

August 28, 2009

Return To:

Greystone Servicing Corporation, Inc.
C/O Joe Mosley
1200 Abernathy Road NE;
Bldg. 600, Suite 1800
Atlanta, GA 30328

RE: 36 Property Portfolio

The applicant (“Applicant” or “Borrower”) named and described below, by execution of this application (the “Application”), hereby applies to Greystone Servicing Corporation, Inc. (“Greystone”) for a loan (the “Loan”) under the basic terms of the Fannie Mae Delegated Underwriting and Servicing (“DUS”) Program. Please sign and return this request no later than September 18, 2009.

1. LOAN REQUEST

The Greystone Loan will have the following basic terms:

Proposed Loan Amount	\$32,860,000
Loan Term	10 years
Amortization Period	30 years
Preliminary Rate	6.31%, or 280 basis points plus the Index Rate
Index	10 Year Treasury
Prepayment Terms	Yield Maintenance for a term of 9.5 years
Maximum Loan-to-Value	70%, as determined in Underwriting
Minimum Debt Service Coverage	1.30x, as determined in Underwriting

Interest Accrual Basis	Actual/360
Recourse	Non-Recourse (see section 5 for exceptions)
Borrower Entity Name	SPE LLC with San Diego Housing Commission as Sole Member
Key Principal(s)	San Diego Housing Commission - Entity
Loan Purpose	Refinance
Fannie Mae Loan Program	Standard DUS
Application Fee	\$72,000 (\$2,000/property) for Greystone Processing plus 3 rd Party Costs
Lender's Legal Fee	TBD
Financing Fee	None
Correspondent & Fee	NorthMarq Realty Services, Inc. – 0.25%
Good Faith Deposit	2.0%, payable at loan commitment (see section 3)
Replacement Reserve	Required; estimated at \$300/unit (determined by PNA)
Tax & Insurance Escrows	Required
Completion/Repair Escrow	To be determined; subject to the engineer's conclusions
<p>Supplemental Financing is available after 12 months from the permanent loan closing for a total of 1 time (up to 2 times if in connection with a sale and assumption) without triggering any prepayment penalties. (Please note the above is based on the current parameters of Fannie Mae's Supplemental Loan program. This program is subject to change or cancellation at anytime, and the availability of this Supplemental Financing will not be reflected in either a Loan Commitment or the final Loan Documents).</p>	
<p>Additional Notes and Stipulations:</p> <ol style="list-style-type: none"> 1) The rate and spread will change daily until locked. 2) Net Rental Income will be based on a trailing 3 month operations and is currently UW at \$4,766,344. 3) Expenses must be supported by appraisal and are currently UW to \$4,757/unit after reserves. 4) Loan amounts subject to Greystone's full review of the existing Real Estate Tax Exemption. 5) Loan subject to legal review of the portfolio reversion documents and subordination agreement. 6) Loan subject to Fannie Mae Pre-Review. 	

2. THIRD PARTY REPORTS

Applicant acknowledges that Greystone will obtain the following (note: all technical and third party reports will be from firms selected by Greystone and on specifications acceptable to Greystone in its sole discretion):

- a. An appraisal of the project (which Greystone will commission once it has received the documents listed on Appendix A).
- b. An Engineering Inspection Report.
- c. An Environmental Inspection Report.
- d. A Seismic Report
- e. Any legal review as may be required to complete Application processing.
- f. Credit Reports for Applicant, Borrower, all Principals and all Key Principals of Borrower. Principals are any general partners of Borrower and any other persons, including limited partners, who Greystone determines to own 25% or more of the beneficial interests in Borrower. Key Principals are any individuals whom Greystone determines will manage or control the Borrower. (For this purpose, the term “partner” is used to include members of a limited liability company or other similar position of entities other than partnerships.)

3. LOAN COMMITMENT

If the Loan is approved by Greystone, Greystone will issue a loan commitment (the "Loan Commitment"). The Loan Commitment will be subject to the determination of an interest rate based on prevailing market conditions as well as various closing requirements, some of which are outlined in Section 5 of this Application.

The interest rate on the Loan will be locked (at levels approved by the Borrower) after the Loan Commitment has been issued. The Loan Commitment will provide that the interest rate may be locked prior to closing upon satisfaction of certain conditions, including:

- a. Delivery to Greystone of a cash good faith deposit equal to 2% of the Loan amount. The good faith deposit will be refundable, with 85% of the Good Faith Deposit being refunded at the closing of the Loan and the remaining 15% being refunded upon successful delivery of the Loan by Greystone to Fannie Mae (typically about 3 weeks after closing).
- b. A determination by Greystone and its counsel that the Borrower has or will be able at closing to satisfy all conditions to closing.

If eligible, the Borrower may elect to apply for a rate lock prior to the completion of Greystone’s underwriting and prior to the issuance of a Loan Commitment (“Early Rate Lock” or “ERL”). Greystone will lock a rate with the Borrower upon satisfactory completion of

Greystone's preliminary underwriting, under the terms of a Pre-Commitment Rate Lock Agreement which the Borrower will be asked to sign.

The Pre-Commitment Rate Lock Agreement will (i) set forth the term of the rate lock and describe the Borrower's and Greystone's respective obligations to each other, (ii) include certain and Greystone's obligations to Fannie Mae, in respect of the early rate lock transaction. In the Pre-Commitment Rate Lock Agreement, the Borrower will be asked to make certain representations to Greystone regarding the property. In the case of an Early Rate Lock, the entire 2% good faith deposit (3% for ERL longer than 6 months) will only be refundable upon successful delivery of the Loan by Greystone to Fannie Mae.

4. LOAN FEES AND CHARGES TO BE PAID BY APPLICANT/BORROWER

The Applicant will pay the following fees, costs and charges in connection with the Loan:

Application Fee. The Application fee is non-refundable and is due with application submission (wiring instructions are attached the end of this Loan Application as exhibit A-II). The fee is an estimate of Greystone's actual costs to process the Application, which will consist of the costs of an appraisal, a Phase I environmental study, an engineering report or other consultants' reports, travel expenses, credit reports, processing fees, and all other third party expenses. Applicant agrees to promptly reimburse Greystone for any such processing costs or expenses that exceed the Application Fee. Applicant represents and warrants that all information supplied to Greystone pursuant to this Application, and any Loan Commitment issued by Greystone, will be true complete and correct in all material respects, both when submitted and upon closing of the Loan, and will not be misleading by failing to state any material facts or circumstances. Applicant will immediately notify Greystone in writing of any changes in the information supplied.

Financing Fee. Greystone's fee for the issuance of a Loan Commitment and closing of the Loan, payable at closing.

Broker/Correspondent Fees. The Applicant agrees to indemnify Greystone against any claims by any person not specifically identified in this Application as a broker asserting a right to receive any fee or commission regarding the loan. The broker or correspondent's fee will be payable at closing and is payable by the Borrower under separate agreement in addition to Greystone's fee.

Trade Premiums and Discounts Borrower acknowledges Lender may trade the security associated with this loan in a secondary market and any premium or discount associated with such a trade is a part of the compensation enducing lender to make this loan.

Title Policy and Title Charges. Applicant must deliver to Greystone a title commitment, pro-forma title policy and a title insurance policy satisfactory to Greystone, which must show that the Borrower has title to the property on the closing date free of all liens or encumbrances other than the Greystone Loan and any exceptions acceptable to Greystone. The title insurance policy shall be in form and content, and issued by a company (or companies), acceptable to

Greystone. A UCC financing statement search must be conducted in the Office of the Secretary of State, the local recorder's office, and all other offices where financing statements are required to be filed. All searches must indicate that there are no liens other than the Greystone Loan.

Recording Costs. Applicant must pay at closing all recording costs, any recordation, transfer or intangible taxes, filing fees and any other costs imposed by the jurisdiction in which the mortgage instruments are to be recorded.

Lender's Legal Fees. Greystone's legal fees shall be paid by the Borrower at closing. In the event the Loan does not close, all legal fees incurred in conjunction with the processing of the Loan will be paid by the Applicant promptly upon demand.

5. CLOSING REQUIREMENTS

A. Escrows at Closing: At closing, Borrower will establish the following accounts:

Replacement Reserve: If required, the Borrower will establish and maintain a Replacement Reserve Fund to be held by Greystone. This fund is intended to provide a cash reserve for the replacement of certain project components. The amount of the initial and ongoing deposits will be determined by Greystone based on its review of the architectural and engineering report recommendations and various project reports which estimate the remaining economic life of appropriate components, as well as Greystone's evaluation of the condition and maintenance of the Project. Following the initial deposit collected at closing, regular monthly deposits will probably be required with each monthly Loan payment. The Borrower will execute at closing an escrow agreement on a standard form, the terms of which cannot be modified. The escrow will be held in an interest bearing account at a federally-insured depository as designated by Greystone.

Tax and Insurance Escrows. If required, there will be established at closing an escrow fund the purpose of which is to provide the adequate accrual of funds, one month prior to the applicable due date, to pay real estate taxes, special assessments, hazard and liability insurance premiums and, if necessary or required, flood insurance premiums and boiler insurance premiums. The Borrower will be required to make an initial deposit into this fund at closing and subsequent additional deposits with each monthly mortgage payments. The escrow fund will be held by Greystone in a non-interest bearing account at a federally-insured depository as designated by Greystone.

Completion/Repair Escrow: In the case of a Loan on an existing project requiring repairs, or a recently completed project with minor items which remain incomplete, if required, the Borrower must establish at closing an escrow equal to 150% of the estimated cost of completing the work (or 125% of such costs if the Borrower delivers to Greystone an acceptable firm bid from a licensed contractor for the scope of work). The only acceptable collateral in satisfying this escrow requirement is cash, which may come from Loan proceeds. For existing or recently completed projects with minor repairs, this escrow shall be for a period not to exceed 12 months, or as otherwise determined by Greystone. Borrower shall execute at closing an escrow agreement in a standard form, the terms of which cannot be modified. The escrow will be held

by Greystone in an interest bearing account at a federally-insured depository designated by Greystone.

B. Provisions of Loan Documents: Borrower will be required to execute the Loan Commitment and Loan Documents on standard Fannie Mae forms. Certain of the important provisions of the Loan Commitment and the Loan Documents are as follows:

No Other Debt. Borrower must obtain lender approval before encumbering or pledging the project for other indebtedness.

Maintain Insurance. Borrower must maintain sufficient property and liability insurance coverage, as well as flood and boiler insurance, if required, and any other insurance coverage as may be required by Greystone. These policies must be in effect and paid in full for one year from the time of closing.

Prepayment Restrictions. The Loan may be prepaid only in full (no partial payments will be permitted), and only after giving Greystone prior written notice. A prepayment must include accrued interest and any other sums due Greystone at the time of prepayment, including a yield maintenance or other prepayment premium, as determined by the provisions of the Loan documents. After the yield maintenance period has expired, any prepayment made prior to the 90th day before the note matures must be accompanied with a 1% premium.

Sale of Project. The Borrower must obtain Greystone's approval before it transfers ownership of the project or any beneficial interests in the Borrower. Such transfers are restricted and may require payment of certain fees to cover Greystone's actual cost of evaluating the credit of the proposed new owner, plus a 1% assumption fee.

Permits and Approvals. The Borrower must provide evidence that the project is in conformance with the applicable zoning and building codes, particularly with respect to unit density and parking requirements. In the event a legal non-conforming use exists, Borrower shall provide rebuilding specifications, subject to Greystone approval, allowing for the complete reconstruction of the project in its current form and density.

Exceptions to Non-Recourse Provisions. The Borrower's obligations under the Loan documents will generally be without recourse to any individual. However, there are exceptions to these non-recourse provisions, making the general partners and any other "Key Principal" of the Borrower (i.e., the individual(s) that controls and manages the Borrower, as identified by Greystone) personally liable as a result of certain violations of the Loan documents. Included among these exceptions are (1) selling or transferring the project, putting a subordinate mortgage on the project or violating the "single asset" requirement, in each case without lender consent; (2) fraud or intentional misrepresentation in obtaining the loan; (3) misappropriation of project funds; and (4) Borrower bankruptcy.

Other: Borrower shall pay all other fees, charges and expenses necessary to accomplish closing of the Loan which are not otherwise to be paid by Greystone under the terms of this Application.

6. GENERAL TERMS AND CONDITIONS

Borrower hereby designates Greystone Servicing Corporation as the only authorized representatives of the Borrower, in any dealing with Fannie Mae, with regard to the proposed financing of the Property. Such designation will be in force for a period of not less than 120 days from the date of this Application, unless otherwise released in writing by Greystone.

This Application is intended to create legal obligations on the part of the Borrower to pay the application fees and costs described above and as to the accuracy of representations made by the Borrower to Greystone in the application and underwriting process.

Applicant and Borrower understand and agree that Greystone's analysis of the project and its operations, including all appraisals, engineering reports and other investigations, are for the sole benefit of Greystone in the underwriting of the Loan. Greystone's analysis shall not be relied upon by Borrower or any third parties. Greystone's analysis, appraisals, reports and investigations and any Greystone Loan Commitment do not constitute any representation or warranty by Greystone to Borrower or to others as to the value or condition of the project. Greystone's underwriting and analysis will be conducted in accordance with standards which are not for the benefit of Borrower or Applicant, and which are subject to change without notice to Borrower or Applicant. Greystone's acceptance of this Application (i) does not create any kind of fiduciary relationship with Borrower, (ii) does not guarantee, imply or suggest that any Loan Commitment will be issued to the Applicant or Borrower or that, if a Loan Commitment is issued, it will be issued by any certain date or contain any particular terms (including loan amount, interest rate or maturity).

GREYSTONE'S ACCEPTANCE OF THIS APPLICATION DOES NOT CONSTITUTE A COMMITMENT TO MAKE A LOAN. GREYSTONE MAY DECLINE OR REFUSE TO ISSUE A COMMITMENT FOR ANY REASON OR NO REASON OR MAY ISSUE A COMMITMENT ON TERMS AND CONDITIONS WHICH DIFFER FROM THE PROVISIONS OF THIS APPLICATION.

Borrower Initials: _____

BY ACCEPTING THIS APPLICATION, GREYSTONE DOES NOT GUARANTEE OR "LOCK" AN INTEREST RATE OR COMMIT ITSELF TO DETERMINING AN INTEREST RATE BASED ON ANY SPECIFIED SPREAD OVER ANY TREASURY. THE INTEREST RATE FOR ANY LOAN WHICH GREYSTONE MAY MAKE WILL BE DETERMINED ONLY AS PROVIDED IN ANY COMMITMENT WHICH GREYSTONE MAY ISSUE.

Borrower Initials: _____

APPLICANT SIGNATURE: _____ DATE: _____

Upon receipt of the executed Application and the Application Fee, Greystone will provide instruction packages in addition to the required documents listed on Appendix A. Please fill in below property information items and designate a key contact to whom Greystone shall forward the instruction packages and coordinate future Application processing.

Property Name: _____

of Rental Units: _____

Property Address: _____

Borrower Name: _____

Key Principal(s) Name: _____

Management Co: _____

Related Entity?: YES / NO

BORROWER PRIMARY CONTACT PERSON

Name: _____

Address: _____

Telephone: _____

Email Address: _____

APPENDIX A

SECTION I: KEY DOCUMENTS REQUIRED AT TIME OF APPLICATION

Please note: Appendix A represents critical due diligence items that should be provided at the time of application. Additional forms and exhibits will be required during Underwriting.

Property

1. Property Income and Expense Operating statements for:
 - Trailing 12 months
 - Year-to-date statements for current year
 - Year-end statements for the past three years
 - Pro forma/budget for the Property

2. Current rent roll that includes the following information for each unit:
 - Unit number
 - Unit type – clearly defined
 - Tenant name
 - Current lease rent
 - Market/asking rent
 - Lease commencement date
 - Lease expiration date

Please note: The date that the rent roll is generated should be clearly marked on the rent roll.

3. A copy of the current Property Insurance Policy and a copy of the paid receipt. [DUS Insurance Guidelines](#) are enclosed for your use. Please provide the Borrower's insurance agent contact information and inform the agent that he will be contacted by Greystone's insurance consultant.

Borrowing Structure

4. Organizational documents relevant to the proposed structure for the **Borrowing Entity** and each **Principal** that is an entity. At a minimum, please provide an organizational chart that indicates ownership percentages.
5. Financial statements for the **Borrowing Entity**, each **Principal** and **Key Principal** that have been prepared and are dated within twelve months of the application date.
6. [Schedule of Real Estate Holdings](#). Please complete this form for each **Key Principal**, listing all income-producing properties in which the **Key Principal** currently has a principal ownership interest.
7. An executed [Underwriting Certificate \(Borrower\)](#) and [Underwriting Certificate \(Key Principals, Principals\)](#), which certifies Multifamily Ownership and Loan History, and

the accuracy of the Rent Roll, Property Income and Expense Statements, Financial statements and Real Estate Schedules. This form is to be completed by the **Borrowing Entity** and each **Key Principal** and **Principal**.

8. A [Verification Authorization for Credit, Asset Balances and Mortgage History](#) form is to be completed by the **Borrowing Entity**, each **Principal** and **Key Principal**. In place of providing the bank contact and account information requested on page 2 of the credit authorization form, the Key Principals may provide a) two months of bank or brokerage statements which evidence their liquid assets, or b) letter from their accountant evidencing their liquid assets.
9. Detailed resume or biographical information for the **Key Principal**.

Management

10. Management entity profile, describing experience of management company, size/location of management portfolio, etc

Special Attributes

If applicable, please provide the following items. If they are not applicable to the subject Property, please confirm via email so that we may remove the requirements from the Due Diligence Checklist.

11. A copy of the sales agreement if the transaction is an acquisition, or if the Property was purchased within the past three (3) years.
12. Ground Lease, if applicable.

SECTION II: DOCUMENTS REQUIRED WITHIN TWO WEEKS OF APPLICATION

Property

1. Title Insurance Binder prepared according to the attached [Title Insurance Requirements](#) and copies of all exceptions to title. The Title Insurance Binder should be provided to the surveyor as soon as possible for completion of the survey. **Please order the Title Insurance Binder as soon as possible to avoid a delayed closing.**
2. A survey prepared according to the attached [Surveyor's Instructions](#). Please provide three (3) copies of the survey. We cannot rate lock without a survey that conforms to the Surveyor's Instructions (and includes the required Surveyor's Certification). **Please order the survey as soon as possible since it may take the surveyor several weeks to complete a survey. We have found that if not ordered within two weeks of application, the survey is the single item most likely to delay a timely closing.**

APPENDIX A-II

WIRING INSTRUCTIONS

BANK: Bank of America
P.O. Box 27025
Richmond, VA 23261-7025
800-446-0135

ABA: 026-009-593

ACCOUNT NUMBER: 000-10623-8240

NAME ON ACCOUNT: Greystone Servicing Corp.

ATTENTION: Pamela Brown

DETAILS: [San Diego Housing Commission Portfolio](#)