

LOAN AGREEMENT

by and among the

INDEPENDENT CITIES FINANCE AUTHORITY,

as Authority

and

MUFG UNION BANK, N.A.,

as Trustee

and

MILLENNIUM HOUSING OF CALIFORNIA,

as Borrower

Dated as of _____ 1, 2016

Relating to:

\$ _____

Independent Cities Finance Authority
Mobile Home Park Revenue Bonds
(The Woods Mobile Home Park) Series 2016A

and

\$ _____

Independent Cities Finance Authority
Mobile Home Park Subordinate Revenue Bonds
(The Woods Mobile Home Park) Series 2016B

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LOAN AGREEMENT

THIS LOAN AGREEMENT (this “Agreement”), dated as of _____ 1, 2016, is by and among the Independent Cities Finance Authority, a joint powers authority organized and existing under the laws of the State of California (the “Authority”), Millennium Housing of California, a California nonprofit public benefit corporation (the “Borrower”), and MUFG Union Bank, N.A., a national banking association, as trustee (the “Trustee”).

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

ARTICLE 1 DEFINITIONS AND INTERPRETATION

1.1 Definitions. The following words and terms as used in this Agreement shall have the following meanings. In addition, the capitalized terms used but not defined in this Agreement shall have the meanings specified in the Indenture and the Regulatory Agreement, as they may be supplemented or amended from time to time.

“Act of Bankruptcy” means any proceeding instituted under Title 11 of the United States Code, entitled “Bankruptcy” as in effect now and in the future, or any successor statute, or other applicable insolvency law by or against the Borrower.

“Authority Annual Fee” shall have the meaning set forth in the Regulatory Agreement.

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

“Coverage Requirement Certificate” means the certificate filed by the Borrower as required by Section 6.16 hereof.

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

“Indenture” means the Indenture of Trust, dated as of the date hereof, by and between the Authority and the Trustee.

“Net Operating Revenues” means Operating Revenues, less the Operation and Maintenance Costs during such fiscal year or period.

“Operating Revenues” means, for any fiscal year or other period, all rents, income, receipts and other revenues derived by the Borrower arising from the operation of the Project, including rental income from mobile home spaces and rental assistance provided to project tenants, determined in accordance with Generally Accepted Accounting Principles, interest earnings in funds held by the Trustee and all other money howsoever derived by the Borrower from the operation of the Project or arising from the Project, but not including resident security deposits.

“Operation and Maintenance Costs” means, for any fiscal year or other period, the reasonable and necessary costs and expenses of operating the common areas of the Project and of managing and repairing and other expenses necessary to maintain and preserve the common areas of the Project in good repair and working order, calculated in accordance with Generally Accepted Accounting Principles, including but not limited to (a) utility services supplied to the common areas of the Project, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, (b) compensation to the management agent, salaries and wages of employees, payments to employee retirement systems, fees of auditors, accountants, attorneys or engineers, (c) monthly deposits to the Repair and Replacement Fund pursuant to Section 5.7(i) of the Indenture, and (d) all other reasonable and necessary costs of the Borrower or charges required to be paid by it related to the operation and maintenance of the common areas of the Project, including, but not limited to, costs of insurance and property taxes, if any, but excluding in all cases (i) depreciation, replacement and obsolescence charges or reserves therefor, (ii) amortization of intangibles or other bookkeeping entries of a similar nature, (iii) costs of capital additions, replacements, betterments, extensions or improvements to the common areas of the Project, which under Generally Accepted Accounting Principles are chargeable to a capital account or to a reserve for depreciation, (iv) debt service on the Loan, (v) the amount deposited in the Administration Fund, and (vi) expenses paid from the Repair and Replacement Fund, Surplus Fund or other Project reserves.

“Other Borrower Obligations” means collectively, the Borrower’s obligations under the Loan Agreement dated as of December 1, 2006, among the Authority (formerly known as Independent Cities Lease Finance Authority), the Borrower, and the Trustee (formerly known as Union Bank of California, N.A.), as trustee, relating to the Tropics Mobile Home Park located in Union City; the Loan Agreement dated as of April 1, 2007, among the Authority (formerly known as Independent Cities Lease Finance Authority), the Borrower, and the Trustee (formerly known as Union Bank of California, N.A.), as trustee, relating to the Westlake Mobile Home Park located in the City of Fresno; the Loan Agreement dated as of November 1, 2007, among the Authority (formerly known as Independent Cities Lease Finance Authority), the Borrower, and the Trustee (formerly known as Union Bank of California, N.A.), as trustee, relating to the Santa Rosa Leisure Mobile Home Park located in the City of Santa Rosa; and the Loan Agreement dated as of August 1, 2016, among the Authority, the Borrower, and the Trustee, as trustee, relating to the Santa Rosa Leisure Mobile Home Park located in the City of Santa Rosa.

“Project Manager” means the manager of the Project under a management agreement entered into by the Borrower and such Project Manager.

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

1.3 Recitals, Titles and Headings. The terms and phrases used in the recitals of this Agreement have been included for convenience of reference only, and the meaning, construction and interpretation of all such terms and phrases for purposes of this Agreement shall be determined by references to Section 1.1 hereof. The titles and headings of the articles and

sections of this Agreement have been inserted for convenience of reference only and are not to be considered a part hereof, and shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this Agreement or any provision hereof or in ascertaining intent, if any question of intent should arise.

ARTICLE 2 REPRESENTATIONS AND WARRANTIES

2.1 Representations of the Authority. The Authority makes the following representations:

(a) The Authority is a joint exercise of powers authority, duly organized and existing under the Constitution and laws of the State.

(b) The Authority has full legal right, power and authority under the laws of the State and has taken all official actions necessary (i) to enter into this Agreement, the Regulatory Agreement and the Indenture, (ii) to issue, execute and deliver the Bonds, (iii) to perform its obligations hereunder and thereunder and (iv) to consummate all other transactions on its part contemplated by this Agreement and such other documents, including, without limitation, the loaning of the proceeds of the Bonds to the Borrower.

(c) This Agreement has been duly executed and delivered by the Authority and constitutes a valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms, except as limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the rights of creditors generally and equitable principals. Upon the execution and delivery thereof, the Regulatory Agreement, the Indenture and the Bonds will constitute valid and binding obligations of the Authority, enforceable against the Authority in accordance with their respective terms, except as limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the rights of creditors generally and equitable principals.

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

(e) There is no action, suit, proceeding, inquiry or investigation pending or, to the knowledge of the Authority, threatened against the Authority by or before any court, governmental agency or public board or body which (i) questions the existence or the territorial jurisdiction of the Authority or the title to any Authority office of any member of the Authority, (ii) seeks to prohibit, restrain or enjoin the execution and delivery of this Agreement, the Regulatory Agreement or the Indenture, the issuance, execution or delivery of the Bonds or the

loaning of the proceeds of the Bonds to the Borrower; (iii) questions the validity or enforceability of this Agreement, the Regulatory Agreement, the Indenture, or the Bonds; (iv) questions the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds; or (v) questions the power or authority of the Authority to carry out the transactions contemplated by this Agreement, the Indenture, the Regulatory Agreement, or the Bonds.

(f) The Authority has determined that the financing of the Project and the issuance of the Bonds to obtain moneys to carry out the purposes of the Project will serve the public interest and will further the purposes of the Act.

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

(a) The Borrower is a California nonprofit public benefit corporation duly formed under the laws of the State with full legal right, power and authority (i) to own its properties and assets and to carry on its business as now being conducted, (ii) to enter into this Agreement, the Regulatory Agreement, the Note, the Deed of Trust, the Administration Agreement and the Continuing Disclosure Agreement, (iii) to be bound by the terms of this Agreement and the Indenture to the extent that they apply to the Loan, (iv) to perform its obligations hereunder and thereunder and (v) to consummate the transactions contemplated by this Agreement, the Indenture, the Regulatory Agreement, the Note, the Deed of Trust, the Administration Agreement and the Continuing Disclosure Agreement.

(b) (i) The Borrower is qualified as an organization described in Section 501(c)(3) of the Code and has received a Determination Letter (the "Determination Letter") from the Internal Revenue Service to the effect that it is an organization described in Section 501(c)(3) of the Code; (ii) the Determination Letter has not been modified, limited or revoked; (iii) the Borrower is in compliance with all terms, limitations and conditions, if any, contained in its Determination Letter; (iv) the facts and circumstances which form the basis of the Determination Letter as represented to the Internal Revenue Service continue substantially to exist, and the Borrower is exempt from federal income taxes under Section 501(a) of the Code.

(c) The Borrower is a corporation (i) organized and operated exclusively for educational or charitable purposes and not for pecuniary profit; and (ii) no part of the net earnings of the Borrower inures to the benefit of any person or private individual, all within the meaning, respectively, of Section 3(a)(4) of the Securities act of 1933, as amended, and of Section 12(g)(2)(d) of the Securities Exchange Act of 1934, as amended.

(d) The Borrower will maintain its status as an organization described in Section 501(c)(3) of the Code and its exemption from federal income taxation under Section 501(a) of the Code.

(e) All property financed with the proceeds of the Tax-Exempt Bonds at all times will be owned (as ownership is determined for purposes of federal income taxation) by the Borrower, or by an organization described in Section 501(c)(3) of the Code and operated in such a manner as to not constitute an unrelated trade or business of such organization or by a

governmental unit (as described in Section 145 of the Code). The Borrower agrees to limit any use of the Project (other than by tenants or owners as contemplated by the Regulatory Agreement) by other than (i) an organization described in Section 501(c)(3) of the Code in a manner so as to not constitute an unrelated trade or business of such organization or (ii) a governmental unit described in Section 145 of the Code to no more than the allocable portion of the overall cost of the Project not paid from the proceeds of the Bonds, or pursuant to an agreement which complies with the requirements of Revenue Procedure 97-13, as the same are now in effect or as later modified.

(f) This Agreement has been duly executed and delivered by the Borrower and constitutes a valid and binding obligation of the Borrower, enforceable in accordance with its terms, except as limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws or judicial decisions affecting the rights of creditors generally. Upon the execution and delivery thereof, the Regulatory Agreement, the Note, the Deed of Trust, the Administration Agreement, and the Continuing Disclosure Agreement, will constitute valid and binding obligations of the Borrower, enforceable in accordance with their terms, except as limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws or judicial decisions affecting creditors' rights generally and by judicial discretion in the exercise of equitable remedies.

(g) The execution and delivery of this Agreement, the Regulatory Agreement, the Note, the Deed of Trust, the Administration Agreement, and the Continuing Disclosure Agreement, the performance by the Borrower of its obligations hereunder and thereunder and the consummation of the transactions contemplated hereby and thereby will not violate any law, regulation, rule or ordinance or any order, judgment or decree of any federal, state or local court and do not conflict with, or constitute a breach of, or a default under, any document, instrument or commitment to which the Borrower is a party or by which the Borrower or any of its property is bound.

(h) The Borrower has not been served with and, to the knowledge of the Borrower there is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency or public board or body pending or threatened against the Borrower which (i) affects or seeks to prohibit, restrain or enjoin the issuance, sale or delivery of the Bonds or the loaning of the proceeds of the Bonds to the Borrower or the execution and delivery of this Agreement, the Indenture, the Regulatory Agreement, the Continuing Disclosure Agreement, the Administration Agreement, the Note or the Deed of Trust, (ii) affects or questions the validity or enforceability of this Agreement, the Bonds, the Indenture, the Regulatory Agreement, the Note, the Administration Agreement, the continuing Disclosure Agreement or the Deed of Trust, (iii) questions the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds, or (iv) questions the power or authority of the Borrower to carry out the transactions contemplated by, or to perform its obligations under, this Agreement, the Regulatory Agreement, the Indenture, the Continuing Disclosure Agreement, the Note, the Deed of Trust, the Administration Agreement or the powers of the Borrower to own and operate the Project.

(i) The Borrower is not in default under any document, instrument or commitment to which the Borrower is a party or to which it or any of its property is subject which default would or could affect the ability of the Borrower to carry out its obligations under

this Agreement, the Regulatory Agreement, the Administration Agreement, the Deed of Trust, the Note or the Continuing Disclosure Agreement.

(j) The Borrower has filed or caused to be filed all federal, state and local tax returns, which are required to be filed, and has paid or caused to be paid all taxes as shown on said returns or on any assessment received by it, to the extent that such taxes have become due.

(k) Any certificate signed by the Borrower or a Borrower Representative and delivered pursuant to this Agreement, the Regulatory Agreement, the Continuing Disclosure Agreement, the Indenture, the Administration Agreement, the Note or the Deed of Trust shall be deemed a representation and warranty by the Borrower as to the statements made therein.

(l) All consents, approvals, authorizations, orders or filings of or with any court or governmental agency or body, if any, required for the execution, delivery and performance of this Agreement, the Regulatory Agreement, the Continuing Disclosure Agreement, the Administration Agreement, the Note and the Deed of Trust by the Borrower have been obtained or made.

ARTICLE 3 ISSUANCE OF THE BONDS

3.1 Agreement to Issue Bonds. In order to provide funds for the purpose of making the Loan, the Authority agrees that it will use its best efforts to sell the Bonds and cause them to be delivered to the initial purchasers thereof and deposit the proceeds thereof with the Trustee for application in accordance with Section 5.4 of the Indenture.

3.2 Delivery of the Bonds and Closing of the Loan. The delivery of the Bonds and the closing of the Loan shall not occur until the following conditions, in addition to those required by Section 2.2 of the Indenture, are met:

(a) the Trustee shall have received an original executed counterpart of this Agreement, the Note, the Continuing Disclosure Agreement, the Regulatory Agreement and the Deed of Trust;

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

(c) all legal matters incident to the transactions contemplated by this Agreement shall be concluded to the reasonable satisfaction of Bond Counsel.

3.3 Commitment to Execute the Note. The Borrower agrees to execute and deliver the Note simultaneously with the execution of this Agreement.

3.4 Limited Liability.

(a) All obligations of the Authority incurred hereunder shall be special obligations of the Authority, payable solely and only from the Trust Estate. The Bonds, and the

interest thereon, do not constitute a debt, liability, general or moral obligation or pledge of the faith or loan of the credit of the Authority, members of the Authority, the state or any other political subdivision of the state, within the meaning of any constitutional or statutory limitation or provision. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof (including the Authority) is pledged to the payment of the principal of or premium, if any, or interest on the Bonds or any other costs incident thereto. The Authority's liability hereunder is further limited to the extent set forth in Section 14.3 of the Indenture.

(b) Neither the Borrower's directors, officers, employees and agents, nor any of its other affiliates, has or is intended to have any liabilities, with the exception for any liability arising as the result of fraud or misappropriation of funds by the Borrower, under or in respect of this Loan Agreement, the Indenture of Trust, the Continuing Disclosure Agreement, the Note, the Deed of Trust, the Regulatory Agreement or any of the other documents or transactions contemplated by any of them.

3.5 The Trustee. The Trustee acts hereunder solely as trustee for the benefit of the registered Bondowners and not in its individual capacity. The Trustee shall perform such acts as specifically and expressly provided herein and in the Indenture; provided, however, that the Trustee shall not do anything which is not permitted by the Indenture. The Trustee may act as the agent of and on behalf of the Authority and any act required to be performed by the Authority as herein provided shall be deemed taken if such act is performed by the Trustee. Neither the Trustee nor any of its officers, directors or employees shall be liable for any action taken or omitted to be taken by it hereunder or in connection herewith except for its or their own negligence or willful misconduct. The Trustee may consult with legal counsel selected by it (the reasonable fees of which counsel shall be paid by the Borrower) and any action taken or suffered by it in good faith in accordance with the opinion of such counsel shall be full justification and protection to it. The rights of the Trustee to rely on documents, the manner in which it may prove or establish a matter and the scope of its liabilities and protections shall be as set forth in Article VIII of the Indenture.

3.6 Borrower Accepts Obligations. The Borrower acknowledges, by execution of this Agreement, that it has read and approved the Indenture and hereby agrees to all of the terms and provisions of the Indenture and accepts each of its obligations expressed or implied thereunder.

ARTICLE 4 THE LOAN

4.1 Amount and Source of Loan. The Authority hereby makes to the Borrower and agrees to fund, and the Borrower hereby accepts from the Authority, upon the terms and conditions set forth herein and in the Indenture, the Loan in an amount equal to the principal amount of the Bonds and agrees that the proceeds of the Loan shall be applied and disbursed in accordance with the Indenture and the written instructions of the Authority provided to the Trustee on the Closing Date and when the Trustee acknowledges receipt of the proceeds of the Bonds and the conditions specified in Section 3.2 hereof and in Section 2.2 of the Indenture have been satisfied.

ARTICLE 5
REPAYMENT OF THE LOAN

5.1 Loan Repayment. The Loan shall be evidenced by the Note which shall be executed by the Borrower in the form attached hereto as Exhibit A. The Borrower agrees to pay to the Trustee, on behalf of the Authority, the principal of, premium (if any) and interest on the Loan at the times, in the manner, in the amount and at the rates of interest provided in the Note and this Agreement. To secure its obligations to repay the Loan, the Borrower will grant the Authority a security interest in the Project pursuant to the terms of the Deed of Trust and will take all actions necessary to perfect such security interest. In order to satisfy its obligations under this Section 5.1 and Section 5.2, the Borrower agrees to pay to the Trustee (i) on or prior to the thirteenth (13th) day of each month, commencing in _____ 20__, from budgeted Net Operating Revenues from the prior month, amounts sufficient to make the monthly deposits required by paragraphs (a) through (g) of Section 5.7 of the Indenture and (ii) on or prior to the date that is 45 days following the end of each Bond Year, all remaining budgeted Net Operating Revenues from such prior Bond Year.

Notwithstanding the foregoing, so long as the Borrower has Net Operating Revenues that are at least equal to said month's portion of items (a) through (g) of Section 5.7 of the Indenture, then the Borrower may retain from Net Operating Revenues for such month the Borrower Administration Fee for such month.

(a) The Borrower agrees to pay, in repayment of the Loan, the amounts set forth in Section 5.1 above to the Trustee for the account of the Authority until the principal of, premium (if any) and interest on the Bonds shall have been paid or provision for payment shall have been made in accordance with the Indenture, in federal or other immediately available funds at the corporate trust office designated by the Trustee, and to cause the Trustee to apply such amounts to pay (i) the interest on the Bonds as it becomes due and (ii) the principal of and redemption premium, if any, on the Bonds as it becomes due (whether at maturity, by prior redemption or otherwise) in accordance with the terms of the Indenture. The Borrower may remit such funds net of accrued interest on investments on the funds and accounts held under the Indenture. In addition, the Borrower agrees to repay the principal of the Loan, plus interest accrued thereon until the date fixed for redemption of the Bonds to be redeemed with such repayment, in the amounts and at the times specified in Section 5.4 hereof.

(b) The Borrower further agrees to pay or cause to be paid all taxes and assessments, general or special, including, without limitation, all ad valorem taxes, concerning or in any way related to the Project, or any part thereof, and any other governmental charges and impositions whatsoever, foreseen or unforeseen, and all utility and other charges and assessments; provided, however, that the Borrower reserves the right to contest in good faith the legality of any tax or governmental charge concerning or in any way related to the Project.

(c) The Borrower further agrees to timely pay the premiums or other amounts required to be paid to maintain the insurance required by Sections 6.18, 6.19 and 6.20 hereof.

(d) The Borrower further agrees to pay, until the principal of and interest on all Outstanding Bonds shall have been fully paid, to the Trustee for deposit in the accounts of the Administration Fund established by the Indenture such amounts as the Trustee may from time to time request for deposit into the General Account of the Administration Fund the fees and ordinary expenses of the Trustee and the Paying Agent, the annual fees and expenses of the Oversight Agent as provided in the Administration Agreement, and into the Borrower Administration Fee Account of the Administration Fund the Borrower Administration Fee, all as provided in the Indenture; provided that the Trustee fees and expenses incurred in connection with the enforcement of the Regulatory Agreement and reasonable compensation or reimbursement for extraordinary services, indemnification, and expenses of the Trustee, as required by Section 8.5 of the Indenture shall be paid upon demand of the Trustee. The Borrower agrees to pay the cost of any rebate analyst in connection with the calculation of rebate (within the meaning of Section 148(f) of the Code) and to pay to the Trustee all amounts required to be remitted to the United States.

(e) The Borrower agrees to the establishment of the Repair and Replacement Fund as set forth in the Indenture. The Trustee shall deposit \$_____ of the proceeds of the Bonds on the Closing Date into the Restricted Account of the Repair and Replacement Fund. The Trustee shall deposit \$_____ of funds available to the Borrower on the Closing Date into the Unrestricted Account of the Repair and Replacement Fund. Thereafter, there shall be deposited into the Unrestricted Account of the Repair and Replacement Fund the amounts required by Section 5.7(i) of the Indenture. Moneys on deposit in the Repair and Replacement Fund shall be disbursed as provided in Section 5.13 of the Indenture and Section 6.22 of this Agreement.

(f) The Borrower agrees to the establishment of the Surplus Fund into which all remaining Net Operating Revenues will be deposited and disbursed in accordance with the terms of the Indenture.

5.2 Authority Annual Fee. The Borrower agrees to pay the Authority Annual Fee to the Authority pursuant to the terms of the Regulatory Agreement.

5.3 Nature of the Borrower's Obligations. The Borrower shall repay the Loan pursuant to the terms of the Note irrespective of any rights of set off, recoupment or counterclaim the Borrower might otherwise have against the Authority, the Trustee or any other person. The Borrower will not suspend, discontinue or reduce any such payment or (except as expressly provided herein) terminate this Agreement for any cause, including, without limiting the generality of the foregoing, (i) any delay or interruption in the operation of the Project; (ii) the failure to obtain any permit, order or action of any kind from any governmental agency relating to the Loan or the Project; (iii) any event constituting force majeure; (iv) any acts or circumstances that may constitute commercial frustration of purpose; (v) the termination of this Agreement; (vi) any change in the laws of the United States of America, the state or any political subdivision thereof; or (vii) any failure of the Authority to perform or observe any covenant whether expressed or implied, or to discharge any duty, liability or obligation arising out of or connected with the Note, this Loan Agreement, the Regulatory Agreement or any other contract with the Borrower; it being the intention of the parties that, as long as the Note or any portion thereof remains outstanding and unpaid, the obligation of the Borrower to repay the Loan and

provide such moneys shall continue in all events. This Section 5.3 shall not be construed to release the Authority from any of its obligations hereunder, the Trustee from any of its obligations under the Indenture, or, except as provided in this Section 5.3, to prevent or restrict the Authority from asserting any rights which it may have against the Borrower under the Note or the Deed of Trust or under any provision of law or to prevent or restrict the Borrower, at its own cost and expense, from prosecuting or defending any action or proceeding by or against the Authority or the Trustee or taking any other action to protect or secure its rights.

5.4 Extraordinary Mandatory Prepayment of the Note. The Note is subject to extraordinary mandatory prepayment in whole or in part, at a price equal to 100% of the principal amount thereof to be prepaid, together with accrued interest, if any, to the date fixed for redemption of the Bonds to be redeemed with such prepayment as follows:

(a) On the day selected by the Trustee for redemption of the Bonds after the Trustee has accelerated the amounts due with respect to the Bonds or the Note, as the case may be, as a result of an Event of Default under, and as defined in, the Indenture or this Agreement, in an amount equal to the then unpaid principal amount of the Note;

(b) On the day selected by the Trustee for redemption of the Bonds in the event of an involuntary loss or the substantial destruction of the Project as a result of unforeseen events (e.g., fire, seizure, requisition, change in a federal law or an action of a federal agency after the date of issuance of the Bonds which prevents the Authority from enforcing the requirements of Section 1.103-8(b) of the regulations, or condemnation), upon receipt of Net Proceeds or, if there are to be no such payments, after the event giving rise to the involuntary loss or substantial destruction of the Project, in an amount equal to the then unpaid principal amount of the Note. Notwithstanding the foregoing, the Note will not have to be prepaid in whole in such circumstances if (i) within 90 days of the event giving rise to the loss or destruction, the Borrower notifies the Trustee and the Authority in writing, that the Project can be restored within 18 months to a condition permitting the conduct of normal business operations; (ii) within 180 days of the event giving rise to such taking, loss or destruction, the Borrower commences to use such amounts to reconstruct the Project pursuant to the terms of this Agreement and the Indenture; and (iii) such amounts are disbursed for the restoration of the Project within 18 months after the date of the notice from the Borrower referred to in clause (i) hereof, but, rather, the Note shall be prepaid, in part, to the extent of undisbursed funds on deposit in the Redemption Fund created pursuant to the Indenture at the expiration of the period described in (iv) above unless such period is extended with the consent of the Authority and receipt by the Trustee of an opinion of Bond Counsel to the effect that such extension will not result in interest on the Tax-Exempt Bonds becoming includable in the gross income of the recipients thereof for federal income tax purposes; provided, however, that prepayment in whole shall be immediately due and payable if in the written opinion of Bond Counsel filed with the Authority, the Borrower and the Trustee a failure to make such prepayment will cause interest on the Tax-Exempt Bonds to be includable in gross income for federal income tax purposes.

If the required principal amount of any prepayment in part pursuant to this Section 5.4 shall not be an authorized denomination of the Bonds to be redeemed with such prepayment, then the required principal amount of such prepayment shall be deemed to be the next greater integral multiple of an authorized denomination of the Bonds to be redeemed

therewith, and any interest due with such prepayment shall be calculated using such higher amount.

The Trustee shall deposit and use prepayments of the Note pursuant to this Section and Section 5.5 in accordance with the Indenture.

In the event of a partial prepayment of the Note, pursuant to this Section or Section 5.5, the principal amount of the Borrower's obligation under the Note shall be reduced by the principal amount of Bonds to be redeemed with the proceeds of such prepayment.

5.5 Optional Prepayment of Note. The Borrower, at its option, may prepay the Note, in whole or in part on any date that Bonds are permitted to be optionally redeemed pursuant to Section 4.1(b) of the Indenture, following written notice of the Borrower's intention to do so as provided herein below, in authorized denominations and, at the redemption prices specified by Section 4.1(b) of the Indenture. The Borrower shall give 30 days written notice to the Authority and the Trustee of the principal amount to be optionally prepaid and the amount of the premium, if any.

5.6 Prepayment of Note From Mandatory Sinking Account Payments (Series A Bonds). The Note is also subject to mandatory prepayment in part at the principal amount thereof (without prepayment penalty), plus accrued interest thereon from mandatory sinking account payments on the dates and in the amounts with respect to mandatory sinking fund redemption of the Series A Term Bonds set forth in Section 4.1(a)(i) of the Indenture.

5.7 Targeted Mandatory Sinking Account Payments (Series B Bonds). The Note is also subject to targeted mandatory prepayment in part from Subordinate Residual Revenues available for such payment at the principal amount thereof (without prepayment penalty) plus accrued interest thereon from targeted mandatory sinking account payments on the dates and in the amounts with respect to targeted mandatory sinking fund redemption of the Series B Bonds set forth in Section 4.1(a)(ii) of the Indenture.

ARTICLE 6 FURTHER AGREEMENTS

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

6.2 Borrower Not to Dispose of Assets; Conditions Under Which Exceptions Permitted.

(a) The Borrower agrees that during the term of this Agreement it will not dispose of all or substantially all of its assets nor consolidate with nor merge into any entity unless: (i) the acquirer of its assets or the entity with which it shall consolidate or into which it shall merge shall be (A) an organization described in Section 501(c)(3) of the Code that agrees to operate the Project in a manner that does not constitute an unrelated trade or business of such organization or a governmental unit (as described in Section 145 of the Code) or (B) an entity

that will not, in the opinion of Bond Counsel, adversely affect the exclusion of interest on the Bonds from the gross incomes of owners of the Tax-Exempt Bonds for purposes of federal income taxation and is permissible under State law; (ii) such acquiring or remaining entity shall assume in writing all of the obligations of the Borrower under this Agreement, the Regulatory Agreement, the Continuing Disclosure Agreement, the Note and the Deed of Trust; (iii) the Authority, after having consulted with such counsel or advisor as deemed by the Authority to be necessary shall have consented in writing to such transfer, such consent not to be unreasonably withheld; and (iv) the written instrument or instruments evidencing such assumption are provided to the Trustee and the Authority.

(b) In no event shall the Borrower sell the Project for an amount that, when added to the amount of all moneys held in the funds and accounts established under the Indenture that are legally available to redeem Outstanding Series A Bonds, is less than the sum of one-hundred percent (100%) of the Outstanding principal amount of the Series A Bonds plus accrued interest, unless the Borrower obtains and provides to the Trustee the written consent to such sale of one-hundred percent (100%) of the Owners of the Outstanding Series A Bonds. This Section 6.2(b) shall not be amended without the written approval of one-hundred percent (100%) of the Owners of the Outstanding Series A Bonds.

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

- (a) to comply with all provisions of the Regulatory Agreement;
- (b) to advise the Authority, the Trustee and the Oversight Agent in writing promptly upon learning of any default with respect to the covenants, obligations and agreements of the Borrower set forth in the Regulatory Agreement;
- (c) upon written direction by the Authority, the Oversight Agent or the Trustee, to cooperate fully and promptly with the Authority, the Oversight Agent and the Trustee in enforcing the terms and provisions of the Regulatory Agreement; and
- (d) to file in accordance with the time limits established by the Regulatory Agreement all reports and certificates required thereunder.

Neither the Trustee nor the Authority shall incur any liability in the event of any breach or violation of the Regulatory Agreement by the Borrower, and the Borrower agrees to indemnify and hold harmless the Authority and the Trustee from any claim or liability, joint or several, for such breach pursuant to Section 6.8 hereof.

6.4 Tax Status of Tax-Exempt Bonds. The Borrower hereby covenants, represents and agrees as follows:

- (a) the Borrower has not knowingly taken and will not knowingly take or permit to be taken any action that would have the effect, directly or indirectly, of causing interest on any of the Tax-Exempt Bonds to be included in gross income for federal income tax purposes and, if it should take or permit to be taken any such action, the Borrower shall take all lawful actions that it can take to rescind such action promptly upon having knowledge thereof;

(b) the Borrower will take such action or actions, including amending the Loan, the Note, and the Deed of Trust as may be reasonably necessary in the opinion of Bond Counsel, to comply fully with all applicable rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the United States Department of the Treasury or the Internal Revenue Service under Section 145 of the Code which are applicable to the Bonds;

(c) the Borrower will take no action or permit or suffer to be taken any action the result of which would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code;

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

(e) the Borrower is aware of the provisions of Section 150(b)(3) of the Code and covenants that any use of the Project by other than an organization described in Section 501(c)(3) of the Code or a governmental unit (as described in Section 145 of the Code) will not be such as to cause the Borrower to violate the covenant contained in Section 2.2(e) hereof;

(f) the Borrower covenants and agrees that it will not use or permit the use of any of the funds provided by the Authority hereunder or any other funds of the Borrower, directly or indirectly, or direct the Trustee to invest any funds held by it hereunder or under the Indenture, in such manner as would, or enter into, or allow any “related person” (as defined in Section 147(a)(2) of the Code) to enter into, any arrangement, formal or informal, for the purchase of the Bonds that would, or take or omit to take any other action that would cause any Bond to be an “arbitrage bond” within the meaning of Section 148 of the Code or “federally guaranteed” within the meaning of Section 149(b) of the Code and applicable regulations promulgated from time to time thereunder;

(g) in the event that at any time the Borrower is of the opinion or becomes otherwise aware that for purposes of this Section 6.4 or Section 7.13 of the Indenture it is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee under the Indenture, the Borrower shall determine the limitations and so instruct the Trustee in writing (with a copy to the Authority) and cause the Trustee to comply with those limitations under the Indenture;

(h) the Borrower will take such action or actions as may be reasonably necessary in the opinion of Bond Counsel, or of which it otherwise becomes aware, to comply fully with Section 148 of the Code;

(i) the Borrower will take such action or actions as necessary to ensure compliance with Sections 7.13 and 7.14 of the Indenture; and

(j) the Borrower shall not, pursuant to an arrangement, formal or informal, purchase Bonds in an amount related to the amount of the Loan.

The Authority covenants that it will not knowingly take or knowingly permit to be taken any action which will cause interest on the Tax-Exempt Bonds to become includable in gross income for federal income tax purposes; provided that none of the covenants and agreements herein contained shall require any of the Borrower, the Trustee or the Authority to enter an appearance or intervene in any administrative, legislative or judicial proceeding in connection with any changes in applicable laws, rules or regulations or in connection with any decisions of any court or administrative agency or other governmental body affecting the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds; and provided further that the Authority's responsibility under this paragraph shall be limited to actions within its control and to only such actions as are permitted or required to be undertaken under the terms of the Indenture, this Agreement or the Regulatory Agreement.

6.5 Additional Instruments. The Borrower hereby covenants to execute and deliver such additional instruments and to perform such additional acts as may be necessary, in the opinion of the Authority, to carry out the intent of the Loan, the Note, or to perfect or give further assurances of any of the rights granted or provided for in the Loan and the Note, including the filing of any continuation statements in connection with UCC statements delivered and filed at closing from the Borrower in favor of the Trustee.

6.6 Books and Records; Annual Budget; Project Manager.

(a) The Borrower hereby covenants to grant the Authority, the Oversight Agent and the Trustee (who shall have no duty to audit or inspect), or their duly authorized representatives, access to the books and records of the Borrower pertaining to the Loan and the Project during normal business hours and upon prior notice, and to make such books and records available for audit and inspection to the Authority, the Oversight Agent, the Trustee and their duly authorized representatives at reasonable times and under reasonable conditions.

(b) At least 60 days prior to the beginning of each fiscal year of the Borrower, beginning with the fiscal year ending June 30, 20__, the Borrower shall prepare an annual budget and submit such budget for approval by the Authority and the Oversight Agent. Such annual budget shall provide for Net Operating Revenues, including projected interest income on the Series A Bonds Debt Service Reserve Fund and the Series B Bonds Debt Service Reserve Fund, at least equal to (i) 1.30 times scheduled debt service on the Series A Bonds in such fiscal year, (ii) 1.00 times the sum of (A) the aggregate scheduled debt service on the Series A Bonds and the Series B Bonds in such fiscal year, and (B) the annual fees of the Trustee and the Oversight Agent for such fiscal year, (iii) amounts necessary to replenish the amount on deposit in the Repair and Replacement Fund to the amount required by Section 5.7(i) of the Indenture, (iv) amounts necessary to replenish any withdrawal from the Series A Bonds Debt Service Reserve Fund and the Series B Bonds Debt Service Reserve Fund, and (v) an amount sufficient to pay the Authority Annual Fee and the fees and expenses of the Fiduciaries. Within 20 days of receiving such annual budget, the Authority, and the Oversight Agent shall provide comments (not inconsistent with the requirements of this Agreement and the Regulatory Agreement), if any (including any suggested changes acceptable to the Oversight Agent), in writing to the Borrower. The Borrower shall attempt in good faith to address comments and concerns of the Authority in its final budget. The Borrower shall prepare a revised annual budget and provide such revised budget to the Authority and the Oversight Agent for their review and comment. The Borrower

shall provide a copy of the final annual budget to the Authority and the Oversight Agent prior to the beginning of the Borrower's fiscal year. In the event the annual budget as adopted does not provide for the coverage set forth in the second sentence of this paragraph (b), then in the case of a failure to meet the coverage requirement set forth in subsection (i) of said sentence, the Owners of a majority in Outstanding Principal Amount of the Series A Bonds each shall have the right, in addition to all other rights provided under this Loan Agreement and the Indenture, to direct the Borrower to remove the Project Manager and appoint a Project Manager acceptable to the Authority and such Owners.

(c) Within 20 days after the last day of each quarter, the Borrower shall prepare a statement for the immediately preceding quarter for review by the Authority and the Oversight Agent, which shall include statement of income, balance sheet, cashflow, budget variances, occupancy rates, rental activity and rental rates for the Project.

(d) Within 60 days after the last day of each fiscal year of the Borrower, the Borrower shall provide a certificate to the Authority and the Oversight Agent that the Borrower has made a review of its activities during the preceding fiscal year for the purpose of determining whether or not the Borrower has complied with all of the terms, provisions and conditions of this Agreement, the Regulatory Agreement and the Deed of Trust and shall certify that the Borrower has kept, observed, performed and fulfilled each and every covenant, provision and condition of this Agreement, the Regulatory Agreement and the Deed of Trust on its part to be performed and is not in default in the performance or observance of any of the terms, covenants, provisions or conditions hereof or thereof, or if the Borrower shall be in default then such certificate shall specify all such defaults and the nature thereof. All affordability restrictions required under the Regulatory Agreement shall be subject to review by the Oversight Agent and the Authority.

(e) The Borrower agrees that Bond holders, upon written request, may request and receive information on the Project and the Borrower, including audited financial statements, from the Oversight Agent.

6.7 Notice of Certain Events. The Borrower hereby covenants to advise the Authority, the Oversight Agent and the Trustee promptly in writing of the occurrence of any Event of Default hereunder or any event which, with the passage of time or service of notice, or both, would constitute an Event of Default hereunder, specifying the nature and period of existence of such event and the actions being taken or proposed to be taken with respect thereto. In addition, the Borrower hereby covenants to advise the Authority, the Oversight Agent and the Trustee promptly in writing of the occurrence of any default under the Loan or of the occurrence of an Act of Bankruptcy.

6.8 Indemnification of the Authority, the Oversight Agent and the Trustee. The Borrower hereby covenants and agrees to indemnify, hold harmless and defend the Authority, the Oversight Agent, the Trustee and their respective officers, members, directors, officials and employees and each of them (each, an "Indemnified Party") from and against any and all threats of a claim, claims, losses, damages, actions, liabilities, costs and expenses of any conceivable nature, kind or character, joint or several (including, without limitation, reasonable attorneys' fees, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) to which the Indemnified Party, or any of them, may become subject under any

statutory law (including federal or state securities laws) or at common law or otherwise, arising out of or based upon or in any way relating to or from any cause whatsoever in connection with: (i) the issuance of the Bonds or the making of the Loan; (ii) any act or omission of the Borrower or any of its agents, servants, employees or licensees, in connection with the Bonds, the Loan or the Project; (iii) the presence on, under or about, or the release from, the Project or the property of any substances, materials or wastes which are or which become regulated or classified as hazardous or toxic under state, federal or local law; (iv) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact by the Borrower contained in any offering statement or disclosure or continuing disclosure document for the Bonds (except with respect to information related to the Authority, the underwriting and tax matters) or any of the documents relating to the Bonds to which the Borrower is a party, or any omission or alleged omission from any offering statement or disclosure or continuing disclosure document for the Bonds of any material fact necessary to be stated therein in order to make the statements made therein by the Borrower, in the light of the circumstances under which they were made, not misleading; (v) any declaration of taxability of interest on the Tax Exempt Bonds, or allegations (or regulatory inquiry that interest on the Tax-Exempt Bonds is taxable, for federal tax purposes, including any audit of the Bonds or any series thereof by the Internal Revenue Service; and (vi) the Trustee's acceptance or administration of the trusts created by the Indenture and its exercise of powers or duties thereunder, or under this Agreement, the Regulatory Agreement or any other agreements in connection therewith to which it is a party, except as to the respective parties to the extent any of the foregoing are caused by the respective negligence or willful misconduct of the Trustee, the Oversight Agent or the Authority or any of their respective officers, members, directors, officials and employees. In the event that any action or proceeding is brought against the Authority, the Oversight Agent or the Trustee or any of their respective officers, members, directors, officials or employees, with respect to which indemnity may be sought hereunder, the Borrower, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party and reasonably acceptable to the Borrower and the payment of all reasonable expenses related thereto, with full power to litigate, compromise or settle the same; provided that the Authority, the Oversight Agent and the Trustee, as the case may be, shall have the right to review and approve or disapprove any such compromise or settlement, such approval shall not be unreasonably withheld. The Authority shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the Borrower shall pay the costs incurred by the Authority in connection with any such action or proceeding, including the reasonable fees and expenses of such separate counsel, as such costs are incurred by the Authority. The determination by the Authority to retain such separate legal counsel shall be at the sole discretion of the Authority.

The rights of any persons to indemnity hereunder and rights to payment of fees and reimbursement of expenses pursuant to this Loan Agreement shall survive the final payment and defeasance of the Bonds and in the case of the Trustee and the Oversight Agent any resignation or removal. The provisions of this Section shall survive the termination of this Loan Agreement.

6.9 Consent to Assignment. The Authority has made an assignment to the Trustee under the Indenture for the benefit of the Owners of the Bonds of all rights and interest of the

Authority in and to this Agreement (except its rights under Sections 6.6, 6.8 and 7.4 hereof), the Note, and the Deed of Trust; and the Borrower hereby consents to all such assignments.

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

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

6.11 Title to the Project. The Borrower has fee title to the Project free and clear of any lien or encumbrance except for (i) liens for nondelinquent assessments and taxes not yet due or which are being contested in good faith by appropriate proceedings; (ii) the Regulatory Agreement; (iii) the Deed of Trust; and (iv) Permitted Encumbrances. On or prior to the closing date as required by Section 6.20, the Borrower shall cause to be delivered to the Trustee and the Authority one or more ALTA title policies, insuring the lien interests of the Authority and the Trustee as the insureds, as their respective interests may appear under the Deed of Trust.

6.12 Operation of the Project. The operation of the Project in the manner contemplated on the Closing Date and as described herein does not conflict with any zoning, water or air pollution or other ordinance, order, law or regulation applicable thereto; the Borrower will cause the Project to be operated in accordance with all applicable federal, state and local laws or ordinances (including rules and regulations) relating to zoning, building, safety, and environmental quality and will obtain and maintain in effect any licenses, permits, franchises or other governmental authorizations necessary for the operation of the Project.

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

6.14 Useful Life. Within the meaning of Section 147(b) of the Code, the average maturity of the Bonds does not exceed 120 percent of the average reasonably expected remaining economic life of the Project.

6.15 Continuing Disclosure. The Borrower hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of this Agreement, failure of the Borrower to comply with the continuing Disclosure Agreement shall not be considered an Event of Default under the Indenture or the Loan Agreement; however, the Trustee may (and, at the request of any participating underwriter (as defined in the Continuing Disclosure Agreement), or the holders of at least 25% in aggregate principal amount of outstanding Bonds, subject to payment of its fees and expenses, including reasonable attorneys' fees, shall) or any bondholder may, take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Borrower to comply with its obligations under this Section 6.15.

6.16 Minimum Rents; Coverage Requirement Certificate. The Borrower has agreed in Sections 3(l) and (m) of the Regulatory Agreement to, among other things, comply with the applicable provisions of the City Law with respect to rents charged in connection with the Project. Subject to the requirement that the Borrower comply with its covenants set forth in the Regulatory Agreement, the Borrower shall, at all times while any of the Series A Bonds remain outstanding, fix, prescribe and collect rents, fees and charges in connection with the Project, so as to yield (i) Net Operating Revenues, including any earnings on the Series A Bonds Debt Service Reserve Fund and the Series B Bonds Debt Service Reserve Fund, for the immediately preceding 12-month period, which will result in a Coverage Ratio at least equal to 1.30 (rounded up to the nearest hundredth) with respect to the Series A Bonds debt service, and (ii) Net Operating Revenues, including any earnings on the Series A Bonds Debt Service Reserve Fund and the Series B Bonds Debt Service Reserve Fund, in the immediately preceding 12-month period, which will result in a Coverage Ratio of at least 1.00 (rounded up to the nearest hundredth) with respect to the aggregate of the Series A Bonds and the Series B Bonds debt service. The Borrower shall file with the Authority, the Oversight Agent, and the Trustee a Coverage Requirement Certificate demonstrating compliance with this Section 6.16: (i) within 60 days after the last day of the first six months of each fiscal year based on unaudited financial statements, and (ii) within 100 days after the last day of each fiscal year beginning with the fiscal year ending June 30, 20__ based on audited financial statements. In the event such coverage requirements are not satisfied, then the Authority shall have the right to direct the Borrower to remove and replace the Project Manager in the same manner as set forth in Section 6.6(b) hereof.

6.17 Public Liabilities and Workers' Compensation Insurance.

(a) Public Liability Insurance. The Borrower shall maintain or cause to be maintained so long as Bonds are Outstanding under the Indenture, a commercial general liability coverage, including products, completed operations, contractual, bodily injury, personal injury, and property damage in the amount of at least Five Million Dollars (\$5,000,000) combined single limits, naming the Authority, members of the Authority, the Trustee and their members, officers, officials, employees, volunteers, agents, and representatives as additional insureds. All such insurance (i) shall be primary insurance and not contributory with any other insurance which the Authority, the Trustee or their members, officers, officials, employees, volunteers,

agents, or representatives may have; (ii) shall contain no special limitations on the scope of protection afforded to the Authority, the Trustee and their members, officers, officials, employees, volunteers, agents, and representatives; (iii) shall be “per occurrence” rather than “claims made” insurance (in the event the Borrower is unable to obtain such policy, or believes that such policy’s premium is not reasonable, the Borrower shall submit proof of such contention to the Authority, upon which event the Authority may, after review of such information, authorize a “claims made” policy for the Project); (iv) shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer’s liability; (v) shall provide that the policy will not be canceled or limited in scope by the insurer or the Borrower’s contractor unless there is a minimum of thirty (30) days prior written notice by certified mail, return receipt requested to the Authority and Oversight Agent; (vi) shall be written by an insurer with a Best rating of not less than B+; and (vii) shall be endorsed to state that any failure to comply with the reporting provisions of the policies shall not affect coverage provided to the Authority and its officers, officials, employees, volunteers, agents, and representatives.

None of the above described policies shall include a deductible or self insured retention amount of more than Ten Thousand Dollars (\$10,000) unless approved in writing by an authorized representative of the Authority upon the advice of the Oversight Agent.

Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the Borrower. The Net Proceeds of such liability insurance shall be applied by the Borrower toward extinguishment or satisfaction of the liability with respect to which the Net Proceeds of such insurance shall have been paid.

(b) Workers’ Compensation Insurance. The Borrower shall maintain or cause to be maintained to the extent required by law so long as Bonds are Outstanding under the Indenture, workers’ compensation insurance, including Employer’s Liability Coverage, with limits not less than \$1,000,000 per accident, issued by a responsible carrier authorized under the laws of the State to insure employers against liability for compensation under the Labor Code of the State, or any act enacted as an amendment or supplement thereto or in lieu thereof, such workers’ compensation insurance to cover all persons (if any) employed by the Borrower in connection with the Project and to cover full liability for compensation under such act. Such insurance shall be endorsed to include a waiver of subrogation rights against the Authority and its members, officers, officials, employees, volunteers, agents and representatives, and notice of cancellation as described in (v) under Section 6.17(a) above. Such insurance shall be underwritten by California licensed insurers with Best ratings of not less than B+. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the Borrower.

6.18 Casualty Insurance. The Borrower shall procure and maintain, or cause to be procured and maintained, so long as Bonds are Outstanding under the Indenture, all risk property and casualty insurance against loss or damage to the Improvements located on the Project, in an amount at least equal to one hundred percent (100%) of the replacement value of the Improvements. Such insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke, fire, and such other hazards (excluding earthquake and flood coverage) as are normally covered by such insurance. Such insurance shall be subject to such deductibles as are customarily maintained by municipalities

with respect to works and properties of like character, but in any case shall not exceed \$100,000. Such insurance may be maintained as a part of or in conjunction with any other insurance coverage carried by the Borrower. Any insurer providing such insurance must be rated at least “B+” by A.M. Best. Such insurance shall be reviewed by an independent insurance consultant retained by the Borrower at least once every other year, and shall be maintained as recommended by the consultant as customarily obtained by similarly situated entities. The Net Proceeds of such insurance shall be applied as provided in Section 7.9 of the Indenture. Any such insurance policy shall provide that it shall not be changed, modified, amended or cancelled without at least 30 days written notice to the Borrower and the Trustee.

6.19 Rental Interruption Insurance. The Borrower shall procure and maintain, or cause to be procured and maintained, so long as Bonds are Outstanding under the Indenture, rental interruption or use and occupancy insurance to cover the Borrower’s loss, total or partial, of payments for the Loan resulting from the loss, total or partial, of the use of the Improvements located on the Project as a result of any of the hazards covered in the insurance required by Section 6.18, in an amount at least equal to the sums of (i) Maximum Annual Debt Service on the Bonds and (ii) budgeted Operation and Maintenance Costs coming due and payable during the current Fiscal Year; provided, however, that with respect to budgeted Operation and Maintenance Costs, in the first Fiscal Year such amount shall be as agreed to by the Borrower and the Oversight Agent and that in any future Fiscal Year such amount shall be the greater of the budgeted Operation and Maintenance Costs or the prior Fiscal Year’s actual Operation and Maintenance Costs. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the Borrower. Any insurer providing such insurance must be rated at least “B+” by A.M. Best. The Net Proceeds of such insurance, if any, shall be paid to the Trustee and deposited in the Series A Bonds Debt Service Fund, and shall be credited towards the payment of the Bonds as the same become due and payable. Any such insurance policy shall provide that it shall not be changed, modified, amended or cancelled without at least 30 days written notice to the Borrower and the Trustee.

6.20 Recordation; Title Insurance. On or before the Closing Date the Borrower shall, at its expense, (a) cause the Deed of Trust, to be recorded in the Office of the Fresno County Recorder, and (b) obtain an ALTA title insurance policy naming the Trustee as its interests may appear under the Deed of Trust and insuring the Borrower’s fee simple title to the Project, subject only to Permitted Encumbrances, in an amount at least equal to the aggregate principal amount of the Bonds. All Net Proceeds received under any such title insurance policy shall be deposited with the Trustee, as assignee of the Borrower under the Indenture, and applied as set forth in Section 7.9 of the Indenture. The following shall be true with respect to such policy: (i) the policy is in full force and effect, (ii) the policy is assignable to and will inure to the benefit of the duly authorized and qualified transferee (subject to recordation of assignment of mortgage) without the consent or any notification to the insurer, (iii) the premium for such policy was paid in full, (iv) such policy is issued by a title insurance company licensed to issue policies in the state in which the related mortgaged property is located, (v) no claims have been made under any title insurance policy and no other action has been taken that would materially impair such policy and (vi) such policy contains no exclusions for any of the following circumstances, or it affirmatively insures (unless the related mortgage property is located in a jurisdiction where such affirmative insurance is not available,) (a) that the related mortgaged property has access to a public road, and (b) that the area shown on the survey, reviewed or prepared in connection with

the origination of the related mortgage loan, is the same as the property legally described in the related mortgage.

6.21 Insurance Net Proceeds; Form of Policies. Each policy of insurance maintained pursuant to Sections 6.18, 6.19 and 6.20 shall name the Trustee as mortgagee and loss payee so as to provide that all proceeds thereunder shall be payable to the Trustee. The Borrower shall pay or cause to be paid when due the premiums for all insurance policies required by this Indenture. All such policies shall provide that the Trustee shall be given thirty (30) days' prior notice of each expiration, and intended cancellation thereof or reduction of the coverage provided thereby. The Trustee shall not be responsible for the sufficiency, adequacy or amount of any insurance herein required and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss. The Borrower shall cause to be delivered to the Trustee, the Authority and the Oversight Agent annually evidence of insurance issued by the involved insurance companies demonstrating that all of the insurance policies required by this Agreement are in full force and effect and that the Trustee has been named as mortgagee and loss payee in all policies required to be maintained under Sections 6.18 and 6.19. The Trustee shall receive such materials for file-keeping purposes only and shall have no duty to be familiar with, investigate or validate the contents. Failure to comply with the above requirements shall constitute an Event of Default hereunder.

6.22 Repair and Replacement.

(a) The Borrower agrees to cause to be performed a preliminary inspection by a consultant experienced in mobilehome parks, selected by the Borrower and approved by the Authority, which approval shall not be unreasonably withheld, of the Project at such time or times as the Oversight Agent may reasonably determine to be necessary based on information with respect to the Project available to the Oversight Agent, and if it is determined that further inspection is needed after a preliminary inspection, such further inspection, providing a report of a licensed contractor qualified to do the type of work proposed to be performed, to identify any repairs, replacements or capital improvements required to maintain the Project as a safe and sanitary mobile home park in accordance with the requirements of this Agreement, the Regulatory Agreement and all associated agreements. Any such inspections shall be at the expense of the Borrower. All such repairs, replacements or capital improvements and costs of inspections shall be paid from moneys on deposit in the Repair and Replacement Fund to the extent of the monies deposited in such Fund.

(b) In the event that expenses are incurred, or in the opinion of the Borrower ought properly be incurred for replacement or additional improvements on the Project, for other capital facilities which may be of direct or indirect benefit to the Project which are not identified in a report of a licensed contractor qualified to do the type of work proposed to be performed (pursuant to Section 6.22(a) herein), beyond ordinary and necessary maintenance and repairs which are paid as part of the Operation and Maintenance Expenses, the Borrower shall submit to the Oversight Agent a request for payment or reimbursement of such costs. The request shall (a) identify the total amount of such costs to be paid pursuant to such requisition, including all items of cost in such details as may be available to the Borrower, (b) state with respect to such disbursement (i) the amount to be disbursed for payment of such costs, and (ii) that each item of costs identified therein has been properly incurred and has not been the basis of any previous

disbursement; and (c) to be accompanied by an invoice, if any. Upon approval by the Oversight Agent of such a request from the Borrower, the Oversight Agent shall submit or cause to be submitted the request to the Trustee pursuant to the Indenture for payment of such costs from the Repair and Replacement Fund.

(c) Moneys deposited in the Restricted Account of the Repair and Replacement Fund on the Closing Date, if any, shall be applied to pay for or reimburse the Borrower for initial capital improvements, if any, to the Project as set forth in Exhibit C hereto, as said Exhibit C may be amended from time to time with the approval of the Borrower and the Oversight Agent, or as described in the preceding paragraph (b). Moneys deposited in the Unrestricted Account of the Repair and Replacement Fund pursuant to Section 5.7 of the Indenture may be used for any expense described in the preceding subsections (a) and (b).

(d) With respect to each expenditure from the Repair and Replacement Fund, the Borrower shall file a requisition with the Oversight Agent. The requisition shall (a) identify the total amount of such costs to be paid pursuant to such requisition, including all items of cost in such details as may be available to the Borrower, (b) state with respect to such disbursement (i) the amount to be disbursed for payment of such costs, and (ii) that each item of costs identified therein has been properly incurred and has not been the basis of any previous disbursement; and (c) to be accompanied by an invoice, if any. Upon approval by the Oversight Agent of such a requisition from the Borrower, the Oversight Agent shall submit or cause to be submitted the requisition to the Trustee pursuant to the Indenture for payment of such costs from the Repair and Replacement Fund.

(e) If requested by the Oversight Agent pursuant to Section 6.22(a) above, the Borrower shall cause an updated report with respect to the physical needs of the Project (the "Updated Physical Assessment Report") to be prepared by a qualified professional approved by the Oversight Agent and a copy of said Updated Physical Assessment Report shall be filed with the Oversight Agent and the Authority. Thereafter, to the extent specified in the Updated Physical Assessment Report, the Borrower shall cause to be deposited into the Repair and Replacement Fund pursuant to Section 5.7(i) of the Indenture the amount specified in said Updated Physical Assessment Report.

(f) Moneys in the Unrestricted Account of the Repair and Replacement Fund may also be used, if necessary as determined by the Borrower and the Oversight Agent, to make payments for debt service on the Bonds.

6.23 Other Debt, No Recourse Debt; Other Limitations on Borrower

(A) The Borrower represents, covenants and warrants that:

(a) Other than the Loan and the Other Borrower Obligations, there are no other debt obligations of the Borrower with a maturity of greater than one year.

(b) The Borrower is not a debtor, guarantor or otherwise an obligor under any loan arrangement, promissory note or other evidence of indebtedness that is a recourse obligation against the Borrower.

(c) The Borrower shall not incur any recourse debt nor shall the Borrower act as guarantor or enter into any other arrangement if by doing so would subject the Borrower to recourse liability.

(d) In the event that the Borrower acquires additional assets not subject to the liens and pledges described in Sections 5.1(a) and (b) of the Indenture (“Other Assets”), such Other Assets shall not be pledged to the payment of the Bonds. If Other Assets are financed with the proceeds of other revenue bonds (“Other Bonds”), such Other Bonds (i) shall have separate trust accounts, (ii) shall bear their own trustee and other fees, and (iii) shall constitute a claim solely against the Other Assets pledged for the payment thereof and the holders of such Other Bonds shall have no recourse to any asset of the Borrower not pledged to the payment thereof.

(B) The Borrower further represents, covenants and warrants that:

(a) The Borrower will not engage in any business or activity other than those necessary for or incidental to its ownership and operation of the Project and the ownership and operation of other mobile home park projects.

(b) The unanimous consent of the directors of the Borrower shall be required to (i) file, consent to the filing of, or join in any filing of, a bankruptcy or insolvency petition or otherwise institute insolvency proceedings; (ii) dissolve, liquidate, consolidate, merge, or sell all or substantially all of the assets of the Borrower; (iii) engage in any other business activity other than described in (a) above; or (iv) amend the articles of incorporation of the Borrower.

(C) The Borrower further covenants:

- (i) To maintain books and records separate from any other person or entity;
- (ii) To maintain its accounts separate from those of any other person or entity;
- (iii) Not to commingle assets with those of any other entity;
- (iv) To conduct its own business in its own name;
- (v) To maintain separate financial statements;
- (vi) To pay its own liabilities out of its own funds;
- (vii) To observe all corporate formalities and other formalities required by its articles and bylaws;
- (viii) To maintain an arm’s-length relationship with its affiliates, if any;
- (ix) To pay the salaries of its own employees and maintain a sufficient number of employees in light of its contemplated business operations;

- (x) Not to guarantee or become obligated for the debts of any other entity or hold out its credit as being available to satisfy the obligations of others;
- (xi) Not to acquire obligations or securities of its members, directors, or employees;
- (xii) To allocate fairly and reasonably any overhead for shared office space;
- (xiii) To use separate stationery, invoices, and checks;
- (xiv) Not to pledge its assets for the benefit of any other entity or make any loans or advances to any entity;
- (xv) To hold itself out as a separate entity;
- (xvi) To correct any known misunderstanding regarding its separate identity;
- (xvii) To maintain adequate capital in light of its contemplated business operations; and
- (xviii) To maintain at least one independent director on its board.

(D) The Borrower also makes the following representations and warranties:

(a) There is no proceeding threatened or pending for the total or partial condemnation, appropriation, or recapture of any material portion of the Project that would materially affect the Borrower's performance under the Loan Agreement, Deed of Trust or Regulatory Agreement, or the use, value, or operation of the Project.

(b) The Project is (a) free and clear of any damage that would materially and adversely affect the use or value of the Project as security for the Loan, (b) in good repair and condition so as not to materially and adversely affect the use or value of the Project as security for the Loan, and (c) all building systems contained therein are in good working order so as not to materially and adversely affect the use or value of the Project as security for the Loan.

(c) The Project constitutes one or more separate tax parcels.

6.24 Intentionally Omitted.

6.25 Replenishment of Series A Bonds Debt Service Reserve Fund. The Borrower agrees to make payments sufficient to restore the Series A Bonds Debt Service Reserve Fund to the Series A Bonds Debt Service Reserve Fund Requirement (a) in 12 consecutive equal monthly installments beginning in the month following any withdrawal from the Series A Bonds Debt Service Reserve Fund which causes the amount therein to be less than the Series A Bonds Debt Service Reserve Fund Requirement, or (b) in four consecutive equal monthly installments beginning in the month following any calculation of the value of the Series A Bonds Debt

Service Reserve Fund at an amount less than the Series A Bonds Debt Service Reserve Fund Requirement.

6.26 Replenishment of Series B Bonds Debt Service Reserve Fund. The Borrower agrees to restore the Series B Bonds Debt Service Reserve Fund to the Series B Bonds Debt Service Reserve Fund Requirement by directing the Trustee to transfer available funds, if any, to the Series B Bonds Debt Service Reserve Fund from the Surplus Fund.

6.27 Project Management Agreements. Any Project management agreement shall permit the Borrower to remove the Project Manager (without penalty) for nonperformance or if the Borrower fails to meet the ratio covenant in Section 6.16 hereof (unless it could be established that causes outside the operator's control were causing the ratio covenant violation). If the Borrower removes the Project Manager, the Borrower, shall promptly appoint a replacement Project Manager acceptable to the Oversight Agent and the Authority, and pending such appointment, may act as Project Manager on a temporary basis.

6.28 Operating Fund. The Borrower shall have an operating cash balance for the Project equal to at least 15 days of annual budgeted Operation and Maintenance Costs as of the Closing Date and as of the last day of each fiscal year (such cash balance shall be exclusive of any amounts in the funds and accounts held by the Trustee or funds representing resident security deposits).

6.29 Intentionally Omitted.

6.30 Additional Representations and Warranties of the Borrower. The Borrower may make the following representations and warranties:

(a) **No Litigation.** There are no pending actions, suits or proceedings, arbitrations or governmental investigations against the Project, an adverse outcome of which would materially affect the Borrower's performance under this Loan Agreement, the Deed of Trust or the Regulatory Agreement (collectively, the "Transaction Documents");

(b) **Title.** The Borrower has good and marketable fee simple title to the Property and good title to the personal property constituting a part of the Project, subject to no liens, charges or encumbrances other than the Permitted Encumbrances;

(c) **Permitted Encumbrances.** The Permitted Encumbrances do not and will not materially and adversely affect (1) the ability of the Borrower to pay in full the principal and interest on the Loan in a timely manner or (2) the use of the Project for the use currently being made thereof, the operation of the Project as currently being operated or the value of the Project;

(d) **First Lien.** Upon the execution by the Borrower and the recording of the Deed of Trust, and upon the execution and filing of any required UCC-1 financing statements or amendments thereto, the Trustee will have a valid first lien on the Property and a valid security interest in the personal property constituting a part of the Project subject to no liens, charges or encumbrances other than the Permitted Encumbrances;

(e) **ERISA.** The Borrower has made and shall continue to make all required contributions to all employee benefit plans, if any, and the Borrower has no knowledge of any material liability which has been incurred by the Borrower which remains unsatisfied for any taxes or penalties with respect to any employee benefit plan or any multi-employer plan, and each such plan has been administered in compliance with its terms and the applicable provisions of ERISA and any other federal or state law;

(f) **Contingent Liabilities.** The Borrower has no known material contingent liabilities;

(g) **No Other Obligations.** Other than debt financing for the Other Borrower Obligations, the Borrower has no material financial obligation under any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Borrower is a party or by which the Borrower or the Project is otherwise bound, other than obligations incurred in the ordinary course of the operation of the Project and other than the obligations under the Loan, the Deed of Trust and the Regulatory Agreement and under the Other Borrower Obligations.

(h) **No Other Debt.** Other than debt financing for the Other Borrower Obligations, the Borrower has not borrowed or received other debt financing that has not been heretofore repaid in full;

(i) **Fraudulent Conveyance.** The Borrower (1) has not entered into the transaction contemplated by this Agreement or any Transaction Document with the actual intent to hinder, delay, or defraud any creditor and (2) received reasonably equivalent value in exchange for its obligations under the Transaction Documents. Giving effect to the transactions contemplated by the Transaction Documents, the fair saleable value of the Borrower's assets exceeds and will, immediately following the execution and delivery of the Transaction Documents, exceed the Borrower's total liabilities, including, without limitation, subordinated, unliquidated, disputed or contingent liabilities. The fair saleable value of the Borrower's assets is and will, immediately following the execution and delivery of the Transaction Documents, be greater than the Borrower's probable liabilities, including the maximum amount of its contingent liabilities or its debts as such debts become absolute and matured. The Borrower's assets do not and, immediately following the execution and delivery of the Transaction Documents will not, constitute unreasonably small capital to carry out its business as conducted or proposed to be conducted. The Borrower does not intend to, and does not believe that it will, incur debts and liabilities (including, without limitation, contingent liabilities and other commitments) beyond its ability to pay such debts as they mature (taking into account the timing and amounts to be payable on or in respect of obligations of the Borrower);

(j) **Investment Company Act.** The Borrower is not (1) an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended; (2) a "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" of either a "holding company" or a "subsidiary company" within the meaning of the Public Utility Holding Company Act of 1934, as amended; or (3) subject to any other federal or state law or regulation which purports to restrict or regulate its ability to borrow money;

(k) **Access/Utilities.** The Project has adequate rights of access to public ways and is served by adequate water, sewer, sanitary sewer and storm drain facilities. All public utilities necessary to the continued use and enjoyment of the Project as presently used and enjoyed are located in the public right-of-way abutting the Project, and all such utilities are connected so as to serve the Project without passing over other property. All roads necessary for the full utilization of the Project for its current purpose have been completed and dedicated to public use and accepted by all governmental authorities or are the subject to access easements for the benefit of the Project;

(l) **Special Assessments.** Except as disclosed in the title insurance policy relating to the Property, there are no pending or, to the knowledge of the Borrower, proposed special or other assessments for public improvements or otherwise affecting the Property, nor, to the knowledge of the Borrower, are there any contemplated improvements to the Property that may result in such special or other assessments;

(m) **Flood Zone.** The Property is not located in a flood hazard area as defined by the Federal Insurance Administration; and

(n) **Misstatements of Fact.** No statement of fact made by the Borrower in the Transaction 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. There is no fact presently known to the Borrower which has not been disclosed which adversely affects, nor as far as the Borrower can foresee, might adversely affect the business, operations or condition (financial or otherwise) of the Borrower.

6.31 Property Tax-Exemption. The Borrower covenants to timely apply and re-apply for, and pursue, property tax-exemption for all qualifying spaces in the Project.

ARTICLE 7 EVENTS OF DEFAULT AND REMEDIES

7.1 Events of Default. Each of the following shall be an “Event of Default”:

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

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

(c) Any representation or warranty of the Borrower shall be determined by the Trustee or the Authority to have been false in any material respect when made;

(d) The Borrower shall generally not pay its debts as they become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors or shall institute any proceeding or voluntary case seeking to adjudicate it a bankrupt or insolvent or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief or protection of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property; or the Borrower shall take any action to authorize any of the actions described above in this paragraph (d), or any proceeding shall be instituted against the Borrower seeking to adjudicate it a bankrupt or insolvent or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief or protection of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property, and, if such proceeding is being contested by the Borrower in good faith, such proceeding shall remain undismissed or unstayed for a period of 60 days; or

(e) An event of default shall have occurred under Section 11.1 of the Indenture and the Series A Bonds shall have been declared due and payable pursuant to Section 11.2 of the Indenture.

7.2 Notice of Default; Opportunity to Cure. No default under Section 7.1(b) hereof shall constitute an Event of Default until:

(a) The Trustee, by registered, certified mail or overnight mail, shall give notice to the Borrower (with a copy to the Authority) of such default specifying the same and stating that such notice is a “Notice of Default”; and

(b) The Borrower shall have 60 days after receipt of such notice to correct the default and shall not have corrected it; provided, however, that if the default stated in the notice is of such a nature that it cannot be corrected within 60 days, such default shall not constitute an Event of Default hereunder so long as (i) the Borrower institutes corrective action within said 60 days and diligently pursues such action until the default is corrected, and (ii) in the opinion of Bond Counsel, the failure to cure said default within 60 days will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds.

7.3 Remedies. Whenever any Event of Default under Section 7.1 hereof shall have happened and be continuing, the following remedial steps shall be taken:

(a) Immediately upon the occurrence of any Event of Default under Section 7.1 the Trustee shall declare all amounts due under this Agreement and the Note to be immediately due and payable; provided, however, that in the case of an Event of Default described in (b), (c) or (d) of Section 7.1 hereof, the amounts due under this Agreement and the Note shall not be accelerated unless the Trustee receives either (i) written notice from the Authority to accelerate the Loan and declare all amounts due under this Agreement and the Note or (ii) an opinion of Bond Counsel that the failure to accelerate the Loan under such

circumstances will adversely affect the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds; provided, however, as is set forth in the Indenture, if any Series A Bonds are Outstanding and there has been no default with respect to the Series A Bonds under the Indenture, the Series A Bonds and the Series B Bonds shall not be subject to acceleration;

(b) Subject to the provisions of the Indenture (including Article 8 thereof) and Section 5.4 hereof, the Trustee shall take whatever action at law or in equity may appear necessary or desirable to collect the payments required to be made by the Borrower under this Agreement, the Deed of Trust, and the Note, or to enforce performance and observance of any obligation or agreement of the Borrower under this Agreement, the Note, the Deed of Trust or the Regulatory Agreement, but in no event shall the Trustee be obligated to take any such action which in its opinion will or might cause it to expend time or money or otherwise incur liability unless and until an indemnity bond satisfactory to it has been furnished to it;

(c) The Authority may, upon consultation with the Oversight Agent, terminate the Project Manager and shall upon the recommendation of the Oversight Agent or such other advice as the Authority deems appropriate, select a new Project Manager;

(d) Upon an Event of Default hereunder, either the Authority may operate and administer, or cause to be operated and administered, the Project in the place and stead of the Borrower and in the manner required by the terms and provisions of the Regulatory Agreement. In so doing, the Authority or such party as it may appoint to operate and administer the Project, to the extent it may have moneys available hereunder for such purposes, shall complete the rehabilitation and equipping of any incomplete component of the Project to be funded with proceeds of the Bonds, and shall pay from the Operating Revenues received with respect to such Project (to the extent available) the Loan repayments and Fees and Charges, if any, which the Borrower was obligated to pay pursuant to the terms and provisions of this Loan Agreement and the Deed of Trust. The Trustee or other depository shall be authorized to pay the Authority or its designee as directed by an Officer's Certificate any moneys on deposit in the Project Fund to the extent that the Authority shall certify in writing that such moneys are required by the Authority or its designee to pay any items that would have been included in the Cost of Project had the Authority or its designee not acquired the same.

(e) The Authority may, upon the recommendation of the Oversight Agent or such other advice as it may deem appropriate, commence foreclosure proceedings as set forth in Section 7.10 of the Indenture;

(f) Upon an Event of Default and continuing until at least one year after all Events of Default have been cured, all Operating Revenues then on hand and thereafter received by the Borrower or otherwise shall be delivered to the Trustee, for deposit to a depository account for the benefit of the Bond Owners to be applied by the Trustee first to the payment of debt service on the Series A Bonds, then to the debt service on the Series B Bonds, and then to the payment of reasonable and necessary Operation and Maintenance Costs, with any remaining amounts used as provided in Section 5.7 of the Indenture.

Any amounts collected as payments made on the Note and pursuant to Article 5 hereof, or applicable to such payments, and any other amounts which would be applicable to payment of principal of, premium, if any, and interest on the Bonds collected pursuant to action taken under this Section shall be applied in accordance with the provisions of the Indenture. Upon payment in full of all amounts owing under the Indenture, including all fees and expenses of the Trustee, the Oversight Agent and the Authority, the Authority and the Trustee shall transfer any remaining right, title or interest that each has in the Indenture, this Agreement, the Note and the Deed of Trust to the Borrower, except any rights to receive payment of fees and expenses and to be indemnified, as provided for herein and in the Indenture.

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

7.5 No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority or the Trustee to exercise any remedy reserved to either of them in this Article 7, it shall not be necessary to give any notice, other than such notice as may be herein expressly required. Such rights and remedies as are given the Authority hereunder shall also extend to the Owners of the Bonds, and the Owners of the Bonds shall be deemed third party beneficiaries of all covenants and agreements herein contained.

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

ARTICLE 8 MISCELLANEOUS

8.1 Entire Agreement. This Agreement, the Note, the Indenture, the Regulatory Agreement, the Continuing Disclosure Agreement, the Administration Agreement and the Deed of Trust, constitute the entire agreement and supersede all prior agreements and understandings, both written and oral, between the Authority and the Borrower with respect to the subject matter hereof.

8.2 Notices. All notices, certificates or other communications shall be in writing and shall be sufficiently given and sent by: (i) mailed by certified mail, return receipt requested, postage prepaid; (ii) personal delivery, overnight delivery by a recognized courier or delivery

service; or (iii) electronic transmission, which includes fax machine, email with an imaged or scanned attachment (such as a .pdf) or other similar electronic transmission, with confirmation of receipt of such transmission and shall be deemed given on the second day following the date on which the same have been personally delivered or mailed or when delivered when sent by electronic transmission to the addresses set forth below. to the Authority, to Independent Cities Finance Authority, Post Office Box 6740, Lancaster, California 93539-6740, Attention: Executive Director; if to the Borrower, to Millennium Housing of California, 20 Pacifica, Suite 1470, Irvine, CA 92618, Attention: George Turk; if to the Trustee, to MUFJ Union Bank, N.A., 120 S. San Pedro Street, 4th Floor, Los Angeles, California 90012, Attention: Corporate Trust Department, Fax: (213) 972-5694, Email: AccountAdministration-CorporateTrust@unionbank.com; and if to the Oversight Agent and initial Dissemination Agent, to Wolf & Company Inc., 241 S. Figueroa Street, Suite 100, Los Angeles, California 90012, Attention: Wesley R. Wolf. A duplicate copy of each notice, certificate or other communication given hereunder shall also be given to each of the above. All other documents required to be submitted to any of the foregoing parties shall also be submitted to such party at its address set forth above. Any of the foregoing parties may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates, documents or other communications shall be sent.

8.3 Assignments. This Agreement may not be assigned by any party without the prior written consent of the other, which consent shall not be unreasonably withheld, except that the Authority shall assign to the Trustee its rights under this Agreement and may assign its rights under this Agreement as provided in Section 7.3, the Trustee may assign its rights and duties to a successor trustee pursuant to Section 8.7 or 8.8 of the Indenture and the Borrower may assign its rights under this Agreement as provided by Section 6.2 hereof.

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

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

8.6 Amendments, Changes and Modifications. Except as otherwise provided in this Agreement or in the Indenture, subsequent to the issuance of the Bonds and prior to their payment in full (or provision for payment thereof having been made in accordance with the provisions of the Indenture), this Agreement may not be effectively amended, changed, modified, altered or terminated without the written consent of all parties hereto.

8.7 Governing Law. This Agreement shall be governed exclusively by and construed in accordance with the applicable laws of the State.

8.8 Term of Agreement. This Agreement shall be in full force and effect from the date hereof until such time as all Bonds shall have been fully paid or provision made for such

payment pursuant to the Indenture, whichever shall be earlier. Time is of the essence in this Agreement.

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

8.10 Survival of Rights. The Trustee's rights to indemnification and to the payment of fees and expenses properly owing under the Indenture, the Regulatory Agreement or hereunder shall survive its resignation or removal and final payment or defeasance of the Bonds, all as provided in Article VIII of the Indenture. The Authority's rights to indemnification and the Authority's rights to the payment of its expenses properly owing under the Indenture, the Regulatory Agreement or hereunder and the fees and expenses of the Oversight Agent, shall survive the final payment or defeasance of the Bonds.

8.11 Recordation. The Borrower covenants that it will cause the Regulatory Agreement, the Deed of Trust, and any financing statement and all supplements thereto and any other such instruments as may from time to time be required to be kept, recorded and filed in such a manner and in such places as may be required by law in order to fully preserve and protect the security of the Owners of the Bonds and the rights of the Authority and the Trustee under the Regulatory Agreement, and the Deed of Trust.

8.12 Authority as Beneficiary. So long as any Bonds are Outstanding and the Note has not been paid-in-full the Authority shall be intended as a third party beneficiary of this Agreement.

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

INDEPENDENT CITIES FINANCE AUTHORITY

By: _____
Gil Hurtado, President

By: _____
Deborah J. Smith, Executive Director

MUFG UNION BANK, N.A., as Trustee

By: _____
Authorized Officer

MILLENNIUM HOUSING OF CALIFORNIA, a
California nonprofit public benefit corporation

By: _____
Lorraine M. Carraway, Vice President

EXHIBIT A

NOTE

\$ _____, 2016

Millennium Housing of California, a California nonprofit public benefit corporation (the "Borrower"), hereby PROMISES TO PAY TO THE ORDER OF THE INDEPENDENT CITIES FINANCE AUTHORITY (the "Authority"), a California joint powers authority duly organized and existing under the laws of the State of California, the principal sum of \$ _____ (_____) together with interest from the date hereof on the unpaid principal balance owing hereunder at the rates set forth below per annum. This note (the "Note") is issued, executed and delivered pursuant to that certain Loan Agreement, dated as of _____ 1, 2016 (the "Loan Agreement"), by and among the Borrower, the Authority and MUFG UNION BANK, N.A., as trustee (the "Trustee"). All capitalized terms not otherwise defined herein have the meanings assigned to such terms in the Loan Agreement or in the Indenture of Trust, dated as of _____ 1, 2016 (the "Indenture"), by and between the Authority and the Trustee.

A portion of the principal amount of this Note reflecting the principal amount of the Series A Bonds issued and delivered under the Indenture (\$ _____) shall be due and payable on _____ 15 in the years and in the amounts, and shall bear interest at the rates as follows:

SERIES A BONDS

<u>Principal Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>
\$ _____	__/__/____	__%

In addition, the remaining portion of this Note in the amount of \$ _____ representing the principal amount of the Series B Bonds issued and delivered under the Indenture, shall be due and payable on _____ 15 in the years and in the amounts, and shall bear interest at the rates as follows, but only to the extent of Subordinate Residual Revenues available for such payment:

SERIES B BONDS

Principal Amount	Maturity Date	Interest Rate
\$ _____	/ / _____	. __ %

In the event that Subordinate Residual Revenues are not sufficient to pay the accrued interest due and payable on the Series B Bonds on an Interest Payment Date, such unpaid interest shall be deferred for payment on the following Interest Payment Date. Nonpayment of Interest on this Note representing the interest portion of payments with respect to the Series B Bonds on any Interest Payment Date due to insufficient Subordinate Residual Revenues, shall not be an Event of Default under the Loan Agreement.

Interest on this Note shall be computed on the basis of a 360-day year consisting of twelve 30-day months, payable on _____ 15 and _____ 15 of each year, commencing _____ 15, 20__.

In order to satisfy its obligations hereunder, the Borrower agrees to pay to the Trustee (i) on or prior to the thirteenth (13th) day of each month, commencing in _____ 20__, from budgeted Net Operating Revenues from the prior month, amounts sufficient to make the monthly deposits required by paragraphs (a) through (g) of Section 5.7 of the Indenture and (ii) on or prior to the date that is 45 days following the end of each Bond Year, all remaining budgeted Net Operating Revenues from such prior Bond Year.

All payments on this Note shall be made in lawful money of the United States of America at the principal corporate trust office of the Trustee. All sums paid hereon shall be applied first to the satisfaction of interest due and the balance to the unpaid principal owing hereunder, and shall be applied in accordance with the terms of the Loan Agreement.

Immediately following the execution hereof the Authority's interest in this Note will be assigned to MUFG Union Bank, N.A., as Trustee, and concurrently therewith, this Note will be secured by a Deed of Trust ("Deed of Trust") dated as of _____ 1, 2016, executed by the Borrower in favor of Authority's assignee, MUFG Union Bank, N.A., as Trustee.

This Note is subject to extraordinary mandatory prepayment in the following principal amounts, plus interest accrued to the date fixed by the Trustee for redemption of the Bonds to be redeemed with such prepayment:

(a) On the day selected by the Trustee for redemption of the Bonds after the Trustee has accelerated the Amounts due with respect to the Loan or this Note, as the case may be, as a result of an Event of Default under, and as defined in, the Indenture or the Loan Agreement, in an amount equal to the then unpaid principal amount of this Note, plus accrued interest to the date of redemption of the Bonds;

(b) On the day selected by the Trustee for the redemption of the Bonds in the event of an involuntary loss or the substantial destruction of the Project as a result of unforeseen events (e.g., fire, seizure, requisition, change in a federal law or an action of a federal agency after the date of issuance of the Bonds which prevents the Authority from enforcing the requirements of Section 1.103-8(b) of the Regulations, or condemnation), upon receipt of insurance or other compensation or, if there are to be no such payments, after the event giving rise to the involuntary loss or substantial destruction of the Project, in an amount equal to the then unpaid principal amount of this Note. Notwithstanding the foregoing, this Note will not have to be prepaid in whole in such circumstances if (i) within 90 days of the event giving rise to the loss or destruction, the Borrower notifies the Trustee and the Authority, in writing, that the Project can be restored within 18 months to a condition permitting the conduct of normal business operations; (ii) within 180 days of the event giving rise to such taking, loss or destruction, the Borrower commences to use such amounts to reconstruct the Project pursuant to the terms of the Loan Agreement and the Indenture; and (iii) such amounts are disbursed for the restoration of the Project within 18 months after the date of the notice from the Borrower referred to in clause (i) hereof, but, rather, this Note shall be prepaid, in part, to the extent of undisbursed funds on deposit in the Redemption Fund created pursuant to the Indenture at the expiration of the period described in (iii) above unless such period is extended with the consent of the authority and an opinion of Bond Counsel is received the Trustee to the effect that such extension will not result in interest on the Tax-Exempt Bonds becoming includable in the gross income of the recipients thereof for federal income tax purposes; provided, however, that such prepayment in whole shall be immediately due and payable if in the written opinion of Bond Counsel filed with the Authority, the Borrower and the Trustee a failure to make such prepayment will cause interest on the Tax-Exempt Bonds to be included in gross income for federal income tax purposes;

If the required principal amount of any prepayment in part pursuant to Sections 5.4 and 5.5 of the Loan Agreement shall not be an Authorized Denomination of the Bonds to be redeemed with such prepayment, then the required principal amount of such prepayment shall be deemed to be the next greater integral multiple of an Authorized Denomination of the Bonds to be redeemed therewith, and any interest due with such prepayment shall be calculated using such higher amount.

The Trustee shall deposit and use prepayments of this Note pursuant to Sections 5.4 and 5.5 of the Loan Agreement in accordance with the Indenture.

In the event of a partial prepayment of this Note, pursuant to Section 5.4 or 5.5 of the Loan Agreement, the principal amount of the Borrower's obligation under this Note shall be reduced by the principal amount of Bonds to be redeemed with the proceeds of such prepayment.

The Borrower, at its option, may prepay this Note, in whole or in part on any date that Bonds are permitted to be optionally redeemed pursuant to Section 4.1(b) of the Indenture following written notice of the Borrower's intention to do so as provided therein, in Authorized Denominations, at the times and redemption prices permitted by such Section 4.1(b) of the Indenture.

This Note is also subject to mandatory sinking fund prepayment with respect to the Series A Bonds (without premium), by application of mandatory sinking account payments as set forth in Section 4.1(a)(i) of the Indenture.

In addition, this Note is subject to targeted mandatory sinking fund prepayment with respect to the Series B Bonds (without premium) on the dates and in the amounts as set forth in Section 4.1(a)(ii) of the Indenture, but only to the extent that Subordinate Residual Revenues are available for such purpose.

All amounts due under the Note shall be immediately due and payable following an Event of Default under the Loan Agreement, in accordance with and subject to the provisions of Section 7.3(a) of the Loan Agreement.

If default is made in the payment of the principal of or any installment of interest on this Note and the same is placed in the hands of an attorney for collection, or if suit is filed hereon, or proceedings are had in bankruptcy, probate, receivership, reorganization, arrangement or other judicial proceedings for the establishment or collection of any amount called for hereunder, or any amount payable or to be payable hereunder is collected through any such proceedings, the Borrower agrees to pay to the holder hereof all reasonable costs of collection, including reasonable attorneys' fees.

The Borrower expressly waives demand and presentment for payment, notice of nonpayment, protest, notice of protest, notice of dishonor, bringing of suit, and diligence in taking any action to collect any amounts called for hereunder and in the handling of properties, rights or collateral at any time existing in connection herewith.

No previous waiver and no failure or delay by Authority in acting with respect to the terms of this Note or the Deed of Trust shall constitute a waiver of any breach, default, or failure of condition under this Note, the Deed of Trust or the obligations secured thereby. A waiver of any term of this Note, the Deed of Trust or of any of the obligations secured thereby must be made in writing and shall be limited to the express written terms of such waiver. In the event of any inconsistencies between the terms of this Note and the terms of any other document related to the loan evidenced by this Note, the terms of this Note shall prevail.

The Deed of Trust contains the following provision:

“Transfer of Trust Estate by Trustor. In the event of any Transfer (as defined below) of the Trust Estate, or any portion thereof or interest

therein, which is not in accordance with Section 6.2 of the Loan Agreement, Trustee shall have the absolute right at its option, without prior demand or notice, to declare all sums secured hereby immediately due and payable. Upon a permitted Transfer under Section 6.2 of the Loan Agreement, the transferee shall assume all obligations hereunder and agree to be bound by all provisions contained herein. As used herein, the term "Transfer" means and includes the direct or indirect sale, transfer, conveyance, assignment, or other alienation of the Trust Estate, or any portion thereof or interest therein, whether voluntary, involuntary, by operation of law or otherwise, the execution of any installment land sale contract, sales agreement or similar instrument affecting all or a portion of the Trust Estate, granting of an option to purchase any portion of or interest in the Trust Estate or any interest therein, or the lease of all or substantially all of the Land or of all or substantially all of the Improvements. "Transfer" shall not include the leasing of individual mobile home spaces acquired by Trustor on the Land so long as Trustor complies with the provisions of the Loan Agreement and the Regulatory Agreement relating to such leasing activity."

This Note has been issued pursuant to the Loan Agreement and is entitled to the benefit and security thereof. Reference is hereby made to the Loan Agreement for provisions relating to the acceleration of the indebtedness evidenced hereby upon the occurrence of certain events stated therein, and for all other relevant purposes. Time is of the essence of each and every provision hereof. This Note has been issued, executed and delivered in the State of California and shall be governed by and construed in accordance with the laws of the State of California, except to the extent that the laws of the United States of America may prevail.

This Note shall be construed to be a nonrecourse obligation of the Borrower. Neither the Borrower's directors, officers, employees and agents, nor any of its other affiliates, has or is intended to have any liabilities, except for any liability arising as the result of Fraud or misappropriation of funds, under or in respect of this Note, the Loan Agreement, the Indenture of Trust, the Continuing Disclosure Agreement, the Deed of Trust, the Regulatory Agreement or any other document or transaction contemplated by the foregoing.

MILLENNIUM HOUSING OF CALIFORNIA,
a California nonprofit public benefit corporation

By: _____
Lorraine M. Carraway, Vice President

ENDORSEMENT TO NOTE, dated _____, 2016, in the principal amount of \$ _____ made by MILLENNIUM HOUSING OF CALIFORNIA payable to the order of INDEPENDENT CITIES FINANCE AUTHORITY.

PAY TO THE ORDER OF MUFGB UNION BANK, N.A., as Trustee, without recourse.

Date: _____, 2016

INDEPENDENT CITIES FINANCE AUTHORITY

By: _____
Executive Director

EXHIBIT B

DEED OF TRUST

(See Transcript Document No. 5)

EXHIBIT C

LIST OF IMPROVEMENTS
AND SCHEDULED REPLACEMENTS

[TO BE INSERTED]