TEFRA Requirements

The following is a brief discussion relating to the public hearing process under the Tax and Equity Fiscal Responsibility Act of 1982 ("TEFRA"), and the significance of such public hearing in relation to a tax-exempt revenue bond financing to be accomplished through the California Statewide Communities Development Authority (the "Authority").

The TEFRA hearing process is a public accountability procedure involving the legislative body of the local agency in which the proposed project is located. During such process, the legislative body conducts a public hearing providing members of the community the opportunity to speak on behalf of or against the nature and location of the proposed project to be financed with tax-exempt bonds. Notice of such hearing must be published in a newspaper of general circulation at least 14 days prior to the date of the public hearing.

Before the public hearing can be completed, the legislative body will be asked to adopt a resolution to become a member of the Authority's Joint Powers Agreement. Once the legislative body becomes a member to the Authority and the public hearing is completed, the legislative body will be asked to adopt a resolution approving of the issuance of tax-exempt bonds for the financing of the proposed project. Such approval is required for compliance with the federal tax laws under TEFRA, as well as Section 9 of the Authority's Amended and Restated Joint Powers Agreement (the "Agreement"). This approval will not constitute any other approval of the local agency. Therefore, in order for any financing for a private entity to be completed on a tax-exempt basis, the TEFRA hearing process must be completed by the legislative body of the local agency in which the proposed project will be located.

The Authority is a California joint exercise of powers authority, organized and existing under the laws of the State of California (specifically, California Government Code Section 6500 and following), and is sponsored by the League of California Cities and the California State Association of Counties. Under the California Government Code, cities and counties are authorized to form by agreement a governmental entity that combines the powers of such entities to perform certain governmental functions specifically outlined in the Agreement. With respect to the Authority, over 470 California cities, counties and special districts have entered into and executed the Agreement to become a member of the Authority for the purpose of issuing bonds for the financing of projects that promote economic development.

Each financing completed by the Authority has been structured so that the local agency completing the TEFRA hearing process has no liability with respect to the issuance of bonds or the repayment of any debt service relating to such bonds. More importantly, the local agency completing the TEFRA hearing process is not a party to any of the financing documents relating to the issuance of the bonds nor is it named in any of the disclosure documents describing the bonds or the proposed financing.
February 29, 2008

Ms. Judy Nevis  
Department of Housing and Community Development  
Financial Assistance Division  
MHP Program  
1800 Third St.  
Sacramento, CA 95814

Ms. Joanie Jones Kelly, Executive Director  
California Debt Limit Allocation Committee  
915 Capitol Mall, Room 303  
Sacramento, CA 95814

Mr. William Pavão  
California Tax Credit Allocation Committee  
915 Capitol Mall, Suite 485  
Sacramento, CA 95814

Dear Ms. Nevis, Ms. Kelly and Mr. Pavão:

RE: California Manor (the “Project”)  
10165 El Camino Real, Atascadero, CA 93422  
Preservation of “At Risk” Section 515 Affordable Rental Housing  
Original Restricted Use Provision Expiration Date: 10/10/2006  
Section 515 Rural Rental Housing Program  
**Occupancy is designated and restricted under 42 U.S.C 1485 to Elderly Tenants only.**

USDA Rural Development ("USDA") is working with Micon Real Estate, (the “Developer”) who is applying to you for MHP funds. The Borrower is currently under contract to acquire the Project referenced above. The Project was financed under USDA Rural Development’s Section 515 Program (the “Loan”). The Loan — with a current balance of approximately $3,330,339.50 as of 02/29/08— is secured by a first deed of trust on the Project for the balance owing on the Loan. USDA’s borrowers, the current owners, are now at or near the end of USDA-mandated affordable housing restrictions
and therefore the project is “at risk” of losing those restrictions if the Loan is voluntarily prepaid.

The current owners want to sell the Project and may sell to a buyer who does not wish to continue the affordability with corresponding State and Federal subsidies. The Borrower plans to continue the affordability by assuming the Loan and extending the affordability restrictions attached to the Loan in addition to financing the Project with MHP funds.

USDA is committed to preserving the apartments as affordable housing under any approved new ownership; therefore, USDA is actively processing an approval of the following transaction to accompany the proposed MHP assistance:

1. **“New terms,” eligible transfer & assumption.** USDA Rural Development is to approve new terms, eligible transfer and assumption of the full existing 515 debt by the Developer. The “new terms” would rewrite the 515 debt at an interest credit interest rate of 1%, with a 50-year amortization and a 30-year term.

2. **Debt and Equity financing.** The Borrower is to obtain CDLAC approval for a tax-exempt bond mortgage from a suitable lender and apply for and receive an MHP loan from the State of California to pay the balance of the sales price and complete rehab and upgrade work on the project.

3. **Subordination with adequate security.** If a MHP loan is approved, the loan will be subordinate to the new tax-exempt mortgage and the USDA 515 loan. After the transfer, the total of the USDA and tax-exempt mortgage will not exceed the appraised fair market value “value-in-use, after rehab” of the property.

I am the Multi-Family Housing Program Director for USDA Rural Development in California and will have the authority to approve these actions subject to ongoing underwriting and due diligence. The outlines of the transaction have been approved by USDA in other preservation situations like this one.

The State’s support of the requested financing would be most helpful in assuring the preservation of affordable rural rental housing. **MHP funds are an important component of this transaction to preserve affordable rural rental housing.**

If I can be of further assistance, please contact me at (530) 792-5830 or stephen.mnodhin@ca.usda.gov.
Sincerely,

STEPHEN NNODIM
Multi-Family Housing Program Director
March 14, 2008

Mr. Michael L. Condry
Micon Real Estate
1370 Jensen, Suite B
Sanger, CA 93657

RE: Application for Multi-Family Housing Program (MHP) funds for Acquisition and Rehabilitation of the California Manor Apartments located at 10165 El Camino Real

Dear Mr. Condry:

The City of Atascadero supports Micon Real Estate in its application to the California Department of Housing and Community Development (HCD) for Multi-Family Housing Program (MHP) financing to partially finance the acquisition and rehabilitation of the California Manor Apartments in the City of Atascadero. The California Manor Apartments are currently being financed with a USDA-RD loan and receive a project-based rental subsidy on 81 of the 95 units (USDA-Rural Development Section 515 rental subsidies) (1 manager’s unit) to ensure their affordability to low and very low-income residents of the City. USDA-RD considers the project to be “At-Risk” of converting to market rate units in the future. Conversion of this affordable rental project to market rate projects has the potential to displace several residents and result in significant economic hardship. It is doubtful that the residents would be able to find other, affordable housing within the City. In addition, this particular project includes two (2) ADA accessible units which are in short supply in our City.

The existing affordable agreements for California Manor were due to expire in 2006. At this point in time, the City does not have any projects in the pipeline that would provide replacement housing for the current residents.

If received, the MHP funds combined with other private and public financing will both rehabilitate the properties and maintain their affordability for qualified households living in the City of Atascadero. The City is committed to retaining its rental housing and its affordable housing projects as expressed in the City’s General Plan Housing Element policies. California Manor is a congregation living facility that provides affordable rental units for ambulatory senior residents with the option of buying prepared meals. This is the only project within the City that provides all of these services, meeting the needs of lower income seniors that, while independent, may require assistance with some meal preparation.

We look forward to working with you in providing continuing affordable housing for the residents of the City of Atascadero.

Sincerely,

Warren Frace
Community Development Director
March 20, 2008

Mr. Michael L. Condry  
Micon Real Estate  
1370 Jensen Avenue  
Sanger, CA 93657

Re: California Manor Apartments, Atascadero, CA (the "Property")

Dear Mr. Condry:

This letter sets forth the agreement between Micon Real Estate and/or your designee (the "General Partner") and Michel Associates, Ltd. ("Michel"). The General Partner hereby retains Michel to exclusively provide equity capital for the Property, and Michel accepts such retention under the following terms and conditions.

Michel will provide the equity capital through an affiliated private placement limited partnership in accordance with all relevant securities laws or, at its sole option, transfer its commitment to a direct corporate investor or correspondent fund (the "Fund"). The equity capital provided by the Fund will be used to acquire an interest as the sole limited partner in Atascadero California Manor, LP, a California limited partnership (the "Partnership") that owns the Property. The Fund may also invest as a limited partner in other similar properties.

A. Capital Contributions

Subject to the terms hereof and of the Amended and Restated Limited Partnership Agreement (the "Partnership Agreement") to be entered into, the Fund will make capital contributions of $5,062,377 ("Capital Contributions") to the Partnership as follows:

1. $2,531,188 on the date an amendment to the Partnership Agreement is filed admitting the Fund into the Partnership as its limited partner (the "Admission Date");

2. $1,518,713 on the later to occur of (a) September 15, 2009 or (b) the Substantial Completion Date (as hereinafter defined);

3. $506,238 on the later to occur of (a) the Completion Date (as hereinafter defined) or (b) January 15, 2009;

4. $506,238 on the later to occur of (a) January 15, 2009 or (b) the issuance of IRS Form 8609 or (c) the Rental Achievement Date (as hereinafter defined) or (d) receipt by the Fund of the final Partnership Tax Return and payment of the Asset Management Fee for the prior year.
The Substantial Completion Date is defined as the date on which the last of the following events occurs: (1) completion of construction as certified by the Property Architect; (2) receipt of Certificates of Occupancy (or local equivalent) for all 95 dwelling units in the Property; (3) execution of any applicable Rental Assistance Agreements; (4) receipt of payoff letters or lien waivers from contractors and receipt of an endorsement to the Owner’s Policy of Title Insurance bringing the effective date forward to the Substantial Completion Date; (5) receipt of an As-Built Survey of the Property certified to the Fund; (6) funding by the General Partner of all construction cost overruns; and (7) the General Partner and/or Partnership is not in default with respect to any financial obligations.

The Completion Date is defined as the date on which the last of the following events occur: (1) the Substantial Completion Date has occurred; (2) with regard to the loans shown in Exhibit A, it shall have been closed and funded and the benchmarks to achieve permanent loan status have been met; and (3) receipt of the Accountant’s Cost Certification together with all materials supporting the General Partner’s submission to the LIHTC granting authority for issuance of IRS Forms 8609; (4) the General Partner and/or the Partnership is not in default with respect to any financial obligations.

Payment of the third and fourth, installments of the Capital Contributions by the Fund is contingent on the Completion Date having occurred and upon the Property reaching Rental Achievement, including the funding of Replacement Reserve of $4,038 per month; the Rental Achievement Date is the first time following three (3) consecutive full calendar months of operations after the Completion Date (with each month considered individually) that the Property generates a 1.15 to 1.00 Debt Service ratio using income from the normal operation of the property received on a cash basis compared with accrued operating expenses equal to the greater of such accrued expenses or $38,000/month plus all mandatory debt service payments; provided, however, that the Rental Achievement Date shall in no event occur prior to the closing of all Permanent Loans; provided further that the Fund will only recognize income being received from income-qualified LIHTC tenants plus laundry and miscellaneous income from the Property.

B. Assumptions

The Property is a 95 unit apartment complex for seniors located in Atascadero, California. Development of the Property is being financed by the loans shown in Exhibit A (hereinafter referred to as the “Permanent Loan”) and 100% of the dwelling units will receive any applicable rental subsidies Rental Assistance Payments. Other significant assumptions are:

<table>
<thead>
<tr>
<th>Permanent Loan Amount</th>
<th>See Exhibit A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction Loan Amount</td>
<td>$11,217,466</td>
</tr>
<tr>
<td>Construction Start Date</td>
<td>December 2008</td>
</tr>
<tr>
<td>Construction Completion Date</td>
<td>September 2009</td>
</tr>
<tr>
<td>Rental Achievement Date</td>
<td>December 2009</td>
</tr>
</tbody>
</table>

Low Income Housing Tax Credit (LIHTC’’")
Eligible Dwelling Units | 95 | Acquisition $10,000,000  Rehabilitation $7,213,477 |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>LIHTC Basis (with 130% boost)</td>
<td>3.36%</td>
<td>3.36%</td>
</tr>
<tr>
<td>LIHTC Rate</td>
<td>$336,000</td>
<td>$242,373</td>
</tr>
<tr>
<td>LIHTC Total Supported by Basis</td>
<td>$578,373</td>
<td>$578,373</td>
</tr>
<tr>
<td>LIHTC Reservation Total</td>
<td>$578,373</td>
<td>$578,373</td>
</tr>
<tr>
<td>LIHTC to Fund (99.98%)</td>
<td>$578,257</td>
<td>$578,257</td>
</tr>
</tbody>
</table>

Projected LIHTC to Fund for 2009* $144,564 for 2010-2016 (annually)* $578,257 for 2017 $144,564

*Based upon delivering 25% of the credits in 2009.

**C. Partnership Terms**

The following sets forth the basic terms and conditions in the Partnership Agreement:

**Ownership, Tax Allocations, Depreciation, and Gross Capital Contributions** -- The Fund will acquire a 99.98% limited partner interest in the Partnership and the General Partner will retain a 0.02% interest. An affiliate of the Fund will also be admitted as a Special Limited Partner. Tax profits, tax losses and tax credits will be allocated 99.98% to the Limited Partner and 0.02% to the General Partner and the Partnership will be eligible to depreciate the building and improvements on a 27.5-year depreciation schedule. Gross Capital Contributions (the "Gross Capital Contributions") are defined as the Capital Contributions plus an amount equal to the Fund's organizational and offering costs associated with its investment in the Partnership. Gross Capital Contributions are projected to be approximately $5,568,600. The exact amount of the Gross Capital Contributions will be determined prior to the Admission Date.

**Net Proceeds from a Capital Transaction.** Upon sale or refinance of the Property, proceeds will be allocated in the following priority:

1. to pay the expenses of the sale or refinancing and satisfaction of underlying financing plus any other third-party obligations and debts (excluding those to Partners or affiliates) and including the establishment of any required reserves;
2. to repay the Fund or the Asset Manager any amounts due from the General Partner under its guarantees under the Partnership Agreement;
3. to repay the General Partner any amounts due for Operating Deficit Notes or other advances, and to repay the Development Fee Note, if any;
4. to pay $5,000 to the Special Limited Partner; and
5. the remaining proceeds to be distributed 80% to the General Partner and 20% to the Limited Partner.
Completion Guarantee -- The General Partner will guarantee to provide all funds necessary to complete construction of the Property and have the Property reach the Rental Achievement Date. The General Partner will receive a Residual Receipt Note for any such advances not covered by the permanent loan and/or the Capital Contributions. This note will be non-interest bearing and repayable solely from the proceeds of a sale or refinancing of the Property.

Development Fee -- The Developer will receive a Development Fee. To the extent that the Development Fee is not paid from Capital Contributions, the Developer will receive a Development Fee Note. This note will be non-interest bearing and repayable from available cash flow from the Property and from the proceeds of a sale or refinancing of the Property, prior to the end of the Compliance Period. If the Development Fee Note has not been repaid at the end of ten years, the General Partner must make a capital contribution to pay any amount outstanding at that time.

Operating Deficit Guarantee -- The General Partner will guarantee to fund all operating deficits of the Property for up to $200,000 and for up to the later to occur of: a) 5 years commencing on the Rental Achievement Date, or b) following a calendar year in which 1.15 Debt Service Coverage was maintained. To support this operating deficit guarantee, the Partnership shall deposit $225,000 in an Operating Deficit Escrow account, which shall be used solely for the purposes of funding payment of Operating Deficits during the 15 year Compliance Period. No funds shall be released from the Operating Deficit Escrow except with the consent of Michel; provided, however, that up to $5,000 per year can be used to fund operating deficits; and provided, further, beginning in the fifth year following the Rental Achievement Date, the Fund agrees to release the sum of $5,000 to the General Partner following a calendar year in which 1.15 Debt Service Coverage is maintained so long as the Minimum Balance defined below is funded. Assuming that breakeven operations has occurred in a calendar year and that the balance in the Operating Deficit escrow account is at least $75,000 (the “Minimum Balance”), then any interest earned by the Operating Deficit escrow account will be paid to the General Partner as an Incentive Management Fee; otherwise, interest earned will be considered Cash from Operations. Assuming that the General Partner is not in default of any of its obligations under the Partnership Agreement, the General Partner will receive all amounts remaining in this Operating Deficit Escrow at the end of the Partnership as an Operating Deficit Guaranty Fee.

To the extent that the General Partner must fund operating deficits with its own funds (i.e. apart from the Operating Deficit Escrow) the General Partner will receive Operating Deficit Notes for any such advances. These notes will be non-interest bearing and repayable in the order of Priority Payments from available Cash from Operations or the proceeds of a sale or refinancing of the Property.

Right of First Refusal—The General Partner or its qualified non-profit designees will have a “right of first refusal” to purchase the Property following the 15 year low income compliance period at the “minimum purchase price” as defined in Section 42 (i) (7) of the Internal Revenue Code, including the Fund’s exit taxes and any Unrecovered Adjustment pursuant to Section E (Price Adjusters) below.

Repurchase Guarantee -- The General Partner will refund 100% of the Gross Capital Contributions of the Fund until three consecutive years where the Rental Achievement Date has occurred if:
1. Construction is not completed by December 31, 2009.

2. Any Construction or Permanent Loan commitment is lost (and not replaced by a loan satisfactory to the Fund in its sole discretion) or any Construction or Permanent Loan is foreclosed;

3. Any Permanent Loan is not non-recourse;

4. An LIHTC Allocation is not received or is later revoked by the LIHTC granting authority respectively;

5. Any Mortgage Lender and, if required by law, the LIHTC granting authority has not approved the Fund as a limited partner to the Partnership within 180 days of the Admission Date;

6. Any representation or warranty made by the General Partner proves to be false at the time it was made and such false representation or warranty has a material adverse effect on the Partnership, the Fund, or the Property.

If the General Partner must make payments under this Repurchase Guarantee, the amount due the Fund will equal the Gross Capital Contributions plus the Fund’s share of any interest and penalties imposed by the IRS for any recapture of LIHTC less: 1) any cash distributions paid the Fund under this Agreement; 2) an amount equal to 95% of any LIHTC received by the Fund and which is not subject to recapture under the IRS Code; and 3) any Capital Contributions under this Agreement which have not yet been paid to the Partnership under this Agreement.

**Hazard and Liability Insurance** – As a condition of the Admission Date, the Partnership shall deliver evidence of hazard insurance from carriers acceptable to the Fund, in an amount equal to the replacement cost of the apartment improvements. The hazard insurance must include endorsements for inflation adjustment and code upgrade coverage. Liability insurance shall be in the amount of not less than $5,000,000.

**Escrows** – To the extent not required by any mortgage lender, the Partnership shall maintain funds in a segregated escrow account, in an amount sufficient to pay all real estate taxes and insurance premiums when due.

**Payment and Performance Bond or Letter of Credit** – The Contractor for the Apartment Complex shall provide payment and performance bonds in form and substance satisfactory to the Fund, in the full amount of the general contract naming the Partnership as obligee issued by a bonding company acceptable to the Fund or a letter of credit in the amount of not less than 15% of the general contract issued by a bank acceptable to the Fund.
**Asset Manager** -- Michel or an affiliate (the "Asset Manager") will serve as an intermediary between the Partnership and the Fund on all matters. By March 1 of each year, the Asset Manager will receive a guaranteed annual payment (the "Asset Management Fee") of $5,000 for its services which will be paid by the Partnership. The fee will pay the costs of the Fund relating to investor communications, site visits and annual accounting and tax reporting. To the extent that the Partnership's funds from operations are insufficient to pay this fee, the General Partner agrees to pay the fee annually throughout the Compliance Period. The Asset Manager will have the right to approve the accountant for the Partnership. The General Partner will be required to provide the Fund with the Partnership tax returns by March 1 and the audited Partnership financial statements by May 1 of each year.

**Removal Rights** -- The Fund shall have the right to remove the General Partner for cause as will be set forth in the Partnership Agreement, enabling the Special Limited Partner to act in those defined circumstances. No removal right without cause shall exist.

**Cash Flow** -- Cash Flow is Available Cash of the Partnership [generally, gross revenues less operating expenses, debt service, required deposits to any replacement reserve, the Asset Management Fee, and Unrecovered Adjustments (defined below)] less certain Priority Payments, including:

1) if applicable, the amount needed to maintain the Minimum Balance in the Operating Deficit Escrow;

2) if applicable, to repay first any Development Fee Note and next any General Partner Operating Deficit Notes or other advances;

3) to the General Partner, a non-cumulative Partnership Administration Fee up to $20,000 per year;

4) to the General Partner, a non-cumulative Incentive Management Fee up to 10% of gross revenue collected, payable from 80% of the then remaining cash from operations;

5) any remaining cash from operations will be distributed as Cash Flow 0.02% to the General Partner and 99.98% to the Fund.

**Representations and Warranties** -- The Partnership Agreement and related documents will contain, among other items, standard representations and warranties of the General Partner with respect to the Property, the LIHTC, the Construction and Permanent Loans and the Partnership, including, but not limited to, the status of the Partnership, the General Partner, title to the Property, real estate development and construction, Construction and Permanent financing, land use and environmental issues and the tax credit allocation from the state housing authority. Further, the General Partner will make representations and warranties as to its right and authority to enter into this transaction with the Fund.

**Closing Requirements** -- On or before the Admission Date, the General Partner will be required to provide all "due diligence" documents that Michel and its legal counsel deem relevant to the
Partnership, the Property, construction, interim and/or permanent financing and the General Partner including, at the General Partner's expense:

1) an opinion of the Partnership's legal counsel satisfactory to the Fund's counsel that includes, but is not limited to, the following matters: the legal formation of the Partnership and any corporate general partner(s), due execution and delivery of all Property documents, the Partnership's classification as a partnership for income tax purposes, the non-recourse nature of the permanent financing, all LIHTC matters (including the LIHTC reservation carryover allocations and final allocation) and local real estate, title, environmental and land use issues; and

2) an Owner's Title Insurance Policy satisfactory to the Fund's legal counsel (including comprehensive, zoning, Fairways and Non-Imputation endorsements and other endorsements reasonably requested by the Fund) in the amount of the Permanent Loan plus the Capital Contributions of the Fund to the Partnership; and

3) satisfaction of the requirements shown in the generic due diligence checklist in Exhibit B attached hereto, which will be tailored to this transaction by Michel and the Fund's counsel once the General Partner has delivered sufficient information to finalize the due diligence checklist; and

D. Management Agent

Michel and, if required either the Lender or the LIHTC granting authority, shall approve both the Management Agent and the Management Agreement, understanding that the General Partner or its designee (which may be an affiliate of the General Partner) may manage the Property. The Fund will require the Management Agent to make certain certifications as to property management matters under the Partnership Agreement and to subordinate its management fee to all other operating expenses and the payment of mandatory debt service. The Fund will require the Management Agent to grant the Fund a power of attorney to effect its removal upon: 1) an event of material default under the Management Agreement; 2) its causing the General Partner to be in material default under the Partnership Agreement; 3) the Management Agent's actions or failure to act causing delays in receipt or recapture of LIHTC; and 4) failure to subordinate its fee to all other operating expenses and the payment of mandatory debt service. The Management Agreement shall contain similar provisions.

E. Price Adjusters

Downward Adjusters -- The amount and timing of the payments of the Capital Contributions are tied to the amount and timing of the LIHTC as outlined in Section B. Any reduction of or delay in the receipt of LIHTC will require that adjustments be made to the amount of the Capital Contributions made by the Fund to the Partnership, specifically as follows:
1. If by reason of delay in the completion or lease-up of the Property, the amount of LIHTC generated in 2009 is less than the LIHTC amount represented in Section B above, then the Capital Contributions shall be reduced by 100% of said shortfall;

2. If for any reason there is a reduction or recapture of the amount of LIHTC shown in Section B, then the Capital Contributions shall be adjusted:

   (a) if said reduction or recapture occurs prior to the payment of the last installment of Capital Contributions, then the reduction in capital is calculated as $0.88 for each $1.00 of LIHTC not available to the Fund; and

   (b) if said reduction or recapture occurs after the payment of the last installment of Capital Contribution, then the reduction in capital is calculated as $0.98 for every $1.00 of LIHTC not available to the Fund.

The General Partner will guarantee that all -- dwelling units in the Property will remain in LIHTC compliance for the full 15 year period required under Section 42 of the Internal Revenue Code in order to avoid the recapture of previously taken LIHTC. If at any time after payment of the final installment of the Capital Contributions, there is a recapture or reduction of LIHTC benefits to the Fund, such recapture cost or benefit reduction will be repaid by the General Partner with interest at a rate two (2) percent over the Prime Lending Rate of Bank of America; any amount including interest not so paid ("Unrecovered Adjustments") will then be paid from first available cash flow, and, if cash flow is insufficient, then will be payable from the proceeds of a sale or refinancing of the Property as a priority payment before any General Partner participation; provided further that the General Partner shall not have any liability for any loss of tax benefits as a result of any changes in the Code or Regulations which limit or eliminate the deductibility of losses or which limit or eliminate the ability of the Fund to use LIHTC generated by the Property to reduce the federal tax liabilities of its investors.

**Upward Adjuster** — If the amount of LIHTC is greater than the amounts shown in Section B, then the Fund agrees to increase its Capital Contributions by $0.88 for each dollar of increased LIHTC to be realized by the Fund. In addition, the Fund agrees that it will increase the Capital Contribution by $0.40 for each addition dollar of LIHTC delivered in 2009 above $144,564. However, if the Fund does not have sufficient funds to be able to pay this additional Capital Contribution, then the Fund’s Partnership Interest shall be reduced to a percentage which maintains the ratio of Capital Contributions paid to LIHTC received as otherwise contemplated herein; notwithstanding the foregoing, in no event shall the Ownership Interest of the Fund be reduced below 90% because of this provision.

**F. General Partners and Net Worth**

The General Partner will elect to have the Partnership to be taxable as a partnership and will provide personal financial statements indicating sufficient net worth and liquidity to support its guarantees under this Agreement.
If the General Partner is an entity other than an individual(s), the obligations of the General Partner set forth in this Agreement shall be jointly and severally guaranteed by the shareholders, partners or members of such entity (including spouses if assets are jointly held) or by affiliates of the General Partner or by such other parties as Michel or its counsel deem necessary (the "Guarantors").

G. The Agreement

By returning an executed copy of this letter (the "Agreement"), the General Partner gives Michel the exclusive right to proceed with all activities contemplated in the Agreement. Michel will use its best efforts to complete this transaction. Michel's obligations under this Agreement are subject to a satisfactory due diligence review of the Property, the Partnership, the General Partner, the Managing Agent, the financing documentation, the LIHTC allocation documentation, all other relevant documentation and the assumptions contained herein.

We look forward to working with you.

Very truly yours,

MICHEL ASSOCIATES, LTD.

[Signature]

Accepted and Agreed to:

By:

____________________________________
Michael L. Condry
Micon Real Estate

Date: March __, 2008
Exhibit A

Permanent Loans

First Mortgage
Lender: Washington Mutual
Amount: $4,375,000 (Est.)
Interest Rate: 5.5% (Est.)
Term: 30 Years
Related Party: No
Amortization Schedule: 30 Years
Repayment: Monthly payments of principal and interest of $24,841 (Est.)
The outstanding principal and accrued interest shall be due at maturity.

Second Mortgage*
Lender: Rural Development (RD 515)
Amount: $3,300,000 (Est.)
Interest Rate: 1% (pay rate) 6% (est. note rate)
Term: 30 Year
Related Party: No
Amortization Schedule: 50 Years
Repayment: Monthly payments of principal and interest of $6,985 (Est.)
The outstanding principal and accrued interest shall be due at maturity.

* Existing RD 515 loan assumed by Partnership and re-amortized over new 50 year schedule.

Third Mortgage
Lender: MHP
Amount: $5,000,000
Interest Rate: 3%
Term: 30 Year
Related Party: No
Amortization Schedule: 55 Years
Repayment: 0.42% paid from cash flow. Estimated at $21,000/annually.
The outstanding principal and accrued interest shall be due at maturity.
CDLAC Commitment Letter
(Direct Purchase)

March 24, 2008

Mr. Mike Condry
Micon Real Estate
1370 Jensen Avenue, Suite B
Sanger, CA 93657

Re: Borrower: Atascadero California Manor, LP, a California limited partnership: with Atascadero California Manor, LLC, and Central Valley Coalition for Affordable Housing (collectively the “General Partners”); and Michel Associates, as the limited partner and tax credit investor ("Investor")

Property: 95 Affordable Multi-family Housing Units – California Manor
10165 El Camino Real, Atascadero, San Luis Obispo County, CA

Dear Mike:

Thank you for presenting to Washington Mutual Bank, FA (“Bank”) Borrower's request for a loan ("Loan") on the Property. Bank hereby offers to make the Loan, subject to the terms and conditions set forth in this letter. It is contemplated that the Loan will include the following:

1. **Loan Amount and Type.** The Loan will be a combined construction or rehabilitation loan ("Construction Loan"), convertible upon the satisfaction of certain terms and conditions to a term loan ("Permanent Loan"). The Loan will be made from the proceeds of tax exempt revenue bonds or revenue notes ("the Bonds") to be issued by California Statewide Communities Development authority ("CSCDA") pursuant to a tax exempt bond allocation for the Project as defined below. Bank will purchase the Bonds concurrently with the closing of the Loan.
a. The Construction Loan amount shall be the least of the following:

(1) $11,217,466

(2) eighty percent (80%) of the appropriate appraised value (as defined by Bank) of the Property, based upon an appraisal acceptable to Bank in Bank's sole discretion. The appropriate appraised value is anticipated to be based on the combination of the stabilized restricted rent value plus the present value of the Tax Credits.

(3) An amount no greater than the Permanent Loan plus other sources of Construction Loan repayment acceptable to Bank in Bank's sole discretion.

b. The Permanent Loan amount shall be the least of the following:

(1) $4,375,000

(2) seventy five percent (75%) of the appropriate appraised value (as defined by Bank) of the Property, based upon an appraisal acceptable to Bank in Bank's sole discretion. The appropriate appraised value is anticipated to be based on the stabilized unrestricted market value, assuming a three (3) year conversion to market rents as permitted by the Internal Revenue Code for tax credit projects, and assuming all liens and deed restrictions imposing tenant income or affordability restrictions and the like are subordinated to the Permanent Loan.

(3) That amount for which the Property generates annual net operating income after expenses and reserves (as determined by Bank) equal to at least one hundred fifteen percent (115%) of the aggregate annual debt service on the Permanent Loan and all other encumbrances on the Property, as calculated by Bank at time of conversion.

2. Purpose. The purpose of the Loan is to provide for the acquisition and rehabilitation of the improvements ("Improvements") and long-term financing for a 95-unit affordable multifamily project ("Project"). Within the Project, there will be: 87 one-bedroom units and 8 two-bedroom units, all affordable to tenants with incomes of no more than 60% of area median income ("AMI"), and other Project features and amenities as described in the CDLAC application for the Project.

3. Loan Terms. The interest rate, repayment formula and other terms of the Loan shall be as outlined in Exhibit A attached to this letter, subject to the precise terms and conditions of Bank's loan documents evidencing and securing that type of loan ("Loan Documents"). The terms of the Loans may be different from or in addition to those stated herein, based on the results of Bank's review of the information furnished or to be furnished by or on behalf of Borrower in connection with Bank's underwriting of the Loan.
4. **Junior Financing.** Borrower shall provide evidence satisfactory to Bank in Bank's sole discretion that the United States Department of Agriculture ("USDA") will provide a loan in the amount of $3,300,000 to finance a portion of the costs of construction or rehabilitation with respect to the Project ("USDA Loan"). The terms, conditions, budget and documentation for the USDA Loan are subject to Bank's review and approval as a condition to the closing of the Loan. The USDA Loan must be closed prior to, or concurrently with, the closing of the Loan. The USDA Loan must be fully funded and disbursed prior to any disbursement of the proceeds of the Loan, unless Bank agrees to an alternate procedure acceptable to Bank. All draw requests from the USDA Loan must be subject to co-approval by Bank. The USDA Loan documents must provide that repayment of the USDA Loan will be based only on residual receipts of the Project (cash flow available after payment of Project expenses, debt service on the Loan and reserves required by Bank). The USDA Loan and all related tenant income and affordability restrictions must be subordinate in all respects to the Loan, and must provide that any restrictions related to the USDA Loan will be released following the acquisition of title to the Property by foreclosure under the Loan or deed in lieu thereof.

Borrower shall provide evidence satisfactory to Bank in Bank's sole discretion that the State of California Department of Housing and Community Development ("MHP") will provide a permanent loan in the amount of $5,000,000. The terms, conditions, budget and documentation for the MHP Loan are subject to Bank's review and approval as a condition to the closing of the Loan. The MHP Loan must be closed prior to, or concurrently with, the Conversion to the Permanent Loan. The MHP Loan documents must provide that repayment of the MHP Loan will be based only on residual receipts of the Project (cash flow available after payment of Project expenses, debt service on the Loan and reserves required by Bank). The MHP Loan and all related tenant income and affordability restrictions must be subordinate in all respects to the Loan, and must provide that any restrictions related to the MHP Loan will be released following the acquisition of title to the Property by foreclosure under the Loan or deed in lieu thereof.

Any junior financing to the extent not specifically described as to source and terms in this letter will be subject to Bank's approval in Bank's sole discretion and must be committed prior to closing of the Loan.

5. **Equity Contribution.** The following equity contribution is contemplated for the Project:

a. There will be a total equity contribution in the estimated amount of $5,062,375 ("Equity Contribution") from Investor, based upon an award of 4% Federal tax credits in the amount of $578,373 per year for ten years ("Tax Credits") by the Tax Credit Allocation Committee of the State of California ("TCAC") with respect to the Project. The terms of Borrower's final partnership or operating agreement ("Formation Agreement"), including, without limitation, the amounts, terms and conditions of the Equity Contribution to be made by the Investor, are subject to Bank's approval in Bank's sole discretion. The Formation Agreement must be executed in final form with Bank's approval, and the Borrower must be formed and in good standing under the laws of the State of California, prior to the closing of the Loan.
6. **Loan Documents.** The Loan will be evidenced by a promissory note; the Loan will be secured by a first deed of trust encumbering the Property, including an assignment of rents and leases and a security agreement; the Loan will be further evidenced and secured by documents with respect to the Construction Loan as described below; assignments of all plans, contracts and permit rights relating to the Project; a financing statement; and such other documents and agreements as Bank may require; all of which documents and agreements are to be on forms prescribed by Bank or Bank's counsel. If required by Bank, the Loan shall also be secured by an assignment of all general partnership interests in Borrower and such other documents as Bank may require in order to obtain an assignment satisfactory to Bank of the Borrower's and of the General Partner's rights to the Investor's capital contribution to Bank as security. Borrower must also execute such other documents as may be prescribed by counsel reasonably acceptable to Bank ("Bond Counsel") in order to obtain an opinion of Bond Counsel certified to Bank that interest on the Bank Loan shall be and remain excluded from gross income of the holder under federal tax law, the issuance of which opinion is a condition of closing of the Loan.

7. **Tax and Insurance Impounds.** Unless waived by Bank, during the Permanent Loan, Borrower shall establish with Bank one or more non-interest bearing impound accounts for the payment of real property taxes and assessments and insurance premiums with respect to the Property, to be in accordance with Bank's requirements for such accounts.

8. **Construction Loan Closing.** Borrower must obtain or satisfy the following, among other things, with respect to the Construction Loan prior to Construction Loan closing (with Bank's approval or satisfaction to be in Bank's sole discretion):

   a. All fees required by Bank shall have been paid, or will be paid concurrently with the Construction Loan closing.

   b. Bank's approval of final plans and specifications, soils reports, engineering reports, environmental reports, surveys and the like with respect to the Property and the Project, as approved by the local governmental authority having jurisdiction over the Project.

   c. Building and all other required permits for construction or renovation, as the case may be, of the Improvements, or proof acceptable to Bank that permits are available subject only to the payment of permit fees.

   d. Bank's approval of a construction cost breakdown in a format acceptable to Bank with respect to the construction or renovation, as the case may be, of the Improvements, covering the costs of developing, building, leasing, managing and carrying the Project until Permanent Loan conversion.

   e. Bank's approval of contracts from an architect, an engineer, a general contractor and major subcontractors as Bank may require.
f. Bank's approval of the sources and uses of funds with respect to the Project.

g. Borrower must deposit into a non-interest bearing loans-in-process type account with Bank, or otherwise secure to Bank's satisfaction, any amounts by which the costs of construction or renovation with respect to the Project exceed the amount of the Construction Loan allocated for such purposes.

h. Borrower must obtain and pay premiums for full performance bonds and payment bonds acceptable to Bank; builder's risk and course of construction insurance; title insurance and all other insurance and bonds as required by Bank; from carriers or bonding companies approved by Bank.

i. Borrower must sign Bank's Construction and Permanent Loan Agreement and ancillary documents with respect to the Construction Loan, providing for, among other things, disbursements of Loan proceeds according to Bank's disbursement system, and a ten percent 10% retention on hard costs until, among other things, a lien free title endorsement or title policy rewrite has been issued.

j. Such additional items with respect to the Construction Loan as Bank may require.

9. Permanent Loan Closing. Borrower must obtain or satisfy the following, among other things, prior to conversion of the Construction Loan to the Permanent Loan (with Bank's approval or satisfaction to be in Bank's sole discretion):

a. All fees required by Bank shall have been paid.

b. Borrower shall have received all applicable portions of the Equity Contribution in accordance with Borrower's Formation Agreement as approved by Bank.

c. Any excess balance of the Construction Loan shall have been paid down to the Permanent Loan amount as approved by Bank at the time of conversion.

d. A final unconditional Certificate of Occupancy shall have been issued, and a valid Notice of Completion must have been recorded with respect to the Improvements.

e. At least ninety percent (90%) of the residential units on the Property must be occupied at the scheduled rents previously approved by Bank, for a continuous period of ninety days.

f. Bank shall have received a lien free title endorsement or title policy rewrite insuring lien-free completion of the construction/rehabilitation of the Improvements.
g. Bank shall have received an updated appraisal, in form and substance acceptable to Bank, at Borrower's cost, in order to determine the current value of the Property, if required by Bank.

h. Bank shall have received such rent rolls and operating statements with respect to the Property as Bank requires in order to determine (in Bank's sole discretion) the projected annual net operating income for the Project.

i. Borrower shall have established and initially funded replacement reserves as per the Replacement Reserve Agreement required by Bank. These reserves are to be $250 per unit per year if a new construction project, or $300 per unit per year if a rehabilitation project, with an initial deposit of three (3) times the monthly reserve amount.

j. No material default shall exist under the Construction Loan or under any other obligation of Borrower.

10. Opinion of Borrower's and Agency's Counsel. As a condition to closing of the Loans, Bank must receive a written opinion from Borrower's counsel, which counsel and opinion must be satisfactory to Bank and Bank's counsel, to the effect that, among other things, (a) Borrower and each of Borrower's general partners or members are validly formed and existing and have the authority to consummate the Loan; (b) the documents evidencing and securing the Loan are valid and enforceable in accordance with their terms, subject only to bankruptcy and any other customary exceptions; (c) any consents which are required in connection with the Loan have been obtained; (d) there are no proceedings pending or threatened against Borrower, or any general partner or member of Borrower, if any, or the Property, which would impair the Property or Borrower's or any general partner's or member's ability to enter into or perform under the documents evidencing and securing the Loan; and (e) such other customary matters as Bank or Bank's counsel may require. In addition, to the extent Borrower's counsel has provided other parties, including but not limited to, any Investor and any governmental authorities, with any legal opinions concerning the Tax Credits for the Project, then Borrower's counsel shall incorporate such opinions in its legal opinion to Bank or separately issue such opinions to Bank.

11. Nonrecourse. The documents evidencing the Loan will include a provision to the effect that, upon conversion to the Permanent Loan, and subject to Bank's customary carveouts, in the event of default as to payment of principal or interest, Bank's sole recourse will be to the security for the Loan, and not to Borrower.

12. Guarantees. Michael Condry ("Guarantor") will provide completion and repayment guarantees of the Loan, on Bank’s form, to be released upon conversion to Permanent Loan.

13. Contractor's Bonds. The Project contractor must be bondable for the full amount of the general contract, and must provide full performance and payment bonds for the work covered by the general contract.
14. **Completed Application.** Borrower's application for the Loan must contain all information requested by Bank. Bank reserves the right to require Borrower to provide any additional information that Bank deems necessary as part of Bank's underwriting process. If Borrower has, or will apply for a bond allocation though the California Debt Limit Allocation Committee ("CDLAC"), any missing items from the Bank's application package must be provided to Bank no later than 20 days after the final allocation meeting (herein defined as "Bank's Deadline"). Borrower shall inform Bank immediately upon receipt of CDLAC's Resolution regarding bond allocation.

15. **Loan Fees.** See the attached Exhibit A.

16. **Other Fees and Costs.** Borrower must pay such other fees incurred by Bank, including, without limitation, appraisal, appraisal review, environmental consulting and review, cost engineering and plan review, draw administration/inspection fees of $500.00 per month from Loan closing through final retention, processing, title and attorney's fees, at such times and in such amounts as Bank may require in connection with the processing, documentation, closing and disbursement of the Loan. Bank shall not be obligated to pay, and Borrower shall hold Bank harmless from, and indemnify Bank against, any closing costs in connection with the Loan. Certain costs to be paid by Borrower are identified in the Application Fee Agreement, attached as Exhibit B hereto.

17. **Brokers.** Borrower shall indemnify Bank and hold Bank harmless from and against any claim for payment of a broker's fee, finder's fee or consultant's fee in connection with the placement of the Loan.

18. **Final Approval.** Borrower's request for credit from Bank is subject to approval, in their sole discretion, by Bank's appropriate credit officers or committees, who may consider, without limitation, the financial condition of and management ability of Borrower, General Partner(s), Member(s), Guarantor(s), Investor and Borrower's general contractor for the Project, economic and physical feasibility of the Project, sufficiency of Project net cash flow to cover debt service, additional sources of financing and equity funding for the Project, credit histories, title matters and such other matters as Bank may determine. Borrower's request is also subject to compliance with laws and regulations applicable to Bank.
If Borrower would like Bank to proceed with the transaction contemplated by this letter, please sign and return a counterpart of this letter, along with a signed counterpart of Bank's Application Fee Agreement (attached as Exhibit B), for receipt by Bank no later than April 1, 2008. This letter will be null and void unless received and countersigned by Bank.

Sincerely yours,

Marty Jones
First Vice President

UNDERSTOOD AND AGREED:

Atascadero California Manor, L.P.,
a California limited partnership

By: Atascadero California Manor, L.P.,
a California limited liability company
Its: General Partner

By: _____________________________
Its: _____________________________
Dated: 3/24/08

By: Central Valley Coalition for Affordable Housing
a California non-profit corporation
Its: General Partner

By: Christina Alley
Its: GEO
Dated: 3/24/08
EXHIBIT A

SUMMARY OF LOAN TERMS
*These terms are subject to adjustment by Bank,
if Loan has not closed within 180 days after date of this letter

Construction Loan

Rate: Same as Permanent Loan Rate.

Monthly Payment: Interest only on funds as disbursed until maturity.

Maturity: Eighteen (18) months, subject to any extension options.

Origination Fee: One percent (1.0%) of the Construction Loan amount, due at
recordation of Construction Loan.

Extensions: Subject to satisfaction of terms and conditions, two (2) extension
options shall be available for six (6) months each, at a fee of 0.50% of
Construction Loan amount for each extension.

Prepayment Fee: None.

Assumption/Transfer: Not permitted. Bank’s due on transfer clause applies. Exceptions
may be made with Bank’s consent for (i) specific future transfer to
be approved pre-closing and (ii) replacement of Borrower’s general
partner or managing member for cause per Borrower’s organization
documents.
Permanent Loan

Rate: Fixed rate of one and three quarter percentage points (1.60%) in excess of the 30-year Treasury bond as of the date Loan Documents are finalized, discounted by an appropriate tax exempt factor. The rate, if the Loan were to be funded today, would be approximate 5.26%.

Monthly Payment: Based on thirty (30) year amortization, commencing upon conversion to Permanent Loan.

Maturity: The Maturity Date for the Loan will be 30 years from the date of Conversion to the Permanent Loan.

Prepayment Fee: Yield Maintenance

Assumption/Transfer: Not permitted. Bank's due on transfer clause applies. Exceptions may be made with Bank's consent for (i) specific future transfer to be approved pre-closing and (ii) replacement of Borrower's general partner or managing member for cause per Borrower's organization documents.
Exhibit B
CDLAC APPLICATION FEE AGREEMENT

This Application Fee Agreement ("Agreement") is considered to be an addendum to the CDLAC Commitment Letter ("Letter") issued to Atascadero California Manor, LP ("Borrower") for California Manor on March 24, 2008. The Agreement and the Letter are to be read together and considered as one document.

In order for Lender to explore further the possibility of providing financing, Lender requires Borrower’s payment of certain fees and deposits as specified in this Agreement. Therefore, Borrower and Lender agree as follows:

1. **Completed Application and Payment of Fees.** Borrower's application for the Loan must contain all information requested by Lender. If Lender has not received a completed application for the Loan, and payment of all fees and deposits required in this Letter, by the earlier of (the “Expiration Date”): a) June 25, 2008, or b) the Lender’s Deadline, Lender shall have no further liability or obligation to Borrower with respect to processing Borrower’s application. Lender reserves the right to require Borrower to provide any additional information that Lender deems necessary as part of Lender's underwriting process.

2. **Other Fees.** Borrower must pay such other fees, including, without limitation, appraisal, appraisal review, environmental consulting and review, cost engineering and plan review, draw administration/inspection fees of $500.00 per month from Loan closing through final retention, processing, title and attorney's fees, at such times and in such amounts as Lender may require in connection with the processing, documentation, closing, and disbursement of the Loan. Lender shall not be obligated to pay, and Borrower shall hold Lender harmless from, and indemnify Lender against, any closing costs in connection with the Loan. Without limiting the generality of the foregoing, Borrower must pay to Lender, no later than the Expiration Date, the following:

   a. **A nonrefundable Appraisal Deposit** in the amount of $6,500 for the cost of an appraisal and appraisal review of the Property. If the actual cost thereof is more than the amount paid by Borrower, then Borrower agrees to pay to Lender such increased cost upon request. If Lender's actual appraisal expenses are less than the amount paid by Borrower, then Lender shall apply the difference as a credit toward the Construction Loan Fee if the Construction Loan closes. The full cost of the appraisal and appraisal review must be paid prior to the Lender’s engagement of the appraiser.

   **NOTE: Lender will order its own Appraisals.**

   b. **A nonrefundable Legal Deposit** in the amount of $10,000 for legal expenses incurred by Lender in connection with the Loan. If Lender's actual legal expenses are more than the amount paid by Borrower, then Borrower agrees to pay to Lender such increased
amount upon request. If Lender's actual legal expenses are less than the amount paid by Borrower, then Lender shall apply the difference as a credit toward the Construction Loan Fee if the Construction Loan closes.

c. A nonrefundable Cost Engineering Fee of $1,500 for the cost of cost engineering and construction review services. If the Lender's cost engineering expenses are more than the amount paid by Borrower, then Borrower agrees to pay to Lender such increased amount upon request.

d. A nonrefundable Environmental Assessment/Review Fee of waived (per site) for the cost of Lender's (or Lender's Consultant's) review of environmental assessment reports, asbestos and lead-based paint sampling reports, abatement work specifications, abatement and monitoring contracts, and close-out reports, as applicable. If the Lender's actual environmental assessment(review expenses are more than the amount paid by Borrower, then Borrower agrees to pay to Lender such increased amount upon request.

NOTE: Lender requires that the Borrower order its environmental assessment reports from licensed environmental consultants on the Lender's approved list, and that the reports be prepared according to standards that will be provided by Lender to Borrower. Outside Environmental Assessment Surveys may be reviewed for acceptability and use, if they are less than six months old. If acceptable to Lender's environmental consultant, they may be used in lieu of a new report. Borrower acknowledges that the Lender's Environmental Assessment/Review Fee is to cover Lender's review of the Borrower's reports only, and does not cover the actual cost of any of the reports. Borrower will be directly responsible for ordering and paying for its own reports.
4. Total Fees/Deposits. Borrower must remit a check for **$18,000**, representing the total of the fees/deposits quoted above, prior to the Expiration Date.

UNDERSTOOD AND AGREED:

Atascadero California Manor, LP,
a California limited partnership

By: Atascadero California Manor, LLC,
a California limited liability company
   Its: General Partner

By: ________________________________
   Its: ________________________________
   Dated: ______________________________

By: Central Valley Coalition for Affordable Housing
    a California non-profit corporation
    Its: General Partner

By: ________________________________
   Its: ________________________________
   Dated: ______________________________
April 11, 2008

VIA EMAIL

Marty Tracey
City of Atascadero
6907 El Camino Real
Atascadero, CA 93422

Re: Public Hearing request for California Manor

Dear Marty:

Micon Real Estate (the “Applicant”) has submitted to the California Statewide Communities Development Authority (the “Authority”) an application (the “Application”) for the financing of the acquisition and rehabilitation of a senior housing facility (the “Project”) through the issuance of tax-exempt obligations in an aggregate principal amount not to exceed $11.0 million. The Project is located in the City of Atascadero at 10165 El Camino Real, as described in the attached application. The purpose of this letter is to request the assistance of the City of Atascadero in conducting on Tuesday, June 10th, 2008 a public hearing with respect to the proposed financing.

As you are aware, the Authority is a joint exercise of powers authority consisting of numerous California cities, counties and special districts, including the City of Atascadero. The Authority, pursuant to its Amended and Restated Joint Exercise of Powers Agreement, is authorized to assist in the financing of facilities for senior housing. In order to initiate such a financing, the member participant of the Authority in which the proposed facilities will be located must (i) conduct a public hearing and (ii) approve the Authority’s issuance of indebtedness. Therefore, although the Authority will be the issuer of the tax-exempt revenue obligations for the Applicant, the financing cannot proceed without the City of Atascadero’s approval of the financing.

I have attached for your review a copy of the Application filed with the Authority. You will be receiving shortly a letter from Tom Downey of Jones Hall, serving as bond counsel, describing the public hearing process and the requirements under state and federal laws, including the Tax Equity and Fiscal Responsibility Act (TEFRA). This letter will include for your review the form of Notice of Public Hearing and the form of City Council Resolution evidencing that the City has approved of the financing.
Thank you for your attention to the matter. Please contact me at your earliest convenience to discuss the City’s willingness in the scheduling of such public hearing.

Sincerely,

[Signature]

Terrence Murphy

CC: Tom Downey; Jones Hall; tdowney@joneshall.com

Enclosures
April 22, 2008

Mr. Marty Tracey  
City of Atascadero  

Re: California Manor Apartments

Dear Mr. Tracey:

Please accept this letter as a description of the acquisition/rehabilitation project known as California Manor Apartments.

My wholly owned company, Micon Real Estate, a sole proprietorship, has under contract to purchase California Manor, a 95 unit senior congregate care facility, for $11,500,000.

The project is currently financed with a USDA 515 mortgage with a principal balance of $3,000,000. The project is subject to a Use Restriction Agreement between Owner/Seller and the USDA restricting the rents and incomes of the tenants living at the project. The current restriction is set at 80% of the County’s median income level. The project also benefits from 81 units of USDA provided rental assistance, allowing those qualified tenants to pay rent and utilities at 30% of their income level, with the USDA making up the difference between that rent level and the rent level needed to support the expenses and debt service at the project with rental assistance. USDA has offered to increase the level of rental assistance to 94 units at closing.

I intend to take the project through the USDA’s preservation program of transfer and assumption, which will require that I purchase the project at a price supported by an MAI appraisal approved by USDA. I will rehabilitate the project pursuant to a Capital Needs Assessment by an independent third party provider, reviewed and approved by the USDA’s architect. I will finance the acquisition and rehabilitation of the project by selling tax-exempt bonds allocated by the State of California Treasury Department’s California Debt Limit Allocation Committee (CDLAC) to Washington Mutual Bank, or another lender, the sale of federal tax credits reserved to the project by the State of California Treasury Department’s California Tax Credit Allocation Committee (CTCAC) to investors, assumption of the existing USDA 515 financing, and by way of a soft money loan by the Multiple Family Housing Program, administered by the Housing and Community Development Department of the State of California.

If the project is fortunate enough to receive financing from MHP, the City of Atascadero will not need to participate in the financing of the project.

Pursuant to the financing involved, I will execute and record Use Restriction Agreements with CDLAC, CTCAC, HCD and the USDA which will govern the operation of the project for at least the next 30 years.
Mr. Marty Tracey  
April 22, 2008  
Page Two

HCD requires affordability at levels lower than the other agencies, but at a minimum, 10% of the units will be restricted to those seniors earning 50% of the County’s median income level and 90% of the units will be restricted to those seniors earning 60% of the County’s median income level.

The rehabilitation will involve repair or replacement of all major capital improvements, including but not limited to the roofing, siding, fencing, parking lot improvements, exterior paint, cabinets, appliances, carpet, vinyl, lighting, and more. Not less than 5% of the units will be made fully handicap accessible and the site and project interiors will be made accessible for the handicapped pursuant to an Access Barrier Report, prepared by an independent third party and reviewed and approved by the USDA’s architect. Prevailing wages will be paid for the construction work needed and will involve not less than $31,000 of hard costs per unit.

The tenants will be relocated according the Uniform Relocation Act, which governs relocation activity. It is likely that every tenant now living at California Manor will qualify to continue to live at the project, without a rent increase. The rent will be adjusted upward to cover new debt used to acquire and rehabilitate the project, but the rent increase will come from increased rental assistance, not from tenants. Tenants will be compensated in the event they will be required to move from one unit to another during rehabilitation. California Manor suffers from a 30% vacancy at this time, which will allow temporary relocation to occur on-site.

The project now offers one meal per day per tenant, without the requirement that any tenant purchases said meal. Only a handful of tenants avail themselves of the meal program. Each unit is equipped with a fully operational kitchen. The USDA has determined that the meal program at California Manor is no longer needed or required and this service will be discontinued once the project completes the process of transfer and assumption. At the time this service is discontinued, we will have Meals on Wheels, or another similar program, assisting tenants with meals in the transition from having meals prepared for them to preparing meals on their own.

TEFRA (the Tax Exempt Fiscal Responsibility Act) requires that any developer intending to finance affordable housing with federally tax-exempt bond debt contact the local municipality for purposes of conducting a public hearing to allow the municipality and its citizens to weigh the appropriateness of the project for the community. It is for this reason that we have provided you with a resolution, staff report and noticing instructions. An approved resolution must be returned to CDLAC within 30 days of the application deadline for the application to meet one of the threshold requirements.

I would appreciate it if the City could calendar the TEFRA hearing as soon as practicable so that we can satisfy this requirement. A successful TEFRA hearing is also a contingency within my purchase agreement with Owner/Seller.
Micon Real Estate acts as developer, Micon Builders acts as general contractor and Valley Relocation Services handles relocation activity, including coordination between property management, the tenants and the construction crews. There will be an independent third party property management company approved by the USDA operating the project once escrow closes and the transfer and assumption process is complete.

At closing, a limited partnership, wherein Michael L. Condry, dba Micon Real Estate, as sole member/manager of a limited liability company, will act as Administrative General Partner, will take title as owner. Central Valley Coalition for Affordable Housing, a 501 C3 Non-Profit Corporation, will act as Managing General Partner. The partnership will admit limited partners, a tax-credit investment fund, which provides equity to the project through the sale of the federal tax credits. The partnership will apply to the State Board of Equalization for the welfare tax exemption.

Micon Real Estate, independently and through partnerships with others, has acquired and rehabilitated twenty (20) affordable housing projects comprising approximately 3,000 units in the States of California and Hawaii, and continues to successfully own and operate said units under the auspices of CDLAC, CTCAC, USDA, HUD and other state and local agencies.

When this process is complete, the City of Atascadero and the tenants living at California Manor will benefit from a newly rehabilitated affordable senior housing project, with several new Use Restriction Agreements running an additional 30 years or more, with competent and capable management and ownership.

If you have any questions or concerns, please do not hesitate to contact me.

Very truly yours,

Michael L. Condry

Email version
Hard Copy on Letterhead by mail
Housing Bond Application

APPLICANT INFORMATION

Application Number: 2008052
Name of Developer: Micon Real Estate
Primary Contact: Michael Condry
Title: Owner
Street Address: 1370 Jensen Suite: B
City: Sanger State: CA Zip Code: 93657
Telephone Number: (559) 875-3330
Fax Number: (559) 875-3365
E-mail: mcondry@miconrealestate.com

BORROWER DESCRIPTION

Type of Entity: □ For-profit Corporation □ Non-profit Corporation
□ Municipality □ Partnership
□ Other (specify): ________________________

For Non-profits only: Will you be applying for State Volume Cap? Yes

Name of Borrowing Entity: Atascadero California Manor, LP
Date Established: 3/24/2008
Number of Multi-Family Housing Projects Completed in the Last 10 Years: 11
Number of Low Income Multi-Family Housing Projects Completed in the Last 10 Years: 11

PRINCIPAL FINANCE TEAM INFORMATION

UNDERWRITER/PLACEMENT AGENT BOND COUNSEL

Firm: Washington Mutual Firm: Jones Hall
Contact: Marty Jones Contact: Tom Downey
Address: 180 Grand Avenue Address: 650 California Street
Oakland, CA 94612 San Francisco, CA 94108
Telephone: (510) 267-6251 Telephone: (415) 391-5780
Fax: tbd Fax: (415) 391-5484
E-mail: marty.jones@wamu.net E-mail: tdowney@joneshall.com
FINANCING STRUCTURE

Type of Financing:  
- [ ] Public Sale  
- [X] Private Placement  
- [ ] Refunding

For Refundings only: Will you be applying for State Volume Cap?  No
For Refundings only: Is this a transfer of property to a new owner?  _________

Maturity:  30 Years  
Interest Rate Mode:  
- [X] Fixed  
- [ ] Variable

Credit Enhancement:  
- [X] None  
- [ ] Bond Insurance  
- [ ] Letter of Credit  
- [ ] Other (specify):  

Name of Credit Enhancement Provider or Private Placement Purchaser:  N/A

Expected Rating:  
- [X] Unrated  
- [ ] S & P  
- [ ] Moody's  
- [ ] Fitch

Projected State Allocation Pool:  
- [ ] General  
- [ ] Mixed Income  
- [ ] Rural

Will the project use Tax-Credit as a source of funding?:  Yes

PROJECT DESCRIPTION

Current Project Name:  California Manor
New Project Name:  same
Project Street Address:  10165 El Camino Real
City:  Atascadero  
State: CA  
Zip Code: 93422
County:  San Luis Obispo

Is Project located in unincorporated part of the County?  No

Total Number of Units:  Market: 0  
Restricted: 94  
Total Units: 94
Lot Size:  4.73 acres
Amenities:  tbd

Type of Construction (i.e., Wood Frame, 2 Story, 10 Buildings):  1 Two Story Wood Frame Building, 1 Maintenance Building
Type of Housing:  
- [ ] Family  
- [X] Senior  
- [ ] New Construction  
- [X] Acq/Rehab

City or county contact information:

Contact Name:  
Title:  
Phone Number:  ____ Ext. ________
Fax Number:  
E-mail:  
### CONSTRUCTION SOURCES

<table>
<thead>
<tr>
<th>Sources</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax-Exempt Bond Proceeds:</td>
<td>$9,000,000</td>
</tr>
<tr>
<td>Taxable Bond Proceeds:</td>
<td></td>
</tr>
<tr>
<td>Tax Credits:</td>
<td>$4,742,269</td>
</tr>
<tr>
<td>Developer Equity:</td>
<td>$57,515</td>
</tr>
<tr>
<td>Other Funds (Describe):</td>
<td></td>
</tr>
<tr>
<td>USDA</td>
<td>$3,300,000</td>
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<tr>
<td><strong>TOTAL:</strong></td>
<td><strong>$17,099,784</strong></td>
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</tbody>
</table>

### USES

<table>
<thead>
<tr>
<th>Uses</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Land Acquisition:</td>
<td>$1,500,000</td>
</tr>
<tr>
<td>Building Acquisition:</td>
<td>$10,000,000</td>
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<tr>
<td>Construction or Remodel:</td>
<td>$2,295,249</td>
</tr>
<tr>
<td>Cost of Issuance:</td>
<td>$219,120</td>
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<tr>
<td>Capitalized Interest:</td>
<td>$50,000</td>
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<tr>
<td>Reserves:</td>
<td>$450,000</td>
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<td>Other Funds (Describe):</td>
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<tr>
<td>Relocation</td>
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<tr>
<td>Developer fee</td>
<td>$1,964,616</td>
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<tr>
<td>Architect/Engineering</td>
<td>$100,000</td>
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<tr>
<td><strong>TOTAL:</strong></td>
<td><strong>$17,099,784</strong></td>
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</tbody>
</table>

### PUBLIC BENEFIT

Percentage of Units in Low Income Housing: 99%

Percentage of Area Median Income (AMI) for Low Income Housing Units: 10@50% AMI; 84@60% AMI

Total Number of Management Units: 1

<table>
<thead>
<tr>
<th>Unit Size</th>
<th>% AMI</th>
<th># of Restricted Units</th>
<th>Restricted Rent</th>
<th>Market Rent</th>
<th>Expected Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Bedroom</td>
<td>50</td>
<td>9</td>
<td>$628</td>
<td>$699</td>
<td>$71</td>
</tr>
<tr>
<td>1 Bedroom</td>
<td>60</td>
<td>78</td>
<td>$753</td>
<td>$837</td>
<td>$84</td>
</tr>
<tr>
<td>2 Bedrooms</td>
<td>50</td>
<td>1</td>
<td>$753</td>
<td>$837</td>
<td>$84</td>
</tr>
<tr>
<td>2 Bedrooms</td>
<td>60</td>
<td>6</td>
<td>$904</td>
<td>$1,005</td>
<td>$101</td>
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</tbody>
</table>

Remarks:
### PRINCIPAL FINANCE TEAM INFORMATION (continued)

<table>
<thead>
<tr>
<th>FINANCIAL ADVISOR</th>
<th>REBATE ANALYST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm: N/A</td>
<td>Firm: TBD</td>
</tr>
<tr>
<td>Contact:</td>
<td>Contact:</td>
</tr>
<tr>
<td>Address:</td>
<td>Address:</td>
</tr>
<tr>
<td>Telephone:</td>
<td>Telephone:</td>
</tr>
<tr>
<td>Fax:</td>
<td>Fax:</td>
</tr>
<tr>
<td>E-mail:</td>
<td>E-mail:</td>
</tr>
</tbody>
</table>

### ADDITIONAL REQUIREMENT

Please provide the following as an additional attachment:

<table>
<thead>
<tr>
<th>Attachment</th>
<th>Description of Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>$5,000 non-refundable* application fee payable to &quot;California Communities.&quot;.</td>
</tr>
</tbody>
</table>

*Refundable only if financing not approved.

### MAILING ADDRESS

California Communities  
2033 N. Main St., Suite 700  
Walnut Creek, CA 94596