

SPONSOR OPERATING GUARANTY

LOAN NUMBER XX-MHP-XXX

This Sponsor Operating Guaranty (the "Guaranty") is made as of the date indicated below, by _____, a California non-profit public benefit corporation (the "Sponsor"), for the benefit of the Department of Housing and Community Development, a public agency of the State of California, its successors and assigns (the "Department").

RECITALS:

A. Through that Standard Agreement No. ___-MHP-___, dated _____, 2001, by and between Sponsor and the Department (the "Standard Agreement"), the Department has awarded Sponsor a conditional loan commitment from the Multifamily Housing Program (the "Program") in the amount of \$_____ (the "Loan") for the permanent financing of that certain low-income housing development known as _____ and located at _____ **[complete street address]** _____, California (the "Development").

B. The Department's decision to enter into the Standard Agreement and the Loan was based in part on the Sponsor's ability to successfully own, operate and manage the Development in compliance with that certain Regulatory Agreement by and between the Department and Sponsor ***[(or) the Borrower as identified below]***, dated _____, 2001, which governs the maintenance, use and occupancy of the Development (the "Regulatory Agreement").

C. Sponsor has formed ***[(or) will be forming] [if formed insert name]*** a California limited partnership, with Sponsor as the initial general partner (the "Borrower"). Sponsor has transferred ***[(or) will be transferring]*** title to the Development to the Borrower.

D. In order to ensure that the Borrower has sufficient resources and expertise to successfully operate the Development for the term of the Regulatory Agreement consistent with the requirements contained therein, the Department requires that the Sponsor provide this Guaranty as a condition to the Department's consent to the assignment of the Loan ***[and Standard Agreement (if not already in Borrower's name)]*** to Borrower.

NOW, THEREFORE, IN CONSIDERATION OF Department's Loan to Borrower, Sponsor covenants, agrees and guaranties to the Department as follows:

1. Recitals. The foregoing recitals are a part of this Guaranty.

2. Sponsor Operating Guaranty. In order to assure that the Borrower has the skill, knowledge and experience necessary for the Borrower to own, operate and manage the Development pursuant to the terms of the Regulatory Agreement, Sponsor guaranties to the Department that during any period that an affiliate of Sponsor serves as the general partner of the Borrower (the "General Partner") and Borrower is obligated under the terms of the Regulatory Agreement:

a. Sponsor shall provide general oversight of the General Partner's operation and management of the Development, and hereby guaranties to the Department that the General Partner shall cause Borrower to perform its duties under the Regulatory Agreement with the skill, knowledge and experience of a party with sufficient ability to own, operate and manage the Development. Sponsor shall not cause or permit General Partner to modify, amend, limit or terminate its status as affiliate of Sponsor without the prior written approval of the Department.

b. Upon any notice to Sponsor by either the Department or the General Partner that the Borrower does not have sufficient staff or equipment to perform its duties under the Regulatory Agreement, including, but not limited to, its obligation to perform under the Management Plan described in paragraph 13.b of the Regulatory Agreement (the "Management Plan"), Sponsor shall provide sufficient staff or equipment, as needed, to the General Partner to enable the Borrower to perform such duties. Such staff or equipment shall be provided at either no cost to the General Partner or at a cost approved in writing by the Department as being payable from the Borrower's distribution to the General Partner.

c. Sponsor shall exercise its rights of control of the management of the General Partner so as to assure that the General Partner is able to cause the Borrower to perform its duties under the Regulatory Agreement, including, but not limited to, its obligation to perform under the Management Plan.

d. Neither Borrower, General Partner, nor Sponsor shall be relieved of any of their responsibilities under the Regulatory Agreement or under the Management Plan by the Department's approval of an agreement between Borrower and a management agent for the Development.

e. Sponsor agrees that any breach, violation or default of Borrower under the Regulatory Agreement shall constitute breach, violation or default of Sponsor under this Guaranty, and such breach shall give rise to the remedies available to the Department against the Sponsor hereunder.

3. Department's Remedies Against Sponsor.

a. Sponsor agrees that in the event of a breach, violation or default as described in paragraph 2(e) above, all the Department's remedies under this Guaranty and under law or equity shall be available to the Department upon failure of Sponsor to perform its obligations and guaranties under this Guaranty after the expiration of any applicable cure period for the underlying breach, violation or default.

b. If Sponsor is in default under this Guaranty, but the Borrower is not in default under the Regulatory Agreement, Department may take any one or more of the following actions:

i. Apply to any court of competent jurisdiction for specific performance of this Guaranty, or for such other relief against Sponsor as may be appropriate. It is agreed by the Sponsor that the injury to the Department arising from a default of the Sponsor under this Guaranty may be irreparable and that the amount of the compensation that would provide adequate relief to the Department in light of the purposes and requirements of the Program may be impossible to ascertain.

ii. Seek such other appropriate remedies against the Sponsor, including money damages, as may be available against the Sponsor under law.

Dated: _____

SPONSOR:

a California nonprofit public benefit corporation

By: _____

Its: _____