
MASTER PLEDGE AND ASSIGNMENT

among

**HOUSING AUTHORITY OF THE COUNTY OF SAN BERNARDINO,
as Issuer**

and

**BANK OF AMERICA, N.A.,
as Agent**

and

**BANK OF AMERICA, N.A.,
as Holder**

Dated as of [____], 2019

Relating to

\$(____)

**Housing Authority of the County of San Bernardino
Multifamily Housing Revenue Bonds
(Arrowhead Grove Apartments Phase II)
2019 Series A-1**

and

\$(____)

**Housing Authority of the County of San Bernardino
Multifamily Housing Revenue Bonds
(Arrowhead Grove Apartments Phase II)
2019 Series A-2**

Table of Contents

	Page
ARTICLE I. DEFINITIONS	2
Section 1.01 Definitions	2
ARTICLE II. BONDS	6
Section 2.01 Issuance of Bonds to Fund Loan; Loan Fees; Draw-Down Bonds	6
Section 2.02 Form, Face Amount and Delivery of Bonds	6
Section 2.03 Principal	7
Section 2.04 Interest	7
Section 2.05 Limited Obligation of Issuer and Agent to Make Payments	8
Section 2.06 Corresponding Payments	8
Section 2.07 Replacement of Bonds	8
Section 2.08 Registration and Transferability	8
Section 2.09 Circumstances of Redemption of the Bonds	9
Section 2.10 No Notice of Redemption	10
Section 2.11 Effect of Redemption	10
Section 2.12 Conversion Date	10
ARTICLE III. SECURITY FOR THE BONDS	10
Section 3.01 Delivery of Collateral	10
Section 3.02 Agent the Mortgagee of Record	11
ARTICLE IV. SERVICING THE LOANS AND THE BONDS	11
Section 4.01 Servicing the Loan	11
Section 4.02 Paying Agent for the Bonds; Investments	12
Section 4.03 Standard of Care	12
Section 4.04 Indemnification of Issuer by Agent	12
ARTICLE V. DEFAULTS ON LOAN	13
Section 5.01 Defaults on Loan	13
Section 5.02 Action After Consultation With Holder	13
Section 5.03 Losses and Expenses Upon Exercise of Rights	14
Section 5.04 Notice to Issuer	14
ARTICLE VI. REPRESENTATIONS AND COVENANTS BY AGENT AND ISSUER	14
Section 6.01 Representations by Agent	14
Section 6.02 Representations by Issuer	14
Section 6.03 Tax-Exempt Status of the Bonds	15

ARTICLE VII.	BOOKS AND RECORDS; REPORTS	15
Section 7.01	Books and Records	15
Section 7.02	Reports	15
ARTICLE VIII.	NONRECOURSE; OBLIGATIONS NOT DEBT OF ISSUER, AGENT OR STATE	16
Section 8.01	Limited Obligations	16
ARTICLE IX.	DEFAULTS UNDER THIS PLEDGE AND ASSIGNMENT AGREEMENT	17
Section 9.01	Events of Default	17
Section 9.02	Remedies	17
Section 9.03	Continuance of Obligations Upon Default by Agent	18
Section 9.04	Continuance of Obligations and Servicing by Agent Upon Default by Issuer	18
Section 9.05	Holder Authorized to Execute Assignments, Etc.	18
Section 9.06	Waiver of Appraisal, Evaluation, Etc.	18
Section 9.07	Application of Proceeds of Sale	18
Section 9.08	Right of Holder to Perform Covenants of the Issuer and the Agent	19
Section 9.09	No Waiver, Etc.	19
Section 9.10	Remedies Cumulative, Etc.	19
ARTICLE X.	MISCELLANEOUS	19
Section 10.01	Provisions Subject to Applicable Law	19
Section 10.02	Applicable Law	19
Section 10.03	Compromise of Action, Etc.	19
Section 10.04	Notices, Etc.	19
Section 10.05	Termination	21
Section 10.06	Duty of Issuer	21
Section 10.07	Consent to Assignment	21
Section 10.08	Amendment of the Note	21
Section 10.09	Amendments, Successors and Assigns, Headings and Counterparts	21
Section 10.10	Delivery, Consent and Direction if Agent and Holder are the Same Entity	21
EXHIBIT A FORM OF BOND		
EXHIBIT B FORM OF PURCHASER'S LETTER		

MASTER PLEDGE AND ASSIGNMENT

THIS MASTER PLEDGE AND ASSIGNMENT, dated as of [____], 2019 (this “**Pledge and Assignment**”), from the HOUSING AUTHORITY OF THE COUNTY OF SAN BERNARDINO, a public body corporate and politic, duly organized and validly existing under the Constitution and the laws of the State of California (the “**Issuer**”), and BANK OF AMERICA, N.A. (the “**Agent**”), as agent under and pursuant to that certain Master Agency Agreement dated as of [____], 2019 (the “**Agency Agreement**”) between the Issuer and the Agent, to BANK OF AMERICA, N.A., as initial holder of the Bonds described herein, and any successors and assigns (the “**Holder**”).

WITNESSETH:

WHEREAS, pursuant to the provisions of Chapter 1 of Part 2 of Division 31 of the Health and Safety Code of the State of California, as amended (the “**Act**”), the Issuer has determined to issue its Housing Authority of the County of San Bernardino Multifamily Housing Revenue Bonds (Arrowhead Grove Apartments Phase II) 2019 Series A-1 and its Housing Authority of the County of San Bernardino Multifamily Housing Revenue Bonds (Arrowhead Grove Apartments Phase II) 2019 Series A-2 (collectively, the “**Bonds**”) to evidence the obligation to repay the advances to be made hereunder by the Holder to the Agent for the account of the Issuer;

WHEREAS, the proceeds of the Bonds will be advanced by the Agent for the account of the Issuer to Waterman Gardens Partners 2, L.P., a California limited partnership (the “**Borrower**”), for the purpose of funding a loan (the “**Loan**”) in the maximum aggregate principal amount of [\$55,000,000] to the Borrower in connection with financing the acquisition, construction and equipping of a multifamily rental housing development consisting of 184 units in 18 buildings, to be located west of Crestview Avenue between Baseline Street and Olive Street, in the City of San Bernardino, California (the “**Project**”);

WHEREAS, the Loan will be made to the Borrower by the Agent for the account of the Issuer pursuant to that certain Construction Disbursement Agreement (the “**Loan Agreement**”), of even date herewith, by and between the Agent, as agent for the Issuer, and the Borrower;

WHEREAS, the Borrower’s obligation to repay the Loan will be evidenced by that certain Note (as defined herein and in the Loan Agreement) made by Borrower to the order of the Agent, as agent for the Issuer, as further described herein, and secured by that certain Construction and Permanent Deed of Trust with Assignment of Leases and Rents, Security Agreement, and Fixture Filing (the “**Mortgage**”) of even date herewith, executed by the Borrower, as trustor, for the benefit of the Agent, in its capacity as agent for the Issuer, as beneficiary;

WHEREAS, the Holder, as a condition to its purchase of the Bonds, has required that the Issuer and the Agent execute and deliver this Pledge and Assignment;

NOW, THEREFORE, as an inducement to the Holder to purchase the Bonds, as provided herein, and as an inducement to the Agent, as agent for the Issuer and for the account of

the Issuer, to make and disburse the proceeds of the Bonds to make the Loan as provided herein, and in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Issuer and the Agent, in order to secure the due and punctual payment of the Bonds and other sums due the Holder hereunder or thereunder, do hereby pledge, grant, bargain, sell, convey, assign, mortgage and transfer, and grant a security interest in, all of the Issuer's and the Agent's right, title and interest in and to the following described property, whether real or personal, except for the Reserved Rights (defined below) (the "Collateral"), to the Holder; provided, however, that this Pledge and Assignment and the agreements and covenants made hereunder shall not be construed to constitute a general obligation of the Issuer or the Agent, and any obligations hereunder are limited obligations of the Issuer and the Agent to be paid and satisfied solely from the following described Collateral:

(a) the Loan, including without limitation, the Note, the Mortgage and all other Loan Documents (as hereinafter defined) to which either the Issuer or the Agent now is, or hereafter may be, a party or a direct beneficiary, together with all rights, powers, privileges and other benefits of the Agent and the Issuer under the Loan Documents, including the right to make all waivers and agreements, to give and receive duplicate copies of all notices and other instruments or communications, to take such action upon the occurrence of any default under the Loan Documents, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Loan Documents or by law, and to do any and all other things whatsoever which the Issuer or the Agent is or may be entitled to do under the Loan Documents;

(b) any and all payments of principal, interest, premiums and late payment fees made on the Loan at any time hereafter by the Borrower;

(c) the proceeds of the sale of the Bonds to the extent they have not been applied to fund the Loan;

(d) all tax, insurance or other similar escrows now or hereafter held with respect to the Loan; and

(e) any and all proceeds received under any policy of title insurance, hazard insurance, or other such insurance with respect to the Project, proceeds received from Condemnation (as that term is defined below), and revenues, proceeds and other payments and tenders received from any foreclosure (or payments in lieu of foreclosure) of the Mortgage or from enforcement of the Mortgage or any other Loan Documents, and any and all proceeds from the conversion, voluntary or involuntary, of any of the foregoing into cash or other liquidated claims;

SUBJECT, HOWEVER, to (a) the interest of the Borrower, to the extent provided in the Loan Documents, with respect to the tax, insurance or other similar escrows and with respect to any property insurance proceeds or Condemnation awards or proceeds of foreclosure, (b) the right of the Agent and the Issuer to exercise, without the consent of the Holder until an Event of Default shall have occurred and be continuing, all rights, powers, privileges and other benefits under the Loan Documents, including the right to make all waivers and agreements, to give and receive duplicate copies of all notices and other instruments or communications, to take such

action upon the occurrence of any default under the Loan Documents, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Loan Documents or by law, but subject to, and only upon, the terms and conditions of Article 5 hereof, and (c) any of the rights of the Issuer and the Agent and their respective directors, officers, elected officials, attorneys, accountants, employees, agents and consultants to be held harmless, defended and indemnified thereunder, to be paid fees and Additional Payments as described therein, to be reimbursed for attorneys' fees and expenses thereunder, to enforce venue, and to give or withhold consent to amendments, changes, modifications and alterations to and to enforce the provisions of the Regulatory Agreement as that term is hereinafter defined ((a), (b) and (c) of this paragraph are collectively referred to as the **"Reserved Rights"**).

IT IS HEREBY COVENANTED by the parties hereto that the Collateral is to be held and applied subject to the further covenants, conditions, uses and trusts herein set forth; and the Issuer and the Agent, for themselves and their respective successors and assigns, hereby covenant and agree with the Holder as follows:

ARTICLE I. DEFINITIONS

Section 1.01 Definitions. The following terms shall, for all purposes of this Pledge and Assignment, have the following respective meanings:

"Accredited Investor" has the meaning set forth in Sections 501(a)(1) through (3) of Regulation D promulgated under the Securities Act of 1933, as amended.

"Act" means Chapter 1 of Part 2 of Division 31 of the Health and Safety Code of the State of California, and all laws supplementary thereto and amendatory thereof.

"Affiliate" means any entity of which the ultimate parent corporation is the same as the parent corporation of the Holder, including such parent corporation.

"Agency Agreement" means the Master Agency Agreement, of even date herewith, between the Issuer and the Agent, as it may be supplemented or amended from time to time in accordance with its terms.

"Approved Institutional Buyer" means (1) a Qualified Institutional Buyer; (2) an Accredited Investor; (3) an entity that is directly or indirectly wholly owned or controlled by or under common control with the Holder (a "Holder Affiliate"); (4) an entity all of the investors in which are described in (1), (2) or (3) above; or (5) a custodian or trustee for a party described in (1), (2) or (3) above

"Authorized Denomination" means the entire outstanding principal amount of the Bonds.

"Authorized Participant" means (a) a bank that purchases a participation interest in the Bonds and delivers to the Issuer a Purchaser's Letter; or (b) pursuant to an assignment by JPMC of its rights under the Bond Purchase Agreement: (1) Fannie Mae or Freddie Mac, (2) an Affiliate of JPMC, or (3) a fund established and managed by JPMC (or by a single member

limited liability company in which JPMC is the sole member) and in which all of the investors in such fund are banks, insurance companies or other financial institutions (or affiliates of such entities) and each of which is an Approved Institutional Buyer with net assets of not less than five billion dollars (\$5,000,000,000).

“Authorized Representative” means shall mean any member of the Board of Directors, or the Executive Director, of the Issuer.

“Bond Counsel” means an attorney or a firm of attorneys of nationally recognized standing in matters pertaining to the tax status of interest on bonds issued by states and their political subdivisions, who is or are selected by the Issuer and duly admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia.

“Bond Purchase Agreement” means that certain Bond Purchase Agreement by and among the Borrower, the Holder and JPMC.

Bonds” means collectively, the Series A-1 Bonds and the Series A-2 Bonds.

“Borrower” means Waterman Gardens Partners 2, L.P., a California limited partnership, and its successors and assigns.

“Business Day” means any day other than (i) a Saturday, a Sunday or another day on which banking institutions in the State of California or New York, New York, or the Principal Office of the Trustee and the office of the Bond Registrar are authorized or obligated by law or executive order to be closed; (ii) a day on which the New York Stock Exchange is authorized or obligated by law or executive order to be closed or (iii) a California state holiday when the Issuer is authorized or obligated to be closed.

“Closing Date” means the date of original issuance of the Bonds hereunder.

“Code” means the Internal Revenue Code of 1986, as amended; each reference to the Code shall be deemed to include (a) any successor internal revenue law and (b) the applicable regulations whether final, temporary or proposed under the Code or such successor law; any reference to a particular provision of the Code shall be deemed to include (a) any successor provision of any successor internal revenue law and (b) the applicable regulations, whether final, temporary or proposed, under such successor provision.

“Collateral” shall have the meaning assigned to such term in the granting clauses of this Pledge and Assignment.

“Condemnation” means a taking of all or any part of the Project or any real property on which the Project is situated or any interest therein or right accruing thereto as a result of or in lieu of or in anticipation of the exercise of the right of condemnation, eminent domain, change of grade, appropriation or confiscation.

“Conversion” shall have the meaning assigned to such term in the Bond Purchase Agreement.

“Conversion Date” has the meaning given to that term in the Bond Purchase Agreement.

“Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the Issuer and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment. To the extent required by the regulations under the Code, the term “investment” will include a hedge.

“JPMC” means JPMorgan Chase Bank, N.A., as purchaser of a portion of the Bonds.

“Interest Payment Date” shall mean the first day of each month for so long as the Bonds are outstanding, commencing [____], 2019.

“Investor Limited Partner” means Bank of America, N.A., and its permitted successors and assigns. **“Loan”** means the mortgage loan made by the Agent for the account of the Issuer to the Borrower with respect to the Project, from the proceeds of the Bonds, pursuant to the Loan Agreement.

“Loan Agreement” means that certain Construction Disbursement Agreement dated as of [____], 2019, by and between the Agent, in its capacity as agent for the Issuer, and the Borrower with respect to the Project, as the same may be amended pursuant to the terms of the Bond Purchase Agreement.

“Loan Documents” means all of the following documents or instruments entered into with respect to the Loan and the Project: the Note, the Mortgage, the Loan Agreement, the Regulatory Agreement and all other documents evidencing, securing or otherwise pertaining to the Loan.

“Maturity Date” means [____], 20____, subject to the provisions of the Note.

“Mortgage” means the Construction and Permanent Leasehold Deed of Trust with Assignment of Leases and Rents, Security Agreement, and Fixture Filing of even date herewith by the Borrower, as trustor, for the benefit of the Agent, as agent for Issuer, as beneficiary, encumbering (among other things) the Project, securing the Loan and recorded in the official records of the County of San Bernardino, State of California.

“Note” means the Promissory Note dated [____], 2019 in the original principal amount of \$[____], made by the Borrower to the order of the Agent.

“Paying Agent” means any paying agent for the Loan appointed from time in accordance with the Agency Agreement. The initial Paying Agent is Bank of America, N.A.

“Paying Agent Agreement” means the Paying Agent Agreement, dated as of [____], 2019, by and between the Paying Agent, and the Borrower, and acknowledged by the Agent.

“Permitted Investments” means, to the extent permitted by applicable law, any of the following:

(1) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America, including instruments evidencing an ownership interest in securities described in this clause (1);

(2) obligations, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following: Federal Home Loan Bank System, Export-Import Bank of the United States, Federal Financing Bank, Federal Land Banks, Government National Mortgage Association, Federal Home Loan Mortgage Corporation or Federal Housing Administration;

(3) repurchase agreements (including those of the Agent) fully secured by collateral security described in clause (1) or (2) of this definition, which collateral (a) is held by the Agent or a third party agent approved by the Holder during the term of such repurchase agreement, (b) is not subject to liens or claims of third parties and (c) has a market value (determined at least once every fourteen (14) days) at least equal to the amount so invested;

(4) certificates of deposit of, or time deposits or deposit accounts in, any bank (including the Agent) or savings and loan association (a) the debt obligations of which (or in the case of the principal bank of a holding company, the debt obligations of the bank holding company of which) have been rated “A” or better by S&P, or (b) which are fully insured by the Federal Deposit Insurance Corporation, or (c) which are secured at all times, in the manner and to the extent provided by law, by collateral security (described in clause (1) or (2) of this definition) of a market value (valued at least quarterly) of no less than the amount of money so invested;

(5) investment agreements of financial institutions or insurance companies, in each case having uninsured, unsecured and unguaranteed obligations rated “AA-” or better by S&P, provided, however, that any such investment may be provided by a financial institution or insurance company having uninsured, unsecured and unguaranteed obligations not rated “AA-” or better by S&P, if such investment is unconditionally insured, guaranteed or enhanced by an entity whose uninsured, unsecured and unguaranteed obligations are rated “AA-” or better by S&P;

(6) shares in any investment company registered under the federal Investment Company Act of 1940 whose shares are registered under the federal Securities Act of 1933 and

whose only investments are government securities described in clause (1) or (2) of this definition and repurchase agreements fully secured by government securities described in clause (1) or (2) of this definition and/or other obligations rated AAA by S&P, including investment companies and master repurchase agreements from which the Agent or an affiliate derives a fee for investment advising or other service;

(7) tax-exempt obligations of any state of the United States, or political subdivision thereof, which are rated A or better by S&P or mutual funds invested only in such obligations;

(8) units of a taxable or nontaxable government money-market portfolio composed of U.S. Government obligations and repurchase agreements collateralized by such obligations;

(9) commercial paper rated A or better by S&P;

(10) corporate notes or bonds with one year or less to maturity rated A or better by S&P; or

(11) any other investment approved by the Holder.

“Project” means the financing the acquisition, construction and equipping of a multifamily rental housing development consisting of 184 units in 18 buildings, to be located west of Crestview Avenue between Baseline Street and Olive Street, in the City of San Bernardino, California.

“Purchaser’s Letter” means the Purchaser’s Letter in the form attached hereto as EXHIBIT B.

“Qualified Institutional Buyer” has the meaning set forth in Rule 144A of the Securities Act of 1933, as amended.

“Regulatory Agreement” means that certain Regulatory Agreement and Declaration of Restrictive Covenants relating to the Project, dated as of [_____], 2019, by and between the Issuer and the Borrower.

“Replacement Reserve Agreement” means that certain Replacement Reserve Agreement, dated as of [_____], 2019, by and between the Borrower and JPMC.

“Replacement Reserve Deposit” shall have the meaning assigned to such term in the Replacement Reserve Agreement.

“Reserved Rights” has the meaning assigned to such term in the granting clauses of this Pledge and Assignment.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw Hill Companies, Inc., and its successors and assigns, if such successors and assigns continue to perform the services of a securities rating agency.

“**State**” means the State of California.

“**Tax Certificate**” means the Tax Certificate executed by the Issuer and the Borrower on the Closing Date, as supplemented and amended.

ARTICLE II. BONDS

Section 2.01 Issuance of Bonds to Fund Loan; Loan Fees; Draw-Down Bonds. This Pledge and Assignment is entered into by the Issuer in order to provide financing for the Project through the issuance of two series of Bonds, the Series A-1 Bonds and the Series A-2 Bonds. The Bonds are issued as draw-down bonds, the proceeds of which shall be advanced by the Holder directly to the Agent for the account of the Issuer as and when needed by the Agent to make each advance under the Loan Agreement and shall be applied by the Agent for the account of the Issuer to the funding of the Loan pursuant to the terms of the Loan Agreement. As consideration for the issuance and delivery of the Bonds, the Holder agrees to purchase, at par, subject to satisfaction of, or waiver by the Agent of, the terms and conditions to funding of advances set forth in the Loan Agreement, the Series A-1 Bonds in an aggregate face amount (maximum principal amount) of up to [\$_____] and Series A-2 Bonds in an aggregate face amount (maximum principal amount) of up to [\$_____]. Concurrently with each advance of principal by the Agent, for the account of the Issuer, to the Borrower under the Loan Agreement of the proceeds of a portion of the Loan evidenced by a Note, the Holder shall deliver to the Agent, for the account of the Issuer, and on account of the Holder’s purchase of a corresponding principal amount of the corresponding series Bonds, an amount equal to the amount so advanced by the Agent, on account of the Issuer, to the Borrower under the Loan Agreement.

The initial draw paid by Holder on account of the purchase price of the Bonds, which shall not be less than [\$_____], shall be credited against the purchase price of, and used to purchase, the Bonds (and the corresponding amounts advanced by Agent, for the account of Issuer, to Borrower under the Loan Agreement shall be deemed advanced under the Note). Subject to the terms and conditions of the Loan Agreement, the Agent agrees to advance to the Borrower under the Loan Agreement, and the Holder agrees to deliver to the Agent for the account of the Issuer, at least [\$_____] on the Closing Date in respect of the Bonds, and the Holder agrees to purchase Bonds in at least such amount on the Closing Date. No Loan advances by the Agent shall be made in respect of the Bonds after [_____, 20__].

Section 2.02 Form, Face Amount and Delivery of Bonds. The Bonds secured hereby are designated “Housing Authority of the County of San Bernardino Multifamily Housing Revenue Bonds (Arrowhead Grove Apartments Phase II) 2019 Series A-1” in the face principal amount of [\$_____], and “Housing Authority of the County of San Bernardino Multifamily Housing Revenue Bonds (Arrowhead Grove Apartments Phase II) 2019 Series A-2” in the face principal amount of [\$_____]. The Bonds will be payable and mature as provided therein. The Bonds shall be in substantially the form attached hereto as EXHIBIT A, with such variations, omissions and insertions as are permitted or required by this Pledge and Assignment. The Bonds shall be executed on behalf of the Issuer by the manual or facsimile signature of an Authorized Representative of the Issuer. Any facsimile signatures shall have the

same force and effect as if said officers had manually signed the Bonds. The Bonds may be typewritten, printed, engraved, lithographed or otherwise produced.

In case any Authorized Representative of the Issuer whose signature or whose facsimile signature shall appear on the Bonds shall cease to be such Authorized Representative before the authentication of such Bonds, such signature or the facsimile thereof shall nevertheless be valid and sufficient for all purposes as if he or she had remained in office until authentication; and any Bond may be signed on behalf of the Issuer by such persons as are at the time of execution of such Bond proper Authorized Representatives of the Issuer, even though at the date hereof, such person was not in such office.

The Bonds are limited obligations of the Issuer and are secured by and payable as to principal, interest and premium, if any, solely from payments by the Borrower as more particularly described herein.

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER AND ARE NOT A DEBT, NOR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER ARE THEY LIABLE ON THE BONDS, NOR ARE THE BONDS PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE ISSUER EXPRESSLY PLEDGED FOR THE PAYMENT THEREOF HEREUNDER. THE BONDS DO NOT CONSTITUTE INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION. THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING ANY MEMBER OF THE ISSUER, TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE ISSUER HAS NO TAXING POWER.

Following execution by the Issuer, the Bonds shall not be valid or obligatory for any purpose unless and until the Bonds have been duly authenticated by the Agent by the execution of the certificate of authentication appearing on such Bonds. The certificate of authentication appearing on the Bonds shall be deemed to have been duly executed by the Agent if manually signed by an authorized officer or employee of the Agent. Such authentication certificate of the Agent as the case may be, shall be conclusive evidence that the Bonds so registered or authenticated has been duly executed, registered, or authenticated and delivered. If a Paying Agent has been engaged in accordance with Section 11 of the Agency Agreement, such Paying Agent may perform the functions described in this paragraph.

Section 2.03 Principal. The outstanding principal amount of a series of Bonds as of any given date shall be the total amount advanced by the Holder to the Agent (or the Paying Agent, if applicable) on account of the Holder's purchase of such Bonds and advanced or constructively advanced by the Agent to the Borrower (or the Paying Agent, if applicable) as proceeds of the portion of the Loan evidenced by the corresponding Note, less any payments of principal previously received by such Holder on such Bonds. The principal amount of the Bonds and interest thereon shall be payable on the basis specified in Sections 2.04 and 2.06. The Bonds shall be subject to redemption as provided in Sections 2.09 through 2.12 and shall mature, and become

due and payable in full, together with all accrued and unpaid interest thereon, on the Maturity Date.

In the event a change in the Maturity Date causes, in the opinion of Bond Counsel, a re-issuance of the Bonds for federal tax purposes, such change in maturity date shall not occur until (i) Bond Counsel issues an opinion that such change will not cause interest on the Bonds to be included in gross income for federal income tax purposes and the Issuer shall prepare and file such certificates and forms as directed by Bond Counsel, at the expense of the Borrower.

Section 2.04 Interest. Interest shall be paid on the outstanding principal amount of each series of Bonds, from and after the Closing Date, at the rate or rates equal to the interest rate in effect from time to time on the corresponding Note as provided in the Loan Agreement, payable on each Interest Payment Date. Interest on each series of Bonds shall be calculated as provided in the Loan Agreement and the corresponding Note.

The Bonds shall bear interest from the date to which interest has been paid on the Bonds next preceding the date of their authentication, unless the Bonds are authenticated as of an Interest Payment Date for which interest has been paid, in which event they shall bear interest from such Interest Payment Date, or unless the Bonds are authenticated on or before the first Interest Payment Date, in which event they shall bear interest from the Closing Date.

Section 2.05 Limited Obligation of Issuer and Agent to Make Payments. The payments of principal, interest, premiums, late payment fees and all other amounts to be made on the Bonds to the Holder thereof shall be made in accordance with the terms of the Bonds. In no event, however, shall the Issuer or the Agent have any obligation to make or remit such payments to the Holder unless and until moneys are received therefor by the Issuer or the Agent, as the case may be, from or with respect to the Loan.

Section 2.06 Corresponding Payments. The payment or prepayment of principal and interest, premiums, late payment fees and other amounts due on the Bonds shall be identical with and shall be made on the same dates, terms and conditions as the principal, interest, premiums, late payment fees and other amounts due on the Note, as provided in the Loan Agreement and the Note. Any payment or prepayment made by the Borrower of principal, interest, premiums, late payment fees and other amounts due on a Note shall be deemed to be like payments or prepayments of principal, interest, premiums, late payment fees and other amounts due on the corresponding Bonds. Payments or prepayments by the Borrower under a Note shall be deemed to have been constructively received by the Holder as payments or prepayments on the corresponding Bonds on the date of receipt of such payments by the Agent, and interest with respect to each principal payment or prepayment shall cease to accrue upon receipt thereof by the Agent. Payments or prepayments of principal, interest, premiums, late payment fees and other amounts due shall be remitted immediately by the Agent to the Holder. Late payment fees payable on the Note as provided in the Note and other amounts, if any, payable on the Note as provided in the Loan Agreement or the Note other than principal, interest and premium shall be retained by the Agent as additional compensation. If more than one corresponding Bond is outstanding on the date of any payment on the Note, such payment shall be paid to the holders of such Bonds on a pro rata basis (based on the respective outstanding principal balances of such Bonds).

Within five (5) Business Days of each payment by the Borrower of principal on the Bonds, the Borrower will notify the Issuer, via mutually acceptable electronic means and with receipt confirmed by sender, of the aggregate principal amount of Bonds that remain Outstanding, or that no Bonds remain Outstanding.

Section 2.07 Replacement of Bonds. Upon receipt of evidence reasonably satisfactory to the Issuer of the loss, theft, destruction or mutilation of the Bonds, or any replacement Bonds, and, in the case of any such loss, theft, or destruction, upon the delivery of an indemnity agreement reasonably satisfactory to the Issuer or, in the case of any mutilation, upon the surrender and cancellation of such mutilated Bond, the Issuer, at the expense of the Holder of such Bond, will issue a new Bond, of like tenor, in lieu of such lost, destroyed or mutilated Bond.

Section 2.08 Registration and Transferability. The Bonds shall be in fully registered form, registered in the name of the Holder upon registration books of the Issuer at the office of the Agent, such registration to be noted on the Bonds, after which no transfer shall be valid unless made in compliance with the provisions of this Section 2.08. The Bonds shall be physical, certificated instruments, and shall not be held in a book-entry only system or registered through The Depository Trust Company. The Bonds shall be sold, assigned, transferred or otherwise disposed of only in Authorized Denominations. The Bonds shall be transferable upon said registration books by the Holder in person or by its attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Agent, duly executed by the registered Holder or its duly authorized attorney. Upon such transfer, the Agent will note the date of registration and the name and address of the newly registered Holder on the books of the Issuer and on the Bonds. The Issuer and the Agent may deem and treat the person in whose name the Bond is last registered upon the books of the Issuer, with such registration noted on the Bond, as the absolute owner thereof for the purpose of receiving payment of or on account of the principal, or interest, premium and late payment fees and for all other purposes; all such payments so made to the registered Holder or upon its order shall be valid and effectual to satisfy and discharge the liability upon the Bond to the extent of the sum or sums so paid, and the Issuer shall not be affected by any notice to the contrary.

Notwithstanding the foregoing, if a Paying Agent has been engaged in accordance with Section 11 of the Agency Agreement, such Paying Agent may be designated by the Agent to act as registrar for the Bonds, to take and maintain physical possession of the Bonds.

With the exception of a transfer to an Affiliate of Holder, the Bonds (and any interests therein) shall not be sold, assigned, transferred or otherwise disposed of by the Holder or any Affiliate of the Holder unless the purchaser of the Bonds (or of any such participation interest) provides a Purchaser's Letter substantially in the form attached hereto as EXHIBIT B. Notwithstanding the above, any Holder shall be a (i) Qualified Institutional Buyer, (ii) an Accredited Investor, (iii) JPMC, or (iv) one of the following assignees of JPMC pursuant to the Bond Purchase Agreement: (A) Fannie Mae or Freddie Mac, (B) an Affiliate of JPMC, or (C) a fund established and managed by JPMC (or by a single member limited liability company in which JPMC is the sole member) and in which all of the investors in such fund are banks, insurance companies or other financial institutions (or affiliates of such entities) and each of which is a Qualified Institutional Buyer with net assets of not less than five billion dollars

(\$5,000,000,000). The Issuer hereby approves the sale of the Bonds to JPMC pursuant to the Bond Purchase Agreement.

Nothing contained in this Section 2.08 shall be deemed to limit or otherwise restrict the sale by any Holder of any participation interests in any Bond; provided that (1) such Holder is JPMC or any Authorized Participant who is selling interests to an Authorized Participant; or (2) (A) such Holder shall remain the Holder of record of such Bond following the sale of any such participation interest; (B) the purchaser of the participation interest is a Qualified Institutional Buyer (in which event such Holder shall remain the Holder of the applicable Bond for all purposes of this Pledge and Assignment); (C) any such participation shall be in a principal amount of at least \$250,000; and (D) the purchaser of such participation interest shall provide an investor letter to the Issuer substantially in the form of Exhibit B hereto. The Holder shall provide written notice to the Issuer identifying any person or entity acquiring a participation interest in the Bonds. No sale of participations in the Bonds by the Holder shall relieve the Holder of its obligation to advance the proceeds of the Bonds when required by this Pledge and Assignment. In no case shall a purchaser of participation interests in the Bonds be deemed to be a Holder of the Bonds. The Holder may disclose to any purchasers or prospective purchasers any information or other data or material in the Holder's possession relating to the Issuer, the Bonds and the Project, without the consent of or notice to the Issuer.

The Agent shall indemnify and defend the Issuer against any claim brought by any transferor or transferee of the Bonds in respect of the Bonds, this Pledge and Assignment or any of the Loan Documents in the event that the Agent permits a transfer of the Bonds in violation of the restrictions in this Section 2.08.

Section 2.09 Circumstances of Redemption of the Bonds. The Bonds are subject to redemption upon the circumstances, on the dates and at the prices set forth as follows:

(a) The Bonds shall be subject to redemption in whole on any date at a redemption price equal to the outstanding principal amount of the Bonds to be redeemed plus interest accrued thereon to the date fixed for redemption, together with any applicable premium, upon acceleration of the Loan in whole following an Event of Default (as defined in the Loan Agreement).

(b) The Bonds shall be subject to redemption in whole or in part on any date at a redemption price equal to the outstanding principal amount of the Bonds to be redeemed plus accrued interest to the redemption date, together with any applicable premium, from the proceeds of any prepayment of the Loan under the terms of the Note or the Loan Agreement including any mandatory payment in connection with regularly scheduled Loan amortization. Any partial redemption of Bonds shall be deemed to redeem the corresponding Bonds representing one or more particular draws or advances, in whole or in part, if the amounts and dates of such draws are specified in writing by the Holder to the Agent, JPMC, the Borrower and the Issuer on or prior to the redemption date; provided, however, that any partial mandatory redemption of Bonds made in connection with the Conversion of the Loan shall be deemed to redeem first, any Bonds that are or will become taxable Bonds by virtue of a change in law, and second, any Bonds that are or will remain tax-exempt Bonds notwithstanding such change in law, in each case, in inverse order of the draw date of such Bonds. In the case of a partial redemption of Bonds requiring the

redemption of taxable Bonds before tax-exempt Bonds as provided in the foregoing sentence, the Agent shall specify in writing the dates and amounts of the draws deemed to be redeemed in accordance with this paragraph, and shall deliver such writing to the Holder, JPMC, the Borrower and the Issuer on or prior to the redemption date.

(c) The Bonds shall be subject to redemption in whole on any date at a redemption price equal to the outstanding principal amount of the Bonds to be redeemed plus interest accrued thereon to the date fixed for redemption, upon payment of the Loan in whole at the maturity thereof, if earlier than the Maturity Date.

The premium due in connection with any of the foregoing redemption provisions shall be an amount equal to any amount paid pursuant to the Note and/or the Loan Agreement in connection with such redemption that is in excess of the principal and interest on the Bonds otherwise due on the redemption date.

The Agent shall give written notice of any redemption pursuant to this Section 2.09 (other than redemptions under clause (c) that correspond to mandatory payments in connection with regularly scheduled Loan amortization) to the Issuer within 15 Business Days of such redemption.

Section 2.10 No Notice of Redemption. No notice of redemption of the Bonds need be given to the Holder or other owners of the Bonds.

Section 2.11 Effect of Redemption. The Bonds so called for redemption shall, on the redemption date selected by the Holder become due and payable at the redemption price specified herein, and if moneys provided from the sources contemplated by this Pledge and Assignment and the Loan Agreement for payment of the redemption price are then held by the Holder, interest on the Bonds so called for redemption shall cease to accrue, said Bonds shall cease to be entitled to any lien, benefit or security under this Pledge and Assignment, and the holders of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

All Bonds fully redeemed pursuant to the provisions of Section 2.09 shall be destroyed by the Agent, which shall thereupon note such destruction in the registration books maintained by the Agent pursuant to Section 2.08 of this Pledge and Assignment.

Section 2.12 Conversion Date. The Conversion Date shall be established pursuant to the Bond Purchase Agreement. Upon Conversion, the Agent, the Holder, the Borrower and the Issuer shall execute such instruments of assignment and transfer related to the Note and the related Collateral as shall be required by the Bond Purchase Agreement; provided that JPMC must assume the obligations of Agent and Holder under this Pledge and Assignment.

ARTICLE III. SECURITY FOR THE BONDS

Section 3.01 Delivery of Collateral. To provide security for the payment of the Bonds, the Agent and the Issuer have pledged, assigned, transferred, conveyed and granted their respective right, title and interest in the Loan and other security constituting the Collateral to the

Holder, subject to any Reserved Rights of the Issuer. In connection with such pledge, assignment, transfer and conveyance, the Agent shall deliver to the Holder the following documents or instruments promptly following their execution:

- (a) The Note endorsed without recourse by the Agent;
- (b) An originally executed Loan Agreement and Regulatory Agreement;
- (c) An originally executed Mortgage and all other Loan Documents constituting the Collateral existing at the time of delivery of the Note and a collateral assignment of the Mortgage from Agent to Holder, in recordable form;
- (d) Uniform Commercial Code financing statements describing any personal property forming part of the Project, in form suitable for filing and showing the Agent as secured party and the Holder as an assignee of the Agent's security interest in such personal property; and
- (e) Uniform Commercial Code financing statements describing the Collateral pledged under this Pledge and Assignment, and describing the Agent as secured party and the Holder as an assignee of the Agent's security interest in the Collateral;
- (f) An opinion of Bond Counsel to the effect that the interest on the Bonds, under laws in effect on the date of such opinion, is excluded from gross income for federal income tax purposes and, where applicable, for State income tax purposes; and
- (g) An opinion of counsel to the Borrower as to due authorization, delivery and enforceability of the Loan Documents.

The Agent and the Issuer shall deliver and deposit with the Holder such additional documents, financing statements, and instruments as the Holder may reasonably require from time to time for the better perfecting and assuring to the Holder of its lien and security interest in and to the Collateral.

Section 3.02 Agent the Mortgagee of Record. Notwithstanding the pledge, transfer and conveyance hereunder of the Loan and the other Collateral to the Holder, the Agent shall, except as otherwise provided in Section 9.02 of this Pledge and Assignment upon the occurrence of an Event of Default, be and remain the mortgagee of record for the Loan, and is fully authorized and empowered to service and administer the Loan as provided in Section 4.01 hereof.

ARTICLE IV. SERVICING THE LOANS AND THE BONDS

Section 4.01 Servicing the Loan. The Agent shall take all steps necessary to maintain its qualifications to act hereunder as mortgagee, and shall service and administer the Loan in accordance with standard mortgage banking practices, taking all steps and exercising the same degree of care and skill with respect to the Loan, the Project and the Loan Documents that it would take or exercise under the circumstances in protecting its own interests as a mortgage lender or investor therein. Except as specifically noted below, the Agent shall have full power and authority, acting alone, to do any and all things in connection with such servicing and

administration of the Loan that it may deem necessary or desirable, including, without limitation, the following:

(a) The making of advances on the Loan directly to or for the account of the Borrower, pursuant to the Loan Agreement and other Loan Documents, in accordance with law and the Agent's usual practices and procedures in administering similar projects and mortgage loans.

(b) Recording and filing of documents and statements to create, preserve and release the lien of the Mortgage on the Project and the site on which it is located, site inspections, obtaining title updates and endorsements, processing change orders, and maintaining required insurance and escrow funds.

(c) The collection, holding and disbursement in accordance with the requirements of the Loan Documents and any applicable laws, of all payments of principal and interest due under the Loan, and any other payments or sums due under or with respect to the Loan, the Mortgage or other Loan Documents, including, without limitation, all payments for taxes, assessments, hazard insurance premiums, service charges and late payment fees, all proceeds of title and hazard insurance policies, payment and performance bonds, letters of credit, and all condemnation awards.

(d) The preservation, administration and enforcement of the Loan and the Loan Documents, and in this connection the Agent may do, or refrain from doing, all acts which are permitted under the terms of the Loan or the Loan Documents and which in its sole judgment may be appropriate; provided, however, that, except as otherwise permitted in accordance with Section 5.02 hereof upon the happening of a default by the Borrower under the Loan Agreement, a Note or the Mortgage, the Agent may not take any action that would cause interest on the Bonds to be included in the gross income of the owners thereof for purposes of federal income taxation without the prior written consent of the Issuer and the Holder or do any of the following without the prior written consent of the Holder:

(i) consent to or permit modification of the maximum face principal amount of the Loan, reduce the interest rate thereon, or extend the maturity date thereof or the due date of any principal payment thereof or the date for commencement of amortization (except as provided therein), or

(ii) make or consent to any release of the Borrower from any liability under the Loan or any of the Loan Documents except as otherwise expressly contemplated under the Loan Documents.

(e) The preservation and administration of all escrow funds required by any of the Loan Documents, in accordance with the requirements of the Loan Documents.

Section 4.02 Paying Agent for the Bonds; Investments. The Agent shall serve as paying agent for the Bonds and on behalf of the Issuer, and shall remit, directly to the Holder, the payments of principal, interest, premiums, late payment fees and all other amounts due on the Bonds required by, and in accordance with, Sections 2.3, 2.4, 2.5 and 2.6 hereof. The Agent shall

invest any undisbursed Bond proceeds in Permitted Investments, as directed by the Borrower and as approved by the Holder, which approval shall not be unreasonably withheld.

Permitted Investments may be purchased at such prices as the Agent may in its discretion determine or as may be directed by written request of the Borrower, approved by the Holder, which approval shall not be unreasonably withheld, provided that, except as hereinafter provided in the next sentence, all Permitted Investments acquired with the proceeds of the Bonds (within the meaning of Section 148 of the Code) shall be acquired, disposed of and valued (as of the date that valuation is required by the Code) at Fair Market Value in accordance with the Tax Certificate. Investments of such proceeds that are subject to a yield restriction under applicable provisions of the Code shall be valued at their present value (within the meaning of Section 148 of the Code). All Permitted Investments relating to the Bonds shall be acquired subject to any additional limitations set forth in the Tax Certificate dated the Closing Date executed by the Issuer and the Borrower.

Section 4.03 Standard of Care. In servicing and administering the Loan and acting as a paying agent for the Bonds pursuant to Sections 4.01 and 4.02 hereof, the Agent shall act in the best interests of the Holder, but neither the Issuer nor the Agent shall be liable to the Holder or to any other person or entity if, in so servicing and administering the Loan and the Bonds, the Agent exercises that degree of ordinary prudence and skill which it would exercise under the circumstances in protecting its own interests as if it were the Holder, and further, neither the Issuer nor the Agent shall have any liability when the Agent acts, or refrains from acting, pursuant to the specific written instructions of the Holder. The Issuer shall have no liability to the Holder for actions taken by the Agent in servicing and administering the Loan or acting as paying agent for the Bonds, including, but not limited to, liability for the errors or omissions, willful misconduct or negligence of the Agent.

Section 4.04 Indemnification of Issuer by Agent. The Holder acknowledges that notwithstanding any other provision of this Pledge and Assignment, Agent is acting as an independent contractor and not as the Agent of Issuer in servicing and administering the Loan. To the fullest extent permitted by law, the Agent agrees to indemnify, hold harmless and defend the Issuer and its members, and their commissioners, officers, members, directors, officials, agents, attorneys and employees, and each of them (each, an "Indemnified Party"), against all loss, costs, damages, expenses, suits, judgments, actions and liabilities of whatever nature (including, without limitation, attorneys' fees, litigation and court costs, amounts paid in settlement, and amounts paid to discharge judgments) directly or indirectly resulting from or arising out of or related to any act or omission on the part of Agent under this Pledge and Assignment, except to the extent such damages are caused by the willful misconduct of such Indemnified Party or failure by such Indemnified Party to perform its obligations under this Pledge and Assignment and the Agency Agreement. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, the Agent, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Issuer shall have the right to review and approve or disapprove any such compromise or settlement. Notwithstanding the above, each Indemnified Party shall have the right to employ separate legal counsel in any such action or

proceeding and participate in the investigation and defense thereof, and the Agent shall pay the reasonable fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of the Agent if, in the judgment of such Indemnified Party, a conflict of interest exists by reason of common representation or if all parties commonly represented do not agree as to the action (or inaction) of counsel.

The provisions of this Section shall survive the termination of this Pledge and Assignment.

The Holder and the Agent each further covenants that nothing within this Section 4.04 shall limit the rights of the Issuer or any of the other Indemnified Parties to indemnity under the Regulatory Agreement and that such indemnification shall survive the termination and discharge of this Pledge and Assignment.

ARTICLE V. DEFAULTS ON LOAN

Section 5.01 Defaults on Loan. Except as provided in Section 5.02 hereof, upon the happening of any default by the Borrower under the Loan Agreement, a Note or the Mortgage, or any other Loan Document, after expiration of any applicable cure periods, the Agent shall (a) promptly notify in writing the Holder, the Borrower, and the Investor Limited Partner of the default, (b) take such action as it is directed to take by the Holder to enforce the Loan Documents, and (c) promptly apply all proceeds realized upon enforcement of the Loan Documents, if any, in the following order of priority, except to the extent that some other order of priority is required to maintain the tax-exempt status of the Bonds, in which case proceeds shall be applied in such order of priority:

(a) To reimburse the Agent for its losses and expenses (including reasonable attorneys' fees) incurred in taking such action to enforce the Loan Documents or as a result of an alternate cause or causes of action described in Section 5.02;

(b) To pay to the Holder all principal outstanding on the Bonds, without preference or priority of any installment or amount of such principal over any other installment of principal;

(c) To pay to the Holder all unpaid premium and late payment fees, without preference or priority of any installment or amount of such principal, premium or fees over any other installment of principal, premium or fees;

(d) To reimburse the Holder for any losses or expenses incurred by it in connection with such default on the Bonds;

(e) To pay to the Holder any interest accrued on the Bonds, without preference or priority of any installment of such interest over any other installment of such interest; and

(f) To pay to the Issuer any unpaid fees or expenses.

The balance, if any, of such proceeds shall be applied in accordance with the Loan Documents, if applicable, and otherwise in accordance with the applicable law or as determined by the Agent and the Issuer.

In the event that Agent or Holder accepts a deed in lieu of a foreclosure or credit bids at the foreclosure or trustee's sale and subsequently takes title to the Project, Holder may request that the Issuer effect a termination of the Regulatory Agreement, but only in accordance with the terms of the Regulatory Agreement and the requirements of the Code. In the event that the Agent accepts a deed in lieu of foreclosure or makes a credit bid at a foreclosure or trustee's sale and subsequently takes title to the Project, the Agent shall take appropriate action to cause such deed to be delivered to the Holder.

The Issuer shall have no obligation to take any action or to incur any expense with respect to any default by the Borrower and shall have no liability to the Holder, the Agent or any other person for any losses or expenses incurred as a result of such a default.

The Issuer, Agent and Holder hereby agree that the cure of any default under the Loan Agreement, a Note or the Mortgage, or any other Loan Document which is timely made by any partner of the Borrower within the same cure period granted to the Borrower shall be deemed a cure by the Borrower.

Section 5.02 Action After Consultation With Holder. Upon the happening of any default by the Borrower under the Loan Agreement, a Note, the Mortgage or any other Loan Document, after expiration of any applicable cure periods, the Agent shall notify the Holder of such circumstance. The Agent may request consent of the Holder, with a written copy of such request being delivered to the Issuer, to a course of action which is other than the enforcement of the Loan Documents but which is considered reasonable or appropriate by the Agent. Such course of action may include, but shall not be limited to, waiver of payments to any escrow or reserve required under the Mortgage or Loan Documents, deferral of payment of principal or interest on the Loan, entering into a forbearance agreement with the Borrower, and any similar work-out arrangement; provided, however, that no such course of action shall be pursued which, in the opinion of Bond Counsel, would cause interest on the Bonds to be included in gross income for purposes of federal income taxation without the prior written consent of the Issuer and the Holder. In the event the Issuer and the Holder shall approve in writing any such course of action, the Agent shall take such course of action.

Section 5.03 Losses and Expenses Upon Exercise of Rights. Any and all losses or expenses incurred in enforcing the Loan Documents, or as a result of an alternate course or courses of action approved by the Holder shall be borne by the Borrower. Such losses or expenses may include, but shall not be limited to:

(a) Subject to the non-recourse provisions set forth in the Loan Agreement, loss resulting from nonpayment of interest on or principal of the Loan or from receipt of interest at a rate other than the rate specified in the Loan Agreement.

(b) Reimbursement of Agent for expenditures made voluntarily by it for taxes, assessments, water rates, hazard insurance and similar items with respect to the Project or the Loan, or for the completion and preservation of the Project.

(c) Expenses of foreclosure and trustee's sale (including reasonable attorney's fees and court costs) in the event the Agent forecloses the Mortgage.

(d) Loss resulting from interest on the Bonds becoming includable in gross income for purposes of federal income taxation.

(e) Costs and expenses resulting from any indemnification provided pursuant to Section 4.04 hereof or otherwise.

Section 5.04 Notice to Issuer. The Agent shall provide the Issuer a copy, delivered simultaneously with its delivery to other parties, of any notices given by it or delivered to it regarding the acceleration of the Loan or the foreclosure of the Mortgage.

ARTICLE VI. REPRESENTATIONS AND COVENANTS BY AGENT AND ISSUER

Section 6.01 Representations by Agent. The Agent hereby represents and warrants to the Holder that as of the date of execution of this Pledge and Assignment, the Agent is a national banking association duly organized, validly existing and in good standing under the laws of the United States, and has all requisite power and authority to enter into this Pledge and Assignment and to carry out its obligations hereunder.

Section 6.02 Representations by Issuer. The Issuer hereby represents and warrants to the Holder, that as of the date of execution of this Pledge and Assignment:

(i) The Issuer is a public body corporate and politic, duly organized and existing under the Constitution and the laws of the State of California.

(ii) The Bonds have been duly authorized and issued in accordance with the Act and other applicable laws of the State of California.

(iii) The Issuer has all requisite power and authority to enter into this Pledge and Assignment and to carry out its obligations hereunder.

(iv) The Issuer will take all actions required by the Tax Certificate to assure the exclusion of interest on the Bonds from the gross income of the owners of the Bonds under the Code as in effect on the date of issuance of the Bonds. In the event of a conflict between the terms of this Pledge and Assignment and the Tax Certificate, the terms of the Tax Certificate shall control.

Section 6.03 Tax-Exempt Status of the Bonds . (a) It is the intention of the parties hereto that interest on the Bonds shall be and remain excluded from gross income for federal income tax purposes and to that end the Issuer agrees to comply with all the requirements applicable to it, set forth in the Tax Certificate.

(b) In addition, the Issuer hereby covenants to the Holder that:

(i) The Issuer will not take any action or knowingly permit any action to be taken if the result of the same would be to cause any of the Bonds to be “federally guaranteed” within the meaning of section 149(b) of the Code.

(ii) The Issuer will, at the request and expense of the Borrower, timely cooperate with the Borrower in making such filings and remitting such payments, if any, as required under section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Bonds.

(iii) The Issuer will not take, or knowingly permit to be taken, any action with respect to the proceeds of the Bonds that will cause the Bonds to be “arbitrage bonds” within the meaning of section 148 of the Code.

(iv) The Issuer will take all reasonable actions within its power to assure the exclusion of interest on the Bonds from the gross income of the owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds.

(v) Except as otherwise provided in the following sentence, the Agent and the Issuer covenant that all investments of amounts deposited in any fund or account created by or pursuant to this Pledge and Assignment, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Pledge and Assignment or the Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code and (unless valuation is undertaken at least annually) investments in any reserve fund shall be valued at their present value (within the meaning of section 148 of the Code).

(vi) The Issuer will comply with its obligations under the Regulatory Agreement and shall enforce the obligations of the Borrower under the Regulatory Agreement, the provisions of which are incorporated herein by this reference.

The covenants set forth in (b)(i) through (b)(v) above are made exclusively in reliance on the representations and covenants of the Borrower set forth in the Regulatory Agreement and the Tax Certificate, and a default by the Borrower with respect thereto shall not be considered a default of the Issuer hereunder and the Issuer shall have no liability under this Section as a result of any default of or breach by the Borrower of any such representation or covenant set forth in the Regulatory Agreement and said Tax Certificate.

ARTICLE VII. BOOKS AND RECORDS; REPORTS

Section 7.01 Books and Records. The Agent shall at all times keep proper books, accounts and records relating to the Loan, the Project, the Loan Documents and the Bonds in a manner conforming to normal banking practices and in accordance with generally accepted accounting principles. All such books, accounts and records shall be accessible for inspection or

duplication by the Holder or the Issuer, or their respective representatives during normal business hours or at any other reasonable times.

Section 7.02 Reports. The Agent shall issue a written report to the Holder and the Issuer of any material adverse condition known to the Agent which, in its reasonable judgment, could result in an Event of Default hereunder or a default under the Loan or the Loan Documents promptly upon learning of such condition. The Agent shall furnish to the Holder and the Issuer at least annually and upon request a statement of the principal balance outstanding on the Bonds.

ARTICLE VIII. NONRECOURSE; OBLIGATIONS NOT DEBT OF ISSUER, AGENT OR STATE

Section 8.01 Limited Obligations. None of the Issuer, any commissioner or member of the Issuer or any person executing the Bonds is liable personally on the Bonds or subject to any personal liability or accountability by reason of their issuance. The Bonds are limited obligations of the Issuer, payable solely from the Collateral, which is hereby specifically assigned and pledged to such purposes in the manner and to the extent provided herein, and are not a debt, nor a pledge of the faith and credit of the State of California or any of its political subdivisions, including any member of the Issuer, and neither are they liable on the Bonds, nor are the Bonds payable out of any funds or properties other than those of the Issuer expressly pledged for the payment thereof hereunder. The Bonds do not constitute indebtedness within the meaning of any constitutional or statutory debt limitation. The issuance of the Bonds shall not directly, indirectly or contingently obligate the State of California or any political subdivision thereof, including any member of the Issuer, to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment. The Issuer has no taxing power.

The Issuer shall not be liable for payment of the principal of, redemption premium or interest on the Bonds or any other costs, expenses, losses, damages, claims or actions of any conceivable kind on any conceivable theory, under or by reason of or in connection with this Pledge and Assignment, the Bonds or any other documents, except only to the extent amounts are received for the payment thereof from the Borrower under the Loan Agreement.

The Issuer shall not be obligated to pay the principal (or redemption price) of or interest on the Bonds, except from Collateral and other moneys and assets received by the Agent on behalf of the Issuer pursuant to this Pledge and Assignment. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof, nor the faith and credit of the Issuer or any member is pledged to the payment of the principal (or redemption price) or interest on the Bonds.

No recourse shall be had for the payment of the principal of, premium, if any, or interest on the Bonds or for any claim based thereon, or upon any obligation, covenant or agreement contained in this Pledge and Assignment, against the Issuer (except the Collateral), any past, present or future member of its governing body, its commissioners, members, officers, attorneys, accountants, financial advisors, agents or staff, or the officers, attorneys, accountants, financial advisors, agents or staff of any successor public entity, as such, either directly or through the Issuer or any successor public entity, under any rule of law or penalty or otherwise. All such liability of the Issuer, any member of its governing body and its officers, attorneys, accountants,

financial advisors, agents and staff is hereby, and by the acceptance of the Bonds, expressly waived and released as a condition of, and in consideration for, the execution of this Pledge and Assignment and the issuance of the Bonds.

It is recognized that notwithstanding any other provision of this Pledge and Assignment, neither the Agent nor any Holder shall look to the Issuer (except the Collateral) or its board of commissioners, members, directors, officers, attorneys, accountants, financial advisors, agents or staff or any successor or public entity for damages suffered by the Agent or such Holder as a result of the failure of the Issuer to perform any covenant, undertaking or obligation under this Pledge and Assignment, the Agency Agreement, the Bonds, the Regulatory Agreement or any of the other documents referred to herein, except as a result of the incorrectness of any representation made by the Issuer in any of such documents, nor for any other reason. Although this Pledge and Assignment recognizes that such documents shall not give rise to any pecuniary liability of the Issuer, nothing contained in this Pledge and Assignment shall be construed to preclude in any way any action or proceeding (other than that element of any action or proceeding involving a claim for monetary damages against the Issuer) in any court or before any governmental body, agency or instrumentality or otherwise against the Issuer or any of its officers or employees to enforce the provisions of any of such documents which the Issuer is obligated to perform and the performance of which the Issuer has not assigned to the Agent or any other person.

Nothing in this Section 8.01 or elsewhere in this Pledge and Assignment shall be construed as limiting any direct recourse liability of Borrower under the Loan Documents and the liability of the applicable guarantor under any guaranty provided by or on behalf of the Borrower.

ARTICLE IX. DEFAULTS UNDER THIS PLEDGE AND ASSIGNMENT AGREEMENT

Section 9.01 Events of Default. Each of the following events shall constitute an event of default (“**Event of Default**”) under this Pledge and Assignment:

(a) Any failure by the Agent to remit to the Holder any payment to be made on the Bonds in accordance with the provisions of this Pledge and Assignment or the Bonds on the due date thereof;

(b) If the Agent shall fail to conform or comply with any other terms or provisions of this Pledge and Assignment or the Bonds and such failure shall continue for more than thirty (30) days after notice thereof to the Agent from the Holder or, where such default is not subject to cure within such thirty

(c) (30) day period, if the Agent within such period shall not have commenced with due diligence and dispatch the curing of such default or thereafter shall fail to prosecute and complete with due diligence and dispatch and within a reasonable time the curing of such default;

(d) If any representation or warranty made by the Agent or by the Issuer contained in this Pledge and Assignment shall prove to have been false or incorrect in any material respect on the date as of which made;

(e) If the Issuer shall fail or refuse to, or be unable after thirty (30) days' notice from the Agent or the Holder to perform or comply with any term or provision of this Pledge and Assignment to be performed or complied with by the Issuer;

(f) If an action or proceeding shall be brought, or judgment rendered, against or relating to the Agent or the Issuer which has the effect of substantially impairing the rights and obligations of the Agent or the Issuer hereunder or under the Bonds or with respect to the Loan;

(g) Upon the written election of Holder, if either the Agent (during the term of its agency) or the Issuer shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts as they become due, or shall file a voluntary petition in bankruptcy, or shall be adjudicated as bankrupt or insolvent, or shall file any petition or answer seeking, consenting to, or acquiescing in reorganization, arrangement, adjustment, composition, liquidation, dissolution, or similar relief under any present or future statute, law or regulation, or shall file an answer admitting or shall fail to deny or contest the material allegations of a petition against it for any such relief, but only if any such event adversely impacts the payment of debt service on the Bonds; or

(h) Upon the written election of Holder, if, with respect to either the Agent (during the term of its agency) or the Issuer, a trustee, receiver or liquidator of any material part of its properties or assets shall be appointed with its consent or acquiescence, or if any such appointment, if not so consented to or acquiesced in, shall remain unvacated or unstayed for ninety (90) days, but only if such event adversely impacts the payments of the debt service on the Bonds.

The Issuer, Agent and Holder hereby agree that the cure of any Event of Default hereunder which is timely made by any partner of the Borrower within the same cure period granted to the Borrower shall be deemed a cure by the Borrower.

Section 9.02 Remedies. If any Event of Default shall have occurred and be continuing, the Holder shall give notice to the Issuer and Agent and shall have all rights, powers, and remedies with respect to the Collateral as are available under the Uniform Commercial Code applicable thereto or as are available under any other applicable law at the time in effect and, without limiting the generality of the foregoing, the Holder may proceed at law or in equity or otherwise, to the extent permitted by applicable law:

(a) to take possession of the Collateral or any part thereof, with or without legal process, and to hold, service, administer and enforce any rights thereunder or thereto, and otherwise exercise all rights of ownership thereof, including (but not limited to) the sale of all or part of the Collateral;

(b) to become mortgagee of record for the Loan and to service and administer the same with the same power, authority and standard of care as had been provided for the Agent under Sections 4.01 and 4.03 hereof;

(c) to service and administer the Bonds as agent and on behalf of the Issuer or otherwise, and, if applicable, to take all actions necessary to enforce the Loan Documents, and to

take alternative courses of action, with the same power, authority and standard of care as had been provided for the Agent under Sections 4.03, 5.01, 5.02 and 5.03 hereof;

(d) to take such steps to protect and enforce its rights whether by action, suit or proceeding in equity or at law for the specific performance of any covenant, condition or agreement of the Agent or the Issuer in the Bonds, this Pledge and Assignment, or the Loan Documents, or in and of the execution of any power herein granted, or for foreclosure hereunder, or for enforcement of any other appropriate legal or equitable remedy or otherwise as the Holder may elect.

Section 9.03 Continuance of Obligations Upon Default by Agent. Notwithstanding any other provision of this Pledge and Assignment, upon the occurrence and continuance of any Event of Default caused by or resulting from action, inaction or other condition on the part of the Agent (a) the Bonds shall for all purposes hereof remain outstanding and shall continue in full force and effect, and (b) the Holder shall exercise such rights, powers and remedies hereunder or at law as may be required to become the mortgagee of record for the Loan and to service and administer the Loan and the Bonds, and shall thereupon service and administer the Loan as mortgagee of record, or shall have the right to retain another mortgagee to so service and administer the Loan and administer the Bonds as agent and on behalf of the Issuer, in accordance with Sections 4.01, 4.02, 4.03, 5.01, 5.02 and 5.03 hereof, until retirement of the Bonds. Further, notwithstanding any such Event of Default, the provisions set forth in Section 4.04. hereof shall continue in full force and effect.

Section 9.04 Continuance of Obligations and Servicing by Agent Upon Default by Issuer. Notwithstanding any other provision of this Pledge and Assignment, upon the occurrence and continuance of any Event of Default caused by or resulting from action, inaction or other condition on the part of the Issuer, and not caused by action, inaction or other condition on the part of the Agent, then, unless otherwise specified to the contrary by the Holder (a) the Bonds shall, to the extent possible under the law and in the best interests of the Holder, for all purposes remain outstanding and shall continue in full force and effect, (b) the Holder shall not take possession of the Collateral, become mortgagee of record for the Loan or otherwise exercise its remedies hereunder or at law, and (c) the Agent shall, to the extent possible under the law and in the best interests of the Holder, continue to service the Loan as mortgagee of record and continue to service and administer the Bonds as agent and on behalf of the Issuer in accordance herewith until retirement of the Bonds.

Section 9.05 Holder Authorized to Execute Assignments, Etc. Subject to Section 2.08 hereof, the Issuer and the Agent each hereby irrevocably appoints the Holder the true and lawful attorney of such party, in its name and stead and on its behalf, for the purpose of effectuating any sale, assignment, transfer or other disposition of the Bonds for the enforcement of this Pledge and Assignment and the Bonds, to execute and deliver all assignments and other instruments as the Holder may consider necessary or appropriate, with full power of substitution, the Issuer and the Agent each hereby ratifying and confirming all that its said attorney or any substitute shall lawfully do by virtue hereof. If so requested thereafter by the Holder, the Issuer or the Agent shall ratify and confirm any such sale, assignment, transfer or other disposition by executing and delivering to the Holder all proper assignments, releases and other instruments as may be designated in any such request. Notwithstanding the foregoing, the Holder shall not have

the right to delegate the Holder's obligation to make advances to the Agent for the account of the Issuer.

Section 9.06 Waiver of Appraisal, Evaluation, Etc. The Issuer and the Agent each hereby waives, to the full extent it may lawfully do so, the benefit of all appraisal, evaluation, stay, extension and redemption laws now or hereafter in force and all rights of marshaling in the event of any sale hereunder or any taking of possession by the Holder, of the Collateral or any part thereof or any interest therein.

Section 9.07 Application of Proceeds of Sale. The proceeds of any sale hereunder of the Collateral or any part thereof or any interest therein shall be applied in the order of priorities set forth in Section 5.01 hereof.

Section 9.08 Right of Holder to Perform Covenants of the Issuer and the Agent. If the Issuer or the Agent shall fail to take any action or to perform any obligation required of it hereunder following written notice from the Holder of not less than five (5) Business Days, the Holder, without further notice to or demand upon the Issuer or the Agent and without waiving or releasing of any obligation or default, may (but shall be under no obligation to) at any time thereafter take such action or perform such obligation for the account of the Issuer (at no expense to the Issuer) or the Agent and, in the case of the Agent, at the Agent's expense. All sums paid by the Holder or costs incurred (including, without limitation, reasonable attorneys' fees and expenses) together with interest thereon at the maximum legal rate from the date of payment by the Holder, shall be paid by the Agent.

Section 9.09 No Waiver, Etc. No failure by the Holder to insist upon the strict performance of any term hereof or of the Bonds or the Loan Documents or to exercise any right, power or remedy consequent upon a breach thereof, shall constitute a waiver of any such term or of any such breach. No waiver of any breach shall affect or alter this Pledge and Assignment, which shall continue in full force and effect until the Bonds are paid in full or cancelled, or the rights of the Holder with respect to any other then existing or subsequent breach.

Section 9.10 Remedies Cumulative, Etc. Each right, power and remedy of the Holder provided for in this Pledge and Assignment or now or hereafter existing at law or in equity or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power or remedy provided for in this Pledge and Assignment or now or hereafter existing at law or in equity or by statute or otherwise; each such right, power or remedy may be exercised by any such person in any order or sequence; and the exercise or beginning of the exercise by any such person of any one or more of such rights, powers and remedies shall not preclude the simultaneous or later exercise of any or all such rights, powers or remedies. No failure or delay on the part of the Holder to exercise any such right, power or remedy shall operate as a waiver thereof.

ARTICLE X. MISCELLANEOUS

Section 10.01 Provisions Subject to Applicable Law. All rights, powers and remedies provided herein maybe exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and are intended to be limited to the extent necessary so that they

Section 10.02 Applicable Law. This Pledge and Assignment, the Bonds and the Loan Documents shall be interpreted in accordance with and governed by the laws of the State of California, and any action arising out of this Pledge and Assignment shall be filed and maintained in the County of San Bernardino, California, unless the Issuer waives this requirement in writing.

Section 10.04 Notices, Etc. All notices, demands, requests, consents, approvals and other instruments under this Pledge and Assignment shall be in writing and shall be deemed to have been properly given if mailed by first class registered or certified mail, postage prepaid, addressed:

and a copy to:

Goldfarb & Lipman LLP
1300 Clay St., 11th Floor
Oakland, CA 94612
Attention: Rafael Yaquian
Phone: (510) 836-6336
Email: ryanquian@goldfarblipman.com
(which copy shall not constitute notice to Issuer)

DMEAST #37935114 v45

If to the Agent or the initial Holder: Bank of America, N.A.
2000 Clayton Road, 6th Floor
Concord, CA 94520
Mail Code: CA4-704-06-06
Attention: Loan Administration Manager

and a copy to:

Buchalter ~~P.C.~~, [A Professional Corporation](#)
1000 Wilshire Boulevard, Suite 1500 |
Los Angeles, CA 90017-1730
Attention: Michael Williamson, Esq.
Facsimile: (213) 891-5203
Email: mwilliamson@buchalter.com
Matter No: [B0965-0428](#)

or at such other address as the Agent or the initial
Holder may have designated by Notice to the Issuer and
the Agent.

If to the Borrower:

Waterman Gardens Partners 2, L.P.
c/o National Community Renaissance of California
9421 Haven Ave.
Rancho Cucamonga, CA 91730
Attention: Michael Finn
Telephone: (909) 483-2444
Email: mfinn@nationalcore.org

with copy to Borrower's Counsel:

Klein Hornig LLC
1325 G St. NW, Suite 770
Washington, DC 20005
Attention: Chris Hornig, Esq.
Telephone: (202) 495-4088
Email: chornig@kleinhornig.com
(which copy shall not constitute notice to Borrower)

If to CDLAC:

California Debt Limit Allocation Committee
915 Capitol Mall, Room 311
Sacramento, California 95814
Attention: Executive Director

Section 10.05 Termination. This Pledge and Assignment shall cease and terminate upon cancellation of the Bonds following the first to occur of payment in full of all obligations under the Bonds.

Section 10.06 Duty of Issuer. Except for the actions set forth herein, the Issuer shall not be required hereby to take any action or incur any expense not expressly provided for herein. The

Issuer shall not be obligated to take any action which might in its reasonable judgment involve it in any expense or liability unless it shall have been furnished with reasonable indemnity for the Issuer, its commissioners, members, officers, directors and employees.

Section 10.07 Consent to Assignment. The Issuer agrees that Bank of America, N.A. shall have the right to assign all of the rights and obligations that it holds under this Pledge and Assignment, either as “Agent” or as “Holder,” to any Affiliate in accordance with Section 2.08 hereof. The Issuer will execute and deliver to Agent any documents necessary to effectuate such assignment, and will not take any action to impair Agent’s right to assign pursuant to this Section.

Section 10.08 Amendment of the Note. The Agent, with the consent of the Holder, may accept at any time an amended Note or a new Note delivered by the Borrower upon cancellation of the then-current Note; provided that no amendment or change to a Note affecting the payment terms of the Bonds or the nature of the basic collateral security for the performance by the Borrower of its obligations in connection with the Loan shall be valid without the consent of the Issuer and receipt by the Agent of an opinion of Bond Counsel to the effect that such amendment or change will not, in and of itself, adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Section 10.09 Amendments, Successors and Assigns, Headings and Counterparts. Any of the terms of this Pledge and Assignment and the Bonds may be amended or waived only by an instrument signed by the Issuer, the Agent and the Holder. All of the terms of this Pledge and Assignment shall be binding upon the successors and assigns of and all persons claiming under or through the Issuer and the Agent or any such successor or assign, and shall inure to the benefit of and be enforceable by the successors and assigns of the Holder. The headings of this Pledge and Assignment are for convenience of reference only and shall not limit or otherwise affect the meaning hereof. This Pledge and Assignment may be executed in several counterparts, each of which shall be an original, and all of which shall constitute one and the same instrument.

Section 10.10 Delivery, Consent and Direction if Agent and Holder are the Same Entity. So long as the Agent and the Holder are the same entity, the Agent shall not be required to deliver to the Holder any notice, document, instrument or report required to be delivered by the Agent to the Holder hereunder and the Agent may take any action hereunder that the Agent is authorized to take with the consent or upon the direction of the Holder without the receipt of such consent or direction.

[Signatures begin on following page]

IN WITNESS WHEREOF, the Issuer, the Agent and the Holder have each caused this Pledge and Assignment to be executed in their respective names as of the date first above written.

Issuer

HOUSING AUTHORITY OF THE COUNTY OF
SAN BERNARDINO

By: _____

Name: _____

Title: _____

[Signatures continue on following page]

Agent

BANK OF AMERICA, N.A.,
a national banking association

By: _____
Name: ~~Rajasri Narayanan~~ Michael Petty
Title: Vice President

[Signatures continue on following page]

Holder

BANK OF AMERICA, N.A.,
a national banking association

By: _____

Name: ~~Rajasri Narayanan~~ Michael Petty

Title: Vice President

EXHIBIT A FORM OF BOND

THIS BOND HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. THE TRANSFERABILITY HEREOF IS RESTRICTED BY THE TERMS OF THE PLEDGE AND ASSIGNMENT DESCRIBED HEREIN, INCLUDING THE PROVISION THEREOF LIMITING OWNERSHIP OF THIS BOND TO “QUALIFIED INSTITUTIONAL BUYERS” OR “ACCREDITED INVESTORS” (AS DEFINED IN THE PLEDGE AND ASSIGNMENT), SUBJECT TO CERTAIN EXCEPTIONS.

HOUSING AUTHORITY OF THE COUNTY OF SAN BERNARDINO

MULTIFAMILY HOUSING REVENUE BONDS

(ARROWHEAD GROVE APARTMENTS PHASE II)

2019 SERIES A-[]

<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>
\$ _____	As determined in the below-defined Loan Agreement and corresponding Note		

HOLDER: [_____]

The HOUSING AUTHORITY OF THE COUNTY OF SAN BERNARDINO, a public body corporate and politic organized under the laws of the State of California (the “**Issuer**”), for value received, hereby promises to pay (but only from the Collateral as that term is defined in the Master Pledge and Assignment hereinafter described) to the order of Bank of America, N.A., or registered assign (the “**Holder**”), at its office in Pasadena, California, or such other place as the Holder may designate in writing, from the source and in the manner hereinafter provided, the principal sum of _____ (\$ _____), or such portion thereof as is advanced by Holder to or for the account of Issuer, with interest on the unpaid balance of this Bond from the date hereof until this Bond is fully paid, at the rate computed as specified below, in any coin or currency which at the time or times of payment is legal tender for the payment of public or private debts in the United States of America. All capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the Pledge and Assignment hereinafter mentioned.

This Bond is one of a duly authorized series of bonds consisting of [\$ _____] Housing Authority of the County of San Bernardino Multifamily Housing Revenue Bonds (Arrowhead Grove Apartments Phase II) 2019 Series A-[] (the “**Bonds**”), issued by the Issuer in order to provide moneys to fund a portion of a loan (the “**Loan**”) to be made for the account of the Issuer to Waterman Gardens Partners 2, L.P., a California limited partnership (the “**Borrower**”) pursuant to that certain Construction Disbursement Agreement dated as of

[____], 2019, between Bank of America, N.A., as agent for Issuer pursuant to that certain Master Agency Agreement between Issuer and Agent dated as of [____], 2019 (the “**Agent**”), and the Borrower (“**Loan Agreement**”), for the purpose of financing the acquisition, construction and equipping of a multifamily rental housing development consisting of 184 units in 18 buildings, to be located west of Crestview Avenue between Baseline Street and Olive Street, in the City of San Bernardino, California (the “**Project**”). Concurrently with the issuance of the Bonds, the Issuer is issuing its [\$____] Housing Authority of the County of San Bernardino Multifamily Housing Revenue Bonds (Arrowhead Grove Apartments Phase II) 2019 Series A-[____] in order to provide moneys to fund a portion of the Loan.

The obligations of the Borrower under the portion of the Loan corresponding to this Bond will be evidenced by a Note (as defined in the Loan Agreement) in the original principal amount of \$____. This Bond is secured by a Master Pledge and Assignment (the “**Pledge and Assignment**”), dated as of [____], 2019, by and among the Issuer, the Agent and the Holder.

This Bond shall mature on the Maturity Date set forth above, and the entire unpaid principal balance of and any accrued interest on this Bond shall be paid in full on or before such date.

This is a draw-down Bond. The principal amount of this Bond as of any given date shall be equal to (i) the total amount advanced by the Agent, on behalf of the Issuer, to the Borrower under the corresponding Note, less (ii) any payment of principal on this Bond received by the Holder thereof. Amounts advanced to the Borrower on the corresponding Note and payments of principal on this Bond shall be noted on the Principal Schedule attached hereto or otherwise recorded by the Holder with periodic statements provided, upon request, to the Issuer.

This Bond shall bear interest in the same manner as is provided with respect to interest on the Loan in the Note and Loan Agreement. This Bond shall bear interest from the date to which interest has been paid on the Bonds next preceding the date of its authentication, unless it is authenticated as of an Interest Payment Date for which interest has been paid, in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on or before the first Interest Payment Date, in which event it shall bear interest from its Closing Date.

The payment or prepayment of the principal, interest, premium, late payment fees and other amounts due on this Bond shall be identical with and shall be made on the same terms and conditions as the payments or prepayments of principal, interest, premium, late payment fees and other amounts due on the corresponding Note. Any payments or prepayments made by the Borrower of principal, interest, premium, late payment fees and other amounts due on the corresponding Note shall be deemed to be like and corresponding payments or prepayments of principal, interest, premium late payment fees and all other amounts due on this Bond. Said payments or prepayments by the Borrower shall be deemed to have been constructively received by the Holder as payments or prepayments on this Bond on the date of receipt by the Paying Agent under the corresponding Note, and interest on this Bond with respect to each principal payment or prepayment shall cease to accrue upon receipt thereof by the Paying Agent. Payments or prepayments of principal, interest, premium, late payment fees and other amounts due shall be remitted to the Holder by the Paying Agent immediately.

This Bond shall be subject to redemption as provided in the Pledge and Assignment.

This Bond (or any participation interest therein) may be sold, assigned, transferred, participated or otherwise disposed of only in Authorized Denominations (as defined in the Pledge and Assignment), subject to the requirements of the Pledge and Assignment. This Bond (or any participation interest therein) may not be sold, assigned, transferred, participated or otherwise disposed of, in whole or in part, except upon satisfaction of the requirements of the Pledge and Assignment.

Subject to the foregoing, this Bond is transferable upon the books of the Issuer at the office of the Agent, by the registered Holder hereof in person or by its attorney duly authorized in writing, upon surrender of this Bond together with a written instrument of transfer satisfactory to the Agent, duly executed by the registered Holder or its duly authorized attorney. Upon such transfer, the Agent will note the date of registration and the name and address of the newly registered Holder on the books of the Issuer and in the registration blank appearing below. The Issuer may deem and treat the person in whose name this Bond is last registered upon the books of the Issuer, with such registration noted on this Bond, as the absolute owner hereof for the purpose of receiving payment of or on account of the principal or interest and for all other purposes; all such payments so made to the registered Holder or upon his order shall be valid and effectual to satisfy and discharge the liability upon this Bond to the extent of the sum or sums so paid, and the Issuer shall not be affected by any notice to the contrary. If a Paying Agent has been engaged in accordance with the Agency Agreement (as defined in the Pledge and Assignment), such Paying Agent may perform the functions of the Agent described in this paragraph.

All of the agreements, covenants, conditions, limitations, provisions and stipulations contained in the Pledge and Assignment are hereby made a part of this Bond to the same extent and with the same effect as if they were fully set forth herein. If any payment of the principal of, premium, if any or interest hereon is not made when due in accordance with the terms and conditions of this Bond, then the Holder may at its right and option declare immediately due and payable the principal of this Bond and interest accrued hereon to the date of declaration of such default, together with any attorneys' fees incurred by the Holder in collecting or enforcing payment hereof, whether suit be brought or not, and all other sums due hereunder or under the Pledge and Assignment, notwithstanding anything to the contrary therein and payment thereof may be enforced and recovered in whole or in part, at any time, by one or more of the remedies provided in this Bond or the Pledge and Assignment.

The remedies of the Holder upon an Event of Default, as provided herein and in the Pledge and Assignment, may be pursued at the sole discretion of the Holder and may be exercised as often as occasion therefor shall occur. The failure to exercise any such right or remedy shall in no event be construed as a waiver or release thereof.

The Holder shall not be deemed, by any act of omission or commission, to have waived any of its rights or remedies hereunder unless such waiver is in writing and signed by the Holder and then only to the extent specifically set forth in the writing. A waiver with reference to one event shall not be construed as a continuing waiver or as a bar to or waiver of any right or remedy as to a subsequent event.

This Bond may not be amended without the prior written consent of the Issuer and the Holder and the Agent.

This Bond, together with the interest and premium (if any) hereon, shall not be deemed to constitute a debt or liability of the Issuer (except to the limited extent set forth in the Pledge and Assignment), the State or of any public agency or a pledge of the faith and credit of the Issuer, the State or any political subdivision thereof, but shall be payable solely from the funds provided therefor pursuant to the Pledge and Assignment. This Bond is only a limited obligation of the Issuer as provided by the Act, and the Issuer shall under no circumstances be obligated to pay the Bonds except from the Collateral.

None of the Issuer, any member of the Issuer or any person executing the Bonds is liable personally on the Bonds or subject to any personal liability or accountability by reason of their issuance. The Bonds are limited obligations of the Issuer and are not a debt, nor a pledge of the faith and credit of the State of California or any of its political subdivisions, including any member of the Issuer, and neither are they liable on the Bonds, nor are the Bonds payable out of any funds or properties other than those of the Issuer expressly pledged for the payment thereof hereunder. The Bonds do not constitute indebtedness within the meaning of any constitutional or statutory debt limitation. The issuance of the Bonds shall not directly, indirectly or contingently obligate the State of California or any political subdivision thereof, including any member of the Issuer, to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment. The Issuer has no taxing power.

No recourse shall be had for the payment of the principal of, premium, if any, or interest on the Bonds or for any claim based thereon or upon any obligation, covenant or agreement in the Pledge and Assignment contained, against the Issuer, any past, present or future member of its board members, officers, attorneys, accountants, employees, agents or staff, or the officers, attorneys, accountants, employees, agents or staff of any successor public entity, as such, either directly or through the Issuer or any successor public entity, under any rule of law or penalty or otherwise, and all such liability of the Issuer, any board member and its officers, attorneys, accountants, employees, agents and staff is hereby, and by the acceptance of the Bonds, expressly waived and released as a condition of, and in consideration for, the execution of the Pledge and Assignment and the issuance of the Bonds.

None of the Borrower, the Agent nor any Holder shall look to the Issuer or any of its directors, officers, attorneys, accountants, financial advisors, agents or staff or any successor or public entity for monetary damages suffered by the Borrower, the Agent or such Holder as a result of the failure of the Issuer to perform any covenant, undertaking or obligation under the Pledge and Assignment, the Agency Agreement, this Bond, the Regulatory Agreement or any of the other documents referred to herein, or as a result of the incorrectness of any representation made by the Issuer in any of such documents, nor for any other reason. Although the Pledge and Assignment recognizes that such documents shall not give rise to any pecuniary liability of the Issuer, nothing contained in the Pledge and Assignment or this Bond shall be construed to preclude in any way any action or proceeding (other than that element of any action or proceeding involving a claim for monetary damages against the Issuer) in any court or before any governmental body, agency or instrumentality or otherwise against the Issuer or any of its officers or employees to enforce the provisions of any of such documents which the Issuer is

obligated to perform and the performance of which the Issuer has not assigned to the Agent or any other person.

No recourse shall be had for the payment of the principal of, premium, if any, or interest on the Bonds or for any claim based thereon or upon any obligation, covenant or agreement in the Pledge and Assignment contained, against the Issuer, any past, present or future member of its board members, officers, attorneys, accountants, employees, agents or staff, or the officers, attorneys, accountants, employees, agents or staff of any successor public entity, as such, either directly or through the Issuer or any successor public entity, under any rule of law or penalty or otherwise, and all such liability of the Issuer, any board member and its officers, attorneys, accountants, employees, agents and staff is hereby, and by the acceptance of the Bonds, expressly waived and released as a condition of, and in consideration for, the execution of the Pledge and Assignment and the issuance of the Bonds.

It is intended that this Bond is made with reference to and shall be construed as a contract governed by the laws of the State of California.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any benefit or security under the Pledge and Assignment unless this Bond is authenticated by the Paying Agent by execution of the Certificate of Authentication appearing hereon.

In the event of any inconsistency between the provisions of this Bond and the provisions of the Pledge and Assignment, the provisions of the Pledge and Assignment shall be controlling.

IT IS HEREBY CERTIFIED AND RECITED that all conditions, acts and things required to exist, happen and be performed precedent to or in the issuance of this Bond do exist, have happened and have been performed in regular and due form as required by law.

IN WITNESS WHEREOF, the Housing Authority of the County of San Bernardino has caused this Bond to be executed on its behalf by the facsimile signature of its Authorized Representative, all as of the Dated Date set forth above.

HOUSING AUTHORITY OF THE COUNTY
OF SAN BERNARDINO

By: _____
Authorized Representative

FORM OF CERTIFICATE OF AUTHENTICATION
(Paying Agent)

We certify that this Bond is one of the Bonds referred to in the within mentioned Pledge and Assignment.

Date of Authentication: _____

PAYING AGENT:

BANK OF AMERICA, N.A.

By: _____

Name: _____

Title: _____

PROVISIONS AS TO REGISTRATION

The ownership of the unpaid principal balance of this Bond and the interest accruing thereon is registered on the books of the Agent in the name of the registered Holder last noted below.

Date of Registration

Name of Registered Holder
Bank of America, N.A.

Signature of Agent

PRINCIPAL SCHEDULE

<u>Date</u>	<u>Amount Advanced on the Loan</u>	<u>Current Principal of the Bond</u>	<u>Signature of Agent</u>
-------------	--	--	-------------------------------

EXHIBIT B
FORM OF PURCHASER'S LETTER

_____, 20__

Housing Authority of the County of San Bernardino
San Bernardino, California

Bank of America, N.A.,
as Agent
San Francisco, California

Re: Housing Authority of the County of San Bernardino Multifamily Housing Revenue Bonds
(Arrowhead Grove Apartments Phase II) 2019 Series A-1 and Series A-2

Ladies and Gentlemen:

The undersigned (the “**Purchaser**”) hereby acknowledges receipt, [as transferee from the previous owner thereof], of the above-referenced bonds (the “**Bonds**”), dated [____], 2019, and bearing interest from the date thereof, in fully registered form and in the aggregate principal amount of [\$55,000,000], constituting all of the Bonds currently outstanding. The Bonds have been checked, inspected and approved by the Purchaser.

The Purchaser acknowledges that the Bonds were issued for the purpose of making a mortgage loan to assist in financing the acquisition, construction and equipping of a multifamily rental housing development consisting of 184 units in 18 buildings, to be located west of Crestview Avenue between Baseline Street and Olive Street, in the City of San Bernardino, California (the “**Project**”), as more particularly described in that certain Construction Disbursement Agreement, dated as of [____], 2019 (the “**Loan Agreement**”) by and between Bank of America, N.A., in its capacity as agent (the “**Agent**”) for the (the “**Issuer**”) as the lender thereunder, and Waterman Gardens Partners 2, L.P., a California limited partnership (the “**Borrower**”). The undersigned further acknowledges that the Bonds are secured by a certain Master Pledge and Assignment dated as of [____], 2019 (the “**Pledge and Assignment**”), between the Issuer, the Agent and Bank of America, N.A., as holder (the “**Holder**”).

In connection with the sale of the Bonds to the Purchaser, the Purchaser hereby makes the following representations upon which you may rely:

1. The Purchaser hereby certifies that it is [a “qualified institutional buyer” within the meaning of Rule 144 promulgated under the Securities Act of 1933, as amended (the “**Act**”),] [an “accredited investor” as defined in Sections 501(a)(1) through (3) of Regulation D promulgated under the Securities Act of 1933, as amended (the “**Act**”)] and therefore, has sufficient knowledge and experience in financial and business matters, including purchase and

ownership of tax-exempt municipal obligations, to be able to evaluate the risks and merits of the investment represented by the Bonds.

2. The Purchaser has authority to purchase the Bonds and to execute this letter and any other instruments and documents required to be executed by the Purchaser in connection with the purchase of the Bonds. The Bonds are being acquired by the Purchaser for its own account. The Purchaser does not presently intend to make a public distribution of, or to transfer, all or any part of the Bonds or any interests therein. The Purchaser understands that it may need to bear the risks of this investment for an indefinite time, since any sale prior to maturity may not be possible.

3. The Purchaser understands that the Bonds have not been registered under the Act. The Purchaser acknowledges that the Issuer requires that, if the Bonds are disposed of by it, current information, including all current financial statements with respect to the Project, which meets the disclosure requirements of any applicable state and federal securities laws then in effect, concerning the Bonds and the Project must be furnished to any prospective purchaser, and further acknowledges that any current exemption from registration of the Bonds does not affect or diminish such requirements. The Purchaser acknowledges that no disclosure document has been prepared in connection with the initial issuance and sale of the Bonds.

4. The Purchaser acknowledges that it is familiar with the conditions, financial and otherwise, of the Borrower and understands that the Borrower has no significant assets other than the Project for payment of the Bonds. Further, the Purchaser understands that the Bonds involve a high degree of risk. Specifically, and without in any manner limiting the foregoing, the Purchaser understands and acknowledges that, among other risks, the Bonds are payable solely from the Collateral (as defined in the Pledge and Assignment). The Purchaser has made such inquiry with respect to all of the foregoing as it believed to be desirable for its purposes and acknowledges that it has either been supplied with or been given access to information, including financial statements and other financial information, to which a reasonable investor would attach significance in making investment decisions, and the Purchaser has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the Borrower, the Project and the Bonds and the security therefor so that, as a reasonable investor, the Purchaser has been able to make its decision to purchase the Bonds.

5. It is acknowledged that no written information has been provided by the Issuer to the Purchaser with respect to the Bonds and that any written information furnished by any other party to the transaction does not purport to fully disclose all information pertinent to the Bonds.

6. The Purchaser is not now and has never been controlled by, or under common control with, the Borrower. The Borrower has never been and is not now controlled by the Purchaser. The Purchaser has entered into no arrangements with the Borrower or with any affiliate in connection with the Bonds, other than as disclosed in writing to the Issuer.

7. The Purchaser has authority to purchase the Bonds and to execute this letter and any other instruments and documents required to be executed by the Purchaser in connection with the purchase of the Bonds.

8. In entering into this transaction the Purchaser has not relied upon any representations or opinions made by the Issuer relating to the legal consequences or other aspects of the transaction, nor has it looked to, nor expected, the Issuer to undertake or require any credit investigation or due diligence reviews relating to the Borrower, its financial condition or business operations, the Project (including the financing or management thereof), or any other matter pertaining to the merits or risks of the transaction, or the adequacy of the funds pledged to secure repayment of the Bonds. The Purchaser has further assumed sole responsibility for obtaining such information and making such review and investigation as the Purchaser has deemed necessary or desirable in connection with its decision to purchase the Bonds. In this regard, the Purchaser has relied upon the advice of, or has consulted with, only its own advisors.

9. The Purchaser understands that the Bonds are not secured by any pledge of any moneys received or to be received from taxation by the State of California or any political subdivision or taxing district thereof, or any instrumentality of any such political subdivision, including, without limitation, the Issuer (which has no taxing power); that the Bonds will never represent or constitute a general obligation or a pledge of the faith and credit of the Issuer, the State of California or any political subdivision thereof; that no right will exist to have taxes levied by the State of California or any political subdivision thereof for the payment of principal and interest on the Bonds; and that the liability of the Issuer with respect to the Bonds is subject to further limitations as set forth in the Bonds and the Pledge and Assignment.

10. The Purchaser has been informed that the Bonds have not been and will not be registered or otherwise qualified for sale under the “Blue Sky” laws and regulations of any jurisdiction, (i) will not be listed on any stock or other securities exchange, and (ii) will carry no rating from any rating service.

11. The Purchaser acknowledges that it has the right to sell and transfer the Bonds, subject to compliance with the transfer restrictions set forth in Section 2.08 of the Pledge and Assignment, including the requirement for the delivery to the Issuer and the Agent of an investor’s letter in the same form as this Investor’s Letter, including this paragraph 11. Failure to deliver such investor’s letter shall cause the purported transfer to be null and void.

12. The Purchaser agrees to indemnify and hold harmless the Issuer, each officer, director, partner or employee of the Issuer, and each person who controls the Issuer within the meaning of Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Securities Exchange Act of 1934, as amended (collectively called the “**Indemnified Parties**”), against any and all losses, claims, damages, liabilities or expenses (including any legal or other expenses incurred by it in connection with investigating any claims against it and defending any actions) whatsoever arising out of any sale, transfer or other disposition of the Bonds, or any interest therein, by Purchaser in violation of the provisions hereof. No Indemnified Party shall be indemnified hereunder for any losses, claims, damages or liabilities resulting from the willful misconduct of such parties.

13. None of the Agent, Bond Counsel, the Issuer, its members, its governing body, or any of its employees, counsel or agents will have any responsibility to the Purchaser for the accuracy or completeness of information obtained by the Purchaser from any source regarding

the Borrower or its financial condition or the Project, or regarding the Bonds, the provision for payment thereof, or the sufficiency of any security therefor.

14. The Purchaser acknowledges that the Bonds are exempt from the requirements of Rule 15c2-12 of the Securities and Exchange Commission and that the Issuer has not undertaken to provide any continuing disclosure with respect to the Bonds.

15. The Purchaser acknowledges that interest on any Bond is not excludable from gross income of the owner thereof for federal income tax purposes for any period during which such Bond is owned by a person who is a substantial user of the facilities financed by the Bonds or any person considered to be related to such substantial user (within the meaning of section 147(a) of the Internal Revenue Code of 1986, as amended). The Purchaser acknowledges that the sale of the Bonds to the Purchaser is made in reliance upon the certifications, representations and warranties herein by the addressees hereto.

Capitalized terms used herein and not otherwise defined have the meanings given to such terms in the Pledge and Assignment.

[PURCHASER]

By: _____
Signature

Printed Name

Title

Document comparison by Workshare 9.5 on Friday, July 5, 2019 4:46:00 PM

Input:	
Document 1 ID	interwovenSite://DMS-EAST/DMEAST/37935114/4
Description	#37935114v4<DMEAST> - Master Pledge and Assignment - Arrowhead Grove Phase II - HACSB
Document 2 ID	C:\NRPortb\DMEAST\MAGRINIK\37935114_5.docx
Description	C:\NRPortb\DMEAST\MAGRINIK\37935114_5.docx
Rendering set	Standard

Legend:	
<u>Insertion</u>	
Deletion	
Moved from	
<u>Moved to</u>	
Style change	
Format change	
Moved deletion	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	20
Deletions	18
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	38