/Multi-Family Residence</td>
<td>Yes</td>
<td>24</td>
<td>24</td>
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<td>Code Enforcement Program</td>
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<td>4</td>
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<tr>
<td>Rent Stabilization Fee</td>
<td>Yes</td>
<td>1</td>
<td>3</td>
<td>3</td>
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<tr>
<td>Total</td>
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<td>$139</td>
<td>$172</td>
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### Other Income Schedule

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<tr>
<th>Income Type</th>
<th>Assumptions</th>
<th>Annual</th>
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<tr>
<td>Laundry</td>
<td>$45,224</td>
<td>$45,224</td>
</tr>
<tr>
<td>Vending</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parking</td>
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<td>$135,600</td>
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<tr>
<td>Parking Commercial Rent</td>
<td>$0/PSF</td>
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<tr>
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<tr>
<td>Total Other Income</td>
<td>$180,824</td>
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### Building Area

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<th>Category</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Net Rentable Area</td>
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</tr>
<tr>
<td>Manager's Unit</td>
<td>0 (SF)</td>
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<tr>
<td>Common Area</td>
<td>51,672 (SF)</td>
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<tr>
<td>Commercial Area</td>
<td>0 (SF)</td>
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<tr>
<td>Other Area</td>
<td>0 (SF)</td>
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<tr>
<td>Total</td>
<td>568,387 (SF)</td>
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</table>
### Payroll/Staffing

<table>
<thead>
<tr>
<th>Employee Job Title</th>
<th>Assumptions</th>
<th>Pro Forma</th>
<th>Unit/Year</th>
<th>Unit/Mo</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manager(s)</td>
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<td>164</td>
<td>14</td>
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<td>62,400</td>
<td>93</td>
<td>8</td>
<td>Market comps</td>
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<td>$31</td>
<td>65,000</td>
<td>97</td>
<td>8</td>
<td>Market comps</td>
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<td>Maintenance Tech</td>
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<td>274,560</td>
<td>410</td>
<td>34</td>
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<td>7.5%</td>
<td>44,012</td>
<td>$6</td>
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<td>Payroll Taxes</td>
<td>6.0% of salaries</td>
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<td>Portfolio comps</td>
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<td>Workers Compensation</td>
<td>5.0% of salaries</td>
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<td>Portfolio comps</td>
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<td>Employee Benefits</td>
<td>12.0% of salaries</td>
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<td>Market comps</td>
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<td>Employee(s) Payroll Taxes, Workers Comp. &amp; Benefits</td>
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### Revenue

<table>
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<th>Rent Revenue - Gross Potential</th>
<th>Assumptions</th>
<th>Pro Forma</th>
<th>Unit/Year</th>
<th>Unit/Mo</th>
<th>Notes</th>
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<tbody>
<tr>
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<td>Market comps</td>
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<td>135,600</td>
<td>203</td>
<td>17</td>
<td></td>
<td>From Rent Roll</td>
</tr>
<tr>
<td>Miscellaneous Rent Revenue</td>
<td>$250/unit</td>
<td>$157,250</td>
<td>21</td>
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<td>Market comp fees</td>
</tr>
<tr>
<td><strong>Gross Potential Income (GPI)</strong></td>
<td><strong>$12,162,032</strong></td>
<td><strong>$158,179</strong></td>
<td><strong>$1,515</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vacancy Rate: Restricted Units</td>
<td>3.0%</td>
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<td></td>
<td></td>
<td>Market comps</td>
</tr>
<tr>
<td>Vacancy Rate: Unrestricted Units</td>
<td>7.0%</td>
<td>795,777</td>
<td>1,190</td>
<td>99</td>
<td>Market comps</td>
</tr>
<tr>
<td>Vacancy Loss</td>
<td>6.5%</td>
<td>795,722</td>
<td>1,190</td>
<td>99</td>
<td>Market estimate</td>
</tr>
<tr>
<td><strong>Effective Gross Income</strong></td>
<td><strong>$11,366,255</strong></td>
<td><strong>$(1,230)$$</strong></td>
<td><strong>$(150)$$</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Expenses

<table>
<thead>
<tr>
<th>Administrative Expenses: 6200/6300</th>
<th>Assumptions</th>
<th>Pro Forma</th>
<th>Unit/Year</th>
<th>Unit/Mo</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conventions and Meetings</td>
<td>$15/unit</td>
<td>33,450</td>
<td>50</td>
<td>4</td>
<td>Portfolio</td>
</tr>
<tr>
<td>Office/Administrative Salaries</td>
<td>265,955</td>
<td>398</td>
<td>33</td>
<td></td>
<td>Payroll above</td>
</tr>
<tr>
<td>Office Expenses</td>
<td>$50/unit</td>
<td>33,450</td>
<td>50</td>
<td>4</td>
<td>Portfolio</td>
</tr>
<tr>
<td>Management Fee</td>
<td>858,233</td>
<td>1,394</td>
<td>114</td>
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<td>Market comps</td>
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<tr>
<td>Site/Resident Manager(s) Salaries</td>
<td>75,000</td>
<td>112</td>
<td>9</td>
<td></td>
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</tr>
<tr>
<td>Legal Expense -- Project</td>
<td>$50/unit</td>
<td>33,450</td>
<td>50</td>
<td>4</td>
<td>Market comps</td>
</tr>
<tr>
<td>Bookkeeping Fees/Accounting Services</td>
<td>$30/unit</td>
<td>13,380</td>
<td>20</td>
<td>2</td>
<td>Market comps</td>
</tr>
<tr>
<td>Miscellaneous Administrative Expenses</td>
<td>$125/unit</td>
<td>83,625</td>
<td>125</td>
<td>5</td>
<td>Portfolio</td>
</tr>
<tr>
<td><strong>Total Administrative Expenses</strong></td>
<td><strong>$1,096,588</strong></td>
<td><strong>$1,639</strong></td>
<td><strong>$137$$</strong></td>
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</table>

### Profit & Loss (Continued)

<table>
<thead>
<tr>
<th>Utilities Expense: 6400</th>
<th>Assumptions</th>
<th>Pro Forma</th>
<th>Unit/Year</th>
<th>Unit/Mo</th>
<th>Notes</th>
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</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>$100/unit</td>
<td>66,900</td>
<td>100</td>
<td>8</td>
<td>Market/portfolio</td>
</tr>
<tr>
<td>Water</td>
<td>$67/unit</td>
<td>451,575</td>
<td>675</td>
<td>56</td>
<td>Paid by property; includes sewer</td>
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<tr>
<td>Gas</td>
<td>$15/unit</td>
<td>30,035</td>
<td>45</td>
<td>1</td>
<td>Market/portfolio</td>
</tr>
<tr>
<td><strong>Total Utilities Expense</strong></td>
<td><strong>$528,510</strong></td>
<td><strong>$790</strong></td>
<td><strong>$66</strong></td>
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</tr>
</tbody>
</table>

### Operating & Maintenance Expense: 6500

| Payroll Salaries                           | $546/unit   | 365,027   | 546       | 45     | Payroll above |
| Contracts                                  | 802,800     | 1,200     | 100       |        | Market comps |
| Garbage and Trash Removal                  | 234,150     | 350       | 29        |        | Market comps |
| Security Contract                          | $120/unit   | 80,280    | 120       | 10     | Market estimate |
| Heating/Cooling Repairs and Maintenance    | $50/unit    | 33,450    | 50        | 4      | Market estimate |
| Miscellaneous Operating and Maintenance Expenses | $50/unit | 33,450 | 50 | 4 | Turnover/make-ready; market comps |
| **Total Operating & Maintenance Expenses** | **1,549,157**| **2,116**  | **159$** |        |       |

### Taxes & Insurance: 6700

| Real Estate Taxes                          | $65,000     | 2,650,458 | 3,962     | 330    | Tax rate * units over 80% AMI * PP + direct asmt. |
| Property and Liability Insurance (Hazard)  | $750/unit   | 502,750   | 750       | 63     | Market comps |
| Worker's Compensation                      | 31,549      | 47        | 4         |        | Payroll above |
| Health Insurance/Other Employee Benefits   | 75,718      | 113       | 9         |        | Payroll above |
| Miscellaneous Taxes, Licenses, Permits & Insurance | $0/unit | | | | Market/portfolio |
| **Total Taxes & Insurance**                | **3,297,533**| **4,929**  | **431$** |        |       |

### Total Operating Expenses

| Total Operating Expenses                   | **$6,471,588**| **$9,674$$**| **$806$$**|        |       |

### Funded Reserve: 7200

| Required Replacement Reserve Deposits      | $300/unit    | 200,700   | 300       | 25     | Market |
| **Total Reserve Deposits**                 | **200,700**  | **300**   | **25**    |        |       |

### Net Operating Income

| Net Operating Income                      | **$4,693,967**| **7,016$$**| **585$$**|        |       |
# Cash Flow Projection

## Baldwin Village Apartments

**Draft Date:** 07/29/2022 - 12:32 PM

### Years 1 through 10

<table>
<thead>
<tr>
<th>Years</th>
<th>Project Yr</th>
<th>Cal. Yr</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
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</tbody>
</table>

### Income

- **Tenant Rent (Restricted)**: 3.0%
  - Years 1 through 10: $3,828,884 (2022-2032)

- **Tenant Rent (Unrestricted)**: 3.0%
  - Years 1 through 10: $3,828,884 (2022-2032)

- **Voucher Rent**: 3.0%
  - Years 1 through 10: $60,275 (2022-2032)

- **Utility Reimbursements**: 3.0%
  - Years 1 through 10: $148,574 (2022-2032)

- **Miscellaneous Rent Revenue**: 3.0%
  - Years 1 through 10: $55,750 (2022-2032)

### Gross Income

- Years 1 through 10: $4,093,483 (2022-2032)

### Expenses

- **Administrative**: 3.0%
  - Years 1 through 10: $365,529 (2022-2032)

- **Utilities**: 3.0%
  - Years 1 through 10: $176,370 (2022-2032)

- **Operations & Maintenance**: 3.0%
  - Years 1 through 10: $516,386 (2022-2032)

- **Taxes & Insurance**: 3.0%
  - Years 1 through 10: $1,099,112 (2022-2032)

### Total Operating Expenses

- Years 1 through 10: $2,157,196 (2022-2032)

### Replacement Reserve

- Years 1 through 10: $66,900 (2022-2032)

### Net Operating Income

- Years 1 through 10: $1,601,365 (2022-2032)
### Baldwin Village Apartments

#### Cash Flow Projection

**Escalator**

- **Escalator**: 8/1/2022
- **Cal. Yr:** 2022
- **Check:** Okay

#### Years 1 through 10

<table>
<thead>
<tr>
<th>Years</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cal. Yr:</td>
<td>2022</td>
<td>2023</td>
<td>2024</td>
<td>2025</td>
<td>2026</td>
<td>2027</td>
<td>2028</td>
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<td>2031</td>
<td>2032</td>
</tr>
<tr>
<td>Project Yr:</td>
<td>2023</td>
<td>2024</td>
<td>2025</td>
<td>2026</td>
<td>2027</td>
<td>2028</td>
<td>2029</td>
<td>2030</td>
<td>2031</td>
<td>2032</td>
<td>2033</td>
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</table>

#### Balancing Items

<table>
<thead>
<tr>
<th>Description</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
<th>2028</th>
<th>2029</th>
<th>2030</th>
<th>2031</th>
<th>2032</th>
</tr>
</thead>
<tbody>
<tr>
<td>Welfare Exemption Refund</td>
<td>$0</td>
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<tr>
<td>Senior Loan Principal Draw</td>
<td>$95,957,945</td>
<td>$95,957,945</td>
<td>$95,957,945</td>
<td>$95,957,945</td>
<td>$95,957,945</td>
<td>$95,957,945</td>
<td>$95,957,945</td>
<td>$95,957,945</td>
<td>$95,957,945</td>
<td>$95,957,945</td>
</tr>
<tr>
<td>Senior Loan Debt Service</td>
<td>$0</td>
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<td>$0</td>
<td>$0</td>
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<tr>
<td>Senior Loan End Balance</td>
<td>$95,957,945</td>
<td>$95,957,945</td>
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<td>$95,957,945</td>
<td>$95,957,945</td>
<td>$95,957,945</td>
<td>$95,957,945</td>
<td>$95,957,945</td>
<td>$95,957,945</td>
<td>$95,957,945</td>
</tr>
</tbody>
</table>

#### Financial Metrics

- **Welfare Exemption:** 3.00% (450,000)
- **Loan to Value:** 53.7% 45.9% 39.9% 35.3% 31.6% 28.5% 25.9% 23.8% 21.9% 20.8% 0.0%
- **Gross Sale Proceeds at Exit:** $485,781,709
- **Net Proceeds from Sale:** $9,715,634
- **Cap Rate:** 5.00% 5.00% 3.15% 2.21% 3.30% 3.38% 3.45% 3.52% 3.60% 3.68% 3.75%
- **Property Value:** $178,679,427 209,282,812 240,323,479 271,015,950 301,917,278 336,567,523 369,848,937 401,938,462 438,911,425 475,015,606 389,511,793

### Additional Notes

- **Escalator:** 8/1/2022
- **Closing Date:** 07/29/2022 - 12:32 PM

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**Page 8** Baldwin Village Apartments Pro Forma 7.28.22 Scenarios v3
### Baldwin Village Apartments

#### Cash Flow Projection

**Draft Date:** 07/29/2022 - 12:32 PM

**Escalator:** 8/1/2022

---

**Years 1 through 10**

<table>
<thead>
<tr>
<th>Years</th>
<th>Project Yr: 1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
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</tr>
</thead>
<tbody>
<tr>
<td>2026</td>
<td>$130,259,544</td>
<td>$130,064,573</td>
<td>$128,843,307</td>
<td>$127,983,020</td>
<td>$126,481,797</td>
<td>$123,851,910</td>
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<td>$114,952,456</td>
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<td>$91,478,287</td>
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<td>2027</td>
<td>$130,259,544</td>
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<td>$128,843,307</td>
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<td>$114,952,456</td>
<td>$108,549,065</td>
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<td>$91,478,287</td>
</tr>
</tbody>
</table>

#### Tier 1

**LP Beginning Balance:** $130,259,544

**LP Accrual:** $130,259,544

**LP Contributions:** $130,259,544

**LP Distribution:** $130,259,544

**LP Ending Balance:** $130,259,544

**LP Fin Check:** 0.00%

**LP IRR Check:** 13.10% ($130,064,573)

**LP Contributions:** $1,221,266

**LP Distribution:** $1,221,266

**LP IRR Check:** 13.10% ($130,064,543)

**GP IRR Check:** 0.00% ($1,327,055)

---

#### Tier 2

**GP Beginning Balance:** $130,259,544

**GP Accrual:** $130,259,544

**GP Contributions:** $1,327,045

**GP Distribution:** $1,327,055

**GP IRR Check:** 0.00% ($1,327,055)

---

**Cash Flow Projection for Escalator 8/1/2022**

**Escalator Cash on Cash:** 0.15% 0.94% 0.67% 1.17% 2.08% 3.09% 4.23% 5.57% 7.19% 9.20%

---

**Cash on Cash:** 0.15% 0.94% 0.67% 1.17% 2.08% 3.09% 4.23% 5.57% 7.19% 9.20%