

Ann Sewill, General Manager  
Tricia Keane, Executive Officer

Daniel Huynh, Assistant General Manager  
Anna E. Ortega, Assistant General Manager  
Luz C. Santiago, Assistant General Manager

## City of Los Angeles



Eric Garcetti, Mayor

## LOS ANGELES HOUSING DEPARTMENT

1200 West 7th Street, 9th Floor  
Los Angeles, CA 90017  
Tel: 213.808.8808

housing.lacity.org

October 16, 2022

Council File: 18-0849  
Council Districts: 9  
Contact Persons: Apolinar Abrajan: (213) 808-8895  
Daniel Huynh: (213) 808-8901

Honorable Members of the City Council  
City of Los Angeles  
c/o City Clerk, City Hall  
200 N. Spring Street  
Los Angeles, CA 90012

### **COUNCIL TRANSMITTAL: REQUEST FOR AUTHORITY TO CONSIDER THE TAX EQUITY AND FISCAL RESPONSIBILITY ACT OF 1982 ("TEFRA") HEARING MINUTES; ISSUE A SUPPLEMENTAL TAX-EXEMPT MULTIFAMILY MORTGAGE CONDUIT BOND IN THE AMOUNT UP TO \$2,220,000; AND EXECUTE RELATED FINANCING DOCUMENTS FOR THE BROADWAY APARTMENTS PROJECT, A SUPPORTIVE HOUSING PROJECT**

#### **SUMMARY**

The General Manager of the Los Angeles Housing Department ("LAHD") respectfully requests authority to issue a tax-exempt multifamily mortgage conduit revenue bond in the amount not to exceed \$2,200,000 for the development of Broadway Apartments ("Project"). The Project consists of a 35-unit development located at 301 W. 49th Street, Los Angeles, CA in Council District 9, currently under development by Veterans Housing Partnership, LLC ("VHP"), with a total per-unit development cost of \$540,396 and a per-unit HHH subsidy of \$126,957. The California Debt Limit Allocation Committee ("CDLAC") has designated December 26, 2022 as the bond issuance deadline. The Project has experienced delays in the construction process due to unforeseen construction costs increases. The supplemental bonds are needed to ensure that the Project is completed on time.

#### **RECOMMENDATIONS**

- I. That the City Council, subject to the approval of the Mayor:
  - A. CONSIDER the TEFRA Hearing Minutes, provided as an attachment to this report, held on April 21, 2022 for the Project;
  - B. ADOPT the Resolution, provided as an attachment to this report, authorizing the issuance of up to \$2,200,000 in supplemental tax-exempt bonds for the development of the Project; and,

- C. AUTHORIZE the General Manager of LAHD, or designee, to negotiate and execute the relevant financing documents for the Project, subject to the approval of the City Attorney as to form.

## **BACKGROUND.**

### Project Summary

The subject site is located at 301 W. 49th Street, Los Angeles, CA 90037, in Council District 9. The development entails the rehabilitation of an existing motel that is comprised of one two-story building and an additional one-story building. The project amenities will include a community room, laundry facilities, secured parking, on-site management, counseling offices, gated access, a communal kitchen, a manager's unit, and a courtyard. The borrower will include green building technologies and materials in the rehabilitation, and is committed to increasing the overall current energy efficiency of the building by 10%. The Project will provide 17 housing units to individuals experiencing homelessness and 17 units for individuals experiencing chronic homelessness. Case management services will be provided by Step Up on Second Street, Inc., a California nonprofit corporation. When completed, the project will provide a total of 35 housing units. All units will be reserved for chronically homeless individuals.

In March 2019, the City Council and Mayor provided LAHD the authority to issue bonds for the project (C.F. No. 18-0849). On June 6, 2019 LAHD issued \$6,500,000 in bonds and closed the construction financing to help finance the development of the project. Since the closing of the construction loan, the project experienced unexpected delays and construction scope changes that resulted in increased project costs. The delays resulted in increased costs via finance costs, security, holding costs, and construction period finance costs. In addition, the COVID situation also resulted in increased materials costs and labor costs.

Broadway Apartments Preservation, LP ("Borrower") proposed a revised budget that adds approximately \$5 million to the initial Project costs. The supplemental bond is needed to ensure compliance and timely completion of the Project, and to make sure that the development meets the lender and investor requirements. The project is about 89% completed and construction is expected to be completed by end of 2022.

### Financing History

On March 3, 2022, LAHD executed an Inducement letter in the amount not to exceed \$2,220,000. The letter evidenced the official intent of the City of Los Angeles ("City") to issue its supplemental bond(s) for the development. The letter was executed pursuant to previous authority granted to LAHD by the City Council and Mayor (C.F. No. 04- 2646). On March 16, 2022, on behalf of the Broadway Apartments Preservation, L.P. ("Borrower"), LAHD submitted a bond application to CDLAC requesting a \$2,220,00 in supplemental bonds and the allocation was awarded on June 15, 2022. A copy of the inducement letter was included as part of the bond application. Per the TEFRA requirements, on April 14, 2022 the TEFRA notice of public hearing was published in the Los Angeles Times, and a TEFRA Hearing was held on April 21, 2022 for the proposed supplemental bonds.

Sources and Uses

Tables 1, 2, and 3, below, provide a summary of the sources and uses for the Project.

TABLE 1 – CONSTRUCTION SOURCES			
Construction	Total	Per Unit	% Total
Red Stone – Supplemental Tax Exempt Bonds	\$2,220,000	\$63,429	12%
Red Stone – Tax Exempt Bonds	\$6,500,000	\$185,714	34%
LAHD – HHH	\$4,443,480	\$126,957	23%
Seller Note	\$1,600,000	\$45,714	9%
Deferred Developer Fee	\$1,024,483	\$29,271	5%
Tax Credit Equity	\$1,210,530	\$34,587	6%
Constr. Period Cash Flow	\$178,056	\$5,087	1%
Deferred Costs	\$1,737,314	\$49,637	9%
<b>Total</b>	<b>\$18,913,863</b>	<b>\$540,396</b>	<b>100%</b>

TABLE 2 – PERMANENT SOURCES			
Permanent	Total	Per Unit	% Total
Red Stone – Tax Exempt Bonds	\$4,265,000	\$121,857	22%
LAHD – HHH loan	\$4,443,480	\$126,957	23%
Seller Note	\$1,600,000	\$45,714	8%
Seller Note – deferred interest	\$162,890	\$4,654	1%
LAHD – HHH loan deferred interest	\$475,878	\$13,597	3%
Deferred Developer Fee	\$1,068,656	\$30,533	6%
Constr. Period Cash Flow	\$178,056	\$5,087	1%
Tax Credit Equity	\$6,719,903	\$191,997	36%
<b>Total</b>	<b>\$18,913,863</b>	<b>\$540,396</b>	<b>100%</b>

TABLE 3 – USES OF FUNDS			
Uses of Funds	Total Uses	Cost/Unit	% Total
Acquisition Costs	\$7,000,000	\$200,000	37%
Construction Costs	\$5,143,025	\$146,944	27%
Architecture & Engineering	\$398,865	\$11,396	2%
Constr. Interest Fees & Expenses	\$2,114,875	\$60,425	11%
Perm Financing	\$109,150	\$3,118	1%
Contingency (Soft Costs)	\$100,000	\$2,857	1%
Contingency (Hard Costs)	\$75,000	\$2,143	0%
Legal Costs	\$492,900	\$14,083	3%
Capitalized Reserves	\$486,954	\$13,913	3%
Permit & Local Fees	\$50,181	\$1,434	0%
Developer Fee	\$1,537,483	\$43,928	8%
Other Project Costs	\$1,405,430	\$40,155	7%
Relocation	\$0	0	0%
<b>Total</b>	<b>\$18,913,863</b>	<b>\$540,396</b>	<b>100%</b>

The total development cost of \$540,386 per unit reflects several factors:

- **Construction Costs:** Materials and commodities pricing have drastically escalated in the past year due to the COVID-19 pandemic. The total added construction cost is approximately \$2,834,700, or \$80,991 per unit in hard costs. The total Construction cost is \$5,143,025, or \$146,943 per unit.
- **Soft Costs:** There was a 13-month delay in getting the notice to proceed with construction which added soft costs and financing costs including loan interest, security, property taxes and other soft costs. The total added soft cost is approximately \$2,290,000, or \$65,429 per unit in soft costs.

These additional costs add approximately \$5,125,000 to the total development costs and increases the cost per unit by \$146,438.

#### Labor Costs

Labor costs for the Project are subject to California prevailing wage requirements, and/or federal wage requirements under the Davis–Bacon Act of 1931 and Related Acts, as applicable.

#### Affordability Restrictions

Pursuant to the City’s Affordable Housing Bond Policies & Procedures (“AHBPP”) for Private Activity Bonds for Multifamily Rental Properties, approved September 24, 2019, the Project must provide long-term affordable housing in the City of Los Angeles. Therefore, in connection with the issuance of the tax-exempt bond, a Regulatory Agreement and Declaration of Restrictive Covenants (“Bond Regulatory Agreement”) was executed and then on June 7, 2019 was recorded in the official records of the Los Angeles County Recorder’s Office. The Bond Regulatory Agreement includes affordability restrictions throughout a term ending no sooner than the later of: 1) 15 years after the date on which 50% of the dwelling units are first occupied; 2) the date such bonds are paid in full; or, 3) the date on which any Section 8 assistance terminates, if applicable. In addition to the above, the bond award includes a CDLAC Resolution, which requires that the Housing Project’s affordable housing units remain affordable for 55 years.

The Project also has affordability restrictions applied under a separate agreement with the California Tax Credit Allocation Committee (“CTCAC”) for a term of 55 years, as a result of the allocation of the 4% Low Income Housing Tax Credits (“LIHTC”).

All of the 34 supportive housing units will be targeted to households at or below 60% of Area Median Income (“AMI”). Table 4 provides a summary of the unit mix, pursuant to the CDLAC Resolution.

TABLE 4 – CDLAC AFFORDABILITY RESTRICTIONS				
Unit Type	Units at or below 50% AMI	Units at or below 60% AMI	Un-restricted (Manager's Unit)	Total Number of Units
Efficiency	10	16		26
One-Bedroom	4	4		8
Two-Bedroom			1	1
Three-Bedroom				
<b>Total</b>	<b>14</b>	<b>20</b>	<b>1</b>	<b>35</b>

Development Team

The Borrower is Broadway Apartments Preservation, LP, a California limited partnership. By the time of the closing of the supplemental bond the partnership will be comprised of Step Up on Second Street, Inc. ("SUSS") as its managing general partner; Broadway Apartments GP LLC, as its administrative general partner ("BAGP"); and Aegon LIHTC Fund 60, LLC, as the investor limited partner. As proposed, the Borrower entity is currently in compliance with LAHD's Business Policy (C.F. No. 99-1272).

The developer, VHP, has been involved in the development of homeless housing and affordable housing projects including 3 projects on the West Los Angeles VA campus building housing for Homeless Veterans. The Project will be managed by SUSS, which has experience in developing and managing seven properties with a total of 198 units over a 23-year period.

Borrower: Broadway Apartments Preservation, LP  
 660 S. Figueroa St. (Suite 1888)  
 Los Angeles, CA 90017  
 Phone: (213) 797-4240  
 Contact: Andrew Meyers

Developer: Veterans Housing Partnership, LLC  
 660 S. Figueroa St. (Ste. 1888)  
 Los Angeles, CA 90017  
 Phone: (213) 797-4240  
 Contact: Andrew Meyers

Additional Project development team members are:

Architect: Bardovi Architects  
 4766 Park Granada, Suite 112  
 Calabasas, CA 91302  
 Phone: (310) 559-1332  
 Contact: Gary Bardovi

Attorney: Hobson Bernardino & Davis  
725 S. Figueroa Street, Suite 3230  
Los Angeles, CA 90017  
Phone: (213) 235-9191  
Contact: Jason A. Hobson

General Contractor: Shangri-LA Construction  
660 S. Figueroa St. (Suite 1888)  
Los Angeles, CA 90017  
(213) 797-4240  
Attn: Andrew Meyers, Chief Executive Officer

Property Manager: Step Up on Second Street, Inc.  
1328 Second Street  
Santa Monica, CA 90401  
Phone: (310) 394-6889 ext. 1626  
Contact: Tod Lipka, President and Chief Executive Officer

Tax Credit Investor: Aegon LIHTC Fund 58, LLC  
c/o Aegon USA Realty Advisors, LLC  
6300 C Street SW  
Cedar Rapids, IA 52499  
(877) 234-6862  
Contact: Sean Stalken

#### Financial Structure

On June 6, 2019, the City of Los Angeles, as Issuer, issued a bond ("Bond") that was unenhanced and unrated, but subject to the City's AHBPP. The Bond was privately placed and purchased by Deutsche Bank Securities Inc. ("DB"). The Issuer made a loan ("Construction Loan") from the sale proceeds of the Bond to the Borrower in an amount not to exceed \$6,500,000 pursuant to the terms of a Loan Agreement between the Issuer and the Borrower. The Borrower executed a promissory note ("Note") as evidence to repay the Construction Loan. The Issuer assigned the Note evidencing the Construction Loan to the U.S. Bank National Association (now U.S. Bank Trust Company, National Association), as Trustee, as security for the Bond. Among its various functions, the Trustee receives funds advanced by DB in exchange for additional principal amount of the Bond and releases such funds to the Borrower for the Project construction and rehabilitation.

The Issuer will issue a new supplemental bond ("Supplemental Bond") in the amount not to exceed \$2,220,000 that will be added as an amendment to the existing Bond financing. The Issuer will make a loan ("Supplemental Construction Loan") of the proceeds of the Supplemental Bond to the Borrower pursuant to a Loan Agreement between the Issuer and Borrower. The Supplemental Construction Loan will be non-amortizing, mature in 24 months, require interest-only payments, and shall bear interest at a fixed rate currently estimated at 5.15%,

based off a 290 basis point spread over the Securities Industry and Financial Markets Association ("SIFMA") 15-year swap rate, currently at 2.35%. When the Supplemental Bond is issued, the entire principal amount of the Supplemental Bond will be deposited into a cash collateral account held by the trustee providing 100% security for the Supplemental Bond. The Trustee will receive funds advanced by Arc70 Fund III, LP, a Delaware limited partnership ("Purchaser"), as purchaser of the Supplemental Bond, for deposit into a collateral account held by the Trustee. The Trustee would then be permitted to release a like amount of Supplemental Bond proceeds to the Borrower for the Project construction. The funding would continue in this fashion until the Supplemental Bond proceeds have been fully disbursed to the Borrower for eligible Project costs. Red Stone A7 III LLC ("Red Stone") is the loan originator and credit underwriter of the real estate loan, and Red Stone will facilitate the Purchaser's purchase of the Supplemental Bond.

At conversion to permanent financing, a portion of the Construction Loan will be paid down, and the Supplemental Construction Loan will be paid in full with sources available at the permanent financing phase, including investor equity. Concurrently, DB will provide a new tax-exempt permanent loan evidenced by the remaining Bond in the amount up to \$4,265,000. The DB permanent loan will have a 17/40 year term period/amortization schedule and a fixed interest rate; the permanent interest rate is expected to be 5.15%.

The financing structure includes a loan from the LAHD Proposition HHH Supportive Housing Loan Program (City Contract No. C-132907), 4% tax credits equity investment from Aegon, and a Seller note. In addition, the Project has received a rental subsidy through the Housing Authority of the City of Los Angeles ("HACLA") in the form of 34 Veterans Affairs Supportive Housing ("VASH") Project Based Vouchers.

The Purchaser or RedStone are not subject to the City's Responsible Banking Ordinance #182138. At closing, bond counsel will provide the required legal opinions as to the tax exempt status of interest on the Bond, under federal and state law. The legal and financing documents will include language that establishes the Bond structure as a limited obligation and strictly payable from Project revenues. The Project financing complies with both the LAHD AHBPP and City Financial Policies. Additionally, the legal and financing documents will require the Borrower to provide annual statements and information as requested by LAHD.

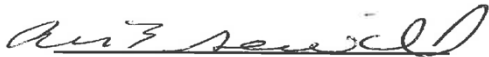
LAHD's Bond Team for the financing of the Project is as follows:

Bond Issuer Municipal Advisor:	CSG Advisors, Inc. 315 W. 5th Street, Suite 302 Los Angeles, CA 90013
Bond Issuer Counsel:	Los Angeles City Attorney 200 N. Spring Street, 21st Floor Los Angeles, CA 90012
Bond Counsel:	Kutak Rock LLP 777 S. Figueroa Street, Suite 4550 Los Angeles, CA 90017

**FISCAL IMPACT**

There is no fiscal impact to the General Fund as a result of the issuance of the Bond. The City is a conduit issuer and will not incur liability for repayment of the Bond. The Bond is a limited obligation, payable strictly from revenue derived from the Project. The City will not be obligated to make payments on the Bond.

Approved By:

A handwritten signature in dark ink, appearing to read "Ann Sewill", written in a cursive style.

ANN SEWILL  
General Manager  
Los Angeles Housing Department

**ATTACHMENTS:**

- Attach A - Bond Resolution (Broadway)
- Attach B - Indenture (Broadway)
- Attach C - Loan Agreement (Broadway)
- Attach D - Amend Reg. Agreement (Broadway)
- Attach E - TEFRA Hearing Minutes (Broadway)



**ATTACHMENT A**

BOND RESOLUTION FOR BROADWAY APTS.

**RESOLUTION**  
**CITY OF LOS ANGELES**

A RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF A BOND BY THE CITY OF LOS ANGELES DESIGNATED AS ITS SUBORDINATE MULTIFAMILY HOUSING REVENUE BOND (BROADWAY APARTMENTS) SERIES 2022T IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$2,220,000 TO PROVIDE FINANCING FOR THE ACQUISITION, CONSTRUCTION, REHABILITATION AND EQUIPPING OF THE MULTIFAMILY HOUSING PROJECT SPECIFIED IN PARAGRAPH 16 HEREOF AND APPROVING AND AUTHORIZING THE EXECUTION AND DELIVERY OF AN INDENTURE OF TRUST, AN AMENDED AND RESTATED REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS, A LOAN AGREEMENT AND RELATED DOCUMENTS AND AGREEMENTS AND THE TAKING OF RELATED ACTIONS INCLUDING THE EXECUTION OF AMENDATORY DOCUMENTS THERETO.

WHEREAS, the City of Los Angeles (the “City”) is authorized, pursuant to the provisions of Section 248, as amended, of the Los Angeles City Charter (the “Charter”) of the City and Article 6.3 of Chapter 1 of Division 11 of the Los Angeles Administrative Code, as amended (the “Law”), to issue its revenue bonds for the purposes of providing financing for the acquisition, construction, rehabilitation and development of multifamily rental housing for persons and families of low or moderate income (the “Program”) which will satisfy the provisions of Chapter 7 of Part 5 of Division 31 of the Health and Safety Code of the State of California (the “Act”); and

WHEREAS, the City desires to issue, pursuant to the Law and in accordance with the Act, its revenue bond to provide financing for the acquisition, construction, rehabilitation and equipping of that multifamily rental housing project described in paragraph 16 below (the “Project”); and

WHEREAS, the Project will be located wholly within the City; and

WHEREAS, the City has previously authorized and issued its Multifamily Housing Revenue Bond (Broadway Apartments) Series 2019G (the “Series 2019G Bond”) to finance costs of the Project; and

WHEREAS, Broadway Apartments Preservation, LP (the “Owner”) has requested the City to authorize the issuance of an additional series of bonds to finance additional costs of the Project; and

WHEREAS, it is in the public interest and for the public benefit that the City authorize additional financing for the Project, and it is within the powers of the City to provide for such a financing and the issuance of such bond; and

WHEREAS, the City proposes to issue, pursuant to the Law and in accordance with the Act, its Subordinate Multifamily Housing Revenue Bond (Broadway Apartments) Series 2022T (the “Bond”) in one or more series in an aggregate principal amount not to exceed \$2,220,000; and

WHEREAS, the City proposes to use the proceeds of the Bond fund a loan to the Owner to provide additional financing for the construction, rehabilitation and development of the Project and, if applicable, to pay certain costs of issuance in connection with the issuance of the Bond; and

WHEREAS, Arc70 Fund III, LP, a Delaware limited partnership (the “Purchaser”) has expressed the intention to purchase the Bond authorized hereby or to cause such Bond to be purchased by its affiliate, in whole; and

WHEREAS, this Council (the “City Council”) finds that the public interest and necessity require that the City at this time make arrangements for the sale of such Bond; and

WHEREAS, the interest on the Bond may qualify for a federal tax exemption under Section 142(a)(7) of the Internal Revenue Code of 1986, as amended (the “Code”), only if the Bond is approved in accordance with Section 147(f) of the Code; and

WHEREAS, pursuant to the Code, the Bond is required to be approved, following a public hearing, by an elected representative of the issuer of the Bond and an elected representative of the governmental unit having jurisdiction over the area in which the Project is located; and

WHEREAS, this City Council is the elected legislative body of the City and is the applicable elected representative required to approve the issuance of the Bond within the meaning of Section 147(f) of the Code; and

WHEREAS, pursuant to Section 147(f) of the Code, the City caused a notice to appear in the *Los Angeles Times*, which is a newspaper of general circulation in the City, on April 14, 2022, to the effect that a public hearing would be held on April 21, 2022, regarding the issuance of the Bond pursuant to a plan of financing; and

WHEREAS, the Los Angeles Housing Department held said public hearing on such date, at which time an opportunity was provided to present arguments both for and against the issuance of the Bond; and

WHEREAS, the minutes of such public hearing, together with any written comments received in connection therewith, have been presented to this City Council; and

WHEREAS, the Owner of the Project has caused the Purchaser to provide to the City the following information as a good faith estimate of the cost of the Bond financing and the City disclosed such information in accordance with Section 5852.1 of the California Government Code: (a) the true interest cost of the Bond, (b) the finance charge of the Bond, including all third party expenses, (c) the amount of proceeds received by the City for the issuance and delivery of the Bond less the finance charge of the Bond and any reserves or capitalized interest

paid or funded with proceeds of the Bond and (d) the total payment amount, all as reflected on the attached Exhibit A (the “Financing Information”); and

WHEREAS, such Financing Information has been disclosed in connection with the City Council meeting in which this Resolution is approved;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Los Angeles, as follows:

1. The recitals hereinabove set forth are true and correct, and this City Council so finds. This Resolution is being adopted pursuant to the Law.

2. Pursuant to the Law and in accordance with the Act and the Indenture (as hereinafter defined), a revenue bond of the City, to be designated as “City of Los Angeles Subordinate Multifamily Housing Revenue Bond (Broadway Apartments) Series 2022T,” in one or more series in an aggregate principal amount not to exceed \$2,220,000 is hereby authorized to be issued. The principal amount of the Bond to be issued shall be determined by a Designated Officer (as defined below) in accordance with this Resolution.

3. The proposed form of an Indenture of Trust (the “Indenture”) by and between the City and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”), substantially in the form attached hereto, is hereby approved along with any additions or supplements which may, in the determination of a Designated Officer, be necessary to document the issuance of the Bond authorized hereunder. The Mayor of the City, the General Manager, any Acting General Manager, the Interim General Manager or any Assistant General Manager, Acting Assistant General Manager, Interim Assistant General Manager, Executive Officer, Acting Director or Director—Finance and Development Division of the Housing Development Bureau of the Los Angeles Housing Department (each hereinafter referred to as a “Designated Officer”) are each hereby authorized and directed to execute and deliver, for and in the name and on behalf of the City, said Indenture with such additions, changes or corrections as the Designated Officer executing the same may approve upon consultation with the City Attorney and Bond Counsel to the City and approval of the City Attorney, provided that such additions or changes shall not authorize an aggregate principal amount of the Bond in excess of the amount stated above, such approval by the City Attorney to be conclusively evidenced by the execution and delivery of the Indenture with such additions, changes or corrections.

Any Designated Officer shall be authorized to approve the appointment of the Trustee.

4. The proposed form of the Bond, as set forth in the Indenture, is hereby approved, and the Mayor and City Treasurer, the Interim City Treasurer or Deputy City Treasurer of the City are hereby authorized and directed to execute, by manual or facsimile signatures of such officers under the seal of the City, and the Trustee or an authenticating agent is hereby authorized and directed to authenticate, by manual signatures of one or more authorized officers of the Trustee or an authenticating agent,

the Bond in substantially such form, and the Trustee is hereby authorized and directed to sell and deliver such Bond to the Purchaser in accordance with the Indenture and the Loan Agreement (hereinafter defined). The date, maturity date, interest rates (which may be either fixed or variable), interest payment dates, denomination, form of registration privileges, manner of execution, place of payment, terms of redemption, use of proceeds, and other terms of the Bond shall be as provided in the Indenture as finally executed; provided, however, that the principal amount of the Bond shall not exceed \$2,220,000, no interest rate on the Bond shall exceed 12% per annum and the final maturity of the Bond shall be no later than 40 years from the date of issuance. The initial purchase price of the Bond shall be 100% of the par amount thereof to be paid as advances are made with respect to the Bond by the Purchaser. The Bond may, if so provided in the Indenture, be issued as a “draw-down” bond to be funded over time as provided in the Indenture. Such Bond may be delivered in temporary form pursuant to the Indenture if, in the judgment of the City Attorney, delivery in such form is necessary or appropriate until the Bond in definitive form can be prepared.

5. The proposed form of Amended and Restated Regulatory Agreement and Declaration of Restrictive Covenants (the “Regulatory Agreement”) to be entered into by and among the City, the Trustee and the Owner, which amends and restates in whole the regulatory agreement executed in connection with the issuance of the Series 2019G Bond, substantially in the form attached hereto, is hereby approved. Any Designated Officer is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver one or more Regulatory Agreements, with such additions, changes and corrections as the Designated Officer may approve upon consultation with the City Attorney and Bond Counsel and approval of the City Attorney, such approval to be conclusively evidenced by the execution of said Regulatory Agreement with such additions, changes or corrections. Any Designated Officer is hereby authorized and directed for and in the name and on behalf of the City to execute amendments to the Regulatory Agreement in order that interest on the Series 2019G Bond and the Bond remains tax-exempt.

6. The proposed form of Loan Agreement (the “Loan Agreement”), by and between the City and the Owner, in substantially the form attached hereto, is hereby approved. Any Designated Officer is hereby authorized and directed, for and in the name and on behalf of the City, to execute the Loan Agreement, with such additions, changes or corrections as the Designated Officer executing the same may approve upon consultation with the City Attorney and Bond Counsel and approval by the City Attorney, such approval to be conclusively evidenced by the execution of the Loan Agreement with such additions, changes or corrections.

7. All actions heretofore taken by the officers and agents of the City with respect to the sale and issuance of the Bond are hereby approved, confirmed and ratified, and each Designated Officer of the City, the City Clerk and other properly authorized officers of the City are hereby authorized and directed, for and in the name and on behalf of the City, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents, including, but not limited to, those described in the Indenture, the Loan Agreement, the Regulatory Agreement and the

other documents herein approved, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bond and the implementation of the Program in accordance with the Act and the Law and this Resolution and resolutions heretofore adopted by the City.

8. The City Clerk of the City or any deputy thereof is hereby authorized to countersign or to attest the signature of any Designated Officer and to affix and attest the seal of the City as may be appropriate in connection with the execution and delivery of any of the documents authorized by this resolution, provided that the due execution and delivery of said documents or any of them shall not depend on such signature of the City Clerk or any deputy thereof or affixing of such seal. Any of such documents may be executed in multiple counterparts.

9. In addition to the Designated Officers, any official of the City, including any official of the Los Angeles Housing Department, as shall be authorized in writing by the Mayor of the City, is hereby authorized for and on behalf of the City to execute and deliver any of the agreements, certificates and other documents, except the Bond, authorized by this Resolution.

10. In accordance with procedures established by the City Charter, the City Council, by adoption and approval of this Resolution and with the concurrence of the Mayor, does hereby direct that the proceeds of the Bond be delivered directly to the Trustee, instead of the City Treasurer, to be deposited into the funds and accounts established under the Indenture.

11. Pursuant to Section 147(f) of the Code, the City Council hereby approves the issuance of the Bond to finance the Project. It is intended that this Resolution constitute approval of the Bond by the applicable elected representative of the issuer of the Bond and the applicable elected representative of the governmental unit having jurisdiction over the area in which the Project is located, in accordance with said Section 147(f).

12. Pursuant to the City Charter all agreements to which the City is a party shall be subject to approval by the City Attorney as to form.

13. Each Designated Officer and other properly authorized officials of the City as specifically authorized under this resolution are hereby authorized, directed and empowered on behalf of the City and this Council to execute any other additional applications, certificates, agreements, documents or other instruments or any amendments or supplements thereto, subject to approval by the City Attorney as to form, or to do and to cause to be done any and all other acts and things as they may deem necessary or appropriate to carry out the purpose of the foregoing authorizations and to address any issues arising with respect to the Bond or the agreements relating thereto subsequent to their issuance.

14. The Bond shall contain a recital that it is issued pursuant to the Law and in accordance with the Act.

15. This Resolution shall take effect immediately upon its passage and adoption.

16. The “Project” and “Owner”, as used herein, shall have the following meanings:

<b>Project Name</b>	<b>Number of Units</b>	<b>Address</b>	<b>Owner</b>
Broadway Apartments	35 including 1 manager unit	301 West 49th Street, Los Angeles 90037	Broadway Apartments Preservation, LP

[Remainder of Page Intentionally Left Blank]

I certify that the foregoing Resolution was adopted by the Council of the City of Los Angeles at its meeting on \_\_\_\_\_, 2022.

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_



EXHIBIT A  
FINANCING INFORMATION  
[ATTACHED]

## PUBLIC DISCLOSURES RELATING TO CONDUIT REVENUE OBLIGATIONS

Pursuant to California Government Code Section 5852.1, the following good faith estimate is provided by Red Stone A7, LLC (the "Bondowner Representative"), at the request of Broadway Apartments Preservation, LP, to the City of Los Angeles (the "City") prior to the City's regular City Council (the "Council") meeting (the "Meeting") at which Meeting the Council will consider the authorization of conduit revenue obligations (the "Loan") as identified below.

1. Name of Borrower: Broadway Apartments Preservation, LP
2. Name of Bond Issue / Conduit Revenue Obligations: City of Los Angeles Multifamily Housing Revenue Bond (Broadway Apartments) Series 2022T (the "Loan").
3. Amount of Bond Issue/ Conduit Revenue Obligations: \$2,220,000
4. X Private Placement Lender or Bond Purchaser,      Underwriter or      Financial Advisor (mark one) engaged by the Borrower from which the Borrower obtained the following required good faith estimates relating to the Loan:
  - (A) The true interest cost of the Loan, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the new issue of Loan (to the nearest ten-thousandth of one percent):     5.15    %.
  - (B) The finance charge of the Loan, which means the sum of all fees and charges paid to third parties: \$[ 206,825 ].
  - (C) The amount of proceeds received by the public body for sale of the Loan less the finance charge of the bond described in subparagraph (B) and any reserves or capitalized interest paid or funded with proceeds of the Loan: \$[ 1,770,000 ].
  - (D) The total payment amount, which means the sum total of all payments the borrower will make to pay debt service on the Loan plus the finance charge of the Loan described in subparagraph (B) not paid with the proceeds of the Loan (which total payment amount shall be calculated to the final maturity of the Loan): \$[ 217,158.33 ].

This document has been made available to the public at the Meeting of the Council.

**ATTACHMENT B**

INDENTURE OF TRUST FOR BROADWAY APTS.

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**INDENTURE OF TRUST**

by and between

**CITY OF LOS ANGELES**

and

**U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,**  
as Trustee

Dated as of [November] 1, 2022

Relating to:

**\$2,200,000**  
**City of Los Angeles**  
**Subordinate Multifamily Housing Revenue Bond**  
**(Broadway Apartments)**  
**Series 2022T**

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## **INDENTURE OF TRUST**

This **INDENTURE OF TRUST** (as amended, modified or supplemented from time to time, this “Indenture”), dated as of [November] 1, 2022, made and entered into by and between the **CITY OF LOS ANGELES**, a charter city and municipal corporation of the State of California, duly organized and existing under its charter and the laws of the State of California (together with its successors and assigns, the “Issuer”), and **U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION**, a national banking association, as trustee (together with any successor trustee hereunder and their respective successors and assigns, the “Trustee”).

### **W I T N E S S E T H:**

**WHEREAS**, pursuant to Section 248 of the City Charter of the City of Los Angeles and Article 6.3 of Chapter 1 of Division 11 of the Los Angeles Administrative Code, as amended (collectively, the “Law”), and in accordance with Chapter 7 of Part 5 of Division 31 (commencing with Section 52075) of the Health and Safety Code of the State of California (the “Act”), the Issuer is empowered to issue bonds to finance the acquisition, construction, rehabilitation and development of multifamily rental housing for persons of low and moderate income; and

**WHEREAS**, the Issuer has previously issued, pursuant to the Law and in accordance with the Act, its Multifamily Housing Revenue Bond (Broadway Apartments) Series 2019G in the original aggregate principal amount of \$6,500,000 (the “Senior Bond”) and loaned the proceeds thereof to Broadway Apartments Preservation, LP, a limited partnership duly organized and existing under the laws of the State of California (together with its permitted successors and assigns, the “Borrower”) for the purpose of financing a portion of the cost of the acquisition, construction, renovation and equipping of a multifamily rental housing facility, consisting of a total of 35 units (including 1 manager unit) and related personal property and equipment, located in Los Angeles, California (the “Project Facilities”); and

**WHEREAS**, the Borrower has experienced significant delays in achieving substantial completion of the Project Facilities due to, among other things, construction cost increases associated with supply chain and labor market cost escalations as a result of COVID-19, and has requested that the Issuer issue an additional series of bonds to help offset such cost increases; and

**WHEREAS**, the Issuer has determined to issue and sell, pursuant to the Law and in accordance with the Act, its Subordinate Multifamily Housing Revenue Bond (Broadway Apartments) Series 2022T in the original aggregate principal amount of \$2,200,000 (the “Bond”), for the purpose of financing a portion of the cost of the construction, renovation, and equipping of the Project Facilities pursuant to this Indenture and the Loan Agreement, dated as of [November] 1, 2022 (as amended, modified or supplemented from time to time, the “Loan Agreement”), between the Issuer and the Borrower; and

**WHEREAS**, the provision of the Loan (as hereinafter defined), is authorized by the Law and the Act and will accomplish a valid public purpose of the Issuer, and the Issuer has determined that it is in the public interest to issue the Bond for the purpose of providing additional funding necessary for the acquisition, rehabilitation and equipping of the Project; and



**WHEREAS**, the Issuer is authorized to enter into this Indenture and to do or cause to be done all the acts and things herein provided or required to be done to finance the Project Costs by the issuance of the Bond, all as hereinafter provided; and

**WHEREAS**, all acts, conditions and things required to happen, exist, and be performed precedent to and in the issuance of the Bond and the execution and delivery of this Indenture have happened, exist and have been performed in order to make the Bond, when issued, delivered and authenticated, a valid obligation of the Issuer in accordance with the terms thereof and hereof, and in order to make this Indenture a valid, binding and legal trust agreement for the security of the Bond in accordance with its terms; and

**WHEREAS**, the Trustee has accepted the trusts created by this Indenture and has accepted its obligations hereunder, and in evidence thereof, this Indenture has been executed and delivered thereby.

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE COVENANTS AND UNDERTAKINGS HEREIN EXPRESSED, AND FOR OTHER GOOD AND VALUABLE CONSIDERATION, THE ADEQUACY AND RECEIPT OF WHICH IS HEREBY ACKNOWLEDGED, AND INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES HERETO AGREE AS FOLLOWS:

#### **GRANTING CLAUSES**

The Issuer, in consideration of the premises, the acceptance by the Trustee of the trusts hereby created, the purchase and acceptance of the Bond by the Holder thereof, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in order to secure the payment of the principal of, redemption premium, if any, and interest on the Bond according to its tenor and effect, and to secure the performance and observance by the Issuer of all the covenants, agreements and conditions herein and in the Bond contained, does hereby transfer, pledge and assign, without recourse, to the Trustee and its successors and assigns in trust forever, and does hereby grant a security interest unto the Trustee and its successors in trust and its assigns, in and to all and singular the property described in paragraphs (a), (b), (c) and (d) below (said property being herein referred to as the "Security"), to wit:

(A) All moneys from time to time paid by the Borrower pursuant to the terms of the Loan Agreement, the Note and the Bond Documents and all right, title and interest of the Issuer (including, but not limited to, the right to enforce any of the terms thereof) under and pursuant to and subject to the provisions of the Loan Agreement, the Bond Documents and the Note (but in each instance excluding the Reserved Rights, as defined herein); and

(B) All other moneys and securities from time to time held by the Trustee under the terms of this Indenture, excluding the Rebate Fund and excluding amounts required to be rebated to the United States Treasury under Section 148(f) of the Code, whether or not held in the Rebate Fund; and

(C) Any and all property, rights and interests (real, personal or mixed) of every kind and nature from time to time hereafter, by delivery or by writing of any kind, pledged, assigned or transferred as and for additional security hereunder to the Trustee, which the Trustee is hereby

authorized to receive at any and all times and to hold and apply the same subject to the terms of this Indenture; and

(D) All of the proceeds of the foregoing (except the amounts payable to or on behalf of the Issuer on account of its Reserved Rights), including without limitation investments thereof;

**TO HAVE AND TO HOLD**, all and singular, the Security with all rights and privileges hereby transferred, pledged, assigned and/or granted or agreed or intended so to be, to the Trustee and its successors and assigns in trust forever, subject to the rights of the holder of the Senior Bond as set forth in this Indenture;

**IN TRUST NEVERTHELESS**, upon the terms and conditions herein set forth for the equal and proportionate benefit, security and protection of all present and future Holders of the Bond Outstanding, without preference, priority or distinction as to participation in the lien, benefit and protection of this Indenture of one Bond over or from the others, except as herein otherwise expressly provided;

**PROVIDED, NEVERTHELESS**, and these presents are upon the express condition, that if the Issuer or its successors or assigns shall well and truly pay or cause to be paid the principal of and premium, if any, on the Bond with interest, according to the provisions set forth in the Bond, or shall provide for the payment or redemption of the Bond by depositing or causing to be deposited with the Trustee the entire amount of funds or securities requisite for payment or redemption thereof when and as authorized by the provisions of Article V (it being understood that any payment with respect to the principal of or interest on the Bond made by the Borrower shall not be deemed payment or provision for the payment of the principal of, premium, if any, or interest on the Bond, except a Bond purchased and canceled by the Trustee, any such uncanceled Bond to remain Outstanding and the principal of, premium, if any, and interest thereon payable to the Holder thereof), and shall also pay or cause to be paid all other sums payable hereunder by the Issuer, then these presents and the estate and rights hereby granted shall cease, terminate and become void, and thereupon the Trustee, on payment of its lawful charges and disbursements then unpaid, on demand of the Issuer and upon the payment by the Issuer of the cost and expenses thereof, shall duly execute, acknowledge and deliver to the Issuer such instruments of satisfaction or release as may be necessary or proper to discharge this Indenture of record, and if necessary shall grant, reassign and deliver to the Issuer all and singular the property, rights, privileges and interests by it hereby granted, conveyed and assigned, and all substitutes therefor, or any part thereof, not previously disposed of or released as herein provided; otherwise this Indenture shall be and remain in full force;

**THIS INDENTURE FURTHER WITNESSETH**, and it is hereby expressly declared, covenanted and agreed by and between the parties hereto, that the Bond issued and secured hereunder is to be issued, authenticated and delivered and that all the Security is to be held and applied under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Issuer does hereby agree and covenant with the Trustee, for the benefit of the Holder from time to time of the Bond as follows:

## **ARTICLE I DEFINITIONS**

**Section 1.1 Defined Terms.** In addition to terms defined elsewhere in this Indenture, the following words and terms as used in this Indenture and the preambles hereto shall have the following meanings unless the context or use clearly indicates another or different meaning or intent.

“Accountant” means [Hoffman, Short, Rubin, DeWinter & Sanderson], or such other accounting firm approved in writing by the Majority Owner Representative.

“Accounts” means all funds and accounts established under this Indenture, including the Bond Fund, the Collateral Fund, the Rebate Fund, the Project Fund, and the Redemption Fund.

“Act” shall have the meaning given to such term in the recitals to this Indenture.

“Administrative General Partner” means [Veterans Housing Partnership, LLC, a California limited liability company], together with its successors and assigns, as permitted by the Majority Owner Representative.

“Advance” means any disbursement from the Project Fund established under this Indenture made or to be made by the Trustee pursuant to the terms of the Loan Agreement.

“Affiliate” means, with respect to any designated Person, each Person who directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, another designated Person, pursuant to the organizational document(s) of an entity or by other express, written agreement.

[“AHAP Contract” means the Agreement to Enter Into a Housing Assistance Payments Contract between the Housing Authority of the City of Los Angeles and the Borrower, providing for housing assistance payments to be made to the Borrower for a period of not less than 15 years.]

“Annual Budget” means, for any Fiscal Year, the capital and operating budget adopted by the Borrower and approved by the Majority Owner Representative, or deemed approved, pursuant to Section 6.24 of the Loan Agreement.

“Anti-Terrorism Regulations” shall have the meaning ascribed to such term in Section 6.23 of the Loan Agreement.

“Approved Buyer” means (a) a “qualified institutional buyer” as defined in Rule 144A promulgated under the Securities Act, as in effect on the date hereof, (b) an institutional “accredited investor” as defined in Rule 501(a)(1), (2), (3) or (8) promulgated under the Securities Act; provided in the case of an accredited investor under Rule 501(a)(8), all of the equity owners of such accredited investor shall be described in Rule 501(a)(1), (2) or (3), (c) an Affiliate of the Bond Purchaser, or (d) a trust or custodial arrangement established by the Bond Purchaser in which all of the beneficial ownership interests would be owned by one or more other Approved Buyers.

“Architect” means Bardovi Architects.

“Architect’s Agreement” means the contract dated June 18, 2018, between the Borrower and the Architect, providing for the design of the Improvements and the supervision of the renovation thereof, including ongoing monthly inspection of the Improvements, certification of Requisitions and certification of Final Completion, among other things, as the same may be amended, modified or supplemented from time to time.

“Assignment of Capital Contributions” shall have the meaning provided in Section 3.1 of the Loan Agreement.

[“Assignment of AHAP Contract” shall have the meaning given to such term in Section 3.1 of the Loan Agreement.]

“Assignment of Management Agreement and Consent” shall have the meaning given to such term in Section 3.1 of the Loan Agreement.

“Assignment of Project Documents” shall have the meaning given to such term in Section 3.1 of the Loan Agreement.

“Assignment of Rents” shall have the meaning given to such term in Section 3.1 of the Loan Agreement.

“Authorized Attesting Officer” means the City Treasurer, Deputy City Treasurer, Interim City Treasurer of the Issuer, or such other officer or official of the Issuer who, in accordance with the laws of the State, the bylaws or other governing documents of the Issuer, or practice or custom, regularly attests or certifies official acts and records of the Issuer, and includes any assistant or deputy officer to the principal officer or officers exercising such responsibilities.

“Authorized Denomination” means the aggregate principal amount of the Bond then Outstanding.

“Authorized Issuer Representative” means the Mayor, the General Manager, any Interim General Manager, any Acting General Manager, any Assistant General Manager, any Acting Assistant General Manager or Interim Assistant General Manager, Executive Officer or the Director - Finance and Development Division of the Los Angeles Housing Department, and any other officer or employee of the Issuer designed to perform a specified act, to sign a specified document or to act generally, on behalf of the Issuer by a written certificate furnished to the Trustee, which certificate is signed by the Mayor, the General Manager, any Interim General Manager, any Acting General Manager, any Assistant General Manager, any Acting Assistant General Manager or Interim Assistant General Manager, Executive Officer or the Director - Finance and Development Division of the Los Angeles Housing Department and contains the specimen signature of such other officer or employee of the Issuer.

“Authorized Person” means one or more individuals duly authorized to bind the Borrower in connection with the administration of the Project Facilities. The initial Authorized Persons of the Borrower are any authorized officer of the General Partner of the Borrower, including, but not limited to, [\_\_\_\_\_].

“Bankruptcy Code” means Title 11 of the United States Code, as amended, and any successor statute or statutes having substantially the same function.

“Bond” shall have the meaning given to such term in the recitals to this Indenture.

“Bond Counsel” means Kutak Rock LLP, or an attorney, or firm of attorneys, nationally recognized and experienced in legal work relating to the financing of facilities through the issuance of tax-exempt bonds, appointed by the Issuer and reasonably acceptable to the Majority Owner Representative.

“Bond Coupon Rate” means the lower of (i) [5.15]% per annum and (ii) the Maximum Rate.

“Bond Documents” means, collectively, the Bond, this Indenture, the Loan Agreement, the Note, the Regulatory Agreement, the Tax Certificate, the Environmental Indemnity, the Assignment of Management Agreement and Consent, the Assignment of AHAP Contract, the Continuing Disclosure Agreement, the Assignment of Rents, the Replacement Reserve Agreement, the Assignment of Project Documents, the General Partner Pledge, the Developer Fee Pledge, the Assignment of Capital Contributions, the Guaranty of Recourse Obligations, the Guaranty of Debt Service and Stabilization and the Guaranty of Completion, the Subordination Agreement, and all other agreements or instruments relating to, or executed in connection with the issuance and delivery of the Bond, including all modifications, amendments or supplements thereto.

“Bond Fund” means the fund of that name created pursuant to Section 4.1(a) hereof.

“Bond Proceeds Account” means the account of that name within the Project Fund created pursuant to Section 4.1(a) hereof.

“Bond Purchaser” means Arc70 Fund III, LP., a Delaware limited partnership, as initial purchaser of the Bond.

“Bondholder” or “Holder” or “Owner” or words of similar import, when used with reference to the Bond, means the registered owner of the Bond.

“Borrower” shall have the meaning given to such term in the recitals to this Indenture.

“Business Day” means any day on which the offices of the Trustee are open for business and on which The New York Stock Exchange is not closed.

“Capital Expenditures” means the capital expenditures relating to any construction, renovation, rehabilitation, repair and replacement of the Improvements or made pursuant to the recommendations of the Engineering Consultant.

“Capitalized Interest Account” means the account of that name within the Project Fund created pursuant to Section 4.1(a) hereof.

“Change Order” means a change made to the Plans and Specifications relating to the Project Facilities, as evidenced by a written change order request in accordance with the terms of the Construction Contract.

“Code” means the United States Internal Revenue Code of 1986, as amended, and the rulings and regulations (including temporary and proposed regulations) promulgated thereunder.

“Collateral” means all property of the Borrower in which the Trustee is granted a security interest to secure payment of the Bond.

“Collateral Fund” means the Collateral Fund created in Section 4.1(a) hereof.

“Collateral Payments” means Eligible Funds delivered to the Trustee, for the benefit of the Borrower, for deposit into the Collateral Fund pursuant to the Loan Agreement and this Indenture as a prerequisite to the advance of money from the Bond Proceeds Account.

“Completion Date” shall have the meaning given such term in the Senior Indenture.

“Condemnation Award” means the total condemnation proceeds actually paid by the condemnor as a result of the condemnation of all or any part of the Project Facilities less the actual costs incurred, including attorneys’ fees, in obtaining such award.

“Construction Contract” means the contract, dated as of April 22, 2019, between the Borrower and the Contractor, providing for the renovation of the Improvements and certification of Requisitions, among other things, as the same may be amended, modified or supplemented from time to time.

“Contamination” means the uncontained release, discharge or disposal of any Hazardous Substances at, on, upon or beneath the Project Facilities, whether or not originating at the Project Facilities, or arising from the Project Facilities into or upon any land or water or air, or otherwise into the environment, which may require remediation under any applicable Legal Requirements.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement dated as of [November] 1, 2022, between the Borrower and U.S. Bank Trust Company, National Association, as dissemination agent, as the same may be amended, modified or supplemented from time to time.

“Contractor” means Shangri-La Construction, LP, a California Limited Partnership.

“Control” (including, with the correlative meanings, the terms “controlling”, “controlled by” and “under common control with”) means, as used with respect to any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such other Person, or of the Person, whether through contract, stock ownership, partnership interests, membership, voting rights, governing boards, committees, divisions or other bodies with one or more common members, directors, trustees or other managers, or otherwise.

“Costs of Issuance Account” means the account of that name within the Project Fund created pursuant to Section 4.1(a) hereof.

“Counsel” means an attorney, or firm of attorneys, admitted to practice law before the highest court of any state in the United States of America or the District of Columbia, including any Bond Counsel.

“Default” means an event or condition which is, or which after giving notice or lapse of time or both would be, an Event of Default.

“Default Interest” means interest payable at the Default Rate.

“Default Rate” means a rate per annum equal to 10% per annum; provided that such rate shall in no event exceed the Maximum Rate

“Designated Office” means the designated office of the Trustee, located in Los Angeles, California.

“Determination of Taxability” means a determination that the interest accrued or paid on the Bond is included in gross income of the Holder or former Holder for federal income tax purposes, which determination shall be deemed to have been made upon the occurrence of the first to occur of the following:

(i) the day on which the Borrower, the Issuer, the Trustee or the Holder is advised in writing by the Commissioner or any District Director of the Internal Revenue Service that the interest on the Bond is included in the gross income of the Holder or former Holder thereof for federal income tax purposes;

(ii) the day on which the Borrower receives notice from the Trustee in writing that the Trustee has received (1) a notice in writing by the Holder or former Holder that the Internal Revenue Service has issued a statutory notice of deficiency or similar notice to such Holder or former Holder that asserts in effect that the interest on the Bond received by such Holder or former Holder is included in the gross income of such Holder or former Holder for federal income tax purposes, or (2) an opinion of Bond Counsel that concludes in effect that the interest on the Bond is included in the gross income of the Holder or former Holder thereof for federal income tax purposes;

(iii) the day on which the Borrower, the Issuer, the Trustee or the Holder is advised in writing by the Commissioner or any District Director of the Internal Revenue Service that there has been issued a public or private ruling of the Internal Revenue Service or a technical advice memorandum issued by the national office of the Internal Revenue Service that the interest on the Bond is included in the gross income of the Holder or former Holder thereof for federal income tax purposes; or

(iv) the day on which the Borrower, the Issuer, the Trustee or the Holder is advised in writing by Counsel that a final determination, from which no further right of appeal exists, has been made by a court of competent jurisdiction in the United States of America in a proceeding with respect to which the Borrower has been given written notice and an opportunity to participate and defend that the interest on the Bond is included in the gross income of the Holder or former Holder thereof for federal income tax purposes;

provided, however, no Determination of Taxability shall occur if the interest on the Bond is included in the gross income of the Holder or former Holder for federal income tax purposes solely because the Bond was held by a Person who is a Substantial User or a Related Person.

“Developer Fee Pledge” shall have the meaning provided in Section 3.1 of the Loan Agreement.

“Development Budget” means the budget for the implementation and completion of the acquisition, construction, renovation, installation and equipping of the Project Facilities, initially as attached to the Loan Agreement as Schedule 4, together with any modifications or amendments thereto made in accordance with the Loan Agreement and with the prior written consent of the Majority Owner Representative.

“Effective Gross Revenues” of the Borrower means, for the period being tested, the annualized aggregate revenues during such period, including revenues received under the AHAP Contract, revenues generated from all tenants and others occupying or having a right to occupy or use the Project Facilities or any portion thereof pursuant to leases, including (at the Majority Owner Representative’s reasonable discretion, taking into account whether such income is recurring and is appropriate for a stabilized property), vending machine income, cable TV revenues, laundry service and parking income, as adjusted in the Majority Owner Representative’s judgment for factors including but not limited to: (i) seasonal fluctuation in the rental rate in the market in which the Project Facilities are located; (ii) evidence of rent deterioration; (iii) concessions, reductions, inducements or forbearances (such as any cash reduction in monthly rent during the term of a lease, any free rent before, during or after the term of a lease, any rent coupons, gift certificates and tangible goods or any other form of rent reduction or forbearance); (iv) economic vacancy at the higher of: (1) three percent, or (2) actual economic vacancy based on the annualized vacancies of the Project Facilities; (v) 30-day or more delinquencies; (vi) low-income restrictions required by any applicable federal, state or local subsidy program, any restrictive covenant or regulatory agreement, provided, however, rents under the AHAP Contract shall not be limited by any such restriction; and (vii) other applicable adjustments as reasonably determined by the Majority Owner Representative; Effective Gross Revenues shall exclude revenues from non-Project based Section 8 vouchers to the extent such revenues cause the rent on any unit to exceed the maximum allowable tax credit rent designated for such unit.

[“Eligible Funds” means, as of any date of determination, any of:

- (a) the proceeds of the Bond (including any additional amount paid to the Trustee as the purchase price thereof by the Placement Agent);
- (b) money received by the Trustee representing Required Equity Funds;
- (c) any other amounts, including the proceeds of refunding bonds, for the Trustee has received an Opinion of Counsel selected by the Issuer (which opinion may assume that no Holder or beneficial owner of the Bond is an “insider” within the meaning of the Bankruptcy Code) to the effect that (A) the use of such amounts to make payments on the Bond would not violate Section 362(a) of the Bankruptcy Code or that relief from the automatic stay provisions of such Section 362(a) would be available from the



bankruptcy court and (B) payments of such amounts to Holders would not be avoidable as preferential payments under Section 547 or 550 of the Bankruptcy Code should the Issuer or the Borrower become a debtor in proceedings commenced under the Bankruptcy Code;

(d) the proceeds of draws by the Trustee on any letter of credit provided to the Trustee for the benefit of the Borrower;

(e) any payments made by the Borrower and held by the Trustee for a continuous period of 123 days, provided that no Act of Bankruptcy has occurred during such period; and

(f) investment income derived from the investment of the money described in (a) through (e) above.]

“Engineering Consultant” means Partner Engineering and Science, Inc., or any other engineer licensed to practice in the State and chosen by the Majority Owner Representative.

“Environmental Audit” means the written Phase I Environmental Site Assessment for the Project Facilities prepared by ATC Group Services, LLC, dated February 22, 2019.

“Environmental Indemnity” shall have the meaning ascribed to such term in Section 3.1 of the Loan Agreement.

“Environmental Laws” means all Legal Requirements governing or relating to the protection of the environment, natural resources or human health concerning (i) activities at any of the Project Facilities, (ii) repairs or renovation of any Improvements, (iii) handling of any materials at any of the Project Facilities, (iv) releases into or upon the air, soil, surface water or ground water from any of the Project Facilities, and (v) storage, distribution, use, treatment, transport or disposal of any waste at or connected with any activity at any of the Project Facilities, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 42 U.S.C. §§ 9601 et seq., as amended from time to time; the Hazardous Materials Transportation Act 49 U.S.C. §§ 5101 et seq., as amended from time to time; the Resource Conservation and Recovery Act 42 U.S.C. §§ 6901 et seq., as amended from time to time; the Federal Water Pollution Control Act 33 U.S.C. §§ 1251 et seq., as amended from time to time; and comparable State statutes.

“Environmentally Sensitive Area” means (i) a wetland or other “water of the United States” for purposes of Section 404 of the federal Clean Water Act or any similar area regulated under any State or local Legal Requirements, (ii) a floodplain or other flood hazard area as defined pursuant to any applicable state Legal Requirements, (iii) a portion of the coastal zone for purposes of the federal Coastal Zone Management Act, or (iv) any other area development of which is specifically restricted under applicable Legal Requirements by reason of its physical characteristics or prior use.

“EPA” shall have the meaning ascribed to such term in Section 6.14(e) of the Loan Agreement.

“Equity Account” means the account of that name within the Project Fund created pursuant to Section 4.1(a) hereof.

“ERISA” shall have the meaning ascribed to such term in Section 5.11 of the Loan Agreement.

“ERISA Affiliate” shall have the meaning ascribed to such term in Section 5.11 of the Loan Agreement.

“Event of Default” means, with respect to the Loan Agreement, any of the events specified in Section 7.1 thereof.

“Exchange Act” means the Securities and Exchange Act of 1934, as amended.

“Expenses” means the aggregate annualized operating expenses (including replacement reserves) of the Project Facilities as reasonably determined by the Majority Owner Representative. In determining Expenses, the Majority Owner Representative will take into account: (i) the actual amount of aggregate annualized Expenses, provided that such actual expenses reflect normalized/stabilized operations as reasonably determined by the Majority Owner Representative; and (ii) the annual Expenses that the Majority Owner Representative used in the original underwriting of the Project Facilities, as set forth on Schedule 11 of the Loan Agreement. Any expense adjustment as reasonably determined by the Majority Owner Representative may result in a line item which may be more or less than the actual annual expense for that line item for the period covered by the financial statements submitted by the Borrower to the Majority Owner Representative (provided that the expenses for line items relating to property taxes (unless exempt therefrom), insurance and utilities shall be the actual expenses (as opposed to projected)).

“Favorable Opinion of Bond Counsel” means an opinion of Bond Counsel, addressed to the Issuer, the Trustee and the Holder, with a copy to the Majority Owner Representative, to the effect that a proposed action, event or circumstance (i) is permitted under the Indenture, (ii) will not, in and of itself, adversely affect any exclusion of interest on the Bond from gross income for purposes of federal income taxation, and (iii) does not affect the treatment of interest on the Bond as not being an item of tax preference for purposes of the federal alternative minimum tax, which opinion may be subject to customary assumptions and exclusions.

“Final Completion” means, with respect to the Project Facilities, that each of the following conditions has been satisfied:

- (i) the Majority Owner Representative shall have received a copy of the final Plans and Specifications containing all Change Orders and there shall have been no Material Change Orders other than Material Change Orders approved by the Majority Owner Representative;

- (ii) the Borrower shall have obtained the Governmental Actions, if any, required by the Legal Requirements and all Governmental Authorities associated with the Project Facilities, including use and occupancy permits (if any are required), and shall have furnished true copies of all such Governmental Actions to the Majority Owner Representative. Temporary certificates of occupancy, as opposed to final certificates of

occupancy or their equivalent, shall be acceptable provided (A) that the Punchlist Items do not have a total cost to complete exceeding two percent of the contract price of the Work, nor an estimated time to complete, as reasonably determined by the Engineering Consultant, exceeding 45 days (except for items such as landscaping, the completion of which is subject to seasonal conditions), (B) such Punchlist Items do not substantially interfere with or prevent the use and occupancy of the Project Facilities, (C) such Punchlist Items do not include major appliances or materially affect the systems (including plumbing, electrical, HVAC, mechanical, roofing and sprinklers) serving the Project Facilities or major structural components of the Project Facilities, and (D) adequate reserves, in amounts equal to 110% of the cost of completion of such items as estimated by the Architect and approved by the Engineering Consultant (or 125%, with respect to the items described in subsection (A) as being subject to seasonal conditions) have been deposited into the Project Fund;

(iii) as to all such Governmental Actions, no appeal or other action or proceeding challenging any such Governmental Actions shall have been filed or, if filed and decided, there shall have been no appeal (or further appeal) taken and all other statutory appeal periods must have expired, and there shall be no claim, litigation or governmental proceeding pending against the Borrower or the Project Facilities challenging the validity or the issuance of any zoning, subdivision or other land use ordinance, variance, permit or approval, or any Governmental Action of the kind described in this subparagraph (iii). In addition, as to all of such permits, approvals and certificates having statutory, regulatory or otherwise expressly specified and determinable appeal periods, such periods, if any, must have expired without an appeal having been taken (or any such appeal shall have been denied or shall have affirmed the granting of such Governmental Action);

(iv) the Majority Owner Representative shall have received from the Architect, and the Engineering Consultant shall have approved, a certificate of the Architect in the form customary for projects of the scope of the Work for the Project Facilities with respect to completion of the Work at the Project Facilities;

(v) all Work set forth in the Plans and Specifications for the Project Facilities shall have been substantially completed and incorporated into the Improvements at the Project Facilities;

(vi) except for Permitted Encumbrances and Impositions not then due and payable, the Project Facilities shall be free of any and all private or governmental charges, claims or Liens (filed or not) of any nature, excepting only the liens and Security Interests in favor of the Trustee and any other encumbrances approved by the Majority Owner Representative in writing;

(vii) with respect to all contractors and subcontractors and materialmen (for contracts less than \$50,000, only as required by the Title Company; provided that the Title Company insures over any mechanics' and materialmen's liens arising from such excepted contractors, subcontractors or materialmen), either (i) the Borrower shall have obtained an unconditional waiver and release upon final payment of mechanics' and materialmen's liens if there are no Punchlist Items, or (ii) if there are Punchlist Items, the Borrower shall

have obtained an unconditional waiver and release upon progress payment of mechanics' and materialmen's liens for all of the Improvements at the Project Facilities except for the Punchlist Items, and true copies thereof have been delivered to the Majority Owner Representative;

(viii) the final complete use of proceeds and completion certificates in the form required under the Loan Agreement shall have been provided to the Majority Owner Representative and shall be reasonably acceptable to the Majority Owner Representative;

(ix) the Trustee shall have received an as-built ALTA/NSPS Urban Class Survey certified to the Senior Trustee, the Majority Owner Representative and the Majority Owner and an updated Title Policy.

"Financing Statements" means any and all financing statements (including amendments and continuation statements) or other instruments filed or recorded to perfect the Security Interest created in this Indenture or other security interests created under the Bond Documents.

"Fiscal Year" means the annual accounting year of the Borrower, which currently begins on January 1 of each calendar year.

"Fitch" means Fitch Ratings, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Majority Owner Representative, and approved by the Issuer, by notice to the Borrower, the Issuer and the Trustee.

"Force Majeure" means any acts of God, strikes, walkouts or other labor disputes, riots, civil strife, war, acts of a public enemy, lightning, fires, explosions, storms or floods or shortages of labor or materials, plague, epidemic, pandemic or any other public health crisis or other causes of a like nature beyond the control of the Borrower (or other affected party), the effect of which is to prevent performance or compliance by the Borrower (or other affected party); provided, however, that the unavailability of sources of financing, the insufficiency of funds, the loss of a tenant or changes in market conditions shall not constitute Force Majeure. The term Force Majeure shall not include any event or occurrence that is in existence on and ongoing as of the date of issuance of the Bond, unless there is an escalation of any such event beyond the control of the Borrower (or other affected party).

"GAAP" means generally accepted accounting principles in effect in the United States from time to time, consistently applied.

"General Partner" means [Step Up on Second Street, Inc., a California nonprofit public benefit corporation] authorized to conduct its business in the State, the managing general partner of the Borrower, together with its successors and assigns, as permitted by the Majority Owner Representative and the restrictions described in the definition of "Permitted Transfer" herein.

"General Partner Pledge" shall have the meaning given to such term in Section 3.1 of the Loan Agreement.

“Government Obligations” means (i) direct obligations of the United States of America for the full and timely payment of which the full faith and credit of the United States of America is pledged, and (ii) obligations issued by a Person controlled or supervised by and acting as an instrumentality of the United States of America, the full and timely payment of the principal of, premium, and interest on which is fully guaranteed as a full faith and credit obligation of the United States of America (including any securities described in (i) or (ii) issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), which obligations, in either case, are not subject to redemption prior to maturity at less than par at the option of anyone other than the holder thereof.

“Governmental Action” means all permits, authorizations, registrations, consents, certifications, approvals, waivers, exceptions, variances, claims, orders, judgments and decrees, licenses, exemptions, publications, filings, notices to and declarations of or with any Governmental Authority and shall include all permits and licenses required to renovate, use, operate and maintain any of the Project Facilities.

“Governmental Authority” means any federal, state, or local governmental or quasi - governmental subdivision, authority, or other instrumentality thereof and any entity asserting or exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and having jurisdiction over the Borrower and/or the Project Facilities.

“Guarantor” means, collectively, jointly and severally, BlueGreen Preservation and Development Company LLC, a Delaware limited liability company, and Figueroa Economical Housing Development Corporation, a California nonprofit public benefit corporation, together with their respective heirs, executors, personal and legal representatives, and their respective permitted successors and assigns.

“Guaranty of Completion” shall have the meaning given to such term in Section 3.1 of the Loan Agreement.

“Guaranty of Debt Service and Stabilization” shall have the meaning given to such term in Section 3.1 of the Loan Agreement.

“Guaranty of Recourse Obligations” shall have the meaning given to such term in Section 3.1 of the Loan Agreement.

“Hazardous Substances” means any petroleum or petroleum products and their by-products, flammable explosives, radioactive materials, toxic chemicals and substances, radon, asbestos in any form that is or could become friable, urea formaldehyde foam insulation and polychlorinated biphenyls (PCB), asbestos-containing materials (ACMs), lead-containing or lead-based paint (LBP), radon, medical waste and other bio-hazardous materials and any chemicals, pollutants, materials or substances defined as or included in the definition of “hazardous substances” as defined pursuant to the federal Comprehensive Environmental Response, Compensation and Liability Act, “regulated substances” within the meaning of subtitle I of the federal Resource Conservation and Recovery Act and words of similar import under applicable Environmental Laws.

“HUD” means the United States Department of Housing and Urban Development.

“Impositions” means, with respect to the Project Facilities, all taxes including, without limitation, all real and personal property taxes, water charges and sewer rents, any special assessments, charges or claims and any other item which at any time may be or become a lien upon the Project Facilities.

“Improvements” means all buildings and other improvements included in the Project Facilities.

“Indebtedness” means, collectively, and includes all present and future indebtedness, liabilities and obligations of any kind or nature whatsoever of the Borrower to the Issuer, the Majority Owner Representative, the Trustee or to the Holder from time to time of the Bond, now existing and hereafter arising, under or in connection with this Indenture or any of the other Bond Documents, including all Repayments and all future advances, principal, interest, premium, indemnities, other fees, late charges, enforcement costs and other costs and expenses whether direct or contingent, matured or unmatured and all other obligations of the Borrower to the Majority Owner Representative, the Trustee, the Issuer or the Holder from time to time of the Bond.

“Indemnified Parties” shall have the meaning given to such term in Section 2.5 of the Loan Agreement.

“Indenture” shall have the meaning given to such term in the first paragraph hereof.

“Ineligible Purchaser” shall mean any owner or operator of a multifamily housing facility within the City of Los Angeles which has either: (i) repeatedly violated the building or habitability codes of the City of Los Angeles; or (ii) been convicted of criminal violations relating to the ownership or operation of multifamily housing in the City of Los Angeles.

“Insurance and Condemnation Proceeds Account” means the account within the Project Fund created pursuant to Section 4.1(a) hereof.

“Insurance Proceeds” means the total proceeds of insurance actually paid or payable by an insurance company in respect of the required insurance on the Project Facilities, less the actual costs incurred, including attorneys’ fees, in the collection of such proceeds.

“Interest Payment Date” means the first Business Day of each month that the Bond is Outstanding, beginning [January] 1, 2023.

“Investor Letter” means that certain Investor Letter, substantially in the form attached hereto as Exhibit B.

“Issue Date” means [November \_\_], 2022, the date on which the Bond is issued and delivered to the purchaser thereof.

“Issuer” means the City of Los Angeles, a charter city and municipal corporation of the State of California, together with any assigns or successors thereto.

“Issuer’s Annual Fee” means that semi-annual fee payable to the Issuer under Section 7(n) of the Regulatory Agreement.

“Law” shall have the meaning contained in the recitals to this Indenture.

“Lease” means any and all leases, subleases, license agreements, concessions, tenancies and other use or occupancy agreements (whether oral or written), or any part thereof, now or hereafter existing, covering or affecting any or all of the Project Facilities, all extensions and renewals thereof, and all modifications, amendments and guaranties thereof.

“Legal Requirements” means all statutes, codes, laws, ordinances, regulations, rules, policies, or other federal, state, local and municipal requirements of any Governmental Authority whether now or hereafter enacted or adopted, and all judgments, decrees, injunctions, writs, orders or like action of an arbitrator or a court or other Governmental Authority of competent jurisdiction (including those pertaining to the health, safety or the environment).

“Lien” means any lien, mortgage, security interest, tax lien, pledge, encumbrance, title exception, conditional sale or title retention arrangement, or any other interest in property designed to secure the repayment of indebtedness, whether arising by agreement or under any statute or law, or otherwise.

“Loan” means the loan of proceeds of the Bond from the Issuer to the Borrower, as evidenced by the Note and pursuant to the terms of the Loan Agreement.

“Loan Agreement” shall have the meaning given to such term in the recitals to this Indenture.

“Local Time” means Pacific time (daylight or standard, as applicable) in Los Angeles, California.

“Majority Owner Representative” means any entity designated in writing by the Holder to act as a Majority Owner Representative hereunder, in accordance with Article IX hereof. If at any time a Majority Owner Representative has not been designated by the Holder, all references herein and in other Bond Documents to “Majority Owner Representative” shall refer to the Majority Owner. The initial Majority Owner Representative is Red Stone Servicer, LLC.

“Management Agreement” shall have the meaning ascribed to such term in Section 6.19 of the Loan Agreement.

“Manager” means Step Up on Second Street, Inc., a California nonprofit public benefit corporation, together with any successor manager of the Project Facilities approved by the Majority Owner Representative, and its respective successors and assigns.

“Material Change Order” means, with respect to the Project Facilities, a Change Order which (i) would result in an increase or decrease of \$50,000 in the aggregate contract price of the Work to be performed on the Project Facilities; (ii) when aggregated with other Change Orders previously effected, would result in an increase or decrease in excess of \$200,000 in the aggregate contract price for the Work to be performed on the Project Facilities; (iii) would reduce the number

of apartment units in the Project Facilities; (iv) would materially reduce the aggregate useable square footage of the apartment units or the parking areas in the Project Facilities; (v) would change the number of one, two and three bedroom apartments in the Project Facilities; (vi) would alter the scope of the recreational facilities or ancillary facilities of the Project Facilities; (vii) would alter the number of apartment units in the Project Facilities designated for occupancy by low and moderate income tenants; (viii) makes a substitution for any material or product that is of lesser quality, in the Majority Owner Representative's determination, than that specified in the Plans and Specifications relating to the Project Facilities; or (ix) would materially adversely impair the value of the Project Facilities once the Work is completed.

"Material Contract" means each indenture, mortgage, agreement or other written instrument or contract to which the Borrower is a party or by which any of its assets are bound (including, without limitation, any employment or executive compensation agreement, collective bargaining agreement, agreement relating to an Obligation, agreement for the acquisition, renovation, repair or disposition of real or personal property, agreement for the purchasing or furnishing of services, operating lease, joint venture agreement, agreement relating to the acquisition or disposition of an Affiliate or agreement of merger or consolidation) which (i) evidences, secures or governs any outstanding obligation of the Borrower of \$100,000 or more per annum, or (ii) if canceled, breached or not renewed by any party thereto, would have a material adverse effect on the business operations, assets, condition (financial or otherwise) or prospects of the Borrower.

"Maturity Date" means [January] 1, 202[5].

"Maximum Rate" means the lesser of 12% per annum or the maximum rate allowed by law.

"Moisture Management Program" shall have the meaning ascribed to such term in Section 6.14(e) of the Loan Agreement.

"Mold" shall have the meaning ascribed to such term in Section 6.14(e) of the Loan Agreement.

"Monitoring Fee" shall have the meaning given to such term in Section 2.2(a) of the Loan Agreement.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Majority Owner Representative and approved by the Issuer, by notice to the Borrower, the Issuer and the Trustee.

"Note" means the promissory note of the Borrower, dated the Issue Date, as endorsed by the Issuer to the Trustee, without recourse, in the form attached as Exhibit A to the Loan Agreement.



“Obligations” means any and all obligations of the Borrower for the payment of money including without limitation any and all (i) obligations for money borrowed, (ii) the Indebtedness, the Senior Bond, the Subordinate Debt, the Seller Loan, and all other obligations evidenced by bonds, debentures, notes, guaranties or other similar instruments, (iii) construction contracts, installment sale agreements and other purchase money obligations in connection with the performance of work, sale of property or rendering of services, (iv) leases evidencing the acquisition of capital assets, (v) obligations under any applicable ground lease, (vi) reimbursement obligations in connection with letters of credit and other credit enhancement facilities, (vii) obligations for unfunded pension liabilities, (viii) guaranties of any such obligation of a third party, and (ix) any such obligations of third parties secured by assets of the Borrower; but excluding obligations incurred and payable in the ordinary course of Borrower’s business under contracts for supplies, services and pensions allocable to current Expenses during the current or future Fiscal Years in which the supplies are to be delivered, the services rendered or the pension paid and paid within 30 days of the date such amounts are due.

“OFAC Violation” shall have the meanings ascribed to such term in Section 6.23 of the Loan Agreement.

“Origination Fee” shall have the meaning given to such term in Section 2.2(a) of the Loan Agreement.

“Outstanding” means, when used with reference to the Bond at any date as of which the amount of outstanding Bond is to be determined, the Bond that has been authenticated and delivered by the Trustee hereunder, except:

- (i) a Bond cancelled by the Trustee or delivered to the Trustee for cancellation at or prior to such date;

- (ii) a Bond deemed to be paid in accordance with Section 5.2 hereof;

- (iii) a Bond in lieu of which others have been authenticated under Sections 2.8 and 2.9 hereof; and

- (iv) For purposes of any consent, request, demand, authorization, direction, notice, waiver or other action to be taken by the Holder of a specified percentage of Outstanding Bond hereunder, a Bond held by or for the account of the Issuer, the Borrower or any Affiliate of the Borrower; provided, however, that for purposes of any such consent, request, demand, authorization, direction, notice, waiver or action the Trustee shall be obligated to consider as not being outstanding only a Bond known by the Trustee by actual notice thereof to be so held; provided, further, that if the Bond is at any time held by or for the account of the Borrower or any affiliate of the Borrower, then the Bond shall be deemed to be Outstanding at such time for the purposes of this subparagraph (iv).

“Partnership Agreement” means the Amended and Restated Agreement of Limited Partnership of the Borrower dated as of June 1, 2019 (as amended, modified or supplemented from time to time).

“PBGC” shall have the meaning ascribed to such term in Section 5.11 of the Loan Agreement.

“Permitted Encumbrances” means only:

- (i) the Regulatory Agreement;
- (ii) the “Mortgage,” as such term is defined in the Senior Loan Agreement;
- (iii) the “Assignment of Rents,” as such term is defined in the Senior Loan Agreement;
- (iv) the Assignment of Rents;
- (v) that certain regulatory agreement to be executed by Borrower in favor of the California Tax Credit Allocation Committee after the renovation of the Improvements has been completed, as required by California Tax Credit Allocation Committee for an allocation of federal low-income housing tax credits;
- (vi) for Impositions not yet due and payable or being contested in good faith and by appropriate proceedings promptly initiated and diligently conducted if such proceedings do not in the opinion of the Majority Owner Representative involve the risk of the sale, forfeiture or loss of the property subject to such lien or interfere with the operation of the Project Facilities, and provided that the Borrower shall have established a reserve or made other appropriate provision, if any, as shall be required by the Majority Owner Representative, and any foreclosure, distraint, sale or other similar proceedings shall have been effectively stayed;
- (vii) statutory liens of landlords and liens of carriers, warehouseman, mechanics and materialmen incurred in the ordinary course of business for sums not yet due or being contested by appropriate proceedings promptly initiated and diligently conducted if (1) such proceedings do not in the opinion of the Majority Owner Representative involve the risk of the sale, forfeiture or loss of the property subject to such lien or interfere with the operation of the Project Facilities, and provided (2) such liens have been bonded or the Borrower shall have established a reserve or made other appropriate provision, if any, as shall be required by the Majority Owner Representative;
- (viii) liens securing the Subordinate Debt, and any regulatory agreement required by the Subordinate Lender, to the extent permitted under the Subordinate Debt Documents;
- (ix) liens securing the Seller Loan, to the extent permitted under the Seller Loan Documents; and
- (x) the exceptions listed in the Title Policy and any other matters affecting title which are approved in writing by the Majority Owner Representative;
- (xi) any liens or encumbrances consented to in writing by the Majority Owner Representative; and

(xii) the cell tower leases and the residential leases of the Project Facilities that are existing on the Issue Date and any renewals or extensions thereof.

“Permitted Investments” means any one or more of the following investments, if and to the extent the same are then legal investments under the applicable laws of the State for moneys proposed to be invested therein:

- (i) Bonds or other obligations of the United States;
- (ii) Bonds or other obligations, the payment of the principal and interest of which is unconditionally guaranteed by the United States;
- (iii) Direct obligations issued by the United States or obligations guaranteed in full as to principal and interest by the United States or repurchase agreements with a qualified depository bank or securities dealers fully collateralized by such obligations, maturing on or before the date when such funds will be required for disbursement;
- (iv) Obligations of state and local government and municipal bond issuers, which are rated investment-grade by either S&P or Moody’s or other non-rated obligations of such issuers guaranteed or credit enhanced by a Person whose long-term debt or long-term deposits or other obligations are rated investment-grade by either S&P or Moody’s;
- (v) Prime commercial paper rated either “A-1” by S&P or “P-1” by Moody’s and, if rated by both, not less than “A-1” by S&P and “P-1” by Moody’s;
- (vi) Bankers’ acceptances drawn on and accepted by commercial banks;
- (vii) Interests in any money market fund or trust, the investments of which are restricted to obligations described in clauses (i) through (vi) of this definition or obligations determined to be of comparable quality by the board of directors of such fund or trust, including, without limitation, any such money market fund or trust for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (a) the Trustee or an affiliate of the Trustee receives fees from such funds for services rendered, (b) the Trustee charges and collects fees for services rendered pursuant to this Indenture, which fees are separate from the fees received from such funds, and (c) services performed for such funds and pursuant to this Indenture may at times duplicate those provided to such funds by the Trustee or its affiliates;
- (viii) Unsecured certificates of deposit, including those placed by a third party pursuant to an agreement between the Trustee and the Issuer, other deposit products, demand deposits, including interest bearing money market accounts, trust deposits, trust accounts, time deposits, overnight bank deposits, interest-bearing deposits, or bankers acceptances (in each case having maturities of not more than 360 days) of any domestic bank (including the Trustee and any bank affiliated with the Trustee) including a branch office of a foreign bank, which branch office is located in the United States, provided that such bank at the time of purchase, has a short-term bank deposit rating of “Prime-1” or better by Moody’s or a rating of “A-1” or better by S&P Global Ratings; and

(ix) Such other investments selected by the Borrower as may be authorized by applicable law and consented to by the Majority Owner Representative, provided that the Trustee may require as a condition to the investment of funds under this clause (viii) there having first been delivered to the Trustee an opinion of Counsel to the effect that investment is permitted under any applicable laws of the State.

The Trustee is not obligated to verify whether an investment is a legal investment under the applicable laws of the State. Ratings of Permitted Investments referred to herein shall be determined at the time of purchase of such Permitted Investments and without regard to ratings subcategories.

“Permitted Transfer” means, so long as such transfer is permitted under the Regulatory Agreement, (i) a transfer by devise or descent or by operation of law upon the death of a direct or indirect owner in the Borrower, so long as such transfer does not result in a change of management or control of the affected entity, (ii) the transfer of a direct or indirect ownership interest in the General Partner or the Administrative General Partner for estate planning purposes, so long as such transfer does not result in a change of management or control of the General Partner or the Administrative General Partner, (iii) a transfer of partnership interests in Borrower to the Tax Credit Investor and/or the Special Limited Partner, (iv) a transfer of the limited partner interests of the Tax Credit Investor and/or the Special Limited Partner in the Borrower to an Affiliate of such Tax Credit Investor and/or Special Limited Partner, (v) a transfer of the limited partner interests of the Tax Credit Investor and/or the Special Limited Partner in the Borrower to non-affiliates of such Tax Credit Investor and/or Special Limited Partner with the prior written consent of the Majority Owner Representative, (vi) a transfer of any shares or ownership interests in the Tax Credit Investor and/or Special Limited Partner, so long as an Affiliate of the Tax Credit Investor and/or Special Limited Partner remains the general partner, managing member or manager of such Tax Credit Investor and/or Special Limited Partner, (vii) a transfer of any interests in the General Partner or the Administrative General Partner or the Administrative General Partner so long as the Guarantor, or one or more members of the Guarantor, controls the Borrower after such transfer occurs, (viii) the removal and replacement or transfer of any interest of the General Partner or the Administrative General Partner pursuant to the terms and conditions of the Partnership Agreement, including, without limitation the appointment of the Special Limited Partner as a replacement general partner, or (ix) after the payment in full of all capital contributions under the Partnership Agreement, any other transfer, assignment, pledge, hypothecation or conveyance of limited partner interests in, or change in the limited partners of, the Borrower (and the owners of such limited partners) not described above, in accordance with the terms of the Partnership Agreement, (x) the extension, amendment or replacement of commercial leases approved by the Majority Owner Representative, (xi) the exercise under the Purchase Option Agreement; provided that if the Sole Member exercises the Project Option or the Refusal Right (as such forms are defined in the Purchase Option Agreement) the Sole Member shall provide the Majority Owner Representative 30 days prior written notice, shall acquire the property subject to the Senior Mortgage and the other Bond Documents and shall assume all the rights, duties, obligations, covenants, agreements and liabilities of the Borrower under the Bond Documents, (xii) the exercise by the Tax Credit Investor and Special Limited Partner of their rights to sell its interest in the Partnership pursuant to Section 10.3(d) of the Partnership Agreement or (xiii) the Put Option Agreement.

“Person” means any individual, for-profit or not-for-profit corporation, partnership, joint venture, association, limited liability company, limited liability partnership, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

“Plans and Specifications” means, with respect to the Project Facilities, the plans and specifications for the renovation of the Improvements prepared by the Architect and more particularly identified on Schedule 5 attached to the Loan Agreement and approved by the Majority Owner Representative, as the same may be amended, modified or supplemented as permitted under the Loan Agreement through Change Orders or otherwise.

“Principal Payment Date” means (i) the redemption date for the Bond, and (ii) the Maturity Date for the Bond.

“Project Costs” means the costs, fees, and expenses associated with the acquisition, renovation, installation and equipping of the Project Facilities for use as affordable rental housing including but not limited to the cost of materials, appliances, equipment, and other items of tangible personal property, the fees and expenses of architects, contractors, engineers, attorneys, accountants, developers, surveyors, and the payment of certain costs and expenses incidental to the issuance of the Bond.

“Project Facilities” means the land and the multifamily apartment housing facilities consisting of a total of 33 units (including 1 manager unit) and related improvements, personal property and equipment, located in Los Angeles, California, the acquisition, renovation and equipping of which are being financed by the proceeds of the Bond.

“Project Fund” means the fund of that name created pursuant to Section 4.1(a) hereof.

“Proposed Budget” shall have the meaning given to such term in Section 6.24 of the Loan Agreement.

“Punchlist Items” means any items necessary at the time of the issuance of a temporary certificate of occupancy to complete fully the renovation of the Project Facilities in accordance with the Plans and Specifications for the Project Facilities, or required for the issuance of a final certificate of occupancy or its equivalent.

“Purchase Option Agreement” means the Purchase Option and Right of First Refusal Agreement, dated as of June 1, 2019, by and among the Borrower, the General Partner, the Special Limited Partner and the Tax Credit Investor.

“Put Option Agreement” means that Put Option Agreement dated as of June 1, 2019, among the Borrower, General Partner, Tax Credit Investor and Transamerica Affordable Housing, Inc.

“Qualified Project Costs” means “Qualified Project Costs” as defined in the Regulatory Agreement.

“Ratings Agencies” means any of the three primary bond rating agencies: S&P, Moody’s or Fitch, or any other nationally recognized securities rating agency designated by

the Majority Owner Representative and approved by the Issuer following written notice to the Borrower, the Issuer and the Trustee.

“Rebate Amount” shall have the meaning given to such term in Section 6.10(c) of the Loan Agreement.

“Rebate Analyst” shall have the meaning given to such term in Section 6.10(c) of the Loan Agreement and shall be reasonably acceptable to the Majority Owner Representative.

“Rebate Fund” means the fund of that name created pursuant to Section 4.1(a) hereof.

“Rebate Report” shall have the meaning given to such term in Section 6.10(c) of the Loan Agreement.

“Record Date” means with respect to each Interest Payment Date, the Trustee’s close of business on the day before such Interest Payment Date occurs, regardless of whether such day is a Business Day.

“Redemption Fund” means the account of that name created pursuant to Section 4.1(a) hereof.

“Register” means the register of the record Owner of the Bond maintained by the Trustee.

“Regulatory Agreement” means that certain Amended and Restated Regulatory Agreement and Declaration of Restrictive Covenants, dated as of [November] 1, 2022, among the Issuer, the Trustee and the Borrower, as the same may be amended, modified or supplemented from time to time.

“Regulatory Agreement Default” shall have the meaning given to such term in Section 7.9(b) of the Loan Agreement.

“Related Person” with reference to any Substantial User, means a “related person” within the meaning of Section 147(a)(2) of the Code.

“Rents” means any and all rents, income, receipts, revenues, royalties, issues, profits, contract rights, accounts receivable, or general intangibles growing out of or in connection with the Leases (whether from residential or non-residential space) and other payments, payable to the Borrower pursuant to any Lease, including, without limitation, cash or securities deposited under any Lease to secure performance by the tenants of their obligations under the Leases, whether such cash or securities are to be held until the expiration of the term of such Leases or are to be applied to one or more of the installments of rent coming due prior to the expiration of such terms and further including subsidy payments received from any source.

“Repayments” means all payments of principal, premium, and interest on the Loan required to be paid by the Borrower to the Trustee, as the assignee of the Issuer pursuant to the Loan Agreement.

“Replacement Reserve Agreement” shall have the meaning given to such term in Section 3.1 of the Loan Agreement.

“Required Equity Funds” means \$[\_\_\_\_\_], comprised of the installments of equity contributions to be made to the Borrower by the Tax Credit Investor, subject to adjustment and funded in accordance with the terms and conditions of the Partnership Agreement.

“Requisition” means a requisition in the form attached hereto as Exhibit C, together with all invoices, bills of sale, schedules, applications for payment, certifications and other submissions required for the disbursement of the proceeds of the Bond from the Project Fund pursuant to the terms hereof.

“Reserved Rights” means the rights of the Issuer pursuant to Sections 2.5, 4.2, 6.10, 6.35, 10.5, 10.13, 10.17 and 10.18 of the Loan Agreement and the rights of the Issuer pursuant to other sections of the Loan Agreement and other Bond Documents to indemnification and to payment or reimbursement of fees and expenses of the Issuer, including the Issuer’s Annual Fee, as well as the fees and expenses of counsel and indemnity payments, its right to give and receive notices and to enforce notice and reporting requirements and restrictions on transfer of ownership, its right to inspect and audit the books, records and premises of the Borrower and of the Project, its right to collect attorney’s fees and related expenses, its right to specifically enforce the Borrower’s covenant to comply with applicable federal tax law and State law (including the Act, the Law and the rules and regulations of the Issuer), its rights to give or withhold consent to amendments, changes, modifications and alterations to the Bond Documents as specifically set forth herein and therein, and to the extent not included above, the rights specifically reserved by the Issuer under this Indenture, the Loan Agreement and the Regulatory Agreement.

“Responsible Banking Ordinance” means Ordinance No. 182138 of the City of Los Angeles amending Chapter 5.1 of the Los Angeles Administrative Code.

“Retainage” means a holdback of 10% of the hard costs of renovation of the Improvements under each contract or subcontract.

“Sale” means the direct or indirect sale, agreement to sell, assignment, transfer, conveyance, hypothecation, lien, mortgage, grant of a security interest in or a deed to secure debt or deed of trust with respect to, encumbrance, lease, sublease or other disposition of the Project Facilities, or any part thereof or interest therein whether voluntary, involuntary, by operation of law or otherwise, other than (i) the leasing of individual residential units to tenants, (ii) the extension, amendment, renewal or replacement of commercial leases currently in effect, and (iii) the grant of easements for utilities and similar purposes in the ordinary course provided, such easements do not impair the use of the Project Facilities or diminish the value of the Project Facilities. “Sale” shall also include the direct or indirect sale, transfer, assignment, pledge, hypothecation or conveyance of legal or beneficial ownership of (a) equity ownership interests in the Borrower, (b) a controlling interest in the aggregate, at any time or times, of the equity ownership interests in the General Partner or the Administrative General Partner, or (c) the substitution of a new general partner (whether administrative or not) in the Borrower without the

Majority Owner Representative's prior written consent, which it may withhold in its sole discretion; provided, however, that "Sale" shall not include a Permitted Transfer.

"S&P" means S&P Global Ratings, a division of S&P Global, Inc., its successors and assigns and, if such company shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Majority Owner Representative and approved by the Issuer, by notice to the Borrower, the Issuer and the Trustee.

"Secondary Market Transaction" shall have the meaning given to such term in Section 10.12(a) of the Loan Agreement.

"Securities" shall have the meaning given to such term in Section 10.12(a) of the Loan Agreement.

"Securities Act" means the Securities Act of 1933, as amended.

"Securities Group" shall have the meaning given to such term in Section 10.12(c) of the Loan Agreement.

"Security" shall have the meaning given to such term in the Granting Clauses of this Indenture.

"Security Interest" or "Security Interests" means the security interests created herein and shall have the meanings set forth in the U.C.C.

"Seller Loan" means a loan from Maple Park Housing Corporation, a California nonprofit public benefit corporation, to the Borrower in the principal sum of \$1,600,000.

"Seller Loan Documents" means all documents evidencing or securing the Seller Loan or otherwise executed and delivered by the Borrower in connection therewith or as a condition of the advance of the proceeds thereof, together with a subordination agreement executed by the lender of such Seller Loan, all in form and substance acceptable to the Majority Owner Representative.

"Senior Bond" means the Issuer's Multifamily Housing Revenue Bond (Broadway Apartments) Series 2019G in the original aggregate principal amount of \$6,500,000 issued on June 6, 2019.

"Senior Bond Documents" shall have the meaning ascribed to the term "Bond Documents" in the Senior Indenture.

"Senior Indenture" means the Indenture of Trust, dated as of June 1, 2019, between the Issuer and the Trustee relating to the Senior Bond.

"Senior Loan" means the loan of proceeds of the Senior Bond from the Issuer to the Borrower pursuant to the terms of the Senior Loan Agreement.



“Senior Loan Agreement” means the Loan Agreement, dated as of June 1, 2019, between the Issuer and the Borrower relating to the Senior Bond.

“Senior Mortgage” shall have the meaning ascribed to the term “Mortgage” in Section 3.1 of the Senior Loan Agreement.

“Special Limited Partner” means Stratford SLP, Inc., a Delaware corporation, and its successors and assigns in such capacity pursuant to the Partnership Agreement.

“Stabilization” shall have the meaning given such term in the Senior Indenture.

“Stabilization Date” shall have the meaning given such term in the Senior Indenture.

“Stabilized NOI” means, for any period, (x) Effective Gross Revenues for such period less (y) Expenses for such period, as determined or approved by the Majority Owner Representative.

“State” means the State of California.

“Subordinate Debt” means the Seller Loan and that certain loan in the amount of \$4,443,480 from the City of Los Angeles by and through its Los Angeles Housing Department to the Borrower, as evidenced and secured by the Subordinate Debt Documents.

“Subordinate Debt Documents” means all documents evidencing or securing the Subordinate Debt or otherwise executed and delivered by the Borrower in connection therewith or as a condition of the advance of the proceeds thereof, together with a subordination agreement executed by lender of such Subordinate Debt, all in form and substance acceptable to the Majority Owner Representative.

“Subordination Agreement” means that certain Subordination Agreement, dated as of [November] 1, 2022, between U.S. Bank Trust Company, National Association (as successor in interest for U.S. Bank National Association), as trustee for the Senior Bond and the Trustee, as may be amended, modified or supplemented from time to time.

“Substantial User” means, with respect to any “facilities” (as the term “facilities” is used in Section 144(a) of the Code), a “substantial user” of such “facilities” within the meaning of Section 147(a) of the Code.

“Surplus Bond Proceeds” means all moneys and any unliquidated investments remaining in the Bond Proceeds Account or the Capitalized Interest Account of the Project Fund upon Final Completion and after payment in full of the Project Costs (except for proceeds of the Bond being retained to pay for Project Costs not then due and payable for which the Trustee shall have retained amounts pursuant to the Loan Agreement).

“Tax Certificate” means the Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141 150 of the Internal Revenue Code of 1986, dated the Issue Date and executed and delivered by the City and the Borrower, as it may be amended, modified or supplemented from time to time.

“Tax Credit Investor” means Aegon LIHTC FUND 60, LLC, a Delaware limited liability company, and its successors and assigns in such capacity pursuant to the Partnership Agreement.

“Third Party Costs” means the ongoing fees of the Issuer, the Majority Owner Representative, the Trustee the Rebate Analysts or any other third party in connection with the Bond.

“Title Company” means North American Title Company, or such other title company approved by the Borrower and Majority Owner Representative.

“Title Policy” means the mortgagee’s title insurance policy relating to the Project Facilities issued by the Title Company to the Senior Trustee, effective on the date of recording of the Senior Mortgage, as the same may be subsequently down-dated or endorsed from time to time, with the approval of the Majority Owner Representative.

“Trustee” shall have the meaning given to such term in the first paragraph of this Indenture.

“Trustee’s Fee” means the sum of \$[ ] due on the Issue Date and a sum equal to [ ]% of the Outstanding principal amount of the Bond hereunder, payable in arrears on each June 1 and December 1, commencing [December] 1, 20[22], with a minimum annual fee of \$[ ].

“U.C.C.” means the Uniform Commercial Code of the State as now in effect or hereafter amended.

“Work” means the items of renovation of the Improvements required to be performed under the Plans and Specifications for the Improvements.

**Section 1.2 Rules of Construction.** Unless the context clearly indicates to the contrary, the following rules shall apply to the construction of this Indenture:

(a) All terms defined in the Loan Agreement and not defined herein shall have the meaning given to such terms in the Loan Agreement.

(b) Words importing the singular number shall include the plural number and vice versa.

(c) The table of contents, captions, and headings herein are for convenience of reference only and shall not constitute a part of this Indenture nor shall they affect its meaning, construction or effect.

(d) Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders, and words of the neuter gender shall be deemed and construed to include correlative words of the masculine and feminine genders.

(e) All references in this Indenture to particular Articles or Sections are references to Articles or Sections of this Indenture, unless otherwise indicated.

[End of Article I]

## **ARTICLE II THE BOND**

**Section 2.1 Authorized Amount of Bond.** No Bond may be issued under the provisions of this Indenture except in accordance with this Article. The total principal amount of Bond that may be issued and Outstanding hereunder is expressly limited to \$2,200,000. The Bond shall be designated as the “City of Los Angeles Subordinate Multifamily Housing Revenue Bond (Broadway Apartments) Series 2022T.” The form of the Bond attached as Exhibit A to this Indenture shall be the form of Bond referred to herein.

### **Section 2.2 Issuance of Bond.**

(a) The Bond shall bear interest from the Issue Date until paid or exchanged, as applicable, at the rate set forth in Section 2.3 hereof computed on the basis set forth in the form of the Bond, and the Bond shall mature, unless sooner paid, on the Maturity Date, on which date all unpaid principal of and interest on the Bond shall be due and payable.

(b) The Bond shall be issued as a fully registered bond without coupons in a single certificate in the principal amount of \$2,200,000. The Bond shall be registered in the name of the initial Holder thereof which shall be an Approved Buyer. Registered ownership of the Bond, or any portion thereof, may not thereafter be transferred except to an Approved Buyer, as set forth in Section 2.9 hereof. The Bond shall be numbered from R-1 upwards bearing numbers not then contemporaneously outstanding (in order of issuance) according to the records of the Trustee. There shall always be a single Holder of the Bond on the Trustee’s registration books.

(c) The Bond shall be dated the Issue Date and initially issued as provided herein and in the written instructions from the Issuer. Interest on the Bond shall be computed from the most recent Interest Payment Date to which interest has been paid or duly provided for or if no interest has been paid or provided for, from the Issue Date. The Bond shall mature on the Maturity Date, on which date all unpaid principal of, premium, if any, and interest on the Bond shall be due and payable.

(d) The principal of, premium, and the interest on the Bond shall be payable in lawful currency of the United States. The principal of and premium, if any, on the Bond shall be payable at the principal office of the Trustee, upon presentation and surrender of the Bond; provided, however, that the Bond need not be presented for payment unless being paid in full. Payments of interest on the Bond will be mailed to the person in whose name the Bond is registered on the Register at the close of business on the Record Date next preceding each Interest Payment Date; provided that, any Holder may, by prior written instructions filed with the Trustee (which instructions shall remain in effect until revoked by subsequent written instructions), instruct that interest payments be made by wire transfer to an account in the continental United States or other means acceptable to the Trustee.

**Section 2.3 Interest Rate on Bond.** The Bond shall bear interest at the Bond Coupon Rate from the Issue Date to the date of payment in full of the Bond, and such interest shall accrue and be calculated in the manner set forth in the form of the Bond. Interest accrued on the Bond

shall be paid on each Interest Payment Date and on the Maturity Date and any date of redemption prior to the Maturity Date; provided however, that in the event that principal of, premium, if any, or interest payable on the Bond is not paid when due or when any other Event of Default shall occur and be continuing, there shall be payable on the Bond or on any amount not timely paid, interest at the Default Rate, as more fully set forth in Section 6.8 hereof.

#### **Section 2.4 Execution; Limited Obligation.**

(a) The Bond shall be executed on behalf of the Issuer by the manual or facsimile signature of the Mayor of the City of Los Angeles, and attested by the manual or facsimile signature of an Authorized Attesting Officer. Any facsimile signatures shall have the same force and effect as if said persons had manually signed said Bond. Any reproduction of the official seal of the Issuer on the Bond shall have the same force and effect as if the official seal of the Issuer had been impressed on the Bond. In case any officer whose manual or facsimile signature shall appear on any Bond shall cease to be such officer before the delivery of the Bond such signature or such facsimile shall nevertheless be valid and sufficient for all purposes, the same as if he had remained in office until delivery, and also any Bond may bear the facsimile signatures of, or may be signed by, such Persons as at the actual time of the execution of the Bond shall be the proper officers to sign the Bond although at the date of the Bond such Persons may not have been such officers. At the Closing, the Issuer will direct the Trustee to deliver the Bond to or upon the order of the Bond Purchaser in certificated form, duly executed and authenticated by the Trustee.

(b) THE BOND IS NOT AN OBLIGATION, EITHER GENERAL OR SPECIAL, AND DOES NOT CONSTITUTE A PLEDGE OF THE GENERAL CREDIT OR TAXING POWER, OF THE CITY OF LOS ANGELES (THE "CITY"), THE STATE OF CALIFORNIA (THE "STATE") OR ANY POLITICAL SUBDIVISION THEREOF, BUT IS PAYABLE SOLELY FROM THE PROJECT REVENUES AND PROPERTY PLEDGED THEREFOR IN THIS INDENTURE AND NOT FROM ANY OTHER REVENUES, FUNDS OR ASSETS OF THE CITY. NEITHER THE CITY, THE STATE NOR ANY SUCH POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE THEREON. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE NOR ANY POLITICAL CORPORATION OR SUBDIVISION OR AGENCY THEREOF NOR THE FAITH AND CREDIT OF THE CITY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BOND OR OTHER COSTS INCIDENT THERETO. THE BOND IS NOT A DEBT OF THE UNITED STATES OF AMERICA.

**Section 2.5 Certificate of Authentication.** No Bond shall be secured hereby or entitled to the benefit hereof or shall be or become valid or obligatory for any purpose unless there shall be endorsed thereon a certificate of authentication, substantially in the form as set forth in the form of Bond referred to in Section 2.1 hereof, executed by an authorized representative of the Trustee and such certificate on any Bond issued by the Issuer shall be conclusive evidence and the only competent evidence that it has been duly authenticated and delivered hereunder.

## **Section 2.6 Form of Bond.**

(a) The Bond, in the form attached hereto as Exhibit A, shall be a physical certificated instrument and shall not be held in a book-entry system unless approved in advance in writing by the Issuer in its sole discretion. The Bond, the Trustee's certificate of authentication and the form of assignment shall be in substantially the form set forth as Exhibit A hereto, with such appropriate variations, omissions, substitutions and insertions as are permitted or required hereby or are required by law and may have such letters, numbers or other marks of identification and such legends and endorsements placed thereon as may be required to comply with any applicable laws or rules or regulations, or as may, consistent herewith, be determined by the Authorized Attesting Officer executing the Bond, as evidenced by such Authorized Attesting Officer's execution of the Bond.

(b) The Bond shall be in either typewritten or printed form, as the Majority Owner Representative shall direct, on behalf of the Issuer, with approval of the Trustee. Any expenses, including but not limited to expenses of printing, incurred in connection with the preparation of the form of the Bond shall be paid by the Borrower.

## **Section 2.7 Delivery of Bond.**

(a) Upon the execution and delivery hereof, the Issuer shall execute the Bond and deliver it to the Trustee, and the Trustee shall authenticate the Bond and deliver it in certificated form as the Majority Owner Representative shall direct in exchange for payment of the purchase price of the Bond hereunder.

(b) Prior to the delivery by the Trustee of the Bond, there shall be filed with the Trustee:

(i) A certified copy of all resolutions adopted and proceedings had by the Issuer authorizing execution of this Indenture, the Loan Agreement and the other Bond Documents to which the Issuer is a party and the issuance of the Bond; and

(ii) Executed copies of the Bond Documents (and with respect to the Note, an original executed counterpart endorsed without recourse by the Issuer to the Trustee); and

(iii) Copies of any Financing Statements that are required to be filed to perfect the security interests in the Security or under Section 3.2 of the Loan Agreement; and

(iv) A copy of completed IRS Form 8038 to be filed by or on behalf of the Issuer pursuant to Section 149(e) of the Code; and

(v) An executed copy of the Tax Certificate; and

(vi) An opinion of Bond Counsel or counsel to the Issuer to the effect that this Indenture and the Loan Agreement have been duly authorized, executed and delivered by the Issuer and are valid and binding obligations of the Issuer; and

(vii) An approving opinion of Bond Counsel to the Majority Owner Representative to the effect that the Bond has been duly authorized and validly issued, constitutes the valid and binding obligation of the Issuer, that this Indenture creates a valid pledge, to secure the payment of principal of, premium, if any, and interest on the Bond and a lien on the Security, that interest on the Bond will be excludable from gross income of the Holder thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax, that the Bond is not required to be registered under the Securities Act, and that this Indenture need not be qualified under the Trust Indenture Act of 1939, as amended; and

(viii) An opinion of Counsel for the Borrower to the effect that (A) the Borrower is duly organized and validly existing and in good standing under the laws of the State and in good standing under the laws of each other state in which the Borrower transacts business, (B) the Borrower has full power and authority to enter into the Bond Documents to which it is a party, and (C) such Bond Documents have been duly authorized, executed and delivered by the Borrower, the Borrower's execution and delivery of, and performance of its covenants set forth in, such documents do not contravene the law or any provision of any other agreement to which it is a party or by which it or its property is bound or affected, and all such Bond Documents are legal, valid and binding agreements of the Borrower and such other opinions as are reasonably requested by the Majority Owner Representative or the Majority Owner (including, without limitation, equivalent opinions with respect to the Guarantor); and

(ix) Reliance letters for, or address of the opinions to, the Majority Owner Representative and Majority Owner of each of the opinions filed with the Trustee; and

(x) An Investor Letter executed by the Bond Purchaser; and

(xi) Such other documents, opinions and certificates as may be required by the Issuer, Trustee, Bond Counsel, Majority Owner or Majority Owner Representative.

(c) Upon receipt of the foregoing, the Trustee shall authenticate and deliver the Bond as provided in the written instructions of the Issuer to the Trustee.

**Section 2.8 Mutilated, Lost, Stolen or Destroyed Bond.** If the Bond is mutilated, lost, stolen or destroyed, the Issuer may execute and the Trustee may authenticate and deliver a new Bond of the same maturity, interest rate, principal amount and tenor in lieu of and in substitution for the Bond mutilated, lost, stolen or destroyed; provided, that there shall be first furnished to the Trustee evidence satisfactory to it and the Issuer of the ownership of such Bond and of such loss,

theft or destruction (or, in the case of a mutilated Bond, such mutilated Bond shall first be surrendered to the Trustee), together with indemnity satisfactory to the Trustee and the Issuer and compliance with such other reasonable regulations as the Issuer and the Trustee may prescribe. If any such Bond shall have matured or a redemption date pertaining thereto shall have passed, instead of issuing a new Bond the Issuer may pay the same without surrender thereof. The Issuer and the Trustee may charge the Holder of such Bond with their reasonable fees and expenses in connection with this Section.

## **Section 2.9    Exchangeability and Transfer of Bond; Persons Treated as Owners.**

(a)    The Register and all other records relating to the registration of the Bond and for the registration of transfer of the Bond as provided herein shall be kept by the Trustee.

(b)    The Holder of the Bond, in person or by his/her duly authorized attorney, may transfer title to his/her Bond only in whole on the Register upon surrender thereof at the principal office of the Trustee, by providing the Trustee with a written instrument of transfer (in substantially the form of assignment attached to the Bond) executed by the Holder or such Holder's attorney, duly authorized in writing, provided that such transfer shall be only to an Approved Buyer that executes and delivers to the Issuer and the Trustee an Investor Letter. Thereupon, the Issuer shall execute and the Trustee shall authenticate and deliver in the name of the transferee a new Bond of the same aggregate principal amount and tenor as the Bond surrendered (or for which transfer of registration has been effected). The Issuer must approve all transfers of the Bond; provided, however, that in the case of each transfer, the transferor shall provide to the Issuer written notice of such proposed transfer not less than 10 Business Days prior to such proposed transfer, during which time the Issuer shall determine whether the proposed transferee is an Ineligible Purchaser. If the Issuer fails to deliver written notice to the Trustee of such determination within 10 Business Days of receipt of notice of the proposed transfer, the Trustee shall conclude that such transferee is not an Ineligible Purchaser.

(c)    The Bond may be exchanged upon surrender thereof at the principal office of the Trustee with a written instrument of transfer satisfactory to the Trustee executed by the Holder or such Holder's attorney duly authorized in writing, for an equal aggregate principal amount of the Bond of the same tenor as the Bond being exchanged and of any Authorized Denomination. The Issuer shall execute and the Trustee shall authenticate and deliver a Bond that the Holder making the exchange is entitled to receive, bearing numbers not contemporaneously then outstanding.

(d)    Such registrations of transfer or exchanges of the Bond shall be without charge to the Holder of such Bond, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the Holder of the Bond requesting such registration of transfer or exchange as a condition precedent to the exercise of such privilege. Any service charge made by the Trustee for any such registration of transfer or exchange and all reasonable expenses of the Issuer shall be paid by the Borrower.



(e) The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of either principal, premium, or interest shall be made only to or upon the order of the registered owner thereof or his/her duly authorized attorney, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

(f) A Bond issued upon any registration of transfer or exchange of the Bond shall be legal, valid and binding limited obligations of the Issuer, evidencing the same debt, and entitled to the same security and benefits under this Indenture, as the Bond surrendered upon such registration of transfer or exchange.

(g) There may be only one Holder of the Bond initially at closing and not more than one subsequent to closing.

(h) If the transferee is a “Commercial Bank” or an “Investment Bank” as defined in the Responsible Banking Ordinance, any transfer of the Bond shall require delivery to the Issuer of an executed Responsible Banking Ordinance Certificate in the form of Exhibit D hereto.

**Section 2.10 Non-presentment of Bond.** In the event the Bond shall not be presented for payment when the principal thereof becomes due, either at maturity or at the date fixed for redemption thereof or otherwise, if funds sufficient to pay the principal of, premium, if any, and interest on the Bond shall have been made available to the Trustee for the benefit of the Holder thereof, all liability of the Issuer and the Borrower to the owner thereof for the payment of the Bond or portion thereof as the case may be, shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Trustee, subject to any applicable escheat laws, to hold such fund or funds uninvested in the Bond Fund, without liability to the Holder of the Bond for interest thereon, for the benefit of the Holder of the Bond, who shall thereafter be restricted exclusively to such fund or funds, for any claim of whatever nature on his/her part on, or with respect to, the Bond.

**Section 2.11 [Reserved].**

**Section 2.12 Redemption of Bond.**

(a) Optional Redemption of Bond. The Bond is subject to optional redemption in whole but not in part, at the direction of the Borrower upon not less than 45 days written notice (or such shorter period as may be agreed to by the parties) to the Trustee and the Majority Owner Representative (which notice shall be unconditional and irrevocable), on any Interest Payment Date, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to, but not including, the redemption date.

(b) Mandatory Redemption of Bond.

(i) [Reserved].

(ii) The Bond is subject to mandatory redemption in whole or in part on the first Interest Payment Date for which notice of redemption can be given in accordance with this Indenture after and to the extent that Insurance Proceeds or a Condemnation Award in connection with the Project Facilities are deposited in the Project Fund and are not to be used to repair or restore the Project Facilities at a redemption price equal to 100% of the principal amount of the Bond to be redeemed plus interest accrued thereon to, but not including, the redemption date.

(iii) [Reserved].

(iv) The Bond is subject to extraordinary mandatory redemption in whole or in part, at the written direction of the Majority Owner Representative to the Trustee and the Borrower, at a redemption price equal to 100% of the principal amount of the Bond to be redeemed plus interest accrued thereon to, but not including, the redemption date, on the first Interest Payment Date for which notice of redemption can be given in accordance with this Indenture following receipt by the Trustee of the written direction of the Majority Owner Representative, within 180 days of the occurrence of any of the following events:

(A) the Project Facilities shall have been damaged or destroyed to such an extent that in the judgment of the Majority Owner Representative (1) it cannot reasonably be restored within a period of 12 consecutive months to the condition thereof immediately preceding such damage or destruction, (2) the Borrower is thereby prevented from carrying on its normal operations at the Project Facilities for a period of 12 consecutive months, or (3) it would not be economically feasible for the Borrower to replace, repair, rebuild or restore the same;

(B) title in and to, or the temporary use of, all or substantially all of the Project Facilities shall have been taken under the exercise of the power of eminent domain by any Governmental Authority or any Person acting under Governmental Authority (including such a taking as, in the reasonable judgment of the Majority Owner Representative, results in the Borrower being prevented thereby from carrying on its normal operations at the Project Facilities for a period of 12 consecutive months);

(C) as a result of any changes in the Constitution of the State, or the Constitution of the United States of America or by legislative or administrative action (whether state or federal) or by final decree, judgment, decision or order of any court or administrative body (whether state or federal), any material provision of the Loan Agreement or the other Bond Documents (as determined by the Majority Owner Representative) shall have become void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed therein, in each case, as determined by the Majority Owner Representative;

(D) unreasonable burdens or excessive liabilities shall have been imposed on the Borrower with respect to the operations of the Project Facilities, including, without limitation federal, state or other ad valorem, property, income or other taxes not being imposed on the date of this Indenture that, in the reasonable judgment of the Majority Owner Representative, render the continued operation of the Project Facilities uneconomical;

(E) legal curtailment of the Borrower's use and occupancy of all or substantially all of the Project Facilities for any reason other than that set forth in (ii) above, which curtailment shall, in the judgment of the Majority Owner Representative, prevent the Borrower from carrying on its normal operations at the Project Facilities for a period of 12 consecutive months; or

(F) upon the acceleration of the Note upon the occurrence of an Event of Default under the Loan Agreement.

(v) The Bond is subject to mandatory redemption in whole at a redemption price equal to 100% of the principal amount of the Bond to be redeemed plus interest accrued thereon to, but not including, the redemption date, on the first Interest Payment Date for which notice of redemption can be given in accordance with this Indenture within 45 days after the occurrence of a Determination of Taxability; provided, however, if mandatory redemption on account of a Determination of Taxability of less than all the Bond would result, in the opinion of Bond Counsel, in the interest on the Bond Outstanding following such mandatory redemption being excludable from the gross income of the Holder of the Outstanding Bond, then the Bond is subject to mandatory redemption upon the occurrence of a Determination of Taxability in the amount specified in such opinion.

(vi) The Bond is subject to mandatory redemption in whole on any date specified by the Majority Owner Representative in connection with the Project Facilities achieving Stabilization (as defined in the Senior Indenture) under the Senior Indenture at a redemption price equal to 100% of the principal amount thereof plus accrued interest thereon to, but not including, the redemption date.

(vii) [Reserved].

(c) [Reserved].

(d) [Reserved].

(e) Partial Redemption of Bond. In case part but not all of a Bond shall be selected for redemption, upon presentation and surrender at the operations office of the Trustee of the Bond by the Holder thereof or their attorney duly authorized in writing (with due endorsement for transfer or accompanied by written instrument of transfer in form satisfactory to the Trustee), the Issuer shall execute and the Trustee shall authenticate and deliver to or upon the order of such Holder, without charge therefor, for the unredeemed

portion of the principal amount of the Bond so surrendered, a Bond, at the option of the Holder, equal the unredeemed portion of the principal amount of the Bond. For all purposes of this Indenture (including exchange and transfer), the Bond so issued in less than a minimum Authorized Denomination shall be deemed to have been issued in an Authorized Denomination. A Bond so presented and surrendered shall be canceled in accordance with this Indenture.

(f) Redemption Price. Other than as described in Section 6.8 hereof, any redemption of the Bond shall be at a redemption price equal to 100% of the principal amount of the Bond to be redeemed plus interest accrued thereon to, but not including, the redemption date, without premium, penalty or charge.

(g) Right of Borrower to Purchase Bond. Subject to delivery of a Favorable Opinion of Bond Counsel, provided that such opinion shall not be required if the Bond is held by a Substantial User or Related Person to a Substantial User, the Borrower shall have the option, by written notice to the Trustee and the Majority Owner Representative given not less than five Business Days (45 days in case of a redemption pursuant to Section 2.12(b)(vi) hereof), in advance of any redemption date, to cause the purchase of the Bond in lieu of redemption on the redemption date. The purchase price of the Bond so purchased in lieu of redemption shall be equal to the redemption price thereof, and shall be payable on the redemption date by funds provided by or on behalf of the Borrower. The Bond so purchased in lieu of redemption shall be registered to or upon the direction of the Borrower.

**Section 2.13 Notice of Redemption.** Notice of redemption shall be mailed by the Trustee by first-class mail, postage prepaid, at least 30 days before the redemption date to the Holder of the Bond to be redeemed in whole or in part at his/her last address appearing on the Register, with a copy to the Majority Owner Representative, but no defect in or failure to give such notice of redemption shall affect the validity of the redemption; provided, however, that notice of redemption shall be mailed by the Trustee not less than five Business Days prior to the date fixed for redemption by the Majority Owner Representative pursuant to Section 2.12(b)(iii) hereof. A Bond properly called for redemption, and for which funds to pay the redemption price have been deposited with the Trustee pursuant to the terms hereof, will cease to bear interest on the date fixed for redemption, and, thereafter, the Holder of the Bond called for redemption shall have no rights in respect thereof except to receive payment of the redemption price from the Trustee and a new Bond for any portion not redeemed.

**Section 2.14 Recycling Transactions.** Notwithstanding any provision of this Indenture or the Bond to the contrary, the Issuer shall be permitted to direct payments of the Note representing the loan of proceeds of the Bond, to be transferred to a custodian or trustee selected by the Issuer, in lieu of application to prepay a like portion of the Bond, so long as the Issuer simultaneously causes other funds to be applied to prepay such portion of the Bond. The preceding provisions shall apply only for purposes of preserving or “recycling” private activity bond volume cap in accordance with Section 146(i)(6) of the Code.

**Section 2.15 Payoff Premium Upon at Redemption and Upon Maturity.** The redemption of the Bond shall be at a price equal to 100% of the principal amount of the Bond to

be redeemed, plus interest accrued thereon to, but not including, the redemption date. The repayment of the principal amount of the Bond, at maturity, shall be at a price equal to 100% of the unpaid principal amount of the Bond, plus interest accrued thereon to, but not including, the payment date.

[End of Article II]

## **ARTICLE III SECURITY**

**Section 3.1 Security.** The Bond and the interest and any premium thereon shall be a limited obligation of the Issuer as provided in Section 10.9 hereof, and shall be secured by and payable from the Security pledged and assigned to the Trustee by the Issuer pursuant to the Granting Clauses hereof.

**Section 3.2 Payment of Bond and Performance of Covenants.** The Issuer shall promptly pay or cause to be paid, but only out of the Security, the principal of, premium, if any, and interest on the Bond at the place, on the dates and in the manner provided in the Bond. The Issuer shall promptly perform and observe all covenants, undertakings and obligations set forth herein, in the Bond or in the other Bond Documents to which the Issuer is a party on its part to be performed or observed. The Issuer shall fully cooperate with the Trustee in the enforcement by the Trustee of any such rights granted to the Issuer under the Loan Agreement and the other Bond Documents to which the Issuer is a party.

**Section 3.3 Authority.** The Issuer represents and warrants that (i) it is duly authorized under the Law and the Act to issue the Bond, and to execute, deliver and perform the terms of the Loan Agreement and this Indenture; (ii) all action on its part for the issuance of the Bond and execution and delivery of the Bond Documents to which it is a party has been duly taken; (iii) the Bond, upon issuance and authentication, and the Bond Documents to which it is a party upon delivery, assuming that they are the respective legal, valid, binding and enforceable obligations of the other parties thereto, shall be valid and enforceable obligations of the Issuer in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights generally and general equitable principles; (iv) except with respect to the Senior Bond, it has not heretofore conveyed, assigned, pledged, granted a security interest in or otherwise disposed of the Security; (v) it has not received any payments under the Loan Agreement; (vi) without making any independent investigation, it has no knowledge of any right of set-off, defense or counterclaim to payment or performance of the terms or conditions of the Loan Agreement; and (vii) the execution, delivery and performance of the Bond Documents to which it is a party and issuance of the Bond are not in contravention of law or, any agreement, instrument, indenture or other undertaking to which it is a party or by which it is bound and no other approval, consent or notice from any Governmental Authority is required on the part of the Issuer, with the exception of any provisions in the Senior Bond Documents which restrict or limit the incurrence of debt by the Borrower or in connection with the Project Facilities.

**Section 3.4 [Reserved].**

**Section 3.5 Further Assurances.** The Issuer covenants that it will cooperate to the extent necessary with the Borrower and the Trustee in their defenses of the Security against the claims and demands of all Persons and, upon payment or provision for payment of the fees and expenses to be incurred by the Issuer in connection therewith, will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered such indentures supplemental hereto and such further acts, instruments and transfers as the Trustee may reasonably require for the better pledging of the Security. Except for any amendment, modification, supplement, waiver or consent related to the Reserved Rights, the Issuer shall not cause or permit to exist any

amendment, modification, supplement, waiver or consent with respect to the Loan Agreement without the prior written consent of the Trustee, which consent shall be governed by Article VIII hereof.

**Section 3.6 No Other Encumbrances; No Dissolution.** The Issuer covenants that, (i) except as otherwise provided herein and in the Loan Agreement and in the Senior Loan Agreement, it will not sell, convey, mortgage, encumber or otherwise dispose of any portion of the Security, and (ii) to the fullest extent permitted by applicable law, for so long as the Bond is Outstanding, it will not dissolve, terminate or permit itself to be dissolved or terminated without a successor to its obligations hereunder and under the Bond having assumed its obligations hereunder and under the Bond.

**Section 3.7 No Personal Liability.** No recourse under or upon any obligation, covenant, warranty or agreement contained in this Indenture or in the Bond, or under any judgment obtained against the Issuer, or the enforcement of any assessment, or any legal or equitable proceedings by virtue of any constitution or statute or otherwise, or under any circumstances under or independent of this Indenture, shall be had against the Mayor, the City Council or any of the members, officers, agents or employees of the Issuer, as such, past, present or future of the Issuer, either directly or through the Issuer or otherwise, for the payment for or to the Issuer or any receiver of the Issuer, or for or to the owner of the Bond, or otherwise, of any sum that may be due and unpaid by the Issuer upon the Bond. Any and all personal liability of every nature whether at common law or in equity or by statute or by constitution or otherwise of the Mayor, the City Council or of any such member, officer, agent or employee, past, present or future, of the Issuer, as such, by reason of any act or omission on his or her part or otherwise, for the payment for or to the owner of the Bond or otherwise of any sum that may remain due and unpaid upon the Bond secured by this Indenture or any of them is, by the acceptance of the Bond, expressly waived and released as a condition of and in consideration for the execution of this Indenture and the issuance of the Bond.

Anything in this Indenture to the contrary notwithstanding, it is expressly understood by the parties to this Indenture that (a) the Issuer may rely exclusively on the truth and accuracy of any certificate, opinion, notice or other instrument furnished to the Issuer by the Trustee, the Borrower, the Majority Owner Representative, or the Owner as to the existence of any fact or state of affairs, (b) the Issuer shall not be under any obligation under this Indenture to perform any record keeping or to provide any legal services, it being understood that such services shall be performed or caused to be performed by the Trustee or by the Majority Owner Representative and (c) none of the provisions of this Indenture shall require the Issuer to expend or risk its own funds or otherwise to incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers under this Indenture, unless it shall first have been adequately indemnified to its satisfaction against any costs, expenses and liability which it may incur as a result of taking such action.

No covenant, stipulation, obligation or agreement of the Issuer contained in this Indenture shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future member, officer, agent or employee of the Issuer or the Mayor or the City Council in other than that person's official capacity. No member, officer, agent or employee of the Issuer shall be individually or personally liable for the payment of the principal or redemption price of or interest

on the Bond or be subject to any personal liability or accountability by reason of the issuance of the Bond.

It is recognized that notwithstanding any other provision of this Indenture, neither the Borrower, the Trustee nor the Owner shall look to the Issuer for damages suffered by the Borrower, the Trustee or the Owner as a result of the failure of the Issuer to perform any covenant, undertaking or obligation under this Indenture, the Loan Agreement, the Bond or any of the other documents referred to herein, or as a result of the incorrectness of any representation made by the Issuer in any of such documents, nor for any other reason. Although this Indenture recognizes that such documents shall not give rise to any pecuniary liability of the Issuer, nothing contained in this Indenture shall be construed to preclude in any way any action or proceeding (other than that element of any action or proceeding involving a claim for monetary damages against the Issuer) in any court or before any governmental body, agency or instrumentality or otherwise against the Issuer or any of its officers or employees to enforce the provisions of any of such documents which the Issuer is obligated to perform and the performance of which the Issuer has not assigned to the Trustee or any other person; provided, however, that as a condition precedent to the Issuer proceeding pursuant to this Section 3.7, the Issuer shall have received satisfactory indemnification.

[End of Article III]



## **ARTICLE IV FUNDS**

### **Section 4.1 Establishment of Funds and Accounts; Applications of Proceeds of the Bond and Other Amounts.**

(a) The following funds and Accounts are hereby created and established as special trust funds:

- (i) the Project Fund, consisting of:
  - (A) the Bond Proceeds Account;
  - (B) the Costs of Issuance Account;
  - (C) the Equity Account;
  - (D) the Capitalized Interest Account; and
  - (E) the Insurance and Condemnation Proceeds Account.
- (ii) The Collateral Fund;
- (iii) [Reserved];
- (iv) the Rebate Fund;
- (v) the Bond Fund;
- (vi) [Reserved];
- (vii) the Redemption Fund; and
- (viii) [Reserved].

(b) All the funds and Accounts created by subsection (a) of this Section shall be held by the Trustee in trust for application only in accordance with the provisions of this Indenture.

(c) The proceeds of the sale of the Bond and the deposit from the Borrower (\$[\_\_\_\_\_]) shall be applied as directed in writing by the Majority Owner Representative to the Trustee pursuant to the Closing Instructions Memorandum dated on or about the Issue Date and executed by the Borrower and the Majority Owner Representative (the “Closing Memorandum”) and delivered to the Trustee on the Issue Date:

- (i) \$2,200,000.00, representing the proceeds of the sale of the Bond, shall be deposited in the following fund and accounts:

- (A) \$0 to the Costs of Issuance Account of the Project Fund; and
- (B) \$[ ] to the Bond Proceeds Account of the Project Fund; and

(ii) \$[ ], representing the deposit from the Borrower, shall be deposited in the Equity Account of the Project Fund, of which the following amounts shall subsequently be transferred by the Trustee to the following funds and accounts:

- (A) \$[ ] to the Collateral Fund;
- (B) \$[ ] to the Capitalized Interest Account of the Project Fund; and
- (C) \$[ ] to the Costs of Issuance Account of the Project Fund.

#### **Section 4.2 Bond Fund.**

(a) There is hereby separately created and established with the Trustee the Bond Fund. There shall be deposited in the Bond Fund (i) all payments specified in the Loan Agreement to be deposited in the Bond Fund, including Repayments, and including all proceeds resulting from the enforcement of the Security or its realization as collateral, and (ii) all other moneys received by the Trustee under the Loan Agreement for deposit by it in the Bond Fund.

(b) Moneys in the Bond Fund shall be held in trust for the Holder and, except as otherwise expressly provided herein, shall be used solely for the payment of the interest on the Bond, for the payment of principal of the Bond upon maturity, whether stated or accelerated, or upon mandatory or optional redemption prior to the Maturity Date, and for the payment of the premium set forth in Section 2.3(b) and (c) of the Loan Agreement.

(c) After payment in full of the Bond, or provision for the payment of the Bond having been made pursuant to Section 5.2 hereof, and upon payment of any amounts payable to the United States pursuant to any rebate requirement and any other amounts owing hereunder and under the Loan Agreement and the payment of all other amounts owing under the Bond Documents, any amounts remaining in the Bond Fund shall be paid to the Borrower.

#### **Section 4.3 Project Fund.**

(a) The Trustee shall deposit all amounts specified in Section 4.1 hereof into the specified accounts and subaccounts of the Project Fund.

(b) Upon (i) the deposit of a Collateral Payment into the Collateral Fund as provided in Section 4.4 hereof and (ii) the receipt of a fully executed Requisition approved in writing by the Majority Owner Representative, in accordance with the provisions of the

Loan Agreement, the Trustee shall be unconditionally and irrevocably obligated to disburse an equal amount from the Bond Proceeds Account solely for payment or reimbursement of Qualified Project Costs, or if the Trustee is unable for any reason to make such disbursement, to return such Collateral Payment to the party that provided it. Except as provided in subsection (c) below, the Issuer's acknowledgement of each disbursement from the Project Fund shall be required. The Issuer agrees, however, that if the Issuer has not acknowledged any disbursement within five Business Days of receipt of a request for acknowledgment of such disbursement, the Issuer shall be deemed to have acknowledged such disbursement. The Trustee shall be entitled to conclusively rely upon any Requisition in determining whether to disburse amounts from the Project Fund. After Final Completion of the Project Facilities, but in no event later than the Stabilization Date, all Surplus Bond Proceeds remaining in the Bond Proceeds Account of the Project Fund shall be transferred to the Bond Fund. The Trustee shall have no obligation to review any invoices, schedules, etc., attached to the Requisition and shall be entitled to rely upon any Requisition that has been approved by the Majority Owner Representative in making disbursements from the Project Fund. At the written request of a Borrower Representative, all remaining amounts in the Equity Account of the Project Fund upon the occurrence of Stabilization shall be paid to the Borrower upon receipt of the prior written approval of the Majority Owner Representative, which approval shall not be unreasonably withheld or delayed.

(c) Notwithstanding any provision of the Loan Agreement or any other provision of this Indenture to the contrary, the Trustee shall not disburse money from the Bond Proceeds Account, other than to pay principal of, redemption premium, if any, and interest on the Bond when due, unless and until Collateral Payments or other Eligible Funds in an amount equal to or greater than the requested disbursement amount have been deposited into the Collateral Fund. Prior to making any disbursement (except to the extent necessary to pay principal of, redemption premium, if any, and interest on the Bond when due), the Trustee shall determine that the aggregate principal amount that will be held in (a) the Collateral Fund and (b) the Bond Proceeds Account, after the anticipated disbursement, is at least equal to the then Outstanding principal amount of the Bond; provided, however, to the extent money on deposit in the Bond Proceeds Account is invested in Permitted Investments, the Trustee is hereby authorized to make the following allocations and exchanges, which allocations and exchanges shall occur prior to the disbursement of amounts on deposit in the Bond Proceeds Account to pay Qualified Project Costs: (i) allocate all or a portion of the Permitted Investments in the Bond Proceeds Account, in the amount specified in the request for disbursement, to the Collateral Fund and (ii) transfer a like amount from the Collateral Fund to the Bond Proceeds Account. To the extent money is not otherwise available to the Trustee, including money on deposit in the Bond Fund or the Collateral Fund, the Trustee shall transfer from the Bond Proceeds Account to the Bond Fund sufficient money to pay principal of and interest on the Bond on each Interest Payment Date and Principal Payment Date, as applicable, without further written direction.

(d) The Trustee shall and is hereby authorized to transfer funds from the Capitalized Interest Account to the Bond Fund to pay interest on the Bond accruing up to and including the Completion Date without submission of any requisition. The Trustee shall transfer any Surplus Bond Proceeds remaining in the Capitalized Interest Account,

after the Borrower certifies to the Trustee the Final Completion of the Project Facilities, but in no event later than the Stabilization Date, to the Bond Fund.

(e) Amounts in the Costs of Issuance Account shall be disbursed by the Trustee on the Issue Date or as soon as practicable thereafter to pay (i) to the California Debt and Investment Advisory Commission (“CDIAC”) the CDIAC fee of up to \$[2,875] upon receipt of an invoice therefor and (ii) the Trustee the sum of \$[\_\_\_\_\_] as its acceptance fee and fees of legal counsel and \$[\_\_\_\_\_] as the first year Trustee’s Fees. Any moneys remaining thereafter only to pay costs of issuance pursuant to a closing memorandum attached to a Requisition signed by the Borrower and the Majority Owner Representative identifying the amount to be paid and the payee. Amounts remaining in the Costs of Issuance Account (including investment proceeds) after the payment of all costs of issuance, and in any event not later than 90 days following the Issue Date, shall be transferred to the Equity Account of the Project Fund, as directed in writing by the Borrower; provided any such amounts representing Surplus Bond Proceeds shall be transferred to the Bond Fund, as directed in writing by the Borrower, and the Trustee shall close the Costs of Issuance Account.

(f) Moneys representing a Condemnation Award or Insurance Proceeds shall be deposited into the Insurance and Condemnation Proceeds Account of the Project Fund, and notice of such deposit thereof shall be given by the Trustee to the Majority Owner Representative and the Holder. To the extent there has been a determination pursuant to the Bond Documents to restore the Project Facilities, such Condemnation Award or Insurance Proceeds shall be expended in accordance with the written direction of the Majority Owner Representative for such purposes in accordance with the provisions of the Bond Documents. In the event there is a determination pursuant to the Bond Documents not to restore the Project Facilities, such Condemnation Award or Insurance Proceeds shall be either (i) transferred to the Bond Fund and applied to the redemption of the Bond in accordance with Section 2.12 hereof, or (ii) released to the Borrower if the Borrower obtains an opinion of Bond Counsel that such release will not affect the excludability of the interest on the Bond from gross income for federal income tax purposes, all in accordance with written direction of the Majority Owner Representative to the Trustee and subject to the provisions of the Bond Documents.

(g) Upon the occurrence and continuation of an Event of Default under the Loan Agreement, all money and investments in the Project Fund may be disbursed at the direction of the Majority Owner Representative to pay any costs and expenses of the Project Facilities, to pay costs of enforcement of the Bond Documents the Senior Bond Documents and to pay any and all amounts owed by the Borrower under the Bond Documents and the Senior Bond Documents, in whatever amounts and whatever order the Majority Owner Representative may determine.

**Section 4.4 Collateral Fund.** Upon receipt, the Trustee shall deposit into the Collateral Fund all Collateral Payments received pursuant to Section [8.6] of the Loan Agreement and any other Eligible Funds received by the Trustee for deposit into the Collateral Fund. Section [8.6] of the Loan Agreement requires the Borrower to cause Collateral Payments to be paid to the Trustee for deposit into the Collateral Fund in a principal amount equal to, and as a prerequisite to the

disbursement of, the amount of Bond proceeds on deposit in the Bond Proceeds Account to be disbursed by the Trustee to pay Qualified Project Costs.

Each deposit into the Collateral Fund shall constitute an irrevocable deposit solely for the benefit of the Holder, subject to the provisions hereof.

The Trustee shall transfer money in the Collateral Fund as follows: (i) on each Interest Payment Date and Principal Payment Date, as applicable, to the Bond Fund, the amount necessary to pay principal of and interest on the Bond when due on such Interest Payment Date and Principal Payment Date, as applicable, to the extent money is not otherwise available to the Trustee, including money on deposit in the Bond Fund and (ii) if the Bond is subject to mandatory redemption pursuant to Section 2.12(b) hereof, on the date of such redemption, to the Bond Fund, the amount necessary to pay the redemption price.

The Bond shall not be, and shall not be deemed to be, paid or prepaid by reason of any deposit into the Collateral Fund unless and until the amount on deposit in the Collateral Fund is transferred to the Bond Fund and applied to the payment of the principal of the Bond, or the principal component of the redemption price of any of the Bond, all as provided in this Indenture.

Amounts on deposit in the Collateral Fund in excess of the amount required to pay principal of, premium, if any, and interest on the Bond after (i) payment in full of the Bond in the event of a mandatory redemption pursuant to Section 2.12(b) hereof or (ii) the Maturity Date, shall be released to the Tax Credit Investor.

Following the disbursement of all funds pursuant to the terms of this Section 4.4, the Trustee shall close the Collateral Fund.

#### **Section 4.5 Use of Certain Additional Funds and Accounts.**

##### **(a) Redemption Fund.**

(i) There shall be deposited in the Redemption Fund (a) all payments specified in Section 8.4 of the Loan Agreement to be deposited in the Redemption Fund, and (b) all other moneys received by the Trustee under the Loan Agreement or this Indenture for deposit by it in the Redemption Fund. Moneys in the Redemption Fund shall be held in trust for the Holder and, except as otherwise expressly provided herein, shall be used solely for the redemption of Bond pursuant to Section 2.12 hereof. On each Principal Payment Date or redemption date and as otherwise required hereunder or at the written direction of the Majority Owner Representative, the Trustee shall transfer such amounts from the Redemption Fund to the Bond Fund and call and redeem the Bond as provided in Section 2.12 hereof. After payment in full of the Bond, or provision for the payment of the Bond having been made pursuant to Section 5.2 hereof, and the payment of any amounts owing to the United States pursuant to any rebate requirement and any other amounts owing hereunder and under any of the other Bond Documents, any amounts remaining in the Redemption Fund shall be paid to the Borrower.

(ii) Upon the occurrence and continuation of an Event of Default under the Loan Agreement, all money and investments in the Redemption Fund may be disbursed at the direction of the Majority Owner Representative to pay any costs and expenses of the Project Facilities, to pay costs of enforcement of the Bond Documents and to pay any and all amounts owed by the Borrower under any of the Bond Documents, in whatever amounts and in whatever order the Majority Owner Representative may determine.

(b) [Reserved].

(c) Rebate Fund. The Issuer recognizes that investment of the Bond proceeds will be at the written direction of the Borrower but agrees that it will commit no act, or omit any action, that would cause the Bond to be an “arbitrage bond” within the meaning of Section 148 of the Code and the applicable regulations thereunder. There is hereby established with the Trustee a Rebate Fund. Any provisions in this Indenture to the contrary notwithstanding, amounts credited to the Rebate Fund shall be free and clear of any lien hereunder. The Issuer will observe the covenants contained in the Tax Certificate as if fully set forth herein and the Trustee will follow the written direction of the Borrower in disbursing any amounts in the Rebate Fund to satisfy rebate amounts the Borrower or Rebate Analyst determine are owed.

(d) [Reserved].

(e) [Reserved].

#### **Section 4.6 Records.**

(a) The Trustee shall cause to be kept and maintained records pertaining to all funds and accounts maintained by the Trustee hereunder and all disbursements therefrom and shall periodically deliver to the Borrower statements of activity and statements indicating the investments made with moneys in all such funds during the applicable period. Upon written request, the Trustee shall provide the Borrower and the Majority Owner Representative, within a reasonable period of time, with a report stating the principal amount of the Bond Outstanding and the registered owner of the Bond as of the date specified by the Borrower or the Majority Owner Representative in its request.

(b) The Trustee shall provide the Borrower and the Majority Owner Representative with a written report, on a monthly basis through the calendar month in which the last obligation of the Bond is retired, identifying the Permitted Investments in which the moneys held as part of the Accounts were invested during the preceding period and the dates of such investments, together with such other information as the Trustee ordinarily provides to Persons such as the Borrower and the Majority Owner Representative in its regular monthly investment reports.

**Section 4.7 Investment of Funds.** Subject to the provisions of Section 4.8 hereof, moneys held as part of all Accounts hereunder shall be invested and reinvested in Permitted Investments as instructed in writing by the Borrower with the prior written consent of the Majority Owner Representative; provided, however, that any moneys held by the Trustee to pay the

principal of, premium, if any, or interest that has become payable with respect to the Bond shall not be invested. All Permitted Investments shall be held by or under the control of the Trustee and shall be deemed at all times to be a part of the fund and account which was used to purchase the same. The Trustee may act as principal or agent in the making or disposing of any investment and may utilize its investment department or that of its affiliate and charge its standard investment handling fees. All interest accruing thereon and any profit realized from Permitted Investments shall be credited to the respective fund or account and any loss resulting from Permitted Investments shall be similarly charged. Notwithstanding anything herein to the contrary, (i) all investment earnings from amounts on deposit in the Bond Proceeds Account and the Collateral Fund shall be credited to the Bond Fund, and (ii) all gains resulting from the sale of, or income from, any investment made from moneys credited to the Collateral Fund and the Bond Proceeds Account shall be credited to and become part of the Bond Fund. The Trustee is authorized to cause to be sold and reduced to cash a sufficient amount of Permitted Investments whenever the cash balance in any fund or account hereunder is or will be insufficient to make a requested or required disbursement. The Trustee shall not be responsible for any depreciation in the value of any Permitted Investment or for any loss resulting from such sale, so long as the Trustee performs its obligations hereunder in accordance with the terms of this Indenture. Absent specific instructions from the Borrower approved by the Majority Owner Representative to invest cash balances in Permitted Investments hereunder, the Trustee shall hold such balances uninvested.

**Section 4.8 Yield Restriction.** The Issuer acknowledges (and the Borrower by virtue of its execution of the Loan Agreement acknowledges) that investments in funds or Accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code and (unless valuation is undertaken at least annually) investments in any reserve fund shall be valued at their present value (within the meaning of Section 148 of the Code). As set forth in the Tax Certificate, certain funds or Accounts will not be invested at an overall yield in excess of the yield on the Bond, unless the Borrower, the Trustee, and the Majority Owner Representative receive an opinion of Bond Counsel that the investment of such funds or Accounts at an overall yield in excess of such amount set forth in the Tax Certificate does not adversely affect the excludability of interest on the Bond by the Holder thereof for federal income tax purposes.

**Section 4.9 Guaranties.** Any amounts received by the Trustee under the Guaranty of Completion, the Guaranty of Debt Service and Stabilization, the Guaranty of Recourse Obligations, the Environmental Indemnity or the Developer Fee Pledge shall be deposited in the Equity Account of the Project Fund, shall be deemed a part of the Security, and used or applied or invested by the Trustee as directed in writing by the Majority Owner Representative, including the deposit of such funds in the Senior Indenture.

[End of Article IV]

## **ARTICLE V DISCHARGE OF LIEN**

**Section 5.1 Discharge of Lien and Security Interest.** Upon payment in full of the Bond and all amounts payable under the Loan Agreement and the other Bond Documents, these presents and the Security Interests shall cease, determine and be discharged, and thereupon the Trustee shall (a) cancel and discharge this Indenture and the Security Interests; (b) execute and deliver to the Issuer and the Borrower, at the Borrower's expense, such instruments in writing as shall be required to cancel and discharge this Indenture and the Security Interests and reconvey to the Issuer and the Borrower the Security, and assign and deliver to the Issuer and the Borrower so much of the Security as may be in its possession or subject to its control, except for moneys and Government Obligations held in the Bond Fund for the purpose of paying the Bond; and (c) mark as cancelled the Note; provided, however, that the cancellation and discharge of this Indenture pursuant to Section 5.3 hereof shall not terminate the powers and rights granted to the Trustee, with respect to the payment, registration of transfer and exchange of the Bond; provided, further, that the rights of, including attorneys' fees and expenses, the Issuer and the Trustee to indemnity, non-liability and payment of all reasonable fees and expenses shall survive the cancellation and discharge of this Indenture pursuant to this Section or Section 5.3 hereof.

**Section 5.2 Provision for Payment of the Bond.** The Bond shall be deemed to have been paid within the meaning of Section 5.1 hereof if:

(a) there shall have been irrevocably deposited in the Bond Fund sufficient money or Government Obligations of such maturities and interest payment dates and bearing such interest as will, in the opinion of a nationally recognized firm of certified public accountants, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon (said earnings also to be held in trust), be sufficient for the payment at the earliest maturity or redemption date prior to maturity of the principal of the Bond of, premium, if any, and interest to accrue thereon through such maturity or redemption date, as the case may be;

(b) there shall have been paid or provision duly made for the payment of all fees and expenses of the Issuer and the Trustee, including attorneys' fees and expenses, due or to become due; and

(c) if the Bond is to be redeemed on any date prior to its maturity, the Trustee shall have received in form satisfactory to it irrevocable written instructions from the Borrower or the Majority Owner Representative, as the case may be, in accordance with Section 2.12 hereof to cause a redemption of the Bond, to redeem the Bond on such date and either evidence satisfactory to the Trustee that all redemption notices required by this Indenture have been given or irrevocable power authorizing the Trustee to give such redemption notices has been granted to the Trustee.

Limitations set forth elsewhere herein regarding the investment of moneys held by the Trustee in the Bond Fund shall not be construed to prevent the depositing and holding in the Bond Fund of the Government Obligations described in this Section 5.2 for the purpose of defeasing the lien of this Indenture as to the Bond which has not yet become due and payable. Notwithstanding



any other provision of this Indenture to the contrary (but subject to Section 5.2(a) hereof), all funds deposited with the Trustee as provided in this Section may be invested and reinvested, at the direction of the Borrower, in Government Obligations (or in a money market fund that invests solely in Government Obligations and is rated no lower than the second highest category by one of Fitch, Moody's or S&P and, if more than one of such rating agencies then rates such money market fund, is rated no less than the second highest rating category by each of such rating agencies then rating such money market fund) maturing in the amounts and times as hereinbefore set forth, and all income from all Government Obligations (or money market fund) in the hands of the Trustee pursuant to this Section which is not required for the payment of the Bond and interest and redemption premium, if any, thereon with respect to which such moneys shall have been so deposited shall be deposited in the Bond Fund as and when realized and collected for use and application as are other moneys deposited in the Bond Fund.

**Section 5.3 Discharge of this Indenture.** Notwithstanding the fact that the lien of this Indenture upon the Security may have been discharged and cancelled in accordance with Section 5.1 hereof, this Indenture and the rights granted and duties imposed hereby, to the extent not inconsistent with the fact that the lien upon the Security may have been discharged and cancelled, shall nevertheless continue and subsist after payment in full of the Bond or the deemed payment in full of the Bond in accordance with Section 5.2 hereof until the Trustee shall have returned to the Borrower, all funds held by the Trustee which the Borrower is entitled to receive pursuant to this Indenture after the Bond has been paid at maturity or redeemed on the date set for redemption. Upon payment in full or defeasance of the Bond, payment of amounts payable to the United States pursuant to any rebate requirement and payment of all other amounts owing under the Bond Documents, all remaining amounts held by the Trustee shall be paid to the Borrower.

[End of Article V]

## **ARTICLE VI DEFAULT**

**Section 6.1 Remedies Under Loan Agreement or Note.** Upon a default by the Issuer of its obligations hereunder, the Trustee shall take such actions to enforce the provisions of this Indenture as are specified in writing by the Majority Owner Representative. Notwithstanding the foregoing, or anything else to the contrary herein, no Event of Default by the Borrower under the Loan Agreement shall constitute an event of default with respect to this Indenture or the Bond (including, without limitation, a failure to make any payment due with respect to the Bond as a consequence of the Borrower's failure to make any payment due under the Loan Agreement). The Issuer's, the Trustee's, and the Bondholder's remedies with respect to a default under the Loan Agreement, the Senior Bond Documents or the other Bond Documents, shall be as set forth under the Loan Agreement, the Senior Bond Documents or the other Bond Documents.

The Issuer shall cooperate with the Majority Owner Representative and the Trustee in exercising rights and remedies under the Senior Bond Documents or any other Bond Documents, but only upon being satisfactorily indemnified by the Borrower for any fees or expenses related thereto as provided in the Loan Agreement, the Regulatory Agreement, the Bond Documents, or the Senior Bond Documents (as applicable).

At the option of the Bondowner, acting through the Majority Owner Representative, following the occurrence of an Event of Default, the Holder may present the Bond to the Trustee for cancellation in exchange for an assignment by the Trustee to the Holder or its designee of the Security, whereupon the Trustee shall cancel the Bond and the Trustee and the Issuer shall execute and deliver such documents and instruments as may be necessary and make such transfers of funds as may be necessary to cause the entire Security, including the Note, the Loan Agreement, and all other documents evidencing and securing the obligations of the Borrower thereunder and all moneys held in the funds and accounts hereunder, to be assigned to or upon the order of the Holder. Following such assignment, the Bond shall no longer be Outstanding for any purpose hereunder, the lien of the Indenture shall be deemed discharged as if the Bond had been paid in full, and the Holder or its designee shall take title to the Security free and clear of the lien created hereunder. Thereafter, (i) neither the Issuer nor the Trustee shall have any further rights with respect to the Security and (ii) the Holder or its designee or assignee shall be free to exercise remedies under the Note, the Loan Agreement, and all other documents evidencing and securing the obligations of the Borrower thereunder and to apply the proceeds of the exercise of such remedies in its sole and absolute discretion.

### **Section 6.2 Other Remedies; Rights of Holders.**

(a) No delay or omission to exercise any right or power accruing upon any Default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Default or Event of Default or acquiescence therein and every such right and power may be exercised from time to time and as often as may be deemed expedient.

(b) No waiver of any default hereunder, whether by the Trustee or by the Holder, shall extend to or shall affect any subsequent default or shall impair any rights or remedies consequent thereon.

(c) The Trustee, as the assignee of substantially all right, title and interest of the Issuer in and to the Loan Agreement and the Note, shall be empowered to enforce each and every right granted to the Issuer under the Loan Agreement and the Note other than Reserved Rights.

**Section 6.3 Limitation of Liability to Security.** Notwithstanding anything contained in this Indenture, the Issuer shall not be required to advance any moneys derived from the proceeds of taxes collected by the Issuer, the State of California or by any political subdivision thereof or from any source of income of any of the foregoing other than the Trust Estate for any of the purposes mentioned in this Indenture, whether for the payment of the principal of or interest on the Bond or for any other purpose of this Indenture.

**Section 6.4 Application of Moneys.** Except for moneys deposited for the purposes set forth in Article V hereof, all moneys held by the Trustee (other than the Rebate Fund) or received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall be deposited in the Bond Fund and, after payment (out of moneys derived from a source other than moneys held for the redemption of the Bond) of (i) the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, including reasonable attorneys' fees, and all other outstanding fees and expenses of the Trustee, and (ii) any sums due to the Issuer under the Loan Agreement (other than Repayments), such moneys shall be applied in the order set forth below:

(a) Unless the principal of all Bond shall have become or been declared due and payable, all such moneys shall be applied:

**FIRST:** To the payment of all installments of interest then due on the Bond in order of priority first to installments past due for the greatest period and, if the amount available shall not be sufficient to pay in full any particular installment, then to the ratable payment of the amounts due on such installment;

**SECOND:** To the payment of the unpaid principal of and premium, if any, of the Bond which shall have become due (other than a Bond called for redemption for the payment of which moneys are held pursuant to the provisions of this Indenture), with interest on such Bond from the date upon which it became due (at the rate borne by the Bond, to the extent permitted by law) and, if the amount available shall not be sufficient to pay in full the Bond due on a particular date, together with such premium, then to the ratable payment of the amounts due on such date;

**THIRD:** To the payment of the amounts required to reimburse the Issuer and the Owner of the Bond for any legal or other out-of-pocket costs incurred by them in connection with exercising their remedies hereunder;

**FOURTH:** To replenish any reserve or escrow deposits required under this Indenture or the other Bond Documents; and

**FIFTH:** The balance shall be paid to the Borrower (subject to any required deposits to the Rebate Fund).

(b) If the principal of all the Bond shall have become or been declared due and payable, all such moneys shall be applied to the payment of the principal, acceleration premium, and interest then due and unpaid upon the Bond, without preference or priority as between principal, premium, interest, installments of interest on the Bond, ratably according to the amounts due respectively for principal, premium and interest to the persons entitled thereto.

(c) If the principal on the Bond shall have been declared due and payable, and if such declaration shall thereafter have been rescinded under this Article then, subject to subsection (b) of this Section in the event that the principal of all the Bond shall again become or be declared due and payable, the moneys shall be applied in accordance with subsection (a) of this Section.

(d) Notwithstanding anything contained herein to the contrary, the Majority Owner Representative may, with express written consent of the Majority Owner (and to the extent such direction affects payments due to the Issuer or the Trustee, with the prior written consent of the Issuer and the Trustee, as applicable), by written notice to the Trustee direct the application of funds other than in the manner set forth in Section 6.7(a) above, including, without limitation, the application of funds between the principal or acceleration premium of or interest on the Bond.

(e) Whenever moneys are to be applied pursuant to this Section, the Trustee shall fix the date, which shall be not more than seven calendar days after receipt of such moneys, upon which such application is to be made and upon such date interest on the principal amount of the Bond to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date.

[End of Article VI]

## **ARTICLE VII THE TRUSTEE**

**Section 7.1 Appointment of Trustee.** The Issuer hereby appoints U.S. Bank Trust Company, National Association, as Trustee hereunder, and the Trustee does hereby agree to act in such capacity, and to perform the duties of the Trustee under this Indenture, but only upon and subject to the following express terms and conditions (and no implied covenants or other obligations shall be read into this Indenture against the Trustee):

(a) The Trustee may execute any of its trusts or powers hereunder and perform any of its duties by or through attorneys, agents, receivers or employees. The Trustee shall be entitled to advice of Counsel concerning all matters hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees. The Trustee may act upon the opinion or advice of Counsel, accountants, engineers or surveyors selected by it in the exercise of reasonable care or, selected by the Issuer or the Borrower, in accordance with the Bond Documents. The Trustee shall not be responsible for any loss or damage resulting from any action or non-action in good faith in reliance upon such opinion or advice.

(b) Except as provided in Section 7.8 hereof, the Trustee shall not be responsible for any recital herein or in the Bond, or for the recording, re-recording, filing or re-filing of this Indenture, of any financing statements or continuation statements, or for insuring the Security or the Project Facilities or, except as instructed by the Majority Owner Representative, or for the validity of this Indenture or of any supplements hereto or instruments of further assurance, or for the sufficiency of the security for the Bond issued hereunder or intended to be secured hereby, or for the value of or title to the Project Facilities or otherwise as to the maintenance of the Security. The Trustee shall not be liable to the Borrower, the Holder, or any other Person for any loss suffered in connection with any investment of funds made by it in accordance with Section 4.7 hereof in good faith as instructed by the Borrower in accordance with the provisions of this Indenture, and with the prior written consent of the Majority Owner Representative, as applicable. The Trustee shall have no duty or responsibility to examine or review and shall have no liability for the contents of any documents submitted to or delivered to the Holder in the nature of a preliminary or final placement memorandum, official statement, offering circular or similar disclosure document, except for information expressly provided by the Trustee concerning itself for inclusion therein.

(c) The Trustee shall not be accountable for the use of the Bond authenticated or delivered hereunder after such Bond shall have been delivered in accordance with instructions of the Issuer or for the use by the Borrower of the proceeds of the Bond advanced to the Borrower as provided in the Loan Agreement. The Trustee may become the owner of the Bond secured hereby with the same rights as any other Holder.

(d) The Trustee shall be protected in acting upon opinions of Counsel and upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed to be genuine and correct and to have been signed or sent by the proper person or persons. Any notices, directions, consents, approvals or requests provided to the

Trustee pursuant to the terms of this Indenture or any of the Bond Documents shall not be effective until provided in writing. Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Holder of any Bond shall be conclusive and binding upon any future Holder of the same Bond and upon the Bond issued in exchange therefor or in place thereof.

(e) The permissive right of the Trustee to do things enumerated in this Indenture or the Loan Agreement shall not be construed as duties. The Trustee shall only be responsible for the performance of the duties expressly set forth herein and shall not be answerable for other than its negligence, bad faith or willful misconduct in the performance of those express duties.

(f) The Trustee shall not be personally liable for any debts contracted or for damages to persons or to personal property injured or damaged, or for salaries or non-fulfillment of contracts, relating to the Project Facilities.

(g) The Trustee shall not be required to give any bond or surety in respect of the execution of said trust and powers or otherwise in respect of this Indenture.

(h) Before taking any action requested hereunder by the Holder which may require it to expend its own funds or otherwise subject it to liability, the Trustee may require satisfactory security or indemnification for the reimbursement of all expenses and/or liabilities to which it may be put by reason of any action so taken. The Trustee shall not be entitled to indemnification as a precondition to giving notices of default or taking other actions at the direction of the Holder or the Majority Owner Representative if the Trustee determines that such actions shall not subject the Trustee to liability and if such actions do not require the Trustee to expend its own funds or for which funds have been advanced by the Holder or the Majority Owner Representative to the Trustee in advance of its taking such action.

(i) All moneys received by the Trustee, until used or applied or invested as herein provided, shall be held as special trust funds for the purposes specified in this Indenture and for the benefit and security of the Holder of the Bond as herein provided. Such moneys need not be segregated from other funds except to the extent required by law or herein provided, and the Trustee shall not otherwise be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

(j) The Trustee shall not be bound to ascertain or inquire as to the performance of the obligations of the Borrower or the Issuer under the Loan Agreement or this Indenture, and shall not be deemed to have, or be required to take, notice of default under this Indenture, other than under Section 6.1(a), (b) or (c), or the occurrence of a Determination of Taxability, except (i) in the event the Borrower fails to pay any Repayment when due, (ii) in the event of an insufficient amount in the Bond Fund (or any account therein) to make a principal or interest payment on the Bond, (iii) if the Trustee receives written notification of a Determination of Taxability by the Holder of the Bond, (iv) if the Trustee receives written notification of such default by the Borrower, the Majority Owner

Representative, or the Holder, or (v) if the Trustee receives an opinion of Bond Counsel concluding that a Determination of Taxability has occurred, and in the absence of such notice the Trustee may conclusively presume there is no Determination of Taxability and no default except as aforesaid. The Trustee may nevertheless require the Issuer and the Borrower to furnish information regarding performance of their obligations under the Loan Agreement and this Indenture, but is not obligated to do so.

(k) The Trustee shall, prior to any Event of Default and after the curing of all Events of Default which may have occurred, perform such duties and only such duties of the Trustee as are specifically set forth in this Indenture. The Trustee shall, during the existence of any Event of Default which has not been cured, exercise such of the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his/her own affairs.

(l) In addition to the Trustee's other duties hereunder, the Trustee shall authenticate and cancel the Bond as provided herein, keep such books and records relating to such duties as shall be consistent with prudent industry practice and make such books and records available for inspection by the Issuer and the Borrower at all reasonable times. The Bond shall be made available for authentication, exchange and registration of transfer at the principal office of the Trustee.

(m) The Trustee shall have no duty to inspect or oversee the renovation or completion of the Improvements or to verify the truthfulness or accuracy of the certifications made by the Borrower in any Requisition.

(n) Without limiting the duties of the Trustee expressly set forth herein, the Trustee shall have no obligation or responsibility whatsoever in connection with (i) any federal or state tax-exempt status of the Bond or the interest thereon; (ii) the consequences of the investment or non-investment of any funds or accounts relating to the Bond under Section 148 of the Code, or (iii) the calculation of any amount required to be rebated to the United States under Section 148 of the Code.

(o) No provision of this Indenture, the Loan Agreement or the Bond shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

(p) Whenever in the administration of this Indenture the Trustee deems it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee may, in the absence of bad faith on its part and except as otherwise expressly set forth herein, rely upon a written certificate of the Majority Owner Representative or the Holder.

(q) [Reserved].

(r) The Trustee's immunities and protections from liability and its rights to indemnification in connection with the performance of its duties under this Indenture shall

likewise extend to the Trustee's officers, directors, agents, attorneys and employees. Such immunities and protections and rights to indemnification, together with the Trustee's rights to compensation, shall survive the Trustee's resignation or removal, the discharge of this Indenture and the final payment of the Bond.

(s) The Trustee, in its commercial banking or in any other capacity, may in good faith buy, sell, own, hold or deal in the Bond and may join in any action that the Holder may be entitled to take with like effect as if it were not the Trustee. The Trustee, in its commercial banking or in any other capacity, may also engage in or be interested in any financial or other transaction with the Borrower and may act as depository, trustee or agent for the Holder secured hereby or other obligations of the Borrower, as freely as if it were not the Trustee hereunder. The provisions of this paragraph shall extend to the affiliates of the Trustee.

## **Section 7.2 Compensation and Indemnification of Trustee and Rebate Analyst; Trustee's Prior Claim.**

(a) The Loan Agreement provides that the Borrower will pay the Trustee's Fee and the reasonable fees and expenses of the Trustee under this Indenture, including attorney fees and expenses, and all other amounts which may be payable to the Trustee under this Section, such fees and expenses to be paid when due and payable by the Borrower directly to the Trustee for its own account. The Trustee shall not have a lien on the Security for the payment of its fees or expenses and shall not be entitled to pay its fees and expenses from amounts held in the funds and accounts hereunder.

(b) The Borrower shall (i) pay the Trustee from time to time, and the Trustee shall be entitled to, reasonable compensation (which shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) for all services (including extraordinary services), (ii) pay or reimburse the Trustee upon request for all reasonable expenses, disbursements and advances incurred or made, in accordance with any of the provisions of this Indenture and the Loan Agreement (including the reasonable compensation and the reasonable expenses and disbursements of its Counsel and of all agents and other persons not regularly in its employ), except to the extent that any such expense, disbursement or advance is due to its own negligence, willful misconduct or bad faith, and (iii) indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred by it, arising out of or in connection with the acceptance or administration of this Indenture or the trusts hereunder or the performance of its duties hereunder or under the Loan Agreement, including the reasonable costs and expenses of defending itself against or investigating any claim of liability in the premises, except to the extent that any such loss, liability or expense was due to its own gross negligence, willful misconduct or bad faith. "Trustee," for purposes of this Section shall include any predecessor Trustee, but the negligence, willful misconduct or bad faith of any Trustee, shall not affect the indemnification of any other Person. The obligations of the Borrower under this Section shall survive the termination of this Indenture.

(c) The Issuer has no obligation to pay the Trustee for services rendered.



**Section 7.3 Intervention in Litigation.** In any judicial proceedings to which the Issuer is a party, the Trustee may intervene on behalf of the Holder, and shall intervene if requested in writing by the Majority Owner Representative or the Holder of the Bond then Outstanding.

**Section 7.4 Resignation; Successor Trustees.**

(a) The Trustee and any successor Trustee may resign only upon giving 60 days prior written notice to the Issuer, the Borrower, the Majority Owner Representative and the Holder of the Bond then Outstanding as shown on the Register. Such resignation shall take effect only upon the appointment of a successor Trustee by the Issuer with the consent of the Majority Owner Representative and the acceptance of such appointment by the successor Trustee. If no successor is appointed within 60 days after the notice of resignation, the Majority Owner Representative may appoint a Trustee or the resigning Trustee, at the Borrower's expense, may appoint a successor or petition any court of competent jurisdiction to appoint a successor. Upon appointment of a successor Trustee, the resigning Trustee shall assign all of its right, title and interest in this Indenture and the Security to the successor Trustee. The successor Trustee shall be a state banking corporation, national banking association, or trust company with the authority to accept trusts in the State and having either (i) a combined capital and of at least \$50,000,000, as set forth in its most recent published annual report of condition, (ii) be a wholly owned subsidiary of a bank holding company, or a wholly owned subsidiary of a company that is a wholly owned subsidiary of a bank holding company, having a combined capital and surplus of at least \$50,000,000 as set forth in its most recent published annual report of condition, have at least \$500,000,000 of trust assets under management and have a combined capital surplus of at least \$2,000,000 as set forth in its most recent published annual report of condition, or (iii) be otherwise acceptable to the Issuer in its sole and absolute discretion. Any successor Trustee shall accept in writing its duties and responsibilities hereunder and such writing shall be filed with the Issuer, the Majority Owner Representative and the Borrower.

(b) Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, reorganization or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or any material part of the corporate trust business of the Trustee that includes this Indenture, shall be the successor of the Trustee hereunder without the execution or filing of any paper or any further act on the part of any Person, anything herein to the contrary notwithstanding, provided that such successor Trustee shall be eligible to serve as Trustee under the provisions of this Indenture. If the Trustee is not the successor corporation in any such merger or consolidation, the Trustee shall give notice of such event to the Majority Owner Representative and the Borrower and shall take such action as may be required to effect a transfer of the trust included in this Indenture to such successor corporation. Notwithstanding the foregoing, the Trustee shall cause written notice of such succession to be delivered to the Issuer and the Borrower within 30 days of such succession.

**Section 7.5 Removal of Trustee.** The Trustee may be removed at any time, by an instrument or concurrent instruments in writing delivered to the Trustee, the Issuer, the Majority Owner Representative and the Borrower and signed by the Holder with the written consent of the

Issuer. During such time that no Event of Default has occurred and is continuing under this Indenture, the Trustee may also be removed by an instrument or concurrent instruments in writing delivered to the Trustee and the Issuer and signed by the Majority Owner Representative, with notice to the Borrower and written consent of the Issuer. Any such removal shall take effect only upon the appointment of a successor Trustee by the Issuer with the consent of the Majority Owner Representative and the acceptance of such appointment by the successor Trustee. Upon such removal, the Trustee shall assign to the successor Trustee all of its right, title and interest in this Indenture and the Security in the same manner as provided in Section 7.4 hereof.

#### **Section 7.6 Instruments of Holder.**

(a) Any instrument required by this Indenture to be executed by the Holder may be in any number of writings of similar tenor and may be executed by the Holder in person or by agent appointed in writing. Proof of the execution of any such instrument or of the writing appointing any such agent and of the ownership of the Bond given in any of the following forms shall be sufficient for any of the purposes of this Indenture:

(i) A certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him/her the execution thereof; and

(ii) A certificate executed by any trust company or bank stating that at the date thereof the party named therein did exhibit to an officer of such trust company or bank, as the property of such party, the Bond therein mentioned.

(b) The Trustee may rely on such an instrument of the Holder unless and until the Trustee receives notice in the form specified in clauses (a) (i) or (ii) above that the original such instrument is no longer reliable.

#### **Section 7.7 Power to Appoint Co-Trustees.**

(a) At any time or times, for the purpose of meeting any legal requirements of any jurisdiction in which any part of the Project Facilities may at the time be located, the Issuer and the Trustee shall have power to appoint and, upon the request of the Trustee or of the Holder of the Bond then Outstanding, the Issuer shall for such purpose join with the Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to appoint, one or more persons approved by the Trustee and the Borrower either to act as co-trustee or co-trustees, jointly with the Trustee of all or any part of the Project Facilities, or to act as separate trustee or separate co-trustees of all or any part of the Project Facilities, and to vest in such person or persons, in such capacity, such title to the Project Facilities or any part thereof, and such rights, powers, duties, trusts or obligations as the Issuer and the Trustee may consider necessary or desirable, subject to the remaining provisions of this Section.

(b) Any co-trustee or separate trustee shall be a bank or trust company with trust powers organized under the laws of the United States of America or any state of the United States or the District of Columbia, having a combined capital stock, surplus and undivided profits aggregating at least \$50,000,000.

(c) The Trustee and co-trustee, if any, may by written instrument between them designate and assign either the Trustee or the co-trustee or both of them to perform all or any part of the responsibilities and duties of the Trustee under this Indenture.

(d) If the Issuer shall not have joined in such appointment within 30 days after the receipt by it of a written request to do so, or in case an Event of Default shall have occurred and be continuing, the Trustee and the Borrower shall have the power to make such appointment.

(e) The Issuer shall execute, acknowledge and deliver all such instruments as may be required by any such co-trustee or separate trustee for more fully confirming such title, rights, powers, trusts, duties and obligations to such co-trustee or separate trustee.

(f) Every co-trustee or separate trustee appointed pursuant to this Section 7.7, to the extent permitted by law or any applicable contract, shall be subject to the following terms, namely:

(i) This Indenture shall become effective at the time the Bond shall be authenticated and delivered, and thereupon such co-trustee or separate trustee shall have all rights, powers, trusts, duties and obligations by this Indenture conferred upon the Trustee in respect of the custody, control or management of moneys, papers, securities and other personal property.

(ii) All rights, powers, trusts, duties and obligations conferred or imposed upon the trustees shall be conferred or imposed upon and exercised or performed by the Trustee, or by the Trustee and such co-trustee or co-trustees, or separate trustee or separate trustees, as shall be provided in the instrument appointing such co-trustee or co-trustees or separate trustee or separate trustees, except to the extent that, under the law of any jurisdiction in which any particular act or acts are to be performed, the Trustee shall be incompetent or unqualified to perform such act or acts, in which event such act or acts shall be performed by such co-trustee or co-trustees or separate trustee or separate trustees.

(iii) Any request in writing by the Trustee to any co-trustee or separate trustee to take or to refrain from taking any action hereunder shall be sufficient warrant for the taking, or the refraining from taking, of such action by such co-trustee or separate trustee.

(iv) Any co-trustee or separate trustee, to the extent permitted by law, may delegate to the Trustee the exercise of any right, power, trust, duty or obligation, discretionary or otherwise.

(v) The Trustee at any time, by an instrument in writing, with the concurrence of the Issuer, may accept the resignation of any co-trustee or separate trustee appointed under this Section, and, in case an Event of Default shall have occurred and be continuing, the Trustee shall have power to accept the resignation of, or remove, any such co-trustee or separate trustee without the concurrence of the Issuer. Upon the request of the Trustee, the Issuer shall join with the Trustee in

the execution, delivery and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal. A successor to any co-trustee or separate trustee so resigned or removed may be appointed in the manner provided in this Section.

(vi) No co-trustee or separate trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder.

(vii) Any moneys, paper, securities or other items of personal property received by any such co-trustee or separate trustee hereunder shall forthwith, so far as may be permitted by law, be turned over to the Trustee.

(g) Upon the acceptance in writing of such appointment by any such co-trustee or separate trustee, it or he shall be vested with the Security Interest in the Security and with such rights, powers, duties, trusts or obligations, as shall be specified in the instrument of appointment jointly with the Trustee (except insofar as applicable law makes it necessary for any such co-trustee or separate trustee to act alone) subject to all the terms of this Indenture. Every such acceptance shall be filed with the Trustee.

(h) In case any co-trustee or separate trustee shall die, become incapable of acting, resign or be removed, the Security Interest in the Security and all rights, powers, trusts, duties and obligations of said co-trustee or separate trustee shall, so far as permitted by law, vest in and be exercised by the Trustee unless and until a successor co-trustee or separate trustee shall be appointed in the same manner as provided for with respect to the appointment of a successor Trustee pursuant to Section 7.4 hereof.

**Section 7.8 Filing of Financing Statements.** The Trustee shall file or cause to be filed all Financing Statements provided to the Trustee on or after the Issue Date that are required in order fully to protect and preserve the Security Interests in the Security and the priority thereof and the rights and powers of the Trustee in connection therewith, including without limitation all continuation statements for the purpose of continuing without lapse the effectiveness of (i) those Financing Statements which shall have been filed at or prior to the issuance of the Bond in connection with the security for the Bond pursuant to the authority of the U.C.C., and (ii) any previously filed continuation statements that shall have been filed as required herein. The Trustee shall also file the Financing Statements required under Section 3.2 of the Loan Agreement. The Borrower will pay all costs of filing the Financing Statements.

[End of Article VII]

**ARTICLE VIII**  
**AMENDMENTS, SUPPLEMENTAL INDENTURES**

**Section 8.1 Supplemental Indentures.**

(a) The Issuer and the Trustee, with the prior written consent of the Majority Owner Representative, but without the consent of or notice to the Holder, may enter into an indenture or indentures supplemental to this Indenture that do not materially adversely affect the interest of the Holder for one or more of the following purposes:

(i) to grant to or confer upon the Trustee for the benefit of the Holder, any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Holder or the Trustee;

(ii) to grant or pledge to the Trustee for the benefit of the Holder, any additional security other than that granted or pledged under this Indenture;

(iii) to modify, amend or supplement this Indenture or any indenture supplemental hereto in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939 or any similar federal statute then in effect or to permit the qualification of the Bond for sale under the securities laws of any of the states of the United States;

(iv) to appoint a successor Trustee or co-trustees in the manner provided in Article VII hereof;

(v) [reserved];

(vi) to cure any ambiguity or to correct or supplement any provision contained herein or in any supplemental indenture that may be defective or inconsistent with any provision contained herein or in any supplemental indenture, or to make such other provisions in regard to matters or questions arising under this Indenture which shall not (in the judgment of the Majority Owner Representative) materially adversely affect the interest of the Holder; or

(vii) to make any change herein necessary, in the opinion of Bond Counsel, to maintain the exclusion of the interest on the Outstanding Bond from gross income of the Holder thereof for federal income tax purposes.

(b) When requested by the Issuer, and if all conditions precedent under this Indenture have been met, and there shall have been delivered to the Trustee an opinion of Bond Counsel to the effect that such supplemental indenture is authorized or permitted by this Indenture and complies with its terms and will not adversely affect the excludability of interest on the Bond from the gross income of the Holder thereof for federal income tax purposes, the Trustee will join the Issuer in the execution of such supplemental indenture, but shall not be required to join the Issuer in the execution of any such supplemental indenture unless it is reasonably compensated for additional obligations on the Trustee not initially contemplated and the indemnification rights of the Trustee cover any changes in

the Trustee's rights and immunities under this Indenture or otherwise. Any additional compensation or the expansion of any indemnity obligation shall be the sole responsibility of the Borrower.

(c) The Trustee shall file copies of all such supplemental indentures with the Borrower. The Trustee shall cause notice of any supplemental indenture described above to be given by first-class mail, postage prepaid, to the Holder of the Outstanding Bond then shown on the Register.

## **Section 8.2 Amendments to Indenture; Consent of Holder and Borrower.**

(a) Exclusive of supplemental indentures covered by Section 8.1 hereof and subject to the terms and provisions contained in this Section 8.2, and not otherwise, anything contained in this Indenture to the contrary notwithstanding, no indenture or indentures supplemental hereto for the purpose of modifying, altering, amending, adding to or rescinding, in any particular manner, any of the terms or provisions contained in this Indenture or in any supplemental indenture shall be effective without delivery of a Favorable Opinion of Bond Counsel, the written consent of the Holder and execution and delivery by the Trustee (acting upon the written direction of the Majority Owner Representative) and the Issuer; provided, however, that nothing contained in this Section shall permit, or be construed as permitting, without the prior written consent of the Holder of the Outstanding Bond, (i) an extension of the maturity of the principal of, or the optional, extraordinary or mandatory redemption date of, or interest on, any Bond, (ii) a reduction in the principal amount of or the rate of interest on, any Bond, (iii) [reserved], (iv) the creation of a lien on the Security prior to the lien of this Indenture, or (v) a reduction in the aggregate principal amount of the Bond required for any consent to any supplemental indenture; provided further, however, that without the prior written consent of the Trustee, the Trustee shall not be required to join the Issuer in the execution of any supplemental indenture unless it is reasonably compensated for additional obligations on the Trustee not initially contemplated and the indemnification rights of the Trustee covering any changes in the Trustee's rights and immunities under this Indenture or otherwise. Any additional compensation or the expansion of any indemnity obligation shall be the sole responsibility of the Borrower. The giving of notice to and consent of the Holder to any such proposed supplemental indenture shall be obtained pursuant to Section 8.5 hereof.

(b) Anything herein to the contrary notwithstanding, a supplemental indenture, amendment or other document described under this Article that affects any rights or obligations of the Borrower shall not become effective unless and until the Borrower shall have consented to the execution of such supplemental indenture, amendment or other document.

## **Section 8.3 Amendments to the Loan Agreement or the Note Not Requiring Consent of Holder.**

(a) The Issuer shall not cause or permit to exist any amendment, modification, supplement, waiver or consent with respect to the Loan Agreement or the Note without the prior written consent of the Trustee, the Borrower and the Majority Owner Representative.

The Issuer may, with the consent of the Majority Owner Representative, but without the consent of or notice to the Holder, enter into or permit (and the Trustee shall consent to) any amendment of the Loan Agreement or the Note acceptable to the Borrower as may be required (i) for the purpose of curing any ambiguity or formal defect or omission that shall not adversely affect the interest of the Holder, (ii) to grant or pledge to the Issuer or Trustee, for the benefit of the Holder any additional security, (iii) to make any change therein necessary, in the opinion of Bond Counsel, to maintain the exclusion of interest on the Outstanding Bond from gross income of the Holder thereof for federal income tax purposes, or (iv) in connection with any other change therein which, in the judgment of the Issuer acting in reliance upon an opinion of Counsel, is not materially prejudicial to the interests of the Trustee and the Holder of the Bond; provided, however, that without the written consent of the Trustee, the Trustee shall not be required to join in the execution of any such amendment that affects the rights, duties, obligations or immunities of the Trustee or that imposes additional obligations on the Trustee.

(b) The Issuer and the Borrower shall file copies of any such amendments to the Loan Agreement or the Note with the Trustee and the Majority Owner Representative.

**Section 8.4 Amendments to the Loan Agreement or the Note Requiring Consent of Holder.** Except as provided in Section 8.3 hereof, the Issuer shall not enter into, and the Trustee shall not consent to, any other modification or amendment of the Loan Agreement or the Note, nor shall any such modification or amendment become effective, without delivery of a Favorable Opinion of Bond Counsel and the prior written consent of the Holder, such consent to be obtained in accordance with Section 8.5 hereof. No such amendment may, without the consent of the Holder of the Outstanding Bond, reduce the amounts or delay the times of payment of Repayments under the Loan Agreement or the Note. The Issuer and the Borrower shall file copies of all such amendments to the Loan Agreement or the Note with the Trustee, the Majority Owner Representative and the Holder.

**Section 8.5 Notice to and Consent of Holder.** If consent of the Majority Owner Representative or the Holder is required under the terms of this Indenture for the amendment of this Indenture, the Loan Agreement, the Note or for any other similar purpose, the Trustee shall cause notice of the proposed execution of the amendment or supplemental indenture to be given by first-class mail, postage prepaid, to the Majority Owner Representative or the Holder then shown on the Register whose consent is required. Such notice shall briefly set forth the nature of the proposed amendment, supplemental indenture or other action and shall state that copies of any such amendment, supplemental indenture or other document are on file at the principal office of the Trustee for inspection by the Majority Owner Representative and the Holder. If, within 45 days or such longer period as shall be prescribed by the Trustee following the mailing or electronic dispatch of such notice, the Majority Owner Representative or the Holder of the Bond Outstanding by instruments filed with the Trustee, shall have consented to the amendment, supplemental indenture or other proposed action, then the Trustee may execute such amendment, supplemental indenture or other document or take such proposed action and the consent of the Majority Owner Representative or the Holder shall thereby be conclusively presumed.

[End of Article VIII]

## **ARTICLE IX**

### **MAJORITY OWNER REPRESENTATIVE; SERVICING**

**Section 9.1 Holder to Appoint Majority Owner Representative.** The Holder may engage a Person, collaterally assign some or all of its rights hereunder to a Person, or otherwise provide for a Person, at the Holder's sole cost and expense, to act on behalf of the Holder under the Bond Documents as the "Majority Owner Representative". The Holder may at any time and from time to time terminate or remove and replace any such Majority Owner Representative. The Holder shall give written notice to the Trustee, the Issuer, and the Borrower of its appointment, termination, removal and replacement of any Majority Owner Representative, and the parties may rely on any such notice until any subsequent notice is given. Initially, the Holder has engaged Red Stone Servicer, LLC to act as the "Majority Owner Representative" hereunder and Red Stone Servicer, LLC has accepted such engagement. The Holder is under no obligation to appoint a Majority Owner Representative; if at any time a Majority Owner Representative has not been designated by the Holder, all references to the "Majority Owner Representative" herein and in the other Bond Documents shall refer to the Holder. Any opinion provided for herein, in the Loan Agreement or in any other Bond Document that is directed to the Majority Owner Representative shall also be directed to, and may be relied upon by, the Holder. The Holder will have no liability to the Issuer, the Borrower, the Trustee or any other Person for any act or omission of the Majority Owner Representative unless the Majority Owner Representative is the Holder or such act or omission was expressly approved by the Holder in each particular case but not, in any event, with respect to any liabilities, damages, costs or expenses against which such Indemnified Party is indemnified under Section 2.5 of the Loan Agreement.

The Issuer and the Trustee shall not be responsible for monitoring the performance of any Majority Owner Representative or for any acts or omissions of such Majority Owner Representative.

#### **Section 9.2 Servicing.**

(a) The Holder has appointed the Majority Owner Representative to be the servicer of the Loan and the Majority Owner Representative has accepted such appointment. Satisfactory arrangements have previously been made for the payment of servicing fees and expenses in connection with the Majority Owner Representative's servicing obligations hereunder, and the Borrower, the Holder and the Trustee have no obligation for such payments. Without limiting the foregoing, the Majority Owner Representative shall have no right or claim to any transfer or assumption fees, late charges, acceleration premium or Default Interest payable under this Indenture or the Bond Documents; provided, however that, to the extent permitted under the Bond Documents, the Majority Owner Representative shall be entitled to collect from the Borrower its normal and customary incidental fees and charges for any requested review, approval or other action, including, without limitation, in connection with any proposed transfer, loan assumption, easement, subordinate financing, release of collateral, condemnation proceeding, non-disturbance agreement or other similar action, unless such review, approval or other action is performed solely by the Holder.



(b) The Majority Owner Representative shall be responsible for the performance of the following servicing duties:

(i) The Majority Owner Representative shall perform the duties expressly given to the Majority Owner Representative under the Bond Documents and this Indenture.

(ii) The Majority Owner Representative shall prepare monthly bills to the Borrower in accordance with the Bond Documents for payments to the Trustee of principal and interest under the Loan. On the last Business Day of each calendar month, the Majority Owner Representative shall notify the Borrower of the amount payable by the Borrower to the Trustee on the Note on the next Business Day and will provide a copy thereof to the Trustee. Such notification may be delivered by electronic mail or by facsimile. The Majority Owner Representative shall diligently attempt to collect all of the following, at the times they are due and payable under this Indenture and the Bond Documents:

(A) The principal and interest due and payable on the Note;

(B) The Trustee's Fee and Issuer's Annual Fee, as applicable;

(C) [Reserved];

(D) [Reserved];

(E) Any other escrow or reserve deposits required by this Indenture or Bond Documents;

(F) Any assumption or transfer fee required by this Indenture or Bond Documents; and

(G) Any acceleration premium.

(c) All payments received under this Indenture or Bond Documents shall be applied in the following order unless otherwise instructed by the Holder or expressly set forth in this Indenture or the Bond Documents:

(i) To the principal and interest due and payable on the Note;

(ii) To the Issuer's Annual Fee and Trustee's Fee, as applicable;

(iii) To the acceleration premium, if applicable;

(iv) [Reserved];

(v) [Reserved];

(vi) To other escrow or reserve deposits required by this Indenture or the other Bond Documents;

(vii) To Default Interest and any late fees; and

(viii) To other amounts due under the Bond Documents.

Any payment received by the Majority Owner Representative from or on behalf of the Borrower under this Indenture or the Bond Documents shall be remitted by the Majority Owner Representative to the Trustee no later than the second Business Day after receipt by the Majority Owner Representative, or sooner if so required under this Indenture or Bond Documents.

(d) The Majority Owner Representative shall make any remittance to the Trustee by wire transfer in accordance with the instructions received from the Trustee or to any other party entitled to such remittances pursuant this Indenture or the Bond Documents in accordance with the instructions received from the Holder

(e) [Reserved].

(f) The Majority Owner Representative shall prepare monthly reports for the Holder and the Trustee outlining the status of the Loan, including disbursements from any Account under this Indenture, loan history schedules, outstanding loan balances and escrow balances and consents, approvals or waivers given by the Majority Owner Representative, which reports shall be furnished to the Holder no later than the 15th day of each calendar month (or the next Business Day thereafter if such 15th day is not a Business Day).

(g) The Majority Owner Representative shall provide immediate written notice to the Holder of any Event of Default of which it receives notice or has actual knowledge, or any event which, with the giving of notice or the passage of time, or both, would constitute any Event of Default of which it receives notice or has actual knowledge.

(h) The Majority Owner Representative shall refer to the Trustee all Borrower requests for a quote of a payoff amount for the Loan, shall request a copy of any such quote from the Trustee, and shall notify the Holder of the Borrower's request. The Majority Owner Representative shall prepare payoff letters and delinquency and default notices when necessary, as required by the Bond Documents or this Indenture or otherwise as directed by the Holder.

(i) The Majority Owner Representative shall use its best efforts to obtain financial statements and other reports from the Borrower at the times and to the extent required under the Bond Documents and deliver the same to the Holder and, if requested, to the Trustee.

(j) The Majority Owner Representative shall obtain, and shall provide to the Holder a copy of the Borrower's certificates of compliance with the Regulatory Agreement or other evidence of such compliance submitted by the Borrower to the Issuer or the Issuer's designee within 30 days after the later of (i) the date it is required to be submitted to the Issuer or the Issuer's designee, or (ii) the date it is actually so submitted.

(k) The Majority Owner Representative may perform additional duties with respect to the Loan during construction and renovation of the Project Facilities or during the period following an Event of Default at the request of the Holder.

[End of Article IX]

## **ARTICLE X MISCELLANEOUS**

**Section 10.1 Right of Trustee to Pay Taxes and Other Charges.** If any tax, assessment or governmental or other charge upon any part of the Project Facilities is not paid as required, the Trustee may, subject to any indemnity required pursuant to Section 7.1(h) hereof, pay such tax, assessment or governmental or other charge, without prejudice, however, to any rights of the Trustee hereunder arising in consequence of such failure; and any amount at any time so paid under this Section, with interest thereon from the date of payment until paid at the greater of the rate of interest borne by the Bond or the per annum rate of interest announced from time to time by the bank serving as Trustee as its “prime rate” shall become so much additional indebtedness secured by this Indenture, shall be given a preference in payment over the Bond, and shall be paid out of the Security.

**Section 10.2 Limitation of Rights.** With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Indenture or the Bond is intended or shall be construed to give to any Person other than the parties hereto, the Holder, the Majority Owner Representative, and the Borrower, any legal or equitable right, remedy or claim under or in respect to this Indenture or any covenants, conditions and provisions herein contained; this Indenture and all of the covenants, conditions and provisions herein being intended to be and being for the sole and exclusive benefit of the parties hereto, the Holder, the Majority Owner Representative, and the Borrower as herein provided.

**Section 10.3 Severability.** If any provision of this Indenture is held to be in conflict with any applicable statute or rule of law or is otherwise held to be unenforceable for any reason whatsoever, such circumstances shall not have the effect of rendering the other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatsoever. The invalidity of any one or more phrases, sentences, clauses or sections of this Indenture, shall not affect the remaining portions of this Indenture or any part thereof.

**Section 10.4 Notices.** Except as otherwise provided herein, all notices, approvals, consents, requests, and other communications hereunder shall be in writing and shall be deemed to have been given when the writing is delivered if given or delivered by hand, overnight delivery service or email notice (with the original delivered via overnight mail) to the address or email address set forth below and shall be deemed to have been given on the date deposited in the mail, if mailed, by first-class, registered or certified mail, postage prepaid, addressed as set forth below. Where required herein, notice shall be given by telephone, and promptly confirmed in writing, and shall be deemed given when given by telephone to the telephone numbers set forth below. The Issuer, the Borrower, the Trustee, the Holder, the Majority Owner Representative and the Tax Credit Investor may, by written notice given hereunder, designate any different addresses, phone numbers and email address to which subsequent notices, certificates, approvals, consents, requests or other communications shall be sent.

Notwithstanding the foregoing, pursuant to Section 10.1 of the Loan Agreement, the Borrower requests and the Trustee agrees to accept and act upon instructions or directions pursuant to this Indenture sent in writing or by electronic notice, provide however, that such instructions or directions shall be signed by an authorized representative of the Borrower. If the Borrower elects

to give the Trustee instructions by electronic notice, the Trustee, in its discretion, may deem such instructions controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. All notices, approvals, consents, directions, certificates, requests and any communications hereunder ("Notices") must be in writing (provided that any Notices sent to Trustee hereunder must be in the form of a document that is signed manually or by way of a digital signature provided by DocuSign initiated by the Trustee (or such other digital signature provider as specified in writing to Trustee by the authorized representative as shall be acceptable to the Trustee)), in English. Pursuant to Section 10.1 of the Loan Agreement, the Borrower agrees to assume all risks arising out of the use of digital signatures and such electronic notice to submit instructions and directions to the Trustee, including, without limitation, the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

To the Issuer: City of Los Angeles  
Los Angeles Housing Department  
8th Floor  
1200 West 7th Street  
Los Angeles, CA 90017  
HIMS# 18-125019  
Attention: Supervisor, Affordable Housing Bond  
Program  
Facsimile: (213) 808-8918

With a copy to: City of Los Angeles  
Los Angeles Housing Department  
Post Office Box 532729  
Los Angeles, CA 90053-2729  
HIMS# 18-125019  
Attention: Supervisor, Affordable Housing Bond  
Program  
Facsimile: (213) 808-8606

To the Borrower: Broadway Apartments Preservation, LP  
c/o Step Up On Second Street, Inc.  
1328 Second Street  
Santa Monica, CA 90401  
Attention: Tod Lipka, Chief Executive Officer

With copies to: Friendship for Affordable Housing, LLC  
5967 West 3rd Street, Suite 102  
Los Angeles, CA 90036  
Attention: Avi Ryzman

Hobson Bernardino & Davis, LLP  
Citigroup Center  
6060 Center Drive, Floor 10  
Los Angeles, CA 90045  
Facsimile: (213) 235-9190  
Attention: Jason A. Hopson, Esq.

Aegon LIHTC FUND 60, LLC  
c/o Aegon USA Realty Advisors, LLC  
Attn: LIHTC Reporting  
6300 C Street SW  
Cedar Rapids, IA 52499  
Facsimile: (319) 355-8030  
Email: lihtcreporating@aegonusa.com

Transamerica Affordable Housing, Inc.  
c/o Aegon USA Realty Advisors, LLC  
Attn: LIHTC Reporting  
6300 C Street SW  
Cedar Rapids, IA 52499  
Facsimile: (319) 355-8030

Nixon Peabody LLP  
70 West Madison Street, Suite 3500  
Chicago, IL 60602  
Attention: Andrew Tripp, Esq.  
Facsimile: (844) 565-3244  
Email: ahtripp@nixonpeabody.com

To the Trustee:

U.S. Bank Trust Company, National Association  
633 West 5th Street, 24th Floor  
Los Angeles, CA 90071  
Attention: Global Corporate Trust  
Ref: LA MF (Broadway 2022T)  
Telephone: (213) 615-6024  
Facsimile: (213) 615-6199

To the Majority Owner:

At the address set forth on the Register  
maintained by the Trustee

To the Majority Owner  
Representative

Red Stone Servicer, LLC  
666 Old Country Road, Suite 603  
Garden City, NY 11530  
Attention: Linda La  
Email: lla@redstoneco.com

With a copy to

Gilmore & Bell, P.C.  
15 West South Temple, Suite 1450  
Salt Lake City, UT 84101  
Attention: Claymore K. Hardman, Esq.  
Email: chardman@gilmorebell.com

**Section 10.5 Payments Due on Non-Business Days.** In any case where the date of maturity of, interest on or premium, if any, or principal of the Bond or the date fixed for redemption of the Bond shall not be a Business Day, then payment of such interest, premium or principal need not be made on such date but shall be made on the next succeeding Business Day, with the same force and effect as if made on the date of maturity or the date fixed for redemption, and, in the case of such payment, no interest shall accrue for the period from and after such date.

**Section 10.6 Binding Effect.** This instrument shall inure to the benefit of and shall be binding upon the Issuer and the Trustee and their respective successors and assigns, subject, however, to the limitations contained in this Indenture.

**Section 10.7 Captions.** The captions or headings in this Indenture are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Indenture.

**Section 10.8 Governing Law; Venue.** This Indenture shall be governed by and interpreted in accordance with the laws of the State, without regard to conflict of laws principles. This Indenture and the Bond shall be enforceable in the State of California, and any action arising out of this Indenture or the Bond shall be filed and maintained in Los Angeles County, California, unless the Issuer waives this requirement.

**Section 10.9 Responsible Banking Ordinance Filing.** The Holder shall file with the City Treasurer of the Issuer by July 1 of each year an annual statement of community reinvestment activities as required of a commercial bank or an investment bank, as applicable, under the Responsible Banking Ordinance. By its acceptance of the Bond, the Holder represents that it is not a Commercial Bank or an Investment Bank under the Responsible Banking Ordinance and thus is not required to file report due by July 1, 2022, under the Responsible Banking Ordinance for calendar year 2021.

**Section 10.10 Execution in Counterparts; Electronic Signatures.** This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument. To the fullest extent permitted by applicable law and except for the certificate of authentication on the Bond (which must be manually signed by an authorized representative of the Trustee) and instruments of transfer of the Bond, facsimile or electronically transmitted signatures shall constitute original signatures for all purposes under this Indenture.

**Section 10.11 Compliance with Americans with Disabilities Act.** The Trustee shall be in full compliance with all federal and state laws, including those of the Americans with Disabilities Act, 42 U.S.C. 12101 et seq., and its implementing regulations and the American Disabilities Act Amendments Act (ADAAA) Pub. L. 110 325 and all subsequent amendments (the

“ADA”). Under the ADA, the Trustee shall provide for reasonable accommodations to allow qualified individuals access to and participation in their programs, services and activities in accordance with the ADA. In addition, the Trustee shall not discriminate against individuals with disabilities nor against persons due to their relationship or association with a person with a disability. Any subcontract entered into by the Trustee, relating to this Indenture, to the extent allowed hereunder, shall be subject to the provisions of this Section.

**Section 10.12 Business Tax Registration Certificate.** Subject to any exemption available to it, the Trustee represents that it will obtain and hold the Business Tax Registration Certificate(s) required by the Issuer’s Business Tax Ordinance (Article 1, Chapter 2, Section 21.00 and following, of the Los Angeles Municipal Code). For the term covered by this Indenture, the Trustee shall maintain, or obtain as necessary, all such Business Tax Registration Certificates required of it, subject to any exemption available to it, under said Ordinance and shall not allow any such Business Tax Registration Certificate to be revoked or suspended.

**Section 10.13 Child Support Assignment Orders.** This Indenture is subject to Section 10.10 of the Los Angeles Administrative Code, Child Support Assignment Orders Ordinance. Pursuant to this Ordinance, the Trustee certifies that: (1) it will fully comply with all State and Federal employment reporting requirements applicable to Child Support Assignment Orders; (2) the principal owner(s) of the Trustee are in compliance with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally; (3) it will fully comply with all lawfully served Wage and Earnings Assignment Orders and Notices of Assignment in accordance with California Family Code Section 5230 et seq.; and (4) it will maintain such compliance throughout the term of this Indenture. Pursuant to Section 10.10.b of the Los Angeles Administrative Code, failure of the Trustee to comply with all applicable reporting requirements or to implement lawfully served Wage and Earnings Assignment Orders and Notices of Assignment or the failure of any principal owner(s) of the Trustee to comply with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally shall constitute a default by the Trustee under the terms of this Indenture, subjecting the Trustee to removal hereunder where such failure shall continue for more than 90 days after notice of such failure to the Trustee by the Issuer. Any subcontract entered into by the Trustee relating to this Indenture, to the extent allowed hereunder, shall be subject to the provisions of this paragraph and shall incorporate the provisions of the Child Support Assignment Orders Ordinance. Failure of the Trustee to obtain compliance of its subcontractors shall constitute a default by the Trustee under the terms of this Indenture, subjecting the Trustee to removal hereunder where such failure shall continue for more than 90 days after notice of such failure to the Trustee by the Issuer. The Trustee shall comply with the Child Support Compliance Act of 1998 of the State of California Employment Development Department. The Trustee hereby affirms that to the best of its knowledge it is fully complying with the earnings assignment orders of all employees, and is providing the names of all new employees to the New Hire Registry maintained by the Employment Development Department as set forth in subdivision (b) of the Public Contract Code Section 7110.

**Section 10.14 Nondiscrimination and Affirmative Action.** The Trustee shall comply with the applicable nondiscrimination and affirmative action provisions of the laws of the United States of America, the State of California, and the Issuer. The Trustee shall not discriminate in its employment practices against any employee or applicant for employment or



deny family and medical care leave, pregnancy disability leave or reasonable accommodations against any employee or applicant for employment because of such person's race, ancestry, color, citizenship, national origin, religion, sex, sexual orientation, gender identity/expression, transgender status, age, marital status, familial status, domestic partner status, physical handicap, mental disability, medical condition, political affiliation or belief. The Trustee shall comply with Executive Order 11246, entitled "Equal Employment Opportunity," as amended by Executive Order 11375, and as supplemented in Department of Labor regulations (41 C.F.R. Part 60). The Trustee shall comply with the provisions of the Los Angeles Administrative Code Sections 10.8 through 10.13, to the extent applicable hereto. The affirmative action program of the Trustee shall include the mandatory contract provisions set forth in the Los Angeles Administrative Code Section 10.8.4, and said provisions are incorporated herein by this reference. The Trustee shall also comply with all rules, regulations, and policies of the Issuer's Board of Public Works, Office of Contract Compliance relating to nondiscrimination and affirmative action, including the filing of all forms required by the Issuer. Any subcontract entered into by the Trustee relating to this Indenture, to the extent allowed hereunder, shall be subject to the provisions of this Section. No person shall on the grounds of race, ancestry, color, citizenship, national origin, religion, sex, sexual orientation, gender identity/expression, transgender status, age, marital status, familial status, domestic partner status, physical handicap, mental disability, medical condition, political affiliation or belief be excluded from participation in, be denied the benefit of, or be subjected to discrimination under this Indenture. For purposes of this Section, Title 24 Code of Federal Regulations Part 107 and Section 570.601(b) defines specific discriminatory actions that are prohibited and corrective action that shall be taken in a situation as defined therein.

**Section 10.15 Disclosure of Border Wall Contracting Ordinance.** The Trustee shall comply with Los Angeles Administrative Code Section 10.50 et seq., "Disclosure of Border Wall Contracting". The Issuer may declare a default under this Indenture if the Issuer determines that the Trustee failed to fully and accurately complete the required affidavit and disclose all Border Wall Bids and Border Wall Contracts, as defined in Los Angeles Administrative Code Section 10.50.1.

**Section 10.16 Electronic Transactions.**

(a) The transactions described in this Indenture and the Bond Documents may be conducted and related documents may be sent, received or stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law. Unless otherwise specifically instructed in an opinion of Bond Counsel or to the extent otherwise provided in this Indenture, the Trustee shall retain and maintain these records until three years following the final maturity of (i) the Bond or (ii) any obligation issued to refund the Bond. Any records maintained electronically must comply with Section 4.01 of Revenue Procedure 97-22.

(b) The Trustee agrees to accept and act upon instructions or directions pursuant to this Indenture sent by unsecured email, facsimile transmission or other similar unsecured electronic methods and the understanding of the Trustee of such instructions shall be deemed controlling; provided, however, that the Borrower shall immediately mail the

original instructions or directions to the Trustee. The Borrower shall provide to the Trustee an incumbency certificate listing designated persons authorized to provide such instructions, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Borrower agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including, without limitation, the risk of the Trustee acting on unauthorized instructions and the risk of interception and misuse by third parties.

[End of Article X]

**IN WITNESS WHEREOF**, the Issuer has caused this Indenture to be executed in its name and on its behalf by its authorized official and the Trustee has caused this Indenture to be executed, in its name by its duly authorized representative, all as of the day and year first above written.

**CITY OF LOS ANGELES**, as Issuer

By: Los Angeles Housing Department

By: \_\_\_\_\_

Name: Daniel Huynh

Title: Assistant General Manager

Approved as to form:

MICHAEL N. FEUER, City Attorney

By: \_\_\_\_\_

Deputy/Assistant City Attorney

*(Signature Page to Indenture of Trust (Subordinate Bond) – Broadway Apartments)*

**U.S. BANK TRUST COMPANY, NATIONAL  
ASSOCIATION, as trustee**

By: \_\_\_\_\_

Name: Julia Hommel

Title: Vice President

*(Signature Page to Indenture of Trust (Subordinate Bond) – Broadway Apartments)*

**EXHIBIT A**

**FORM OF BOND**

**THIS BOND HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT. THIS BOND MAY BE OWNED ONLY BY A QUALIFIED INSTITUTIONAL BUYER OR OTHER ENTITY AUTHORIZED UNDER THE TERMS OF THE INDENTURE, AND THE HOLDER HEREOF, BY THE ACCEPTANCE OF THIS BOND (A) REPRESENTS THAT IT IS A QUALIFIED INSTITUTIONAL BUYER OR OTHER ENTITY AUTHORIZED UNDER THE INDENTURE TO BE AN OWNER OF THE BOND AND (B) ACKNOWLEDGES THAT IT CAN ONLY TRANSFER THIS BOND TO ANOTHER QUALIFIED INSTITUTIONAL BUYER OR OTHER ENTITY AUTHORIZED UNDER THE TERMS OF THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OF LOS ANGELES IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR PREMIUM OR INTEREST ON THIS BOND.**

**\$2,200,000  
City of Los Angeles  
Subordinate Multifamily Housing Revenue Bond  
(Broadway Apartments)  
Series 2022T**

No. R-1

<u>DATED DATE</u>	<u>MATURITY DATE</u>	<u>BOND COUPON RATE</u>
[November __], 2022	[January] 1, 202[5]	[5.15]% per annum

REGISTERED OWNER: ARC70 FUND III, LP., A DELAWARE LIMITED PARTNERSHIP  
PRINCIPAL AMOUNT: TWO MILLION TWO HUNDRED THOUSAND DOLLARS  
(\$2,200,000)

The City of Los Angeles, (the “Issuer”), a charter city and municipal corporation of the State of California, organized and existing under its charter and the laws of the State of California, for value received, hereby promises to pay (but only out of the revenues and other assets pledged under the Indenture (hereinafter defined)) to the Registered Owner specified above or registered assigns (subject to any right of prior redemption), (A) on each Principal Payment Date (as defined in the Indenture) and the Maturity Date specified above, the applicable portion of the Principal Amount specified above, and (B) interest thereon, at the Bond Coupon Rate (as defined in the Indenture), payable on the first Business Day of each month, commencing [January] 1, 202[3] to the person whose name appears on the registration books at the close of business on the day before such Interest Payment Date (whether or not a Business Day) (a “Record Date”) and to pay any other amounts as specified in the Indenture (hereinafter defined).

Principal of, and premium, if any, on this Bond are payable in such coin or currency of the United States as at time of payment is legal tender for payment of private and public debts, at the designated payment office of U.S. Bank Trust Company, National Association, as trustee (the “Trustee”), or its successor. Interest on this Bond shall be computed on the basis of a 360-day year, comprised of twelve 30 day months. Interest on this Bond shall be payable in such coin or currency

of the United States as at time of payment is legal tender for payment of private and public debts, at the designated payment office of the Trustee or its successor. This Bond shall bear interest at the Default Rate as and when prescribed by the Indenture.

If a Bondholder so elects, any payment due to the Bondholder shall be made by wire transfer of federal reserve funds to any account in the United States of America designated by the Bondholder if the Bondholder, at its expense, (a) so directs by written notice delivered to the Trustee at least 10 Business Days before the date upon which such wire transfer or other arrangement is to be made and (b) otherwise complies with the reasonable requirements of the Trustee.

This Bond is one of an issue of duly authorized City of Los Angeles Subordinate Multifamily Housing Revenue Bond (Broadway Apartments) Series 2022T issued in the aggregate principal amount of \$2,200,000 (the “Bond”), pursuant to the provisions of Section 248, as amended, of the City Charter of the City and Article 6.3 of Chapter 1 of Division 11 of Los Angeles Administrative Code, as amended (the “Law”) and in accordance with Chapter 7 of Part 5 of Division 31 of the Health and Safety Code of the State of California, as the same may be amended (the “Act”) and a Resolution of the City Council of the City.

The proceeds from this Bond are to be used for the purpose of making a mortgage loan pursuant to a Loan Agreement, dated as of [November] 1, 2022 (as amended, modified or supplemented from time to time, the “Loan Agreement”), between the Issuer and the Borrower, to finance a portion of the costs of the construction and renovation of a multifamily residential facility located at 301 West 49th Street, Los Angeles California, and known as “Broadway Apartments” (the “Project Facilities”). The Borrower’s payment obligations under the Loan Agreement will be evidenced by the Note and secured by amounts on deposit in the Collateral Fund and the Bond Proceeds Account.

This Bond is issued under and is equally and ratably secured by an Indenture of Trust, dated as of [November] 1, 2022 (as amended, modified or supplemented from time to time, the “Indenture”), between the Issuer and the Trustee. All capitalized terms not defined herein shall have the meaning set forth in the Indenture.

The Issuer has previously issued and delivered its revenue bond designated “City of Los Angeles Multifamily Housing Revenue Bond (Broadway Apartments) Series 2019G” issued in the aggregate principal amount of \$6,500,000 (the “Senior Bond”), under a separate trust indenture. The payment of debt service on the Bond is subordinate to the payment of debt service on the Senior Bond.

Reference is hereby made to the Indenture and to all amendments and supplements thereto for a description of the property pledged and assigned to the Trustee and of the provisions, among others, with respect to the nature and extent of the security, the rights, duties and obligations of the Issuer and the Trustee, the terms on which this Bond is issued and secured, the manner in which interest is computed on this Bond, mandatory and optional redemption rights, acceleration, the rights of the Bondholder and the provisions for defeasance of such rights.

This Bond is subject to optional and mandatory redemption in whole or in part, on the dates, under the terms and conditions and at the redemption prices set forth in the Indenture, all of the provisions of which are, by this reference, incorporated into this Bond. Notice of redemption shall be given in the manner set forth in the Indenture.

Notwithstanding any provision of this Bond or the Indenture to the contrary, the Issuer shall be permitted to direct Note prepayments to be transferred to a custodian or trustee selected by the Issuer, in lieu of application to prepay a like portion of this bond, so long as the Issuer simultaneously causes other funds to be applied to prepay such portion of this bond. The preceding provisions shall apply only for purposes of preserving or “recycling” private activity bond volume cap in accordance with Section 146 of the code.

**THIS BOND IS NOT AN OBLIGATION, EITHER GENERAL OR SPECIAL, AND DOES NOT CONSTITUTE A PLEDGE OF THE GENERAL CREDIT OR TAXING POWER, OF THE CITY OF LOS ANGELES (THE “CITY”), THE STATE OF CALIFORNIA (THE “STATE”) OR ANY POLITICAL SUBDIVISION THEREOF, BUT IS PAYABLE SOLELY FROM THE PROJECT REVENUES AND PROPERTY PLEDGED THEREFOR IN THE INDENTURE AND NOT FROM ANY OTHER REVENUES, FUNDS OR ASSETS OF THE CITY. NEITHER THE CITY, THE STATE NOR ANY SUCH POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE HEREON. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE NOR ANY POLITICAL CORPORATION OR SUBDIVISION OR AGENCY THEREOF NOR THE FAITH AND CREDIT OF THE CITY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BOND OR OTHER COSTS INCIDENT THERETO. THIS BOND IS NOT A DEBT OF THE UNITED STATES OF AMERICA.**

**NO RECOURSE UNDER OR UPON ANY OBLIGATION, COVENANT, WARRANTY OR AGREEMENT CONTAINED IN THE INDENTURE OR IN THIS BOND, OR UNDER ANY JUDGMENT OBTAINED AGAINST THE ISSUER, OR THE ENFORCEMENT OF ANY ASSESSMENT, OR ANY LEGAL OR EQUITABLE PROCEEDINGS BY VIRTUE OF ANY CONSTITUTION OR STATUTE OR OTHERWISE, OR UNDER ANY CIRCUMSTANCES UNDER OR INDEPENDENT OF THE INDENTURE, SHALL BE HAD AGAINST THE MAYOR, THE CITY COUNCIL OR ANY OF THE MEMBERS, OFFICERS, AGENTS OR EMPLOYEES OF THE ISSUER, AS SUCH, PAST, PRESENT OR FUTURE OF THE ISSUER, EITHER DIRECTLY OR THROUGH THE ISSUER OR OTHERWISE, FOR THE PAYMENT FOR OR TO THE ISSUER OR ANY RECEIVER OF THE ISSUER, OR FOR OR TO THE OWNER OF THIS BOND, OR OTHERWISE, OF ANY SUM THAT MAY BE DUE AND UNPAID BY THE ISSUER UPON THIS BOND. ANY AND ALL PERSONAL LIABILITY OF EVERY NATURE WHETHER AT COMMON LAW OR IN EQUITY OR BY STATUTE OR BY CONSTITUTION OR OTHERWISE OF THE MAYOR, THE CITY COUNCIL OR OF ANY SUCH MEMBER, OFFICER, AGENT OR EMPLOYEE, PAST, PRESENT OR FUTURE, OF THE ISSUER, AS SUCH, BY REASON OF ANY ACT OF OMISSION ON HIS OR HER PART OR OTHERWISE, FOR THE PAYMENT FOR OR TO THE OWNER OF THIS BOND OR OTHERWISE OF ANY SUM THAT MAY REMAIN DUE AND UNPAID UPON THIS BOND SECURED BY THE INDENTURE OR ANY OF THEM IS, BY THE ACCEPTANCE OF THIS BOND, EXPRESSLY WAIVED AND RELEASED AS A CONDITION OF AND IN CONSIDERATION FOR THE EXECUTION OF THE INDENTURE AND THE ISSUANCE OF THIS BOND.**

**THIS BOND HAS BEEN ISSUED PURSUANT TO THE LAW AND IN ACCORDANCE WITH THE ACT.**

The Holder of this Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any event of default thereunder, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture.

By its purchase of this Bond, the Holder hereof agrees to the appointment of the Majority Owner Representative as provided in the Indenture and authorizes the Majority Owner Representative to exercise such rights and remedies afforded to the Majority Owner Representative on behalf of the Holder as provided in the Bond Documents.

Modifications or alterations of the Indenture or of any indenture supplemental thereto may be made only to the extent and in the circumstances permitted by the Indenture.

This Bond may be exchanged, and its transfer may be effected, only by the Holder hereof in person or by their attorney duly authorized in writing at the designated corporate trust office of the Trustee, but only in the manner and subject to the limitations provided in the Indenture. Upon exchange or registration of such transfer a new registered bond of the same maturity and interest rate and of an Authorized Denomination for the same aggregate principal amount will be issued in exchange therefor.

The Issuer and the Trustee may deem and treat the person in whose name this Bond shall be registered on the bond register, as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes and neither the Issuer nor the Trustee shall be affected by any notice to the contrary.

All acts, conditions and things required by the laws of the Issuer to exist, happen and be performed precedent to and in the execution and delivery of the Indenture and the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law.

Neither the trustees, officers, agents, employees or representatives of the Issuer nor any person executing this Bond shall be personally liable hereon or be subject to any personal liability by reason of the issuance hereof, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability being expressly released and waived as a condition of and in consideration for the execution of the Indenture and the issuance of this Bond.

This Bond shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose until the Trustee shall have executed the Certificate of Authentication appearing hereon.

IT IS HEREBY CERTIFIED, RECITED AND REPRESENTED that the issuance of this Bond is duly authorized by law; that all acts, conditions and things required to exist and to be done precedent to and in the issuance of this Bond to render the same lawful and valid have been properly done and performed and have happened in regular and due time, form and manner as required by law; and that all acts, conditions and things necessary to be done or performed by the Issuer or to have happened precedent to or in the execution and delivery of the Indenture have been done and performed and have happened in regular and due form as required by law.



**IN WITNESS WHEREOF**, the Issuer has caused this Bond to be executed in its name by the facsimile signature of its Mayor under its official seal, or a facsimile, and attested by the facsimile signature of its City Treasurer all as of the date first written above.

(SEAL)

CITY OF LOS ANGELES

\_\_\_\_\_  
City Treasurer

By \_\_\_\_\_  
Mayor

[SEAL]

## **CERTIFICATE OF AUTHENTICATION**

This is to certify that this Bond is the Bond referred to in the within mentioned Indenture.

Date of Authentication:

**U.S. BANK TRUST COMPANY, NATIONAL  
ASSOCIATION**, as trustee

By: \_\_\_\_\_  
Authorized Officer

## ASSIGNMENT FOR TRANSFER

FOR VALUE RECEIVED, the undersigned, hereby sells, assigns and transfers unto \_\_\_\_\_ (Tax Identification or Social Security No. \_\_\_\_\_) the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the within bond on the books kept for registration thereof, with full power or substitution in the premises.

\_\_\_\_\_  
Date:

Signature Guaranteed:

\_\_\_\_\_  
Signature

NOTICE: Signature(s) must be guaranteed by a signature guarantor institution that is a participant in a nationally recognized signature guarantor program.

NOTICE: The signature to this assignment must correspond with the name of the registered owner of the within bond as it appears on the face hereof in every particular, without alteration or enlargement or any change whatever, and the Social Security number or federal employer identification must be supplied.

**EXHIBIT B**  
**FORM OF INVESTOR LETTER**

[November \_\_], 2022

City of Los Angeles  
Los Angeles, California

Kutak Rock LLP  
Los Angeles, California

U.S. Bank Trust Company, National Association  
Los Angeles, California

Re: \$2,200,000 City of Los Angeles Subordinate Multifamily Housing Revenue Bond  
(Broadway Apartments) Series 2022T

Ladies and Gentlemen:

The undersigned (the “Bond Purchaser”) hereby represents and warrants to you as follows:

1. The Bond Purchaser proposes to purchase all of the aggregate principal amount of the above-captioned bond (the “Bond”) issued pursuant to that certain Indenture of Trust dated as of [November] 1, 2022 (the “Indenture”), by and between the City of Los Angeles, California (the “City”) and U.S. Bank Trust Company, National Association, as Trustee. The Bond Purchaser understands that the Bond is not rated by any securities rating agency and is secured only by the Broadway Apartments and the revenues therefrom, and will only be sold to the Bond Purchaser with the above-addressed parties relying upon the representations and warranties of the Bond Purchaser set forth herein. The Bond Purchaser acknowledges that no offering document has been prepared in connection with the issuance and sale of the Bond. The Bond Purchaser has requested and received all materials which the Bond Purchaser has deemed relevant in connection with its purchase of the Bond (the “Offering Information”). The Bond Purchaser has reviewed the documents executed in conjunction with the issuance of the Bond, including, without limitation, the Indenture and the Loan Agreement. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Indenture.

2. The Bond Purchaser hereby waives the requirement of any “due diligence investigation or inquiry” by the City, by each official of the City, by each employee of the City, by each member of the governing board of the City, and by counsel to the City, the Trustee, counsel to the Trustee and Bond Counsel in connection with the authorization, execution and delivery of the Bond and Bond Purchaser’s purchase of the Bond. The Bond Purchaser recognizes and agrees that the City, by each official of the City, each employee of the City, each member of the governing board of the City, counsel to the City, the Trustee, counsel to the Trustee and Bond Counsel have made no representations or statements (expressed or implied) with respect to the accuracy or completeness of any of the materials reviewed by the Bond Purchaser in connection with the Bond Purchaser’s purchase of the Bond. In making an investment decision, the Bond Purchaser is relying upon its own examination of the City, the Borrower, the Project and the terms of the

offering.

3. The Bond Purchaser has been provided an opportunity to ask questions of, and the Bond Purchaser has received answers from, representatives of the City and the Borrower regarding the terms and conditions of the Bond, and the Bond Purchaser has obtained all additional information requested by it in connection with the Bond.

4. The Bond Purchaser has sufficient knowledge and experience in business and financial matters in general, and investments such as the Bond in particular, and is capable of evaluating the merits and risks involved in an investment in the Bond. The Bond Purchaser is able to bear the economic risk of, and an entire loss of, an investment in the Bond.

5. The Bond Purchaser is purchasing the Bond solely for its own account for investment purposes and has no present intention to resell or distribute the Bond, provided that the Bond Purchaser reserves the right to transfer or dispose of the Bond, at any time, and from time to time, in its complete and sole discretion, subject, however, to the restrictions described in Section 2.9 of the Indenture and paragraphs 6 through 8 of this Letter. The Bond Purchaser hereby agrees that the Bond may only be transferred in whole and in accordance with the Indenture, including Article II thereof, to a single Bond Purchaser, which, if required by the Indenture, must execute and deliver to the parties addressed above a form of this Investor Letter.

6. The Bond Purchaser agrees that it will only offer, sell, pledge, transfer or exchange the Bond (or any legal or beneficial interest therein) (i) in accordance with an available exemption from the registration requirements of Section 5 of the Securities Act, (ii) in accordance with any applicable state securities laws, and (iii) in accordance with the transfer restrictions set forth in the Bond and the Indenture, including the prior written notice to, and consent of, the City where required under the Indenture.

7. The Bond Purchaser is an Approved Buyer as defined in the Indenture and understands that the Bond may be offered, resold, pledged or transferred only in whole and only to a person who is an Approved Buyer.

8. Except as otherwise permitted under the Indenture, if the Bond Purchaser sells the Bond (or any legal or beneficial interest therein), the Bond Purchaser or its agent will obtain for the benefit of each of you from any subsequent purchaser an Investor Letter in the form of this Letter or such other materials as are required by the Bond and the Indenture to effect such sale and purchase. The Bond Purchaser understands and agrees that, except as otherwise permitted under the Indenture, the Trustee is not authorized to register any transfer of the Bond prior to receipt of such Investor Letter and the written consent of the City.

9. Neither the Trustee, Bond Counsel, counsel to the City, the City, its governing body, or any of its employees or agents will have any responsibility to the Bond Purchaser for the accuracy or completeness of information obtained by the Bond Purchaser from any source regarding the Project, the City, the Borrower or their financial conditions or regarding the Bond, the provisions for payment thereof, or the sufficiency of any security therefor, including, without limitation, any information specifically provided by any of such parties contained in the Offering Information. The Bond Purchaser acknowledges that, as between Bond Purchaser and all of such

parties: (a) the Bond Purchaser has assumed responsibility for obtaining such information and making such review as the Bond Purchaser has deemed necessary or desirable in connection with its decision to purchase the Bond and (b) the Offering Information and any additional information specifically requested from the City or the Borrower and provided to the Bond Purchaser prior to closing constitute all the information and review, with the investigation made by Bond Purchaser (including specifically the Bond Purchaser's investigation of the City, the Project and the Borrower) prior to its purchase of the Bond, that Bond Purchaser has deemed necessary or desirable in connection with its decision to purchase the Bond.

10. The Bond Purchaser understands that (a) the Bond has not been registered with any federal or state securities agency or commission, and (b) no credit rating has been sought or obtained with respect to the Bond, and the Bond Purchaser acknowledges that the Bond is a speculative investment and that there is a high degree of risk in such investment.

11. The Bond Purchaser acknowledges that the Bond is a limited obligation of the City, payable solely from the revenues or other amounts provided by or at the direction of the Borrower, and is not an obligation payable from the general revenues or other funds of the City, the State of California or any political subdivision of the State of California. The Bond Purchaser acknowledges that the City is issuing the Bond on a conduit, nonrecourse basis, and has no continuing obligations with respect thereto except as expressly set forth in the Indenture.

12. The Bond Purchaser has the authority to purchase the Bond and to execute this letter and other documents and instruments required to be executed by the Bond Purchaser in connection with its purchase of the Bond. The individual who is executing this letter on behalf of the undersigned is a duly appointed, qualified and acting officer of the Bond Purchaser and authorized to cause the Bond Purchaser to make the certifications, representations and warranties contained herein by the execution of this letter on behalf of the Bond Purchaser.

13. The Bond Purchaser acknowledges that no offering document has been produced in connection with the issuance or sale of the Bond.

14. The Bond Purchaser agrees to indemnify and hold harmless the City, the City's officials, officers, directors, employees, agents, attorneys, accountants, advisors, consultants, servants and the members of the governing board of the City past, present and future with respect to any claim asserted against any of them that is based upon the Bond Purchaser's sale, transfer or other disposition of its interests in the Bond in violation of the provisions hereof or of the Indenture or any inaccuracy in any statement made by the Bond Purchaser in this letter.

15. The Bond Purchaser understands that the Bond is subordinate in right of payment and security to the Issuer's Multifamily Housing Revenue Bond (Broadway Apartments) Series 2019G issued in the aggregate principal amount of \$6,500,000.

Very truly yours,

**ARC70 FUND III, LP,**  
a Delaware limited partnership

By: Arc70 Capital Fund III GP LLC, a Delaware  
limited liability company, its general partner

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## EXHIBIT C

### FORM OF WRITTEN REQUISITION OF THE BORROWER

U.S. Bank Trust Company, National Association, as Fiscal Agent  
Los Angeles, California

Red Stone Servicer, LLC, as Majority Owner Representative  
Garden City, New York

Re: City of Los Angeles Subordinate Multifamily Housing Revenue Bond (Broadway Apartments), Series 2022T dated [\_\_\_\_], 2022

This requisition is being delivered to you in accordance with the Indenture of Trust dated as of [November] 1, 2022 (the "Indenture") between the City of Los Angeles (the "Issuer") and U.S. Bank Trust Company, National Association, as trustee (the "Trustee") pursuant to which the above-referenced bond (the "Bond") was issued. Capitalized terms not defined herein shall have the meanings assigned thereto in the Indenture.

1. You are requested to disburse funds in the amount of \$\_\_\_\_\_ from the [Bond Proceeds Account] [and/or \$\_\_\_\_\_ from the [Equity Account]] of the Project Fund as Advance #\_\_\_\_\_ pursuant to Section 4.3 of the Indenture in the amount(s) and to the person(s) as follows:

Amount	Source	Payable to:
\$[_____]	[identify name(s) of Account(s) of Project Fund in Indenture]	[Borrower's account #] [third party payment/wire instructions must be attached] [Description of Use]

2. The undersigned certifies that:

(i) the obligation stated on this Requisition has been incurred in or about the acquisition, construction or equipping of the Project, each item is a proper charge against the Project Fund, and the obligation has not been the basis for a prior requisition that has been paid; and

(ii) [for requisitions from the Bond Proceeds Account][this Requisition contains no items representing any amount constituting an issuance cost under Section 147(g) of the Code and] payment of the costs referenced herein will not violate any representation, warranty or covenant of the Borrower in the Loan Agreement, the Regulatory Agreement or the Tax Certificate; and

(iii) not less than 95% of the sum of: (a) the amounts requisitioned by this Requisition to be funded from the Bond Proceeds Account of the Project Fund; plus (b) all amounts previously disbursed from the Bond Proceeds Account of the Project Fund have been or will be applied by the Borrower to pay Qualified Project Costs (as defined in the Regulatory Agreement); and



(iv) the Borrower acknowledges that fees, charges or profits (including, without limitation, developer fees) payable to the Borrower or a “related person” (within the meaning of Section 144(a)(3) of the Code) are not deemed to be Qualified Project Costs; and

(v) [for requisitions from the Bond Proceeds Account][a Collateral Payment equal to the amount to be requisitioned from the Bond Proceeds Account has been delivered to the Trustee for deposit into the collateral Fund; and]

(vi) as of the date hereof, no event or condition has happened or is happening or exists that constitutes, or that with notice or lapse of time or both, would constitute, an Event of Default under the Indenture or under the Loan Agreement.

#### Requisition - Contents and Attachments

- ☐ Borrower’s Representations and Warranties
- ☐ Contractor’s Application and Certification for Payment (AIA Form G-702)
- ☐ Requisitions and Invoices Supporting Application
- ☐ Contractor’s Requisition Certificate
- ☐ Architect’s Requisition Certificate
- ☐ Borrower’s Request for Payment
- ☐ Lien Waivers

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Dated: \_\_\_\_\_

**BROADWAY APARTMENTS  
PRESERVATION, LP**, a California limited  
partnership

By: Step Up On Second Street, Inc., its Managing  
General Partner

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

[Signature Page to *Broadway Apartments (Subordinate Bond)* Requisition]

APPROVED:

**RED STONE SERVICER, LLC**, as Majority  
Owner Representative

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Dated: \_\_\_\_\_, 20\_\_

[Majority Owner Representative's Signature Page to ***Broadway Apartments (Subordinate Bond)***  
Requisition]

ACKNOWLEDGED:

For City acknowledgment requirements, see Section 4.3(b) of the Indenture.

CITY OF LOS ANGELES, as City

By: Los Angeles Housing Department

By: \_\_\_\_\_

Name: Daniel Huynh

Title: Assistant General Manager

[City's Signature Page to ***Broadway Apartments (Subordinate Bond)*** Requisition]

## **Representations and Warranties**

1. No changes have been made in the Plans and Specifications which require and have not received the prior approval of (i) the Majority Owner Representative under the terms of the Loan Agreement dated as of [November] 1, 2022 (the “Agreement”), (ii) any Governmental Authority having jurisdiction over the Project Facilities or (iii) any other parties from whom such approval is required.
2. Renovation and construction of the Improvements has been performed in accordance with the Plans and Specifications (other than any changes that did not constitute Material Change Orders).
3. As of the date hereof, the Borrower has executed change orders (increasing/decreasing) the cost of renovation and construction of the Improvements by \$ \_\_\_\_\_ in the aggregate, has notified the Engineering Consultant of such changes and, to the extent necessary, has received any and all necessary approvals from the Majority Owner Representative.
4. Funding of this Requisition shall be in accordance with the terms and provisions of (i) the Agreement, and (ii) the Indenture of Trust dated as of [November] 1, 2022 (the “Indenture”), with respect to the Bond.
5. All money requisitioned by the Borrower for renovation or construction of the Improvements and disbursed by the Trustee under previously approved requisitions have been paid to the Contractor and, to the Borrower’s best knowledge, all subcontractors, vendors and suppliers; all other funds requisitioned by the Borrower and disbursed by the Trustee under previously approved requisitions have been expended for the purpose for which they were requisitioned.
6. All of the information submitted to the Majority Owner Representative and the Trustee in connection with this Requisition is true and accurate in all material respects as of the date of submission.
7. The representations and warranties set forth in the Bond Documents are true and correct in all material respects as of the date hereof with the same effect as if made on this date.
8. The Borrower represents and warrants that (i) there has occurred no Event of Default or event which, with the passage of time or the giving or notice or both, would constitute an Event of Default on the part of the Borrower or the Guarantor under the terms of the Bond Documents, (ii) except as previously disclosed by the Borrower to the Majority Owner Representative, the Borrower has not received notice from or been informed by any Governmental Authority or the Engineering Consultant of any alleged deficiencies in the work performed to date or any deviation of such work from Plans and Specifications or notice of any assertion of a claim that the Improvements have not been renovated or constructed in accordance with all applicable Legal Requirements, (iii) with the exception of any Permitted Liens and those being contested by the Borrower in accordance with the terms of the Bond Documents, there are no liens against any portion of the Project Facilities or any other asset of the Borrower, and (iv) the Bond Documents are in full force and effect.
9. The Borrower represents and warrants that this Requisition is in the form of requisition required by the Majority Owner Representative.

10. The Borrower represents and warrants that following payment of the amounts requested under this Requisition, not less than (a) 95% of amounts paid from proceeds of the Bond have been applied to the payment of Qualified Project Costs, and (b) 100% of amounts paid from proceeds of the Bond have been applied to the payment of Project Costs.
11. Attached hereto are copies of lien waivers from all such subcontractors and materialmen requisitioning payment under this Requisition, the originals of which have been delivered to the Title Insurance Company.
12. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto under the Indenture and the Agreement.

**Contractor's Application for Payment**

## **Requisitions and Invoices**



### **Contractor's Requisition Certificate**

Application for Payment No. \_\_\_\_\_

TO: U.S. Bank Trust Company, National Association ("Trustee")  
Red Stone Servicer, LLC ("Majority Owner Representative")

FROM: \_\_\_\_\_ ("Contractor")

RE: Renovation and construction of Broadway Apartments (the "Project Facilities") by  
Broadway Apartments Preservation, LP ("Borrower").

We are the general contractor for the Project Facilities and, to induce the Majority Owner Representative to approve disbursements of Bond proceeds and other amounts by the Trustee to assist in funding renovation and construction of the Improvements and knowing that the Trustee and the Majority Owner Representative will rely on this certificate in doing so, we hereby certify as follows:

1. In reference to our contract dated \_\_\_\_\_, 20\_\_, with Borrower for renovation and construction of the Improvements, and the Plans and Specifications therefor, no amendments, modifications or changes have been made with respect to our contract or the Plans and Specifications except such as have had your prior written approval. There are no pending change orders except as follows:
2. Our Application for Payment No. \_\_\_\_\_, dated \_\_\_\_\_, 20\_\_, which we understand is to be included as an item in the Borrower's requisition to you, is in full compliance with the terms of our contract with Borrower, and, upon the payment of same, we will have no other or additional claim (including claims for so-called "extras") against Borrower on account of our contract or otherwise for and through the period of time ending upon the date of our Application for Payment, for all labor and materials furnished by us through and including the date of our Application for Payment except as follows:
  - a. Retainage not exceeding \_\_% of the value of labor and materials incorporated into the Project Facilities and covered by applications submitted by us on account of the renovation and construction of the Improvements for which payment is to be made to us after substantial completion of our contract, as provided therein (the amount of said retainage), as of the end of the period covered by our Application for Payment dated \_\_\_\_\_, 20\_\_, is \$ \_\_\_\_\_; and
  - b. [specify other claims, if any]
3. The Borrower is not in default of any of the Borrower's obligations to us as of the date hereof except as follows:
4. We have paid in full all our obligations to subcontractors, workmen, suppliers and materialmen for and with respect to all labor and materials supplied through and including the date of our last Application for Payment, except for an amount equal to \_\_% thereof, which we are holding in accordance with the terms of such obligations and our contract, and all our subcontractors

have paid their subcontractors, workmen and materialmen in full for and with respect to all labor and materials supplied through and including the date of our last Application for Payment.

5. To the fullest extent allowed by law, we waive and release any and all rights to claim any lien for labor done or materials furnished up to an amount equal to the amount of our Application for Payment dated \_\_\_\_\_, 20\_\_ plus the amount of all our previously funded applications.

Executed as an instrument under seal this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**[CONTRACTOR]**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## **Architect's Requisition Certificate**

Application for Payment No. \_\_\_\_\_

TO:               U.S. Bank Trust Company, National Association ("Trustee")  
                    Red Stone Servicer, LLC ("Majority Owner Representative")

FROM:           \_\_\_\_\_ ("Architect")

RE:               Renovation and construction of Broadway Apartments (the "Project Facilities") by  
                    Broadway Apartments Preservation, LP ("Borrower")

We are the architect for the Project Facilities and, to induce the Majority Owner Representative to approve disbursements of Bond proceeds and other amounts by the Trustee to assist in funding renovation and construction of the Improvements, and knowing that the Majority Owner Representative will rely on this certificate in doing so, we hereby certify as follows:

1.     We inspected the Project Facilities on \_\_\_\_\_, 20\_\_ and found the status of Work at the Project Facilities on that date and the progress made on the Project Facilities since our last certificate to you dated \_\_\_\_\_, 20\_\_ to be as follows:
2.     We delivered the Plans and Specifications for the Project Facilities, copies of which have been delivered to you (the "Plans and Specifications"). We have made no changes to the Plans and Specifications except as you have approved in writing. There are no pending change orders or construction change directives except as follows:
3.     All Work to date has been done in accordance with the Plans and Specifications and in a good and workmanlike manner. All materials and fixtures usually furnished and installed or stored on site at the current stage of renovation and construction have been furnished, installed or stored on site. All of the Work to date is hereby approved except as follows:
4.     We have examined the requisition being submitted herewith to you by Borrower, which requisition includes an Application for Payment from \_\_\_\_\_ ("Contractor") respecting renovation and construction of the Improvements. The payment so applied for by Contractor does not exceed (when added to the payments heretofore applied for by and paid to Contractor) \_\_% of the value of labor and materials incorporated into the Improvements.
5.     We have been advised that as of this date there remains unexpended funds of \$ \_\_\_\_\_ which are available to fund renovation or construction costs, from which funds to pay the aforementioned Application for Payment will be deducted. In our opinion, such unexpended funds, after deduction of funds sufficient to cover both the current Application for Payment and the applicable retainage heretofore withheld and to become due on account of previous Applications, will be sufficient to pay for all renovation and construction costs reasonably required to complete the Work, provided that the amount advanced under the current application is, in fact, applied against obligations incurred for labor and materials heretofore furnished on account of renovation or construction of the Improvements.

6. All permits, licenses, approvals and the like required to complete renovation and construction of the Improvements have been validly issued by the appropriate authorities and are in full force and effect, and there is no violation of any of the provisions thereof or of any Legal Requirements applicable to the Project Facilities of which we have notice or knowledge as of the date hereof except as follows:
7. Access to and egress from the Project Facilities and all improvements to be constructed thereon are in accordance with all applicable Legal Requirements. Water, drainage and sanitary sewerage facilities and telephone, gas and electric services of public utilities are or are due to be installed in the locations indicated on the Plans and Specifications and are adequate to serve the Project Facilities. All necessary approvals for installation of or connection to said facilities or services have been obtained.
8. To the best of our knowledge, there are no petitions, actions or proceedings pending or threatened to revoke, rescind, alter or declare invalid any laws, ordinances, regulations, permits, licenses or approvals for or relating to the Project Facilities.
9. No amendments, modifications or changes have been made to our contract dated \_\_\_\_\_, 20\_\_ with the Borrower except such as have had your prior written approval.
10. The Borrower is not in default of any of the Borrower's obligations to us as of the date hereof except as follows:

This certificate is rendered based on our examination of the Project Facilities, the Plans and Specifications, the data comprising the Application for Payment and all other matters which we deem relevant. We are to incur no liability under this certificate except for failure to exercise due professional skill and diligence.

Executed as a sealed instrument this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**[ARCHITECT]**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**Borrower's Request for Payment**

[attach spreadsheets in form provided by Red Stone]

## **Lien Waivers**



**EXHIBIT D**

**FORM OF RESPONSIBLE BANKING ORDINANCE CERTIFICATE**

**RESPONSIBLE BANKING ORDINANCE  
REPRESENTATIONS AND COVENANTS OF BANK**

[\_\_\_\_\_, 20\_\_]

City of Los Angeles  
Los Angeles, California

\$2,200,000  
City of Los Angeles  
Subordinate Multifamily Housing Revenue Bond  
(Broadway Apartments)  
Series 2022T

Ladies and Gentlemen:

The undersigned on behalf of [\_\_\_\_\_] (the “Bank”) does hereby certify to the following as of the date of this certificate, relating to the Bank’s purchase from the City of Los Angeles (the “City”) of the City’s \$2,200,000 principal amount of Subordinate Multifamily Housing Revenue Bond (Broadway Apartments) Series 2022T (the “Bond”):

(a) The Bank shall file with the City Treasurer of the City by August 1 of each year an annual statement of community reinvestment activities as required of a “commercial bank” or an “investment bank” under the City’s Ordinance 182138 adopted May 25, 2012 (the “Responsible Banking Ordinance”); and

(b) The Bank represents that it has, prior to the date hereof, filed with the City Treasurer the report due by July 1, 20\_\_ under the Responsible Banking Ordinance for calendar year [\_\_\_\_\_].

[Remainder of Page Intentionally Left Blank]

Very truly yours,

[BANK]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**ATTACHMENT C**

LOAN AGREEMENT FOR BROADWAY APTS.

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**LOAN AGREEMENT**

by and between

**BROADWAY APARTMENTS PRESERVATION, LP**

and

**CITY OF LOS ANGELES**

Dated as of [November] 1, 2022

Relating to:

**\$2,200,000**

**City of Los Angeles**

**Subordinate Multifamily Housing Revenue Bond**

**(Broadway Apartments)**

**Series 2022T**

---

The amounts payable to the City of Los Angeles (together with its successors and assigns, the “Issuer”) and other rights of the Issuer (except for certain “Reserved Rights” defined in the Indenture), under this Loan Agreement have been pledged and assigned to U.S. Bank Trust Company, National Association, as trustee (the “Trustee”) under the Indenture of Trust between the Issuer and the Trustee dated as of [November] 1, 2022 (the “Indenture”).

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## **LOAN AGREEMENT**

This **LOAN AGREEMENT** (as amended, modified or supplemented from time to time, this “Agreement”) made as of [November] 1, 2022, by and between **CITY OF LOS ANGELES**, a charter city and municipal corporation of the State of California (together with its successors and assigns, the “Issuer”) and **BROADWAY APARTMENTS PRESERVATION, LP**, a limited partnership duly organized and validly existing under the laws of the State of California (together with its permitted successors and assigns, the “Borrower”).

### **WITNESSETH:**

**WHEREAS**, pursuant to Section 248 of the City Charter of the City of Los Angeles and Article 6.3 of Chapter 1 of Division 11 of the Los Angeles Administrative Code, as amended (collectively, the “Law”), and in accordance with Chapter 7 of Part 5 of Division 31 (commencing with Section 52075) of the Health and Safety Code of the State of California, as amended (the “Act”), the Issuer is empowered to issue its revenue bonds and other evidence to finance the acquisition, construction, rehabilitation and equipping of multifamily rental housing projects; and

**WHEREAS**, the Issuer has previously issued its Multifamily Housing Revenue Bond (Broadway Apartments) Series 2019G in the original aggregate principal amount of \$6,500,000 (the “Senior Bond”) and loaned the proceeds thereof to the Borrower for the purpose of financing a portion of the cost of the acquisition, construction and renovation of a multifamily rental housing facility, consisting of a total of 35 apartment units (including 1 manager unit) and related personal property and equipment, located in Los Angeles, California (the “Project Facilities”); and

**WHEREAS**, the Borrower has experienced significant delays in achieving substantial completion of the Projection Facilities due to, among other things, construction cost increases associated with supply chain and labor market cost escalations as a result of COVID-19, and has requested that the Issuer issue an additional series of bonds to help offset such cost increases; and

**WHEREAS**, the Issuer has determined that it is in the public interest to issue its Subordinate Multifamily Housing Revenue Bond (Broadway Apartments) Series 2022T in the original aggregate principal amount of \$2,200,000 (the “Bond”), pursuant to an Indenture of Trust (as amended, modified or supplemented from time to time, the “Indenture”), dated as of [November] 1, 2022, between the Issuer and U.S. Bank Trust Company, National Association, as trustee (together with any successor trustee under the Indenture and their respective successors and assigns, the “Trustee”), to provide additional funds to finance the costs of the construction, renovation and equipping of the Project Facilities.

NOW, THEREFORE, IN CONSIDERATION OF THE FOREGOING AND THE UNDERTAKINGS HEREIN SET FORTH AND OTHER GOOD AND VALUABLE CONSIDERATION, THE ADEQUACY AND RECEIPT OF WHICH ARE HEREBY ACKNOWLEDGED, AND INTENDING TO BE LEGALLY BOUND, THE BORROWER AND THE ISSUER HEREBY AGREE AS FOLLOWS:

[Rest of page intentionally left blank]

## ARTICLE I

### DEFINITIONS

**Section 1.1 Definitions.** In this Agreement (except as otherwise expressly provided for or unless the context otherwise requires), any capitalized terms used, but not defined herein, shall have the meanings ascribed to them in the Indenture.

**Section 1.2 Rules of Construction; Time of Day.** In this Agreement, unless otherwise indicated, (i) defined terms may be used in the singular or the plural and the use of any gender includes all genders, (ii) the words “hereof”, “herein”, “hereto”, “hereby” and “hereunder” refer to this entire Agreement, and (iii) all references to particular Articles or Sections are references to the Articles or Sections of this Agreement, (iv) the terms “agree” and “agreements” contained herein are intended to include and mean “covenant” and “covenants”, (v) the term “including” shall mean “including, but not limited to,” and (vi) the terms “best knowledge” or “knowledge” shall mean the actual knowledge of any Authorized Person of the Borrower after due inquiry. References to any time of the day in this Agreement shall refer to Pacific standard time or Pacific daylight saving time, as in effect in Los Angeles, California on such day.

[End of Article I]

## ARTICLE II

### LOAN AND PROVISIONS FOR REPAYMENT

#### Section 2.1 Basic Loan and Repayment Terms.

(a) The Issuer agrees, upon the terms and conditions contained in this Agreement and the Indenture, to lend to the Borrower the proceeds received by the Issuer from the sale of the Bond. The Loan shall be made by depositing the proceeds from the initial sale of the Bond in accordance with Article IV of the Indenture. Such proceeds shall be disbursed to or on behalf of the Borrower as provided for in this Agreement and the Indenture. The Borrower's obligation to repay the Loan shall be evidenced by the Note, the form of which is attached hereto as *Exhibit A*.

(b) The Borrower hereby agrees to repay the Loan, as evidenced by the Note, made pursuant to this Agreement by paying or causing to be paid to the Trustee in immediately available funds for the account of the Issuer for deposit into the Bond Fund or the Redemption Fund, as applicable, on the dates and in the amounts set forth on *Schedule 3* hereto, and any other date that any payment of interest, premium, or principal is required to be made in respect of the Bond pursuant to the Indenture whether at maturity, upon acceleration or mandatory redemption, until the principal of, premium, if any, and interest on the Bond shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, a sum which will enable the Trustee to pay the amount payable on such date as principal of (whether at maturity or upon mandatory redemption or acceleration or otherwise), premium, if any, and interest on the Bond, as provided in the Indenture.

(c) It is understood and agreed that the Note is endorsed, and all payments payable by the Borrower under this Section 2.1 are assigned, by the Issuer to the Trustee without recourse or warranty for the benefit of the Bondholder. The Borrower assents to such assignment. The Issuer hereby directs the Borrower and the Borrower hereby agrees to pay to the Trustee, at the address specified in or in accordance with Section 10.1 hereof, all Repayments payable to the Issuer pursuant to the Note and this subsection.

(d) The Borrower shall have, and is hereby granted, the option to prepay the unpaid principal amount of the Loan, together with premium, if any, and interest thereon to the date of redemption of the Bond, but only pursuant to the provisions of Section 2.3(b) hereof and Section 2.12(a) of the Indenture with respect to voluntary prepayment of the Loan and optional redemption of the Bond.

(e) The Borrower shall provide no less than 30 days written notice to the California Debt Limit Allocation Committee and to the Issuer prior to the redemption of the Bond, in whole or in part on the Stabilization Date.

#### Section 2.2 Fees.

(a) On the date of execution and delivery of this Agreement, the Borrower shall pay, or cause to be paid, to Red Stone A7 LLC an origination fee equal to \$[\_\_\_\_\_].

(b) [Reserved].

(c) The Borrower shall pay all Third Party Costs, including the Issuer's Annual Fee, the Trustee's Fee, and the Rebate Analyst's fee, if any.

(d) The Borrower shall pay to the Issuer all fees charges, costs advances, indemnities and expenses of the Issuer, including agent and counsel fees of the Issuer incurred under the Bond Documents, and any taxes and assessments with respect to the Project Facilities, as and when the same become due.

(e) The Borrower shall pay to the Trustee, on demand, all fees charges, costs, advances, indemnities and expenses of the Trustee, including agent and counsel fees of the Trustee, incurred under the Bond Documents.

(f) The Borrower shall pay any and all special servicing fees or costs in accordance with Section 6.34 hereof.

(g) The Borrower shall pay all costs of issuance fees, charges and expenses, including agent and counsel fees incurred in connection with the origination of the Loan and the Note, as and when the same become due.

(h) The Borrower shall pay to the Trustee the Rebate Amount then due, if any, to be deposited into the Rebate Fund.

### **Section 2.3 Termination; Voluntary Prepayment and Redemption.**

(a) Notwithstanding anything to the contrary contained in this Agreement or the other Bond Documents, the Majority Owner Representative's and the Holder's rights, interests and remedies hereunder and under the other Bond Documents shall not terminate or expire or be deemed to have been discharged or released until the earlier to occur of (i) the payment in full of the Indebtedness, or (ii) defeasance of the Bond and satisfaction of the Note. No such termination, expiration or release shall affect the survival of the indemnification provisions of this Agreement or any other provisions which their terms expressly survive termination, expiration or release, all of which provisions shall survive any such termination, expiration or release.

(b) The Note and the Loan may be prepaid in whole or in part by the Borrower, and the Bond shall be optionally redeemed pursuant to Section 2.12(a) of the Indenture, on any Interest Payment Date, upon the payment of the principal amount of the Bond corresponding to the Loan prepayment, plus interest accrued thereon to, but not including, the date of redemption.

(c) Acceleration of the obligations of the Borrower hereunder upon an Event of Default prior to the Maturity Date, shall constitute an evasion of the prepayment provisions of this Agreement and any tender of payment of an amount necessary to satisfy the entire Indebtedness of the Loan shall include an acceleration premium, equal to the amount of interest which would have accrued on the amount of the Bond scheduled to be Outstanding from the date of acceleration to, but not including, the Maturity Date.

(d) The Borrower shall be required to prepay the Note and the Loan at the times and in the amounts necessary to provide funds for the payment of the mandatory redemption of the Bond pursuant to Section 2.12(b) of the Indenture.

(e) Notwithstanding the foregoing, the Borrower shall have the right at any time to defease the Bond in accordance with the provisions of Article V of the Indenture, without premium or penalty.

By initialing below, the Borrower waives any right under California Civil Code Section 2954.10 or otherwise to prepay the Loan, in whole or in part, without payment of the amounts described above in Section 2.3. The Borrower agrees to pay any and all such amounts if all or any portion of the principal amount of the Loan is prepaid, whether voluntarily or by reason of acceleration, including acceleration upon any transfer or conveyance of any right, title or interest in the Project Facilities giving the Trustee the right to accelerate the maturity of the Loan.

Dated: \_\_\_\_\_, 2022

BROADWAY APARTMENTS PRESERVATION, LP Initial: \_\_\_\_\_

**Section 2.4 Obligations Absolute.** The obligations of the Borrower under this Agreement shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement, under all circumstances whatsoever, including without limitation the following circumstances: (i) any lack of validity or enforceability of the Bond Documents or any other agreement or document relating thereto; (ii) any amendment or waiver of or any consent to or departure from the Bond Documents or any document relating thereto; or (iii) the existence of any claim, set-off, defense or other right which the Borrower may have at any time against the Issuer or the Trustee (or any persons or entities for whom the Trustee may be acting) or any other person or entity, whether in connection with this Agreement, the transactions described herein or any unrelated transaction. The Borrower understands and agrees that no payment by it under any other agreement (whether voluntary or otherwise) shall constitute a defense to its obligations hereunder, except to the extent that the Loan evidenced hereby has been indefeasibly paid in full, whether owing under this Agreement or under the other Bond Documents.

**Section 2.5 Indemnification.**

(a) The Borrower releases the Issuer, the Trustee, the Majority Owner Representative, the Holder, and their respective officers, directors, agents, officials, employees, counsel, attorneys and agents, past, present and future (and as to the Issuer, members of its governing body) and any person who controls the Issuer or the Trustee within the meaning of the Securities Act, from, and covenants and agrees, without limiting the indemnity provided in the Regulatory Agreement, to indemnify, hold harmless and defend the Issuer, the Trustee, the Majority Owner Representative, the Holder, and their respective officers, members, supervisors, directors, officials and employees, counsel, attorneys and agents, past present and future of each of them and any person who controls such party within the meaning of the Securities Act and employees and each of them (each an “Indemnified Party” and collectively the “Indemnified Parties”) from and against, any and all losses, claims, damages, demands, liabilities and expenses (including reasonable attorney’s fees and expenses), taxes (other than income taxes payable by any party as a result of any fees payable to such parties in connection with the transaction contemplated hereby), causes of action, suits, claims, demands and judgments of any nature, joint or several, by or on behalf of any person arising out of:

(i) the transactions provided for in the Bond Documents or the Indenture or otherwise in connection with the Project, the Bond, the Loan or the execution and delivery or amendment of any other document entered into in connection with the transactions provided for in the Indenture or the other Bond Documents (however in no case shall payment of the Note be a recourse obligation);

(ii) the approval of the financing for the Project or the making of the Loan;

(iii) the issuance and sale of the Bond or any certifications or representations made by any person other than the party seeking indemnification;

(iv) any and all claims arising in connection with the interpretation, performance, enforcement, breach, default or amendment of the Indenture, the other Bond Documents or any other documents relating to the Project or the Bond or in connection with any federal or state tax audit or any questions or other matters arising under such documents (however in no case shall payment of the Note be a recourse obligation);

(v) the carrying out by Borrower of any of the transactions provided for in the Indenture or the other Bond Documents;

(vi) the Trustee's acceptance or administration of the trusts created by the Indenture or the exercise of its powers or duties under the Indenture or under this Agreement, the Regulatory Agreement or any other agreements to which it is a party or otherwise in connection with the transactions provided for in the Indenture or the other Bond Documents except for claims arising from the Trustee's administration where such is a result of actions contrary to the Trustee's duties and obligations;

(vii) any and all claims arising in connection with the issuance and sale of the Bond or any certifications or representations made by any person other than the Indemnified Party seeking indemnification, including, without limitation, any statement or information made by the Borrower with respect to the Borrower or the Project in any offering document or materials regarding the initial offering of the Bond (in connection with its issuance under the Indenture), the Project or the Borrower or the Tax Certificate or any other certificate executed by the Borrower which, at the time made, is misleading, untrue or incorrect in any material respect and any untrue statement or alleged untrue statement of a material fact relating to the Borrower or the Project contained in any offering material relating to the initial offering of the Bond, as from time to time amended or supplemented with information provided by the Borrower, or arising out of or based upon the omission or alleged omission to state in such offering material a material fact relating to the Borrower or the Project required to be stated in such offering material or necessary in order to make the statements in such offering material not misleading, or failure to properly register or otherwise qualify the sale of the Bond or failure to comply with any licensing or other law or regulation which would affect the manner in which or to whom the Bond could be sold and the carrying out by Borrower of any of the transactions contemplated by the Indenture or the other Bond Documents;

(viii) the Borrower's failure to comply with any requirement of this Agreement or the Regulatory Agreement (however in no case shall payment of the Note be a recourse obligation);

(ix) any act or omission of the Borrower or any of its agents, servants, employees or licensees in connection with the Loan or the Project, including violation of any law, ordinance, court order or regulation affecting the Project or any part of it or the ownership, occupancy or use of it;



(x) any damage or injury, actual or claimed, of whatsoever kind, cause or character, to property (including loss of use of property) or persons, occurring or allegedly occurring in, on or about the Project or arising out of any action or inaction of the Borrower, or resulting from or in any way connected with the acquisition, rehabilitation and construction or management of the Project, the issuance of the Bond or otherwise in connection with transactions contemplated or otherwise in connection with the Project, the Bond or the execution or amendment of any document relating to the Project or the Bond;

(xi) any violation of any Environmental Laws with respect to, or the release of any toxic substance from, the Project;

(xii) any and all claims arising in connection with the operation of the Project, or the conditions, environmental or otherwise, occupancy, use, possession, conduct or supervision of work done in or about, or from the planning, design, acquisition, rehabilitation, construction, repair or equipping of, the Project or any part of it, including, but not limited to, the Americans with Disabilities Act, if applicable (as evidenced by an architect's certificate to such effect);

(xiii) any breach by the Borrower of any representation, warranty, covenant, term or condition in, or the occurrence of any default under, this Agreement or the other Bond Documents, including all reasonable fees or expenses resulting from the settlement or defense of any claims or liabilities arising as a result of any such breach or default or any Determination of Taxability;

(xiv) any action, suit, claim, proceeding, audit, inquiry, examination, or investigation of a judicial, legislative, administrative or regulatory nature concerning or related to interest payable on the Bonds not being excludable from gross income for purposes of federal income taxation or exempt from State income taxation;

(xv) the involvement of any of the Indemnified Parties in any legal suit, investigation, proceeding, inquiry or action as a consequence, direct or indirect, of the Majority Owner Representative or the Holder's actions taken pursuant to this Agreement or any of the other Bond Documents or any other event or transaction contemplated by any of the foregoing;

(xvi) the investigation of, preparation for or defense of any litigation, proceeding or investigation in connection with the Project Facilities or the transactions to be consummated in connection therewith of any nature whatsoever, commenced or threatened against the Borrower, the Project Facilities or any Indemnified Party; and

(xvii) any Lien (other than a Permitted Encumbrance) or charge upon payments by the Borrower to the Trustee, Holder or Issuer hereunder, or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments,

impositions and other charges imposed on the Issuer, Holder or the Trustee in respect of any portion of the Project Facilities;

This indemnification shall extend to and include, without limitation, all reasonable costs, counsel fees, expenses or liabilities incurred in connection with any such claim or proceeding brought with respect to such claim, except:

(i) in the case of the foregoing indemnification of Trustee or any of the other indemnified parties (except as provided in the following subparagraph (ii)) to the extent such damages are caused by the gross negligence or willful misconduct of such Person; and

(ii) in the case of the foregoing indemnification of Issuer, to the extent such damages are caused by the active negligence or willful misconduct of the Issuer.

(b) In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought under this Agreement, the Borrower, upon written notice from an Indemnified Party, shall assume the investigation and defense of the action or proceeding, including the employment of counsel selected by the Borrower, subject to the approval of such Indemnified Party, which approval shall not be unreasonably withheld, conditioned or delayed, and shall assume the payment of all expenses related to the action or proceeding, with full power to litigate, compromise or settle the same in its sole discretion, provided that Issuer, the Servicer, the Majority Owner Representation, the Holder and Trustee, as appropriate, shall have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense of the action or proceeding, and the Borrower shall be obligated to pay the reasonable fees and expenses of such separate counsel if (i) the Indemnified Party, upon the advice of counsel, determines that a conflict of interest exists between the interests of such Indemnified Party and the interests of another Indemnified Party or the Borrower or (ii) such separate counsel is employed with the approval of the Borrower, which approval shall not be unreasonably withheld, conditioned or delayed.

(c) The Borrower understands and agrees that the foregoing release includes all claims of every nature and kind whatsoever, whether known or unknown, suspected or unsuspected, and the Borrower has read and understands, and hereby waives the benefits of, Section 1542 of the California Civil Code which provides as follows:

“A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.”

(d) The Borrower acknowledges that it may hereafter discover facts different from or in addition to those which it now knows or believes to be true with respect to the

foregoing release by the Borrower and agrees that the foregoing release shall be and remain effective in all respects notwithstanding such different or additional facts or the discovery thereof.

Nothing in this Section shall in any way limit the Borrower's indemnification and other payment obligations set forth in the Regulatory Agreement.

The obligations of the Borrower under this Section shall survive the termination of this Agreement and the Indenture and the repayment of the Loan and the Bond. If, and to the extent that the obligations of the Borrower under this Section are unenforceable for any reason, the Borrower hereby agrees to make the maximum contribution to the payment in satisfaction of such obligations which is permissible under applicable law. The obligations of the Borrower to the Indemnified Parties under this Section shall not be subject to the recourse limitations of Section 10.14 hereof.

**Section 2.6 Amounts Remaining on Deposit Upon Payment of the Bond.** After payment in full of the principal of, premium, if any, and interest on the Indebtedness (or defeasance of the Bond and satisfaction of the Note) and upon payment of amounts payable to the United States pursuant to any rebate requirement and the payment of any other amounts owed hereunder, under the Regulatory Agreement, or under the Indenture, all amounts on deposit with the Trustee pursuant to the Indenture, this Agreement or any other Bond Document shall be paid, with the consent of the Majority Owner Representative, by the Trustee to the Borrower.

**Section 2.7 Collateral Payments.** To provide and secure funds for the repayment of the Loan, and to provide for the delivery of the Collateral Payments, the Borrower shall proceed with obtaining the Required Equity Funds from the Tax Credit Investor. In particular, the Borrower will promptly take all necessary actions on its part to satisfy all other terms, conditions and requirements of the Partnership Agreement to obtain the Required Equity Funds.

[End of Article II]

## ARTICLE III

### SECURITY

**Section 3.1 Security Documents.** To further secure the Borrower's obligations under this Agreement, the Borrower shall, at its sole expense, execute and deliver to the Trustee (and where required, duly record), (a) [reserved]; (b) the Environmental Indemnity Agreement dated as of the Issue Date, by the Borrower and Guarantor in favor of the Trustee and the Majority Owner Representative (the "Environmental Indemnity") pursuant to which the Borrower and the Guarantor shall indemnify and hold the Trustee harmless from environmental liabilities; (c) the Assignment of Management Agreement, dated as of the Issue Date, by the Borrower to and for the benefit of the Trustee, consented to by the Manager (the "Assignment of Management Agreement and Consent"); (d) the Replacement Reserve and Security Agreement, dated as of the Issue Date, made by the Borrower in favor of the Trustee (the "Replacement Reserve Agreement"); (e) the Assignment of Project Documents, dated as of the Issue Date, made by the Borrower in favor of the Trustee (the "Assignment of Project Documents") and consented to by the Architect and the Contractor; (f) the Guaranty of Recourse Obligations, dated as of the Issue Date, made by the Guarantor in favor of the Trustee (the "Guaranty of Recourse Obligations"); (g) the Guaranty of Completion, dated as of the Issue Date made by the Guarantor in favor of the Trustee (the "Guaranty of Completion"); (h) the Guaranty of Debt Service and Stabilization dated as of the Issue Date made by the Guarantor in favor of the Trustee (the "Guaranty of Debt Service and Stabilization"); (i) the Assignment of Leases, Rents and Other Income, dated as of the Issue Date, made the Borrower to the Trustee (the "Assignment of Rents"); (j) the Assignment of Capital Contributions, dated as of the Issue Date, by the Borrower for the benefit of the Trustee (the "Assignment of Capital Contributions"); (k) a Limited Guaranty, Pledge of Partnership Interests and Security Agreement, dated as of the Issue Date, by the General Partner and the Administrative General Partner, in favor of the Trustee (the "General Partner Pledge"); (l) the Assignment of Agreement to Enter into a Housing Assistance Payments Contract, dated as of the date hereof, made by the Borrower to the Trustee for the AHAP Contract in effect for the Project Facilities, consented to by the Housing Authority of the City of Los Angeles (the "Assignment of AHAP Contract"); and (m) the Developer Limited Guaranty, Pledge and Security Agreement dated as of the Issue Date from Veterans Housing Developer, LLC, as "Developer" in favor of the Trustee (the "Developer Fee Pledge"). [confirm list]

**Section 3.2 Financing Statements.** The Borrower hereby authorizes the Trustee, without the signature of the Borrower, to file such Financing Statements (including continuation statements), and perform such other acts, under the Uniform Commercial Code of the State or other applicable Legal Requirements as are necessary or advisable to perfect and maintain perfection of the Issuer's and/or the Trustee's security interests under this Agreement, the Indenture, and the other Bond Documents. The Borrower will pay upon demand the costs of filing the foregoing financing or continuation statements and the Financing Statements required under Section 7.8 of the Indenture in such public offices as the Majority Owner Representative may designate.

[End of Article III]

## ARTICLE IV

### REPRESENTATIONS OF ISSUER

**Section 4.1 Representation by the Issuer.** The Issuer represents and warrants to the Borrower, the Trustee and the Holder from time to time of the Bond as follows:

(a) The Issuer is a charter city and municipal corporation of the State of California and is authorized to execute and enter into this Agreement and to undertake the transactions contemplated herein and to carry out its obligations hereunder.

(b) The Issuer has the power and lawful authority to adopt its resolution authorizing the Bond, to execute and deliver the Bond Documents to which it is a party, to issue the Bond and receive the proceeds of the Bond, to apply the proceeds of the Bond to make the Loan, to assign the revenues derived and to be derived by the Issuer from the Loan to the Trustee and to perform and observe the provisions of the Bond Documents and the Bond on its part to be performed and observed.

(c) The Issuer has duly authorized the execution and delivery of each of the Bond Documents to which it is a party, the issuance, execution, sale and delivery of the Bond, and the performance of the obligations of the Issuer thereunder.

(d) The Issuer makes no representation or warranty, express or implied, that the proceeds of the Bond will be sufficient to finance the acquisition, construction and equipping of the Project or that the Project will be adequate or sufficient for the Borrower's intended purposes.

**Section 4.2 No Liability of Issuer; No Charge Against Issuer's Credit.** No covenant, agreement or obligation contained herein shall be deemed to be a covenant, agreement or obligation of any present or future director, officer, employee, attorney or agent of the Issuer in his or her individual capacity, and neither any employee, attorney, director or officer of the Issuer nor any officer thereof executing the Bond shall be liable personally on the Bond or be subject to any personal liability or accountability by reason of the issuance thereof. No director, officer, employee, attorney or agent of the Issuer shall incur any personal liability with respect to any other action taken by him or her pursuant to this Agreement, the Act or the Law, provided such director, officer, employee, attorney or agent acts in good faith. No agreements or provisions contained in this Agreement nor any agreement, covenant or undertaking by the Issuer contained in any document executed by Issuer in connection with the Project or the issuance, sale and delivery of the Bond shall give rise to any pecuniary liability of the Issuer or a charge against its general credit or taxing powers, or shall obligate the Issuer financially in any way.

THE BOND IS NOT AN OBLIGATION, EITHER GENERAL OR SPECIAL, AND DOES NOT CONSTITUTE A PLEDGE OF THE GENERAL CREDIT OR TAXING POWER, OF THE CITY OF LOS ANGELES (THE "CITY"), THE STATE OF CALIFORNIA (THE "STATE") OR ANY POLITICAL SUBDIVISION THEREOF, BUT IS PAYABLE SOLELY FROM THE PROJECT REVENUES AND PROPERTY PLEDGED THEREFOR IN THE INDENTURE AND NOT FROM ANY OTHER REVENUES, FUNDS OR ASSETS OF THE

CITY. NEITHER THE CITY, THE STATE NOR ANY SUCH POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE THEREON. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE NOR ANY POLITICAL CORPORATION OR SUBDIVISION OR AGENCY THEREOF NOR THE FAITH AND CREDIT OF THE CITY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BOND OR OTHER COSTS INCIDENT THERETO. THE BOND IS NOT A DEBT OF THE UNITED STATES OF AMERICA.

No recourse shall be had for the payment of the principal of or interest on the Bond, or for any claim based thereon or on this Agreement, any other Bond Document, or any instrument or document executed and delivered by or on behalf of the Issuer in connection with the transactions contemplated hereby, against the Issuer or any officer, board member, employee or agent, past, present or future, of the Issuer or any successor body, as such, either directly or through the Issuer or any such successor body, under any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty or by any legal or equitable proceeding or otherwise and all such liability of the Issuer or any such officer, board member, employee or agent, past, present or future as such is hereby expressly waived and released as a condition of and consideration for the adoption of the resolution authorizing the execution of the Bond Documents and issuance of the Bond and the delivery of other documents in connection herewith. No officer, board member, employee or agent, past, present or future, of the Issuer or any successor body shall be personally liable on the Bond Documents, the Bond or any other documents in connection herewith, nor shall the issuance of the Bond be considered as misfeasance or malfeasance in office. The Bond and the undertakings of the Issuer under the Bond Documents do not constitute a pledge of the general credit or taxing power of the Issuer, the State, or any political subdivision thereof, do not evidence and shall never constitute a debt of the State or any political subdivision thereof and shall never constitute nor give rise to a pecuniary liability of the State or any political subdivision thereof.

[End of Article IV]

## ARTICLE V

### REPRESENTATIONS AND WARRANTIES OF THE BORROWER

The Borrower represents and warrants on the Issue Date to and for the benefit of the Issuer, the Trustee, the Majority Owner Representative and the Holder of the Bond as follows:

**Section 5.1 Existence.** The Borrower is a limited partnership, duly organized, validly existing and in good standing under the laws of the State. The Borrower has furnished to the Issuer, the Trustee and the Majority Owner Representative true and complete copies of its Partnership Agreement and certificate of limited partnership. The Borrower owns and will own no other assets other than the Project Facilities. The Borrower has been, is and will be engaged solely in the business of acquiring, constructing, renovating, equipping, financing, owning, managing and operating the Project Facilities and activities incident thereto. [The General Partner of the Borrower is duly organized, validly existing and in good standing under the laws of the State and is duly qualified to do business in the State. The Administrative General Partner of the Borrower is duly organized, validly existing and in good standing under the laws of the State and is duly qualified to do business in the State.] [The Administrative General Partner has furnished to the Issuer, the Trustee and the Majority Owner Representative true and complete copies of Partnership Agreement and certificate of limited partnership of the Borrower and of its articles of organization and operating agreement.] [The [Administrative] General Partner has and will have no other assets other than its partnership interests in the Borrower.] [The General Partner has furnished to the Issuer, the Trustee and the Majority Owner Representative true and complete copies of its charter and bylaws.] [Confirm Borrower organizational structure]

**Section 5.2 Power, Authorization and No Conflicts.** The Borrower has all requisite power and authority and the legal right to own and operate its properties and to conduct its business and operations as they are currently being conducted and as proposed to be conducted by it. The officers of the Borrower executing this Agreement and the other Bond Documents are duly and properly in office and fully authorized to execute the same. The execution, delivery and performance by the Borrower of this Agreement and the other Bond Documents to which the Borrower is a party (i) are within the Borrower's powers, (ii) have been duly authorized by all necessary partnership and legal action by or on behalf of the Borrower, and (iii) do not contravene the Partnership Agreement, operating agreement, articles of incorporation, articles of organization, or certificate of limited partnership of [the Borrower, the Administrative General Partner or the General Partner], as applicable, or any Legal Requirement applicable to the Borrower, [the Administrative General Partner, the General Partner] or any Material Contract or restriction binding on or affecting the Borrower, [the General Partner, the Administrative General Partner,] or any of their respective assets, or result in the creation of any mortgage, pledge, lien or encumbrance upon any of its assets other than as provided by the terms thereof. This Agreement and the other Bond Documents to which the Borrower is a party have been duly authorized, executed and delivered by the Borrower.

**Section 5.3 Governmental Authorizations and Other Approvals.** [The Borrower, the Administrative General Partner and the General Partner] have all necessary Governmental Actions and qualifications, and have complied with all applicable Legal Requirements necessary to conduct their business as it is presently conducted and to own, operate, construct and renovate

the Project Facilities in accordance with the provisions of the Bond Documents. Except as set forth on **Schedule 6** hereto, the Borrower has obtained all Governmental Actions from such Governmental Authorities which are a necessary precondition to construct, renovate, own and operate the Project Facilities and all such Governmental Actions have not been revoked, are in full force and effect and are not subject to any pending judicial or administrative proceedings, the period for judicial or administrative appeal or review having expired and no petition for administrative or judicial appeal or review having been filed. The Project Facilities (upon completion of construction and renovation of the Project Facilities as contemplated in the Plans and Specifications) will comply with all Governmental Actions and Legal Requirements, including all zoning restrictions (including without limitation, use density, setbacks, parking and other similar requirements) or the Borrower has a valid variance for or exemption from such requirements. All Governmental Actions obtained by the Borrower are listed and described on **Schedule 6** hereto and have not been terminated or revoked and are in full force and effect. With respect to any Government Actions not yet obtained, if any, the steps listed on **Schedule 6** are all the steps needed to obtain such Governmental Actions and the Borrower knows of no reason such Governmental Actions will not be timely obtained in the ordinary course of business and as needed in connection with the construction, renovation or operation of the Project Facilities. No such Governmental Action will terminate, or become void or voidable or terminable, upon any sale, transfer or other disposition of the Project Facilities.

**Section 5.4 Validity and Binding Effect.** This Agreement, the other Bond Documents, the Senior Bond Documents and the Subordinate Debt Documents to which the Borrower is a party are the legal, valid and binding obligations of the Borrower, enforceable against it in accordance with their respective terms, subject to the application by a court of general principles of equity and to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar Legal Requirement affecting creditors' rights generally.

**Section 5.5 No Litigation.** Except as disclosed on **Schedule 1** attached hereto, there is no pending action or proceeding, including eminent domain proceedings, before any Governmental Authority or arbitrator against or involving the Borrower, [the Administrative General Partner, the General Partner] or to the Borrower's knowledge after due inquiry, the Project Facilities and, to the best knowledge of the Borrower, [the Administrative General Partner, and the General Partner] there is no threatened action or proceeding, including eminent domain proceedings, affecting the Borrower, [the Administrative General Partner, or the General Partner] before any Governmental Authority or arbitrator which, in any case, might materially and adversely affect the business, operations, assets, condition (financial or otherwise) or prospects of the Borrower, [the Administrative General Partner or the General Partner] or the validity or enforceability of this Agreement, the Bond, the Seller Loan Documents, the Subordinate Debt Documents, the other Bond Documents, the Senior Bond Documents, or the construction, renovation, operation or ownership or renting of the Project Facilities, or the exclusion from gross income of interest on the Bond for purposes of federal income taxation or the exemption of the Project Facilities from ad valorem real estate taxation under the laws of the State.

**Section 5.6 No Violations.** The Borrower, [the Administrative General Partner, and the General Partner] are in compliance in all material respects with, and not in breach of or default under (a) any applicable Governmental Actions or Legal Requirements with respect to the Project Facilities of any Governmental Authority having jurisdiction, or (b) the Bond Documents, the



Senior Bond Documents, or any other credit agreement, indenture, mortgage, agreement or other instrument to which it is a party or otherwise subject. No event has occurred and is continuing which, with the passage of time or the giving of notice or both, would constitute an event of default under any such instrument. The Borrower is not in violation, nor is there any notice or other record of any violation of any Legal Requirements, restrictive covenants or other restrictions applicable to any of the Project Facilities. All tax returns (federal, state and local) required to be filed by or on behalf of the Borrower have been filed, and all taxes shown thereon to be due, including interest and penalties, except such, if any, as are being actively contested by the Borrower in good faith, have been paid or adequate reserves have been made for the payment thereof which reserves, if any, are reflected in the audited financial statements described therein. The Borrower enjoys the peaceful and undisturbed possession of the Project Facilities.

**Section 5.7 Compliance.** The ownership (whether in fee or leasehold) of the Project Facilities, the construction and renovation of the Project Facilities, and the use and operation of the Project Facilities as contemplated hereby do and shall, in all material respects, comply with, and are lawful and permitted uses under, the Tax Certificate and the Regulatory Agreement, all applicable building, fire, safety, zoning, subdivision, sewer, Environmental Laws, health, insurance and other Legal Requirements and plan approval conditions of any Governmental Authority. The Borrower has obtained all Governmental Actions from such Governmental Authorities which are a necessary precondition to construct, renovate, own and operate the Project Facilities and all such Governmental Actions have not been terminated or revoked, are in full force and effect and are not subject to any pending judicial or administrative proceedings, the period for judicial or administrative appeal or review having expired and no petition for administrative or judicial appeal or review having been filed. The Project Facilities are located wholly within the boundaries of the Issuer's jurisdiction. The Project Facilities will satisfy all requirements of the Act and the Code with respect to multifamily rental housing and/or qualified residential rental facilities, and the requirements for an exemption from ad valorem real estate taxation under the laws of the State.

**Section 5.8 Title to Properties; Liens and Encumbrances.** The Borrower is the fee simple owner of the real property on which the Project Facilities will be constructed and renovated and the Improvements thereon, free and clear of all liens or encumbrances except for the Permitted Encumbrances. All such real property, fixtures and equipment necessary to the conduct of the business of the Borrower and the operation of the Project Facilities are and will be in reasonable working order and are suitable for the purposes for which they are and will be used. There exist no Liens, encumbrances or other charges against the Project Facilities (including without limitation statutory and other liens of mechanics, workers, contractors, subcontractors, suppliers, taxing authorities and others), except Permitted Encumbrances.

**Section 5.9 Utilities and Access.** All utility services necessary for the operation of the Project Facilities in the manner contemplated hereby, including water supply, storm and sanitary sewer facilities, gas, electricity and telephone facilities are available within the boundaries of the Project Facilities; and all roads necessary for the full utilization of the Project Facilities in the manner contemplated hereby either have been completed or rights-of-way therefor have been acquired by the appropriate Governmental Authority or others or have been dedicated to public use and accepted by such Governmental Authority.

## **Section 5.10 Financial Information.**

(a) All of the financial information furnished to the Majority Owner Representative or the Holder with respect to the Borrower, the Guarantor, [the Administrative General Partner and the General Partner] in connection with this Agreement (i) is complete and correct in all material respects as of the date hereof; and (ii) accurately presents the financial condition of such party as of the date hereof. None of the Borrower, the Guarantor, [the Administrative General Partner or the General Partner] has any material liability or contingent liability not disclosed to the Majority Owner Representative and the Holder in writing; and

(b) Since its formation, each of the Borrower, the Guarantor, [the Administrative General Partner and the General Partner] has conducted its operations in the ordinary course, and no material adverse change has occurred in the business, operations, assets or financial condition of the Borrower, the Guarantor, [the Administrative General Partner or the General Partner.]

**Section 5.11 ERISA.** No employee pension plan maintained by the Borrower, [the Administrative General Partner or the General Partner] or any ERISA Affiliate which is subject to Part 3 of Title I of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) has an accumulated funding deficiency (as defined in Section 302(a) of ERISA), no reportable event (as defined in Section 4043 of ERISA) has occurred with respect to any employee pension plan maintained for employees of the Borrower or any ERISA Affiliate and covered by Title IV of ERISA, no liability has been asserted against the Borrower, [the General Partner, the Administrative General Partner] or any ERISA Affiliate by the Pension Benefit Guaranty Corporation (“PBGC”) or by a trustee appointed pursuant to Section 4042(b) or (c) of ERISA, and no lien has been attached and no person has threatened to attach a lien to any of the Borrower’s, [the General Partner’s, the Administrative General Partner’s] or any ERISA Affiliate’s property as a result of failure to comply with ERISA or as a result of the termination of any employee pension plan covered by Title IV of ERISA. Each employee pension plan (as defined in Section 3(2) of ERISA) maintained for employees of the Borrower, [the General Partner, the Administrative General Partner] or any ERISA Affiliate which is intended to be qualified under Section 401(a) of the Code, including all amendments to such plan or to any trust agreement, group annuity or insurance contract or other governing instrument, is the subject of a favorable determination by the Internal Revenue Service with respect to its qualification under Section 401(a) of the Code. With respect to any multi-employer pension plan (as defined in Section 3(37) of ERISA) to which the Borrower, [the General Partner, the Administrative General Partner] or any ERISA Affiliate is or has been required to contribute after September 25, 1980, (i) no withdrawal liability (within the meaning of Section 4201 of ERISA) has been incurred by the Borrower, [the General Partner, the Administrative General Partner] or any ERISA Affiliate, (ii) no withdrawal liability has been asserted against the Borrower, [the General Partner, the Administrative General Partner] or any ERISA Affiliate by a sponsor or an agent of a sponsor of any such multi-employer plan, (iii) no such multi-employer pension plan is in reorganization (as defined in Section 4241(a) of ERISA), and (iv) neither the Borrower, [the Administrative General Partner, the General Partner] nor any ERISA Affiliate has any unfilled obligation to contribute to any such multi-employer pension plan. As used in this Agreement, “ERISA Affiliate” means (i) any corporation included with the Borrower, [the Administrative General Partner or the General

Partner] in a controlled group of corporations within the meaning of Section 414(b) of the Code, (ii) any trade or business (whether or not incorporated or for-profit) which is under common control with the Borrower, [the Administrative General Partner or the General Partner] within the meaning of Section 414(c) of the Code, (iii) any member of an affiliated service group of which the Borrower, [the Administrative General Partner, or the General Partner] is a member within the meaning of Section 414(m) of the Code, and (iv) any other entity treated as being under common control with the Borrower, [the Administrative General Partner or the General Partner] under Section 414(o) of the Code.

## **Section 5.12 Environmental Representations.**

(a) Except as set forth on the Environmental Audit delivered to the Majority Owner Representative and the Holder (a) the Borrower has no knowledge of any activity at the Project Facilities, or any storage, treatment or disposal of any Hazardous Substances connected with any activity at the Project Facilities, which has been conducted, or is being conducted, in violation of any Environmental Law; (b) the Borrower has no knowledge of any of the following which could give rise to material liabilities, material costs for remediation or a material adverse change in the business, operations, assets, condition (financial or otherwise) or prospects of the Borrower: (i) Contamination present at the Project Facilities, (ii) polychlorinated biphenyls present at the Project Facilities, (iii) asbestos or materials containing asbestos present at the Project Facilities, (iv) urea formaldehyde foam insulation present at the Project Facilities, or (v) lead-based paint at the Project Facilities; (c) no portion of the Project Facilities constitutes an Environmentally Sensitive Area; (d) the Borrower has no knowledge of any investigation of the Project Facilities for the presence of radon; (e) no tanks presently or formerly used for the storage of any liquid or gas above or below ground are present at any of the Project Facilities; (f) no condition, activity or conduct exists on or in connection with the Project Facilities which constitutes a violation of Environmental Laws; (g) no notice has been issued by any Governmental Authority to the Borrower, the Administrative General Partner, or the General Partner, identifying the Borrower, the Administrative General Partner or the General Partner as a potentially responsible party under any Environmental Laws; (h) there exists no investigation, action, proceeding or claim by any Governmental Authority or by any third party which could result in any liability, penalty, sanctions or judgment under any Environmental Laws with respect to the Project Facilities; and (i) the Borrower is not required to obtain any permit or approval from any Governmental Authority or need notify any Governmental Authority pursuant to any Environmental Law with regard to the construction or renovation of the Project Facilities.

(b) The Borrower and the Issuer agree that: (i) this Section 5.12 is intended as the Issuer's written request for information (and the Borrower's response) concerning the environmental condition of the real property security as required by California Code of Civil Procedure §726.5; and (ii) each provision in this Section (together with any indemnity applicable to a material breach of any such provision) with respect to the environmental condition of the real property security is intended by the Issuer and the Borrower to be an "environmental provision" for purposes of California Code of Civil Procedure §736

(c) The term of the indemnity provided for herein will commence on the date hereof. Without in any way limiting the above, it is expressly understood that Borrower's duty to indemnify the Indemnified Parties hereunder shall survive: (1) any judicial or non-judicial foreclosure of the Project Facilities, or transfer of the Project Facilities in lieu thereof; (2) the cancellation of the Note and the release, satisfaction or reconveyance or partial release, satisfaction or reconveyance of the Project Facilities; and (3) the satisfaction of all of Borrower's obligations under the Bond Documents.

(d) If any portion of the Project Facilities is determined to be "environmentally impaired" (as "environmentally impaired" is defined in California Code of Civil Procedure Section 726.5(e)(3)) or to be an "affected parcel" (as "affected parcel" is defined in California Code of Civil Procedure Section 726.5(e)(1)), then, the Issuer may elect to exercise its right under California Code of Civil Procedure Section 726.5(a) to (1) waive its lien on such environmentally impaired or affected parcel or portion of the Project Facilities and (2) exercise (i) the rights and remedies of an unsecured creditor, including reduction of its claim against the Borrower to judgment, and (ii) any other rights and remedies permitted by law. For purposes of determining the Issuer's right to proceed as an unsecured creditor under California Code of Civil Procedure Section 726.5(a), the Borrower shall be deemed to have willfully permitted or acquiesced in a release or threatened release of hazardous materials, within the meaning of California Code of Civil Procedure Section 726.5(d)(1), if the release or threatened release of hazardous materials was knowingly or negligently caused or contributed to by any lessee, occupant or user of any portion of the Project Facilities and Borrower knew or should have known of the activity by such lessee, occupant or user which caused or contributed to the release or threatened release. All out-of-pocket costs and expenses, including, without limitation, attorneys' fees, incurred by the Trustee in connection with any action commenced under this Section, including any action required by California Code of Civil Procedure Section 726.5(b) to determine the degree to which the Project Facilities is environmentally impaired, plus interest thereon at the Default Rate (as defined in the Indenture) until paid, shall be added to the obligations secured by the Security and shall be due and payable to the Issuer upon its demand made at any time following the conclusion of such action.

**Section 5.13 Outstanding Obligations and Material Contracts.** Attached hereto as *Schedule 2* is (i) a complete list of all Obligations of the Borrower, [the Administrative General Partner and the General Partner] as of the date of execution and delivery hereof, together with a description of the instruments evidencing, governing or securing such obligations (provided that no description need be provided of the Obligations hereunder) and (ii) a complete list of all other Material Contracts. There exists no default under any such instrument. Except for the obligations listed on *Schedule 2*, neither the Borrower, [the Administrative General Partner nor the General Partner] has incurred any Obligations, secured or unsecured, direct or contingent. Each of the Borrower, [the Administrative General Partner and the General Partner], as applicable, has complied with all provisions of such Material Contracts in all material respects, to the extent such contract is applicable to such party, and there exists no default or event which, with the giving of notice or the passage of time, or both, would constitute a default, under any such Material Contract.

**Section 5.14 Solvency.** Each of the Borrower, the Guarantor, [the Administrative General Partner and the General Partner] is and, after giving effect to this Agreement and all other

agreements of the Borrower, the Guarantor, [the Administrative General Partner and the General Partner] being entered into on the date of execution and delivery of this Agreement, will be solvent (which for this purpose shall mean that it is able to pay its current debts as they come due).

**Section 5.15 Full Disclosure.** This Agreement, the exhibits hereto and any other Bond Documents, the exhibits and schedules thereto, and any other documents or certificates required to be furnished thereunder to the Majority Owner Representative or the Holder by or on behalf of the Borrower, the Guarantor, [the Administrative General Partner or the General Partner] in connection with the transactions contemplated hereby or by the Bond Documents, do not contain any untrue statement of a material fact with respect to the Borrower, the Guarantor, [the Administrative General Partner or the General Partner] or the Project Facilities and do not omit to state a material fact with respect to the Borrower, the Guarantor, [the Administrative General Partner or the General Partner] or the Project Facilities necessary in order to make the statements contained therein not misleading in light of the circumstances under which they were made. There is no fact known to the Borrower, [the Administrative General Partner or the General Partner] which materially adversely affects or in the future may adversely affect the business, operations, properties, assets or financial condition of the Borrower, [the Administrative General Partner or the General Partner], as applicable, which has not been set forth in this Agreement or in the other documents, certificates, opinions, schedules and statements furnished to the Majority Owner Representative and the Holder on behalf of any such party before the date of execution and delivery of this Agreement in connection with the transactions contemplated hereby.

**Section 5.16 Bond Documents.** Each of the Borrower, the Guarantor, [the Administrative General Partner and the General Partner], as applicable, has provided the Majority Owner Representative and the Holder with true, correct and complete copies of: (i) all documents executed by the Borrower, the Guarantor, [the Administrative General Partner or the General Partner] in connection with the Bond, including all amendments thereto and compliance reports filed thereunder; (ii) all management and service contracts entered into by the Borrower in connection with the Project Facilities, including all amendments thereto; (iii) all known correspondence, if any, relating to the Bond from the Trustee, the Issuer, the Securities and Exchange Commission, the Internal Revenue Service or any state or local securities regulatory body or taxing authority or any securities rating agency; and (iv) all documentation, if any, relating to governmental grants, subsidies or loans or any other loans, lines of credit or other subordinate financing (including, without limitation, the Seller Loan and the Subordinate Debt) relating to the Borrower or the Project Facilities, whether or not secured by the Project Facilities. Each of the representations and warranties on the Borrower's part made in the Bond Documents to which the Borrower is a party remain true and correct in all material respects and no Default exists under any covenants on the Borrower's part to perform under the Bond Documents to which the Borrower is a party.

**Section 5.17 Illegal Activity.** No portion of any of the Project Facilities has been or will be acquired, constructed, renovated, fixtured, equipped or furnished with proceeds of any illegal activity conducted by the Borrower.

**Section 5.18 Executive Order 13224.** None of the Borrower, [the Administrative General Partner, the General Partner], nor any Person holding any legal or beneficial interest whatsoever in any of those entities is included in, owned by, controlled by, acting for or on behalf

of, providing assistance, support, sponsorship, or services of any kind to, or otherwise associated with any of the persons or entities referred to or described in Executive Order 13224 - Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism, as amended. It shall constitute an Event of Default hereunder if the foregoing representation and warranty shall ever become false.

**Section 5.19 No Broker.** The Borrower has used no broker in connection with the execution hereof and the transactions contemplated hereby.

**Section 5.20 Construction Contract; Architect's Agreement.** The Construction Contract and the Architect's Agreement are each in full force and effect, and the parties thereto are in full compliance with their respective obligations thereunder. The work to be performed by the Contractor under the Construction Contract is the work called for by the Plans and Specifications, and all Work required to complete the Improvements in accordance with the Plans and Specifications is provided for under the Construction Contract.

**Section 5.21 Development Budget.** The Development Budget attached hereto as *Schedule 4* accurately reflects all anticipated costs of implementing and completing the Work within the Plans and Specifications.

**Section 5.22 Plans and Specifications.** The Borrower has furnished the Trustee, the Majority Owner Representative and the Holder with true and complete sets of the Plans and Specifications. The Plans and Specifications so furnished to the Trustee, the Majority Owner Representative and the Holder comply with all Legal Requirements, all Governmental Actions, and all restrictions, covenants and easements affecting the Project Facilities, and have been approved by the Tax Credit Investor and such Governmental Authorities as is required for construction and renovation of the Project Facilities.

**Section 5.23 Survey.** The survey for the Project Facilities delivered to the Trustee, the Majority Owner Representative and the Holder does not fail to reflect any material matter of survey affecting the Project Facilities or the title thereto.

**Section 5.24 Flood Plain.** No part of the Project Facilities is located in an area identified by the Federal Emergency Management Agency as an area having special flood hazard or to the extent any part of the Project Facilities is an area identified as an area having special flood hazard, flood insurance in an amount equal to 100% of the appraised insurable value of the Project Facilities has been obtained by the Borrower.

**Section 5.25 Rent Roll.** To the best knowledge of the Borrower, attached hereto as *Schedule 12* is a true, correct and complete rent roll for the Project Facilities (the "Rent Roll"), which includes all residential leases affecting the Project Facilities. Except as set forth in *Schedule 12*, to the Borrower's actual knowledge: (i) each lease is in full force and effect; (ii) the tenants under the leases have accepted possession of and are in occupancy of all of their respective demised Project Facilities, have commenced the payment of rent under such leases, and there are no offsets, claims, or defenses to the enforcement thereof; (iii) all rents due and payable under the leases have been paid and no portion thereof has been paid for any period more than 30 days in advance; (iv) the rent payable under each lease is the amount of fixed rent set forth in the Rent

Roll, and there is no claim or basis for a claim by tenant thereunder for an adjustment to the rent; (v) no tenant has made any claim against the landlord under the leases (except as disclosed on ***Schedule 12***) which remains outstanding, there are no defaults on the part of the landlord under any lease, and no event has occurred which, with the giving of notice or passage of time, or both, would constitute such a default; and (vi) to the Borrower's best knowledge, there is not present a material default by the tenant under any lease. The Borrower will hold any security deposits under the leases in a non-commingled bank account in the name of the Borrower and meeting the requirements of applicable laws. None of the leases contains any option to purchase or right of first refusal to purchase the Project Facilities or any part thereof. Neither the leases nor the Rents have been assigned or pledged to any Person and no Person has any interest therein except the tenants thereunder.

**Section 5.26 Requisition.** Each Requisition submitted to the Majority Owner Representative shall constitute an affirmation that the representations and warranties of the Borrower contained in this Agreement and in the other Bond Documents remain true and correct as of the date thereof unless otherwise noted in writing; and unless the Majority Owner Representative is notified to the contrary, in writing, prior to the requested date of the advance under such Requisition, shall constitute an affirmation that the same remain true and correct on the date of such advance.

**Section 5.27 No Consent.** No consent or approval of any trustee or holder of any indebtedness of the Borrower, and to the best knowledge of the Borrower and with respect to the Borrower, no consent, permission, authorization, order or license of, or filing or registration with, any Governmental Authority (except with respect to any state securities or "blue sky" laws) is necessary in connection with the execution and delivery of this Agreement or the Bond Documents, or the consummation of any transaction herein or therein contemplated, or the fulfillment of or compliance with the terms and conditions hereof or thereof, except as have been obtained or made and as are in full force and effect.

**Section 5.28 Notice of Redemption.** The Borrower shall provide no less than 30 days' written notice to the California Debt Limit Allocation Committee and to the Issuer prior to the redemption of the Bond, in whole or in part, on the Stabilization Date.

[End of Article V]

## ARTICLE VI

### GENERAL COVENANTS

So long as any amount is due and owing hereunder, the Borrower covenants and agrees, except to the extent the Majority Owner Representative shall otherwise consent in writing to perform and comply with each of the following covenants:

**Section 6.1 Conduct of Business; Maintenance of Existence; Mergers.** The Borrower, the Administrative General Partner, and the General Partner will (i) engage solely in the business of financing, constructing, developing, owning and operating the Project Facilities, and activities incident thereto, (ii) preserve and maintain in full force and effect its existence as a limited partnership or limited liability company, as applicable, under the Legal Requirements of the state of its organization, and its rights and privileges and its qualification to do business in the State, (iii) not dissolve or otherwise dispose of all or substantially all of its assets, (iv) not consolidate with or merge into another entity or permit one or more other entities to consolidate with or merge into it, (v) not amend any provision of its certificate of limited partnership, or certificate of formation, or its partnership agreement or operating agreement, as applicable, relating to its purpose, management or operation in any way which affect the timing or amount of capital contributions, except as adjusted pursuant to the original terms thereof, or the conditions to the payment thereof, without the prior written consent of the Majority Owner Representative and otherwise being in compliance with the Regulatory Agreement, but excluding any amendments to reflect a Permitted Transfer, and (vi) promptly and diligently enforce its rights under the Partnership Agreement, and cause the Tax Credit Investor to make its capital contributions as and when required under the Partnership Agreement.

**Section 6.2 Compliance with Legal Requirements; Payment of Impositions.** The Borrower will comply with all Legal Requirements applicable to the Borrower or the Project Facilities. The Borrower will pay all Impositions and insurance premiums when due and will make the applicable deposits required by Section 8.2 of this Agreement for such purposes.

**Section 6.3 Maintenance of Governmental Authorizations.** The Borrower shall timely obtain any Governmental Actions required for the construction or renovation of the Project Facilities not obtained prior to the Issue Date and shall provide copies thereof to the Majority Owner Representative and the Trustee upon receipt. The Borrower will maintain in full force and effect all of its Governmental Actions and qualifications necessary for the conduct of its business as it is presently being conducted and the ownership (whether in fee or leasehold), construction, renovation and operation of the Project Facilities as they are presently being operated and as contemplated by the terms of the Bond Documents. The Borrower will promptly furnish copies of all reports and correspondence relating to a loss or proposed revocation of any such qualification to the Majority Owner Representative.

**Section 6.4 Maintenance of Insurance.**

(a) At all times throughout the term hereof, the Borrower shall, at its sole cost and expense, maintain or cause to be maintained insurance against such risks and for such amounts as required by the Majority Owner Representative for facilities of the type and



size of the Project Facilities and shall pay, as the same become due and payable, all premiums with respect thereto. The initial insurance requirements shall include, but not necessarily be limited to, the requirements set forth on *Schedule 13* hereto.

(b) All insurance required by this Section 6.4 shall be produced and maintained in financially sound and generally recognized responsible insurance companies selected by the entity required to procure the same and authorized to write such insurance in the State. Such insurance may be written with deductible amounts comparable to those on similar policies carried by other companies engaged in businesses similar in size, character and other respects to those in which the procuring entity is engaged. All insurance policies required by Section 6.4(a) hereof shall provide for payment to the Trustee of the net proceeds of insurance resulting from any claim for loss or damage thereunder. All policies of insurance required by Section 6.4(a) hereof shall provide for at least 30 days' prior written notice of the restriction, cancellation or modification thereof to the Trustee, with a copy to the Majority Owner Representative. The policy evidencing liability insurance required by Section 6.4(a) hereof shall name the Issuer, the Majority Owner Representative, the Holder and the Trustee as additional named insureds. Upon request of the Majority Owner Representative, the Borrower will assign and deliver (which assignment shall be deemed to be automatic and to have occurred upon the occurrence of an Event of Default hereunder) to the Trustee, the policies of property and casualty insurance required under Section 6.4(a), so and in such manner and form that the Trustee shall at all times, upon such request and until the payment in full of the Bond, have and hold said policies and the net proceeds thereof as collateral and further security under the Indenture. The policies under Section 6.4(a) hereof shall contain appropriate waivers of subrogation.

(c) Copies of the policy or certificate (or binder) of insurance, together with all required endorsements, required by Section 6.4(a) hereof shall be delivered to the Trustee, with a copy to the Majority Owner Representative and the Holder on or before the Issue Date. The Borrower shall deliver to the Issuer and the Trustee before the first Business Day of each calendar year thereafter a certificate dated not earlier than the immediately preceding month reciting that there is in full force and effect insurance of the types and in the amounts required by this Section 6.4, or as otherwise approved by the Majority Owner Representative and the Holder as of the date hereof. Prior to the expiration of each such policy, the Borrower shall furnish the Trustee, with a copy to the Majority Owner Representative and the Holder, with a certificate confirming that such policy has been renewed or replaced or is no longer required by this Agreement. The Borrower shall provide such further information with respect to the insurance coverage required by this Agreement as the Majority Owner Representative or the Holder may, from time to time, reasonably require.

(d) The net proceeds of the property and casualty insurance carried pursuant to the provisions of Section 6.4(a) hereof shall be applied as provided in the Senior Mortgage and the net proceeds of the liability insurance required by Section 6.4(a) hereof shall be applied, with the prior written consent of the Majority Owner Representative toward extinguishment or satisfaction of the liability with respect to which such insurance proceeds may be paid.

PURSUANT TO CALIFORNIA CIVIL CODE SECTION 2955.5, UNDER CALIFORNIA LAW, NO LENDER SHALL REQUIRE A BORROWER, AS A CONDITION OF RECEIVING OR MAINTAINING A LOAN SECURED BY REAL PROPERTY, TO PROVIDE HAZARD INSURANCE COVERAGE AGAINST RISKS TO THE IMPROVEMENTS ON THAT REAL PROPERTY IN AN AMOUNT EXCEEDING THE REPLACEMENT VALUE OF THE IMPROVEMENTS ON THE PROPERTY.

**Section 6.5 Compliance with Other Contracts and Bond Documents.** The Borrower will comply with all of its covenants and agreements under the Bond Documents to which it is a party, as the same may hereafter be amended or supplemented from time to time, and each of such covenants is incorporated herein by reference as if fully set forth herein. The Borrower acknowledges that the Indenture imposes certain obligations upon the Borrower and the Borrower agrees to discharge such obligations as if they were fully set forth herein (notwithstanding that the Borrower is not a party to the Indenture). The Borrower shall comply with all of its covenants and agreements under the Subordinate Debt Documents and the Seller Loan Documents. The Borrower shall comply in all material respects with, or cause to be complied with, all requirements and conditions of all Material Contracts and insurance policies which relate to the Borrower or the Project Facilities.

**Section 6.6 Maintenance of Project Facilities.** The Borrower will, at its sole expense and as one of the Expenses (including use of the funds on deposit in the Accounts, in accordance with the terms of the Indenture and the Replacement Reserve Agreement), (i) maintain the Project Facilities in good working order and repair consistent with customary and prudent practices, standards and procedures applicable to properties of like size and type, fit for the purposes for which they were originally erected; (ii) not use (and use reasonable efforts to not permit tenants to use) the Project Facilities for any unlawful purpose and use reasonable efforts to not permit any nuisance to exist thereon; (iii) promptly make such repairs or replacements (structural or nonstructural, foreseen or unforeseen), which may be funded from reserve funds established under the Bond Documents, as required for the proper operation, repair and maintenance of the Project Facilities in an economical and efficient manner and consistent with customary and prudent practices, standards and procedures applicable to properties of like size and type; (iv) perform all repairs or replacements in a good and workmanlike manner, and in compliance with all applicable Governmental Actions and Legal Requirements; (v) keep and maintain grounds, sidewalks, roads, parking and landscape areas comprising the Project Facilities in good and neat order and repair consistent with customary and prudent practices, standards and procedures applicable to properties of like size and type; (vi) not take (or fail to take) any action, which if taken (or not so taken) would increase in any way the risk of fire or other hazard occurring to or affecting the Project Facilities; and (vii) not sell, lease (other than pursuant to residential leases permitted under this Agreement), cause a Sale of or otherwise dispose of any part of the Project Facilities, except as otherwise permitted hereunder and under the other Bond Documents, or the exercise of that certain purchase option set forth in Section 4.7 of the Partnership Agreement.

**Section 6.7 Inspection Rights.**

(a) The Borrower will, at any reasonable time during normal business hours and from time to time, permit the Majority Owner Representative, the Trustee, the Issuer, and the agents or representatives of the Majority Owner Representative, the Trustee and

the Issuer, to examine and copy and make abstracts from the records and books of account of, and visit the properties of, the Borrower, and to discuss the affairs, finances and accounts of the Borrower with [the General Partner, the Administrative General Partner] and the Accountant. Upon reasonable prior written notice, and subject to the rights of tenants, the Borrower will permit the Engineering Consultant to inspect, or cause to be inspected, the Project Facilities at any reasonable time or times as the Majority Owner Representative may direct. The Borrower shall pay or reimburse the Majority Owner Representative on demand for fees and expenses incurred in connection with such inspections.

(b) After the Engineering Consultant shall have inspected or caused to have been inspected the Project Facilities, the Engineering Consultant shall send written notice to the Majority Owner Representative notifying the Majority Owner Representative of the nature and extent of capital needs of the Project Facilities, if any, which are, in the Engineering Consultant's professional judgment, necessary to maintain and preserve the Project Facilities in accordance with the standards set forth in Section 6.6 hereof, and which are not addressed in the Development Budget, Annual Budget for the Project Facilities or otherwise accounted for in anticipated work to be funded from reserves established under the Bond Documents or Partnership Agreement. After considering the Engineering Consultant's recommendation, the Majority Owner Representative shall notify the Borrower of the work which the Engineering Consultant recommends be performed in order to comply with the requirements of Section 6.6 hereof and the time period over which, in its professional judgment, such work should be commenced and completed.

(c) The Borrower shall promptly commence and diligently complete the work recommended by the Engineering Consultant within the time period set forth in the report, and any and all work recommended by the Engineering Consultant hereunder shall be funded initially from the reserve funds established therefor under the Bond Documents, and only thereafter from the funds of the Borrower, the Administrative General Partner, the General Partner or the Guarantor. If the Borrower fails to complete the work within such time period, the Majority Owner Representative, at the Majority Owner Representative's discretion, may complete such work for and on the Borrower's behalf and may do any act or thing the Majority Owner Representative deems necessary or appropriate to that end. The expenses incurred by the Majority Owner Representative in completing such work shall bear interest at the Default Rate, shall be borne by the Borrower and shall be reimbursed to the Majority Owner Representative immediately upon demand. All work performed by the Borrower shall be performed in a good and workmanlike manner and shall be completely free and clear of any mechanics or materialman's liens and encumbrances and shall be subject to the requirements of Section 6.6 hereof.

**Section 6.8 Keeping of Books.** The Borrower will keep proper books of record and account, in which full and correct entries shall be made of financial transactions and the assets and operations of the Borrower in accordance with GAAP, and have a complete audit of such books of record and account made by the Accountant for each Fiscal Year.

**Section 6.9 Reporting Requirements.** The Borrower will furnish or cause to be furnished to the Majority Owner Representative the following in form satisfactory to the Majority

Owner Representative and in such number of copies as the Majority Owner Representative may reasonably require:

(a) As soon as available and in any event within 45 days after the close of each fiscal quarter of each Fiscal Year of the Borrower:

(i) unaudited financial statements for the Borrower and the Project Facilities, including a balance sheet and related statement of income as of the end of such fiscal quarter and for such fiscal quarter and the current Fiscal Year to the end of such fiscal quarter, which shall be internally prepared and presented on a consistent basis;

(ii) a certificate signed by an Authorized Person stating that, except as disclosed in such certificate, (1) during such fiscal quarter the Borrower has observed and performed all of its covenants and agreements set forth in this Agreement and the other Bond Documents (including the rules qualifying the interest payable on the Bond for federal tax exemption pursuant to Section 142(d) of the Code and the regulations issued thereunder), except as disclosed in such certificate, (2) if the Project Facilities have received a tax credit allocation, during such fiscal quarter the Project Facilities have complied with the requirements of Section 42 of the Code and the regulations issued thereunder, and (3) no Default or Event of Default has occurred or exists;

(b) As soon as available and in any event within one hundred 120 days after the close of each Fiscal Year of the Borrower:

(i) audited financial statements for the Borrower, on a consolidated basis, including a balance sheet and related statements of income and changes in financial position as of the end of such Fiscal Year and for such Fiscal Year, which shall be prepared and reported on without qualification by the Accountant in accordance with GAAP, and shall fairly present the financial condition of the Borrower and the Project Facilities as of the end of such Fiscal Year; and

(ii) a certificate signed by an Authorized Representative stating that (i) during such Fiscal Year the Borrower has observed and performed all of its covenants and agreements set forth in this Agreement and the other Bond Documents, except as disclosed in such certificate, and (ii) no Default or Event of Default has occurred or exists, except as disclosed in such certificate; and

(iii) an occupancy report stating as of the last day of the month prior to the date of delivery thereof, with respect to each lease of all or any part of the Project Facilities, the tenant's name, the date thereof, the premises demised, the term, the rent, the security deposits, any advance rent payments in excess of one month and any defaults by the tenant or the Borrower in respect thereof (including, without limitation, the amounts of arrearages);

(c) As soon as possible and in any event within 25 days after the end of each calendar month, operating statements of the Project Facilities certified by an Authorized

Person and containing itemized information regarding all items of expense and income as well as occupancy reports, a rent roll and, if required by the Majority Owner Representative, other reports such as reports on concessions, security deposits and advance rents, all in such detail as may be required by the Majority Owner Representative;

(d) Weekly, an occupancy report for the Project Facilities, which may be delivered by electronic means;

(e) Upon receipt thereof by the Borrower, copies of any letter or report with respect to the management, operations or properties of the Borrower submitted to the Borrower by the Accountant in connection with any annual or interim audit of the Borrower's accounts, and a copy of any written response of the Borrower to any such letter or report;

(f) As soon as possible and in any event within 15 days after receipt of notice thereof, written notice of any pending or threatened litigation, investigation or other proceeding involving the Borrower, the [Administrative General Partner, the General Partner,] the Guarantor or the Project Facilities; (i) which could have a material adverse effect on the operations or financial condition of the Borrower, [the Administrative General Partner, the General Partner,] the Guarantor (so long as any guaranty obligation remains outstanding) or the Project Facilities; (ii) wherein the potential damages, in the reasonable judgment of the Borrower based upon the advice of counsel experienced in such matters, are not fully covered by the insurance policies maintained by the Borrower (except for the deductible amounts applicable to such policies); or (iii) which challenges the exclusion from gross income of interest on the Bond for purposes of federal income taxation;

(g) As soon as possible, notice of any material adverse change in the operations, financial condition or prospects of the Borrower, [the Administrative General Partner, the General Partner,] the Guarantor (so long as any guaranty obligation remains outstanding) or the Project Facilities which notice shall also be provided to the Issuer;

(h) Upon delivery thereof by the Borrower, copies of any reports, certifications, financial information, compliance documents, rebate information, audits and all other items submitted by or on behalf of the Borrower to the Trustee or the Issuer;

(i) Not later than the Completion Date, the certificate of completion and the use of proceeds certificate set forth as **Schedules 8** and **9** hereof;

(j) As and when required under the Regulatory Agreement, the quarterly and semi-annual compliance certificates, the annual copies of IRS Forms 8703 and other reports and notices required to be delivered under the Regulatory Agreement;

(k) Upon receipt thereof by the Borrower, notice of the cancellation or expiration (without renewal or replacement) of any insurance required to be maintained by this Agreement;

(l) Not later than the Stabilization Date, a stabilization certificate in the form set forth on **Schedule 10** hereto;

(m) As soon as possible and in any event within 15 days after the occurrence of an Event of Default, a statement of the Borrower setting forth the details of such Event of Default and the action which the Borrower proposes to take with respect thereto;

(n) Contemporaneously with the delivery to the Trustee, copies of any notices, reports or other information provided to the Trustee under the Bond Documents; and

(o) Copies of IRS Forms 8609 as issued and received by the Borrower; and

(p) Such other information respecting the operations and properties, financial or otherwise, of the Borrower as the Majority Owner Representative or the Issuer may from time to time reasonably request in writing.

#### **Section 6.10 Tax-Exempt Status.**

(a) The Borrower covenants, represents and agrees that it will not take or omit to take or permit any action that, if taken or omitted, respectively, would adversely affect the exclusion of interest on the Bond from gross income for federal income tax purposes and, if it should take or permit any such action, the Borrower will take all lawful actions that it can take to rescind such action promptly upon having knowledge thereof and that the Borrower will take such action or actions, including amendment of this Agreement, and the Regulatory Agreement, as may be necessary, in the opinion of Bond Counsel, to comply fully with all applicable rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the Department of the Treasury or the Internal Revenue Service applicable to the Bond or affecting the Project Facilities.

(b) The Borrower will not make or permit any use, and will not direct the Trustee to make any investment or use of the proceeds of the Bond, which would cause the Bond to be an “arbitrage bond” within the meaning of Section 148 of the Code and the Regulations thereunder as the same may be applicable to the Bond at the time of such action, investment or use and agrees to take and cause the Issuer and Trustee to take all actions required to comply with the provisions of Section 148 of the Code. The representations contained in the Tax Certificate (which is incorporated herein by reference) are true and correct, and the Borrower and the Issuer will observe the applicable covenants therein as if set forth herein.

(c) The Borrower further covenants and agrees that it will comply with and will take all action reasonably necessary to ensure that the Trustee complies with all applicable requirements of said Section 148 and the rules and regulations of the United States Treasury Department thereunder relating to the Bond and the interest thereon, including the employment of a Rebate Analyst for the calculation of any rebatable amount (the “Rebate Amount”) to the United States Treasury Department. The Borrower agrees that, with the consent of the Issuer, it will cause a qualified rebate analyst reasonably acceptable to the Majority Owner Representative (the “Rebate Analyst”) to calculate the Rebate Amount not later than 45 days after the fifth anniversary of the Issue Date and each five years thereafter and agrees that the Borrower will pay all costs associated therewith. Within (i) 15 days of the date of each such calculation, the Borrower shall deliver a

certificate of a Rebate Analyst either summarizing the determination that no amount is required to be paid or specifying the amount then required to be paid, if the certificate specifies an amount to be paid, such certificate shall be accompanied by a completed Form 8038T, which is to be signed by an Authorized Issuer Representative, and shall include a certification by the Borrower that the Form 8038T is accurate and complete, and (ii) 10 days after the Rebate Payment Date, the Borrower shall furnish to the Issuer and the Trustee a certificate stating that such amount has been timely paid. The Borrower shall obtain the advice and assistance of a Rebate Analyst to aid it in complying with Section 148(f) of the Code.

(d) Neither the Borrower nor any related person shall, pursuant to any arrangement, formal or informal, purchase the Bond, unless the Borrower or such related person delivers a Favorable Opinion of Bond Counsel to the Trustee, the Holder, the Majority Owner Representative and the Issuer.

(e) No changes will be made to the Project Facilities, no actions will be taken by the Borrower and the Borrower will not omit to take any actions, which will in any way adversely affect the exclusion from gross income of interest on the Bond for purposes of federal income taxation.

(f) The Borrower will not make any changes in the Project Facilities that would, at the time made, cause the average reasonably expected economic life of the Project Facilities, determined pursuant to Section 147(b) of the Code, to be less than the average reasonably expected economic life of the Project Facilities set forth in such certificates or letters of representation of the Borrower, unless the Borrower files with the Trustee, the Majority Owner Representative, and the Holder a Favorable Opinion of Bond Counsel.

(g) [Reserved].

(h) The Project Facilities will be owned, managed and operated as a “qualified residential rental project” as such phrase is utilized in Section 142(d) of the Code. To that end, the Borrower hereby represents and covenants and agrees that it will comply with the terms, conditions and provisions of the Tax Certificate and the Regulatory Agreement.

(i) The Borrower will permit any duly authorized representative of the Trustee, the Department of the Treasury or the Internal Revenue Service and the Majority Owner Representative to inspect the books and records of the Borrower pertaining to the incomes of qualifying tenants residing in the Project Facilities upon reasonable written notice (given at least 5 days in advance) and at reasonable times during business hours on business days.

(j) The Borrower will promptly notify the Trustee and the Majority Owner Representative if at any time following the start of the Qualified Project Period (as defined in the Regulatory Agreement) the dwelling units in the Project Facilities are not available for occupancy as required by the Regulatory Agreement and, upon request, the Borrower will provide the Trustee and the Majority Owner Representative a copy of the compliance

certificates required to be filed by the Borrower under and at the times provided by the Regulatory Agreement.

### **Section 6.11 Single Purpose Entities.**

(a) The Borrower, [the Administrative General Partner, and the General Partner] shall (i) not engage in any business or activity, other than the ownership, construction, renovation, operation and maintenance of the Project Facilities and activities incidental thereto; and (ii) not acquire, own, hold, lease, operate, manage, maintain, develop or improve any assets other than the Project Facilities and such personal property as may be necessary for the operation of the Project Facilities and shall conduct and operate its business as presently conducted and operated.

(b) The Borrower, [the Administrative General Partner and the General Partner] shall (i) not maintain its assets in a way difficult to segregate and identify; (ii) ensure that business transactions between the Borrower and any Affiliate of the Borrower or any [Affiliate of the General Partner or the Administrative General Partner] shall be entered into upon terms and conditions that are substantially similar to those that would be available on an arms-length basis with a third Person other than [the General Partner or the Administrative General Partner,] or any respective Affiliate thereof; (iii) not incur or contract to incur any Obligations, secured or unsecured, direct or contingent (including guaranteeing any Obligation), other than, in the case of the Borrower, the Obligations evidenced by this Agreement and the other Bond Documents, the Seller Loan Documents, the Subordinate Debt Documents or the Partnership Agreement; (iv) not make any loans or advances to any third Person (including any Affiliate of the Borrower, the [Administrative General Partner or the General Partner]), except for the Seller Loan and the Subordinate Debt, and as may be required under the Partnership Agreement; (v) do or cause to be done all things necessary to preserve its existence; (vi) not amend, modify or otherwise change its partnership certificate, articles of organization, operating agreement, articles of incorporation or bylaws without obtaining the prior written consent of the Majority Owner Representative, except as may be permitted pursuant to the Bond Documents; (vii) conduct and operate its business as presently conducted and operated; (viii) maintain its books and records and bank accounts separate from those of its Affiliates; (ix) be, and at all times shall hold itself out to the public as, a legal entity separate and distinct from any other Person (including any Affiliate); (x) file its own tax returns; (xi) maintain adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations and in any event not less than that required under State law in order to remain a separate legal entity; (xii) not seek or consent to the dissolution or winding up, in whole or in part, of the Borrower, [the Administrative General Partner or the General Partner]; (xiii) not (A) consent to the dissolution or liquidation in whole or in part of the Borrower, or (B) permit the [General Partner or the Administrative General Partner] to dissolve, or (C) consent to the dissolution or liquidation of the [General Partner or the Administrative General Partner]; (xiv) not commingle the funds and other assets of the Borrower with those of the [Administrative General Partner, the General Partner], any Affiliate thereof or any other Person; and (xv) not enter into any transaction with an Affiliate without the prior written consent of the Majority Owner Representative.



## **Section 6.12 Negative Pledge; No Sale.**

(a) The Borrower will not create, incur, assume or permit to exist any mortgage, pledge, security interest, encumbrance or other Lien upon the Project Facilities or any property, tangible or intangible, now owned or hereafter acquired (including without limitation property leased to or being acquired by the Borrower under capital leases or installment sale agreements), by the Borrower (the sale with recourse of receivables or any “sale and lease back” of any fixed assets being deemed to be the giving of a lien thereon for money borrowed), other than Permitted Encumbrances.

(b) Other than Permitted Transfers and the making of residential leases, the Borrower shall not sell, assign, transfer, convey or otherwise dispose of the Project Facilities, or any part thereof, or permit or consent to a Sale without in each instance (i) obtaining the express prior written consent of the Majority Owner Representative, which consent may be withheld or granted in the Majority Owner Representative’s sole and absolute discretion; and (ii) complying with the applicable requirements of the Regulatory Agreement.

## **Section 6.13 Payment of Indebtedness; Accounts Payable; Restrictions on Indebtedness.**

(a) The Borrower will pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all of the Borrower’s Indebtedness under the Senior Bond Documents, the Bond Documents the Subordinate Debt Documents and all of its other Obligations, whether now existing or hereafter arising, and comply with all covenants and agreements set forth in agreements evidencing Obligations of the Borrower.

(b) The Borrower shall pay or cause to be paid the Expenses, and Capital Expenditures and its other accounts payable with respect to and costs of operation and maintenance of the Project Facilities within 30 days of receipt of an invoice therefor, or when the same shall otherwise be due and payable. The Borrower shall make no distribution of funds to its partners unless no Default or Event of Default exists, such distribution is in accordance with the provisions of the Partnership Agreement, and all current accounts payable shall have been paid and funds shall have been set aside for the payment of accounts payable becoming due within 30 days of said distribution. In addition, Borrower shall not make any payment to the [General Partner, the Administrative General Partner] or any other partner and/or member, or to any officers or directors thereof, prior to the required monthly payment of Borrower’s Indebtedness under the Bond Documents, the funding of any required reserves under the Bond Documents and the payment of any of its other Obligations then due and payable.

(c) Without obtaining the prior written consent of the Majority Owner Representative, the Borrower will not create, incur, assume, guarantee or be or remain liable for any indebtedness or Obligations other than (i) Indebtedness under the Senior Bond Documents and the Bond Documents; (ii) Indebtedness in respect of the Subordinate Debt; and (iii) current liabilities of the Borrower relating to the Project Facilities incurred

in the ordinary course of business but not incurred through the borrowing of money or obtaining of credit.

#### **Section 6.14 Environmental Covenants.**

(a) The Borrower will cause all activities at the Project Facilities during the term of this Agreement to be conducted in full compliance with all applicable Environmental Laws. The Borrower will obtain all Governmental Actions and will make all notifications, as required by Environmental Laws, and will, at all times, comply with the terms and conditions of any such Governmental Actions or notifications. During the term of this Agreement, if requested by the Majority Owner Representative, the Borrower will provide to the Majority Owner Representative copies of (i) applications or other materials submitted to any Governmental Authority in compliance with Environmental Laws, (ii) any notifications submitted to any Person pursuant to Environmental Laws, (iii) any Governmental Action granted pursuant to Environmental Laws, (iv) any record or manifest required to be maintained pursuant to Environmental Laws, and (v) any correspondence, notice of violation, summons, order, complaint or other document received by the Borrower, its lessees, sub-lessees or assigns, pertaining to compliance with any Environmental Laws.

(b) The Borrower will, at all times during the term of this Agreement, cause Hazardous Substances used at the Project Facilities to be handled, used, stored and disposed in accordance with all Environmental Laws and in a manner which will not cause an undue risk of Contamination.

(c) The Borrower will cause all construction of new structures at the Project Facilities during the term of this Agreement to use design features which safeguard against or mitigate the accumulation of radon or radon products in concentrations exceeding the Environmental Protection Agency's recommended threshold of 4.0pCi/L.

(d) The Borrower shall not install or permit to be installed any temporary or permanent tanks for storage of any liquid or gas above or below ground, except after obtaining written permission from the Majority Owner Representative to do so and in compliance with Environmental Laws.

(e) The Borrower shall implement a moisture management and control program (the "Moisture Management Program") for the Improvements at the Project Facilities to prevent the occurrence of mold, dangerous fungi, bacterial or microbial matter contamination or pathogenic organisms that reproduces through the release of spores or the splitting of cells (collectively, "Mold"), at, on or under the Project Facilities, which Moisture Management Program shall include, at a minimum: (a) periodic inspections of the Improvements at the Project Facilities for Mold, (b) removing or cleaning up any Mold and in a manner consistent with best industry practices and utilizing an experienced remediation contractor acceptable to and approved by the Majority Owner Representative, and (c) in the event that the Mold identified at the Improvements at the Project Facilities cannot be removed or cleaned from any impacted building materials (e.g., porous materials such as carpeting, certain types of ceiling materials, etc.) and/or equipment, removing all

such impacted building materials and/or equipment from the Project Facilities, all in accordance with the procedures set forth in the United States Environmental Protection Agency's ("EPA") guide entitled "Mold Remediation in Schools and Commercial Buildings", EPA No. 402-K-01-001, dated March 2001 and in a manner consistent with best industry practices and utilizing an experienced remediation contractor acceptable to and approved by the Majority Owner Representative. The Borrower shall include as part of every residential lease a California Addendum to HUD Lease Agreements in the form attached hereto as **Exhibit C**. The Borrower further covenants and agrees that, in connection with any mold remediation undertaken by or on behalf of the Borrower hereunder, the source (e.g., leaking pipe, water damage, water infiltration, etc.) of any Mold at the Improvements at the Project Facilities shall be promptly identified and corrected to prevent the occurrence or re-occurrence of any Mold.

(f) Upon the occurrence of an Event of Default, or if the Majority Owner Representative has reason to believe that there has occurred and is continuing a violation of Environmental Law or that there exists a condition that could give rise to any Governmental Action, the Majority Owner Representative may, at its discretion, commission an investigation at the Borrower's expense of (i) compliance at the Project Facilities with Environmental Laws, (ii) the presence of Hazardous Substances or Contamination at the Project Facilities, (iii) the presence at the Project Facilities of materials which are described in clause (b) of Section 5.12, (iv) the presence at the Project Facilities of Environmentally Sensitive Areas, (v) the presence at the Project Facilities of radon products, (vi) the presence at the Project Facilities of tanks of the type described in paragraph (e) of Section 5.12 or in paragraph (d) of Section 6.14 above, or (vii) the presence of Mold at the Project Facilities. In connection with any investigation pursuant to this paragraph, the Borrower, and its lessees, sub-lessees and assigns, will comply with any reasonable request for information made by the Majority Owner Representative or its agents in connection with any such investigation. Any response to any such request for information will be full and complete. The Borrower will assist the Majority Owner Representative and its agents to obtain any records pertaining to the Project Facilities or to the Borrower and the lessees, sub-lessees or assigns of the Borrower in connection with an investigation pursuant to this paragraph. The Borrower will permit the Majority Owner Representative and its agents access to all areas of the Project Facilities at reasonable times and in reasonable manners in connection with any investigation pursuant to this paragraph. No investigation commissioned pursuant to this paragraph shall relieve the Borrower from any responsibility for its representations and warranties under Section 5.12 hereof or under the Environmental Indemnity Agreement.

(g) In the event of any Contamination affecting the Project Facilities, whether or not the same originates or emanates from the Project Facilities or any contiguous real estate, or if the Borrower otherwise shall fail to comply with any of the requirements of Environmental Laws, the Majority Owner Representative may, at its election, but without the obligation so to do, give such notices, cause such work to be performed at the Project Facilities and take any and all other actions as the Majority Owner Representative shall deem necessary or advisable in order to remedy said Contamination or cure said failure of compliance and any amounts paid as a result thereof, together with interest thereon at the Default Rate from the date of payment by the Majority Owner Representative, shall be

immediately due and payable by the Borrower and until paid shall be added to and become a part of the Indebtedness under the Bond Documents and shall have the benefit of the lien hereby created as a part thereof prior to any right, title or interest in or claim upon the Project Facilities.

**Section 6.15 Majority Owner Representative.** The Borrower acknowledges and agrees that (i) the Holder has the sole and exclusive right to arrange for servicing of the Loan and to appoint another person or entity to serve as its representative hereunder, under the other Bond Documents and under the Indenture; (ii) the Holder has appointed Red Stone Servicer, LLC to serve in the capacity of Majority Owner Representative hereunder, under the other Bond Documents, and under the Indenture; and (iii) the Holder retains the sole and exclusive right to appoint, remove or replace the Majority Owner Representative, without the consent or approval of the Borrower. The Borrower shall comply with the directions of the Majority Owner Representative made on behalf of the Holder.

**Section 6.16 Tax Returns.** The [General Partner and the Administrative General Partner] will timely file all tax returns for itself and for the Borrower, pay or cause to be paid when due all taxes imposed on their operations, assets, income or properties, and, upon request, provide to the Majority Owner Representative copies of such returns and receipts for payment of such taxes.

**Section 6.17 Leases.** The Borrower hereby represents that there are no leases or agreements to lease all or any part of the Project Facilities now in effect except for leases to residential tenants in compliance with the Regulatory Agreement. Except for leases to residential tenants in compliance with the Regulatory Agreement and leases for services associated with residential rental properties (such as laundry and cable lease), the Borrower shall not enter into or become liable under, any leases or agreements to lease all or any part of the Project Facilities without the prior written approval thereof and of the prospective tenant by the Majority Owner Representative. Each lease of residential units in the Project Facilities to a residential tenant shall be on a form of lease approved by the Majority Owner Representative and shall be in compliance with the requirements of the Regulatory Agreement.

**Section 6.18 Further Assurances.** The Borrower will promptly and duly execute, acknowledge and deliver from time to time such further instruments and take such further actions as may be reasonably required by the Issuer, the Trustee or the Majority Owner Representative to carry out the purposes and provisions of this Agreement and the other Bond Documents, to make elections or take actions (or, as requested, to refrain from making elections or taking actions) related to the audit procedures involving the Borrower and/or its partners set forth in the Bipartisan Budget Act of 2015 so that Borrower's members, equityholders, shareholders and partners will be directly responsible for any audit adjustments, changes or modifications rather than the Borrower, to confirm the priority and/or perfection of any lien, pledge, assignment or security interest created or intended to be created by this Agreement and the other Bond Documents and to assure the Majority Owner Representative, and the Holder of the subrogation and security rights in favor of the Trustee for the benefit of the Holder of the Bond contemplated by this Agreement, by the other Bond Documents and by the Indenture. The Borrower shall obtain any approvals required under the Subordinate Debt Documents and/or the Seller Loan Documents in connection with any of the foregoing.

**Section 6.19 Management Agreement.** The Borrower has entered into a property management agreement in a form approved by the Majority Owner Representative with the Manager (together with any extension and replacements thereof and as the same may be amended, modified or supplemented from time to time the “Management Agreement”). Under the Management Agreement, the Manager shall provide certain management services and shall be entitled to receive as compensation for those services an amount of 5.0% of Effective Gross Revenues (“Management Fee”) received from the Project Facilities on account of rents, service fees, late charges and penalties and other charges received under leases. Any amounts due the Manager in excess of the Management Fee payable from such effective gross rental income shall be subordinated to the payment by the Borrower of all principal of, premium, if any, and interest due on the Bond, all Third Party Costs and all required deposits into the Accounts. The Borrower shall not replace the Manager for the Project Facilities without the Majority Owner Representative’s prior written approval, and the Management Agreement shall not be terminated or modified without the Majority Owner Representative’s prior written approval. In the event the Manager resigns or is removed, the Borrower shall promptly seek a replacement Manager and submit such Manager and its proposed form of Management Agreement to the Majority Owner Representative for approval; if the Borrower has not done so within 30 days of the date of resignation or removal of the Manager, the Majority Owner Representative may (but shall not be required to) engage a new Manager on terms satisfactory to the Majority Owner Representative in its sole discretion and at the expense of the Borrower. The sole and exclusive compensation (exclusive of reimbursement for expenses pursuant to the applicable Management Agreement) paid to manage the Project Facilities under the Management Agreement shall be as described in this Section 6.19. The Borrower shall have no employees whatsoever. The Manager shall execute a consent to the Assignment of the Management Agreement pursuant to which the Manager shall confirm the subordination provisions described above and agree that the Management Agreement shall be terminable by the Majority Owner Representative, with or without cause, on 30 days’ notice following and during the existence of an Event of Default.

**Section 6.20 Determination of Taxability.** None of the Borrower, [the Administrative General Partner, or the General Partner] shall admit in writing to the Issuer or the Trustee or to any Governmental Authority that interest on the Bond has become includable in gross income for purposes of federal income taxation without first providing five Business Days’ advance notice to the Majority Owner Representative and the Holder and permitting the Majority Owner Representative and the Holder at their sole discretion and at its expense, to contest such conclusion. Immediately after the Borrower first becomes aware of any Determination of Taxability or an event that could trigger a Determination of Taxability, the Borrower shall give written notice thereof to the Issuer, the Trustee, the Majority Owner Representative and the Holder.

**Section 6.21 List of Bondholders.** Upon the written request of the Majority Owner Representative, the Borrower shall exercise any right it may have under the Indenture to request a list of Bondholders and shall deliver such list to the Majority Owner Representative. Any costs associated with obtaining the list of Bondholders at the Majority Owner Representative’s request shall be paid by the Majority Owner Representative.

**Section 6.22 Use of Proceeds.** The Borrower agrees that the proceeds of the Bond will be allocated exclusively to pay Project Costs, including any costs of issuance of the Bond, to the extent permitted, and that, for the greatest possible number of buildings, the Bond proceeds will

be allocated to the Project Facilities and the land on which such Project Facilities are located, so that the Project Facilities and the land on which they are located will have been financed 50% or more by the proceeds of the Senior Bond and the Bond for the purpose of complying with Section 42(h)(4)(B) of the Code.

**Section 6.23 Compliance With Anti-Terrorism Regulations.** None of the Borrower, [the General Partner, the Administrative General Partner] or any Person holding any legal or beneficial interest whatsoever in the Borrower shall, at any time while the Bond is outstanding, be described in, covered by or specially designated pursuant to or be affiliated with any Person described in, covered by or specially designated pursuant to Executive Order 13224 -Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism, as amended, or any similar list issued by the Office of Foreign Assets Control (“OFAC”) or any other department or agency of the United States of America. Notwithstanding the foregoing, the Borrower, [the Administrative General Partner and the General Partner] hereby each confirm that if it becomes aware or receives any notice of any violation of the foregoing covenant and agreement (an “OFAC Violation”), the Borrower, [the Administrative General Partner or the General Partner], as applicable, will immediately (i) give notice to the Majority Owner Representative of such OFAC Violation, and (ii) comply with all Legal Requirements applicable to such OFAC Violation, including, without limitation, Executive Order 13224; the International Emergency Economic Powers Act, 50 U.S.C. Sections 1701-06; the Iraqi Sanctions Act, Pub. L. 101-5 13, 104 Stat. 2047-55; the United Nations Participation Act, 22 U.S.C. Section 287c; the Antiterrorism and Effective Death Penalty Act, (enacting 8 U.S.C. Section 219, 18 U.S.C. Section 2332d, and 18 U.S.C. Section 2339b); the International Security and Development Cooperation Act, 22 U.S.C. Section 2349 aa-9; the Terrorism Sanctions Regulations, 31 C.F.R. Part 595; the Terrorism List Governments Sanctions Regulations, 31 C.F.R. Part 596; and the Foreign Terrorist Organizations Sanctions Regulations, 31 C.F.R. Part 597 (collectively, the “Anti-Terrorism Regulations”), and the Borrower, [the General Partner and the Administrative General Partner] hereby authorize and consent to the Majority Owner Representative’s taking any and all reasonable steps the Majority Owner Representative deems necessary, in its sole discretion, to comply with all Legal Requirements applicable to any such OFAC Violation, including the requirements of the Anti-Terrorism Regulations. Notwithstanding anything to the contrary in this Section, the Borrower shall not be deemed to be in violation of the covenants and agreements set forth in the first sentence of this Section if the Borrower timely complies with all requirements imposed by the foregoing sentence and all requirements of the Antiterrorism Regulations and all other applicable Legal Requirements relating to such OFAC Violation.

**Section 6.24 Adoption of Capital and Operating Budgets.**

(a) On or before December 1 of each Fiscal Year, the Borrower shall submit to the Majority Owner Representative for approval a proposed capital and operating budget with respect to the Project Facilities to be effective for the next following Fiscal Year (the “Proposed Budget”). The Majority Owner Representative shall have the right to approve or disapprove any Proposed Budget, which approval shall not be unreasonably withheld, conditioned, or delayed. Third party costs not within the Borrower’s control and costs associated with remediation of emergency conditions shall be permitted variances to the Annual Budget. If any Proposed Budget is not disapproved by the Majority Owner Representative within 30 days following submission by the Borrower, such budget shall be

deemed approved. If any budget is disapproved, the Borrower shall thereafter consult with the Majority Owner Representative in an effort to achieve a mutually acceptable Annual Budget for an additional 30 days. To the extent the proposed operating budget is disapproved, the operating budget for the previous Fiscal Year shall remain in effect increased by five percent over the previous Fiscal Year (except for costs of utilities, Impositions and insurance and other third-party costs or cost associated with remediation of emergency conditions which shall be permitted variances to the Proposed Budget) until the parties resolve their differences. In addition to, and not in limitation of the foregoing, each Annual Budget may be revised from time to time with approval of Majority Owner Representative to reflect changes to Expenses and proposed Capital Expenditures set forth in the then-current Annual Budget.

(b) Without limiting the generality that each Proposed Budget must be approved by the Majority Owner Representative, each Proposed Budget:

(i) shall be prepared on the basis of sound accounting practices consistently applied;

(ii) shall reflect all amounts projected to be deposited in the Replacement Reserve Fund and the projected revenues and Expenses of the Project Facilities;

(iii) shall reflect all projected Capital Expenditures which are reasonably expected to be made in connection with the Project Facilities during the Fiscal Year covered by such Proposed Budget; and

(iv) shall be in such form as is reasonably acceptable to the Majority Owner Representative and containing such other information as reasonably may be requested by the Majority Owner Representative.

**Section 6.25 Borrower's Approval of Indenture.** The Borrower understands that the Issuer will, pursuant to the Indenture and as security for the payment of the principal of, acceleration premium, if any, and the interest on the Bond, assign and pledge to the Trustee, and create a security interest in favor of the Trustee in certain of its rights, title and interest in and to this Agreement (including all payments hereunder) reserving, however, the Reserved Rights; and the Borrower hereby agrees and consents to such assignment and pledge. The Borrower acknowledges that it has received a copy of the Indenture for its examination and review. By its execution of this Agreement, the Borrower acknowledges that it has approved, has agreed to and is bound by the applicable provisions of the Indenture. The Borrower agrees that the Trustee shall be entitled to enforce and to benefit from the terms and conditions of this Agreement that relate to it notwithstanding the fact that it is not a signatory hereto.

**Section 6.26 Conditions Precedent; Payment of Certain Fees, Deposits and Expenses.** On the date of execution and delivery hereof, (a) the Majority Owner Representative shall have received, in immediately available funds, an amount equal to the fees set forth in Section 2.2(a) hereof, and the fees of the Engineering Consultant set forth in Section 2.2(b) hereof

incurred as of the date of the execution and delivery hereof, and (b) the Trustee shall have received the deposits required to be made in the Accounts on such date pursuant to Article VIII hereof.

**Section 6.27 Additional Conditions Precedent.** The rights of the Borrower to draw the initial advance of funds from the Project Fund under this Agreement shall be subject to the conditions precedent set forth in Section 9.12 hereof and on *Schedule 7* hereof.

**Section 6.28 No Amendments.** Without the prior written consent of the Majority Owner Representative, the Borrower shall not amend, modify or otherwise change (i) this Agreement and the other Bond Documents without, in addition, the prior written consent of the Issuer and the Trustee, and the Majority Owner Representative and delivery of a Favorable Opinion of Bond Counsel, (ii) the Subordinate Debt Documents, or (iii) the Seller Loan Documents.

**Section 6.29 Renovation of Improvements.** The Borrower shall cause the renovation and construction of the Project Facilities to be performed in a true, thorough and workmanlike manner and substantially in accordance with the Plans and Specifications and in compliance with all applicable Governmental Actions and Legal Requirements. The Borrower shall provide, at the Borrower's expense all manner of materials, labor, implements and cartage of every description for the due completion of construction and renovation of the Project Facilities. The Borrower shall take all necessary steps to assure that commencement of renovation or construction of the Project Facilities shall begin within 30 days following the Issue Date, shall proceed continuously and diligently and in a commercially reasonable manner, and shall be completed lien free in a timely manner substantially in accordance with the Plans and Specifications and in all instances in compliance with all applicable Governmental Actions and Legal Requirements, on or before the Completion Date, subject to delays caused by a Force Majeure.

**Section 6.30 Evidence of Payment of Costs.** If requested by the Majority Owner Representative, the Borrower shall furnish, before each advance agreed to be made and on completion of construction, all receipted bills, certificates, affidavits, conditional releases of lien and other documents which may be reasonably required by the Majority Owner Representative, as evidence of full payment for all labor and materials incident to the construction of the Project Facilities for each requested draw with copies of unconditional releases of lien from each prior draw and will promptly secure the release of the Project Facilities from all liens by payment thereof or transfer to bond or other security.

**Section 6.31 Correction of Deficiencies in Improvements.** The Borrower agrees that it will correct any work performed and replace any materials that do not comply with the Plans and Specifications in any material respect. In the event of any dispute between the Borrower and the Majority Owner Representative with respect to the interpretation and meaning of the Plans and Specifications, the same shall be determined by an independent engineer selected by the Borrower from the list of engineers approved by the Majority Owner Representative.

**Section 6.32 Sufficiency of Loan Proceeds.** If, for any reason, the Majority Owner Representative shall, in the reasonable exercise of the Majority Owner Representative's judgment, determine that the combined total of (i) the remaining proceeds of the Loan, and the Subordinate Debt, and (ii) any other sums on deposit by the Borrower with the Trustee and the capital contributions from Borrower's partners are insufficient to complete the renovation and



construction of the Project Facilities, the Majority Owner Representative may require the Borrower to deposit with the Trustee for deposit into the Project Fund, within 10 days after written request by the Majority Owner Representative, the projected deficiency, and such deposit shall be first disbursed in the same manner as the Loan is to be disbursed as provided herein before any further disbursements of the proceeds of the Loan shall be made.

**Section 6.33 Use of Loan Proceeds.** All labor and materials contracted for and in connection with the construction and renovation of the Project Facilities shall be used and employed solely for the Improvements and in said construction and only in accordance with the Plans and Specifications. Moneys disbursed from Accounts held under the Indenture to or for the account of the Borrower under this Agreement shall constitute a trust fund in the hands of the Borrower or other payee and shall be used solely by such payee for the payment of the Qualified Project Costs and for no other purpose unless another use is specifically provided for in this Agreement or consented to in writing by the Majority Owner Representative. Nothing in this paragraph shall be deemed to impose a trust on the undisbursed portion of the Loan or any other amounts held under the Indenture or to impose any duty on the Majority Owner Representative with respect thereto.

**Section 6.34 Special Servicing Costs.** In accordance with industry standards and as set forth on *Exhibit D* hereto, the Majority Owner Representative, as servicer of the Loan, may charge the Borrower additional servicing fees and costs for special servicing requests. The Borrower shall pay as and when due all such special servicing fees or costs.

**Section 6.35 Additional Payments.** The Borrower shall pay to the Issuer or the Trustee, as the case may be, as Additional Payments hereunder the following:

(a) All taxes and assessments of any type or character charged to the Issuer or to the Trustee affecting the amount available to the Issuer or the Trustee from payments to be received hereunder or in any way arising due to the transactions contemplated hereby (including taxes and assessments assessed or levied by any public agency or Governmental Authority of whatsoever character having power to levy taxes or assessments) but excluding franchise taxes based upon the capital and/or income of the Trustee and taxes based upon or measured by the net income of the Trustee; provided, however, that the Borrower shall have the right to protest any such taxes or assessments and to require the Issuer or the Trustee, at the Borrower's expense, to protest and contest any such taxes or assessments levied upon them and that the Borrower shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Issuer or the Trustee;

(b) All reasonable fees, charges and expenses of the Trustee for services rendered under the Indenture, as and when the same become due and payable;

(c) The Issuer's Annual Fee, payable as set forth in Section 7(n) of the Regulatory Agreement, and the reasonable fees and expenses of the Issuer, including the fee described in Section 7(o) of the Regulatory Agreement, or any agents, attorneys (including Bond Counsel and counsel to the Trustee), accountants, consultants selected by

the Issuer to act on its behalf in connection with this Agreement, the Regulatory Agreement, the Tax Certificate, the Bond or the Indenture, including, without limitation, any and all reasonable expenses incurred in connection with the authorization, issuance, sale and delivery of the Bond or in connection with any litigation which may at any time be instituted involving this Agreement, the Regulatory Agreement, the Tax Certificate, the Bond or the Indenture or any of the other documents contemplated thereby, or in connection with the reasonable supervision or inspection of the Borrower, its properties, assets or operations or otherwise in connection with the administration of the foregoing.

(d) These obligations and those in Section 2.5 shall remain valid and in effect notwithstanding repayment of the Loan or termination of this Agreement or the Indenture.

Upon the payment, prepayment, or incurrence of any such cost, expense, or liability described in this Section by any such party, the Additional Payments in respect thereof shall be payable upon written demand to the Borrower, which demand shall be accompanied by invoices or other appropriate documentation concerning the nature, amount and incurrence of such cost, expense or liability. If the Additional Payments payable under this Section are not paid by the Borrower within 10 days of the Borrower's receipt of such demand, such Additional Payments shall bear interest from such 10th date at the Bond Coupon Rate for an Advance until the amount due shall have been fully paid.

**Section 6.36 Payment and Developer Fee.** So long as no Event of Default has occurred, the Borrower shall make payments of the Developer Fee in accordance with the terms of that certain Development Agreement, dated as of the date hereof, by and between Developer and Borrower ("Development Agreement"), it being expressly understood by the parties that (i) upon an Event of Default, the Borrower will not make any payments of the Developer Fee and (ii) payments of the Developer Fee are subordinate to any and all payments of principal and premium, if any, and interest due on the Loan.

[End of Article VI]

## ARTICLE VII

### DEFAULTS AND REMEDIES

**Section 7.1 Defaults.** Each of the following shall constitute an event of default hereunder (“Event of Default”):

(a) Failure by the Borrower to pay any amount required to be paid by the Borrower under this Agreement, the Note or any of the other Bond Documents when the same shall become due and payable;

(b) Failure by the Borrower to perform or comply with any of the terms or conditions contained in Section 6.1, 6.11, 6.12 or 6.36 hereof;

(c) Failure by the Borrower to perform or comply with any of the terms or conditions contained in this Agreement and any of the other Bond Documents to which the Borrower is a party, other than as described in paragraphs (a) and (b) above, and continuation of such failure for 30 days after written notice from the Trustee or the Majority Owner Representative to the Borrower, or such longer period to which the Majority Owner Representative may agree in the case of a default not curable by the exercise of due diligence within such 30 day period, if the Borrower, [the Administrative General Partner, the General Partner] or the Tax Credit Investor shall have commenced a cure of such default within such 30 day period and shall be diligently pursuing such cure as quickly as reasonably possible;

(d) Any of the representations or warranties of the Borrower set forth in this Agreement, any of the other Bond Documents or any other document furnished to the Issuer, the Trustee the Majority Owner Representative or the Holder pursuant to the terms hereof proves to have been false or misleading in any material respect when made;

(e) Any provision of this Agreement or any of the other Bond Documents to which the Borrower, [the Administrative General Partner, the General Partner] or any Guarantor is a party for any reason ceases to be valid and binding on the Borrower, the [Administrative General Partner, the General Partner] or the Guarantor, is declared to be null and void or the validity or enforceability thereof is contested by the Borrower, the [Administrative General Partner, the General Partner] or any Guarantor or any Governmental Authority, or the Borrower, [the General Partner, the Administrative General Partner] or any Guarantor denies that it has any or further liability or obligation under this Agreement or any of the Bond Documents to which the Borrower, the [Administrative General Partner, the General Partner] or any Guarantor is a party;

(f) The occurrence of an Event of Default as defined in the Indenture, the Senior Bond Documents, the other Bond Documents or the Subordinate Debt Documents or an act or event (or failure to act or non-occurrence of an act) which, with the passage of time, the giving of notice or both, would constitute an Event of Default under the Indenture, Senior Bond Documents, the other Bond Documents or the Subordinate Debt Documents, or the occurrence of a breach under the HAP Contract which causes, or with the giving of

notice, the passage of time, or both, would permit HUD to terminate the payments thereunder;

(g) The Borrower, any Guarantor (so long as any guaranty obligation remains outstanding), [the Administrative General Partner or the General Partner] (i) applies for or consents to the appointment of a receiver, trustee, liquidator or custodian or the like of the Borrower, any Guarantor, the [Administrative General Partner or the General Partner], as applicable, or of property of any such party or (ii) admits in writing the inability of the Borrower, any Guarantor, [the Administrative General Partner or the General Partner] to pay its debts generally as they become due, or (iii) makes a general assignment for the benefit of creditors, (iv) is adjudicated bankrupt or insolvent, (v) commences a voluntary case under the Bankruptcy Code or files a voluntary petition or answer seeking reorganization, an arrangement with creditors or an order for relief or seeking to take advantage of any insolvency law or files an answer admitting the material allegations of a petition filed against the Borrower, any Guarantor, [the Administrative General Partner or the General Partner] in any bankruptcy, reorganization or insolvency proceeding, or action of the Borrower, any Guarantor, [the Administrative General Partner or the General Partner] is taken for the purpose of effecting any of the foregoing, or (vi) has instituted against it, without the application, approval or consent of the Borrower, any Guarantor, the [Administrative General Partner or the General Partner], as applicable, a proceeding in any court of competent jurisdiction, under any Legal Requirements relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking in respect of the Borrower, any Guarantor, [the Administrative General Partner or the General Partner] an order for relief or an adjudication in bankruptcy, reorganization, dissolution, winding up or liquidation, a composition or arrangement with creditors, a readjustment of debts, the appointment of a trustee, receiver, liquidator or custodian or the like of the Borrower, any Guarantor, the [Administrative General Partner or the General Partner] or of all or any substantial part of the assets of such party or other like relief in respect thereof under any Legal Requirements relating to bankruptcy or insolvency law, and, if such proceeding is being contested by the Borrower, such Guarantor, the [Administrative General Partner or the General Partner], as applicable, in good faith, the same (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed and undischarged for a period of 90 days;

(h) The Borrower fails to maintain in full force and effect any insurance required pursuant to this Agreement;

(i) The Project Facilities suffer a loss by fire or other casualty and such loss is not fully insured and any deficiency in the amount of insurance proceeds paid with respect to such loss is not posted with the Trustee within 60 days of the determination of such deficiency;

(j) The Project Facilities fail to (A) achieve Final Completion on or before the Completion Date, (B) achieve any of the conditions contained in subsection (iii) through (vii) of the definition of Stabilization on or before the Stabilization Date, or (C) obtain and maintain the exemption from ad valorem real estate taxation under the laws of the State.

(k) Any litigation or administrative proceeding ensues, and is not dismissed within 60 days, involving the Borrower, [the Administrative General Partner, the General Partner,] any Guarantor or any instrument, contract or document delivered by the Borrower to the Majority Owner Representative, the Holder, or the Trustee in compliance with this Agreement, and the adverse result of such litigation or proceeding has, in the Majority Owner Representative's reasonable opinion, a materially adverse effect on the Borrower's, [the General Partner's, the Administrative General Partner's] or any Guarantor's ability to pay its obligations and comply with the covenants under this Agreement or any of the other Bond Documents;

(l) Any one or more judgments or orders are entered against the Borrower, any Guarantor, [the Administrative General Partner or the General Partner] in an amount equal to or exceeding \$35,000, and (1) continue unsatisfied and unstayed for 30 days or (2) a judgment lien on any property of the Borrower, any Guarantor, [the Administrative General Partner or the General Partner] is recorded in respect thereof and is not stayed pending appeal by a bond or other arrangement given or obtained by the Borrower, any Guarantor, [the Administrative General Partner or the General Partner] on terms which do not violate any of the Borrower's covenants under this Agreement;

(m) Failure by the Borrower or the Guarantor (1) to make any payment or payments in respect of any Obligation or Indebtedness (unless a bona fide dispute exists as to whether such payment is due), when such payment or payments are due and payable (after the lapse of any applicable grace period), (2) to perform any other obligation or covenant under any such Obligation or Indebtedness or (3) to pay or perform any obligation or covenant under any Material Contract, any of which (x) results in the acceleration of such Obligation or Indebtedness or enables the holder or holders of such Obligation or Indebtedness or any person acting on behalf of such holder or holders to accelerate the maturity of such obligation or (y) would have, in the Majority Owner Representative's reasonable opinion, a materially adverse effect on either the Borrower's or the Guarantor's ability to pay its obligations and comply with the covenants under this Agreement, the Senior Bond Documents or any of the other Bond Documents;

(n) Renovation and construction of the Improvements shall have been discontinued for 30 consecutive working days for any reason whatsoever, except such reason as the Majority Owner Representative shall deem reasonable;

(o) If at any time the Borrower shall have been unable for a period of 45 days to meet the requirements for an Advance under this Agreement, regardless of whether the Borrower has requested an Advance that has not been funded;

(p) The Contractor shall have defaulted under the Construction Contract, which default the Majority Owner Representative, in its sole opinion, shall deem to be substantial, and the Borrower upon five days written notice from the Majority Owner Representative, shall have failed to exercise any right or remedy to which it shall be entitled;

(q) The Improvements have not been substantially completed in accordance with the Plans and Specifications by the Completion Date; and

(r) The occurrence of a breach under the AHAP Contract (or the HAP Contract as defined therein) which could permit HACLA to terminate the payments thereunder, and such breach under the AHAP Contract (or the HAP Contract) continues for 30 days after written notice from the Majority Owner Representative to the Borrower, provided, however, that if, in Majority Owner Representative's reasonable judgment such breach is not capable of being cured within said 30 day period and is not curable by the payment of money, then the Borrower shall have such additional time as the Majority Owner Representative deems reasonably necessary (but in no event will such additional time exceed 90 days after the initial notice of such default) to cure such failure, provided that (i) Borrower promptly proceeds to commence curing said breach upon obtaining actual knowledge thereof or the receipt of notice of said breach from the Majority Owner Representative, (ii) in the reasonable judgment of the Majority Owner Representative, Borrower thereafter diligently and continuously proceeds to cure said breach so as to cure said breach in the shortest time possible, (iii) such additional time to cure does not impair any rights and/or remedies of the Majority Owner Representative and will not adversely affect the completion of the rehabilitation of the Improvements by the Completion Date, (iv) the Borrower furnishes to the Majority Owner Representative, upon demand of the Majority Owner Representative, such documents and information with respect to Borrower's curing of said breach, as the Majority Owner Representative may reasonably request and (v) such additional time shall not exceed 90 days after the initial notice of such default.

**Section 7.2 Remedies.** If an Event of Default has occurred and is continuing uncured, the Trustee, acting solely at the written direction of the Majority Owner Representative, shall:

(a) Declare the principal of the Bond then Outstanding and the interest accrued thereon to be due and payable; and

(b) Declare the Borrower's obligations hereunder, under the Note and under the other Bond Documents to be, whereupon the same shall become, immediately due and payable, provided, no such declaration shall be required, and acceleration shall be automatic, upon occurrence of an event set forth in Section 7.1(g) hereof; and

(c) Enter upon the Project Facilities and take possession thereof, together with the Improvements in the course of construction and renovation or completed, and all of the Borrower's materials, supplies, tools, equipment and construction facilities and appliances located thereon, and proceed either in the name of the Trustee or in the name of the Borrower as the attorney-in-fact of the Borrower (which authority is coupled with an interest and is irrevocable by the Borrower) as the Majority Owner Representative shall elect, to complete the renovation and construction of the Improvements at the cost and expense of the Borrower; if the Majority Owner Representative elects to complete or cause the renovation and construction of the Improvements to be so completed, it may do so according to the terms of the Plans and Specifications and as the Majority Owner Representative shall deem expedient or necessary, and the Trustee may enforce or cancel all contracts entered into as aforesaid or make other contracts which in the Majority Owner Representative's reasonable opinion may seem advisable, and the Borrower shall be liable, under this Agreement and under the Note or any other note given by it pursuant to the

provisions hereof, to pay the Trustee or the Majority Owner Representative upon demand any amount or amounts expended by the Trustee or the Majority Owner Representative or its representatives for such performance, together with any costs, charges or expenses incident thereto or otherwise incurred or expended by the Trustee or the Majority Owner Representative or their respective representatives on behalf of the Borrower in connection with the Improvements, and the amounts so expended shall bear interest at the default rate specified in the Note, and shall be considered part of the indebtedness evidenced by the Note and secured by the Security; and

(d) In the event the Contractor shall have defaulted as aforesaid, and the Contractor has no surety, the Majority Owner Representative shall proceed to negotiate or invite bidding to procure, within an additional 15 days, a successor Contractor to complete the Improvements under a performance bond and labor and material payment bond approved by the Majority Owner Representative in the full amount of the new contract price; if the Contractor has a surety, but the surety refuses or fails to commence completion of the Improvements within 15 days after notice from the Borrower to do so, the Majority Owner Representative shall proceed, within 10 days, to negotiate or invite bidding as herein provided or to take action against the entity; and

(e) (i) Enter upon or take possession of the Project Facilities and call upon or employ suppliers, agents, managers, maintenance personnel, security guards, architects, engineers and inspectors to complete, manage or operate the Project Facilities or to protect the Project Facilities from injury; (ii) pay out additional sums (which sums shall be immediately due and payable by the Borrower to the Trustee) and use any property of the Borrower associated with the Project Facilities, or any property of the Borrower in which the Trustee has or obtains an interest for application to or as a reserve for payment of any or all of the following with respect to the protection, management, operation or maintenance of the Project Facilities or the protection of the Trustee's interest therein, and in such connection deliver or disburse the same to such entities in such amounts and with such preferences and priorities as the Majority Owner Representative in its sole discretion shall determine, either with or without vouchers or orders executed by the Borrower: (A) all sums due from the Borrower to the Trustee; (B) premiums and costs of title and any other insurance; (C) leasing fees and brokerage or sales commissions; (D) fees, costs and expenses of the Trustee, the Majority Owner Representative and the Holder and their respective counsel in connection with the enforcement and performance of this Agreement, the other Bond Documents and the other documents contemplated hereby; (E) any taxes (including federal, state and local taxes) or other governmental charges; (F) any sums required to indemnify and hold the Trustee or the Majority Owner Representative harmless from any act or omission of the Trustee or the Majority Owner Representative (except such as are grossly negligent or due to its willful misconduct) under Section 2.5 hereof, the other Bond Documents or any other document; (G) architectural and engineering costs or any sums due to contractors, subcontractors, mechanics or materialmen for work or services actually furnished on or for the Project Facilities; (H) claims of any Governmental Authority for any required withholding of taxes on wages payable or paid by the Borrower; and (I) other costs and expenses which are required to complete, manage or operate the Project Facilities or to protect the Project Facilities from injury or maintain the Trustee's security position before the rights of all others; (3) place additional encumbrances upon the

Project Facilities; and (4) employ leasing and sales agents and negotiate and execute leases, sales contracts and financing undertakings in connection with all or any part of the Project Facilities; and

(f) Subject to all Legal Requirements, require the Borrower to transfer all security deposits to the Trustee; and

(g) Exercise, or cause to be exercised, any and all such remedies as it may have under this Agreement, the other Bond Documents or at law or in equity; and

(h) Notwithstanding anything to the contrary contained in this Article VII, so long as the Senior Bond remain outstanding, the Bondholder shall have no right to enforce the provisions hereof. From and after the date as of which the Senior Bond no longer remain outstanding, the Bondholder shall take such actions as it may reasonably deem necessary to enforce such provisions.

**Section 7.3 No Waivers; Consents.** No waiver of, or consent with respect to, any provision of this Agreement shall in any event be effective unless the same shall be in writing and signed by the Trustee at the direction of the Majority Owner Representative (or by the Issuer if the same relates to Reserved Rights), and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

**Section 7.4 No Waiver; Remedies Cumulative.** No failure on the part of the Issuer, the Trustee, the Majority Owner Representative or the Bondholder to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; and no single or partial exercise of any right hereunder shall preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies available under any other document or at law or in equity.

**Section 7.5 Set-Off.** Upon the occurrence and during the continuation of an Event of Default hereunder (provided that the Trustee and Majority Owner Representative shall have no obligation to accept a cure of any Event of Default), the Trustee is hereby authorized at any time and from time to time without notice to the Borrower, [the Administrative General Partner or the General Partner] (any such notice being expressly waived by the Borrower, [the Administrative General Partner and the General Partner]) and, to the fullest extent permitted by applicable Legal Requirements, to set off and to apply any and all balances, credits, deposits (general or special, time or demand, provisional or final), accounts or moneys at any time held (including any amounts in the Accounts except for the Rebate Fund and the Tax and Insurance Escrow Fund) and other indebtedness at any time owing by the Issuer to or for the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement, the Bond Documents or any other agreement or instrument delivered by the Borrower to the Issuer in connection therewith, whether or not the Issuer shall have made any demand hereunder or thereunder and although such obligations may be contingent or unmatured. The rights of the Trustee under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the Trustee may have.



**Section 7.6 Issuer and Borrower to Give Notice of Default.** The Issuer and the Borrower severally covenant that they will, at the expense of the Borrower, promptly give to the Trustee, the Majority Owner Representative, the Holder, the Tax Credit Investor and Special Limited Partner and to each other written notice of the occurrence of any Event of Default under this Agreement or any of the Bond Documents, and any act, event or circumstance which, with the passage of time, or notice, or both, would constitute such an Event of Default of which they shall have actual knowledge or written notice, but the Issuer shall not be liable for failing to give such notice.

**Section 7.7 Cure by Tax Credit Investor and/or Special Limited Partner.** Notwithstanding anything to the contrary contained herein, each of the Issuer, the Trustee, and the Majority Owner Representative hereby agrees that any timely cure of any default made or tendered by the Tax Credit Investor and/or Special Limited Partner shall be deemed to be a cure by the Borrower, and shall be accepted or rejected on the same basis as if made or tendered by the Borrower; provided, however, that neither the Tax Credit Investor nor the Special Limited Partner shall have any obligation or duty to take any action to cure any default or to cause any default to be cured. In addition, in the case of an Event of Default, or an event which causes a material adverse effect on the Guarantor's ability to perform its obligations under any guaranty, the Tax Credit Investor and/or Special Limited Partner shall have the right to propose a substitute guarantor, which may be approved by the Majority Owner Representative, in its sole and absolute discretion. In the event the Majority Owner Representative accepts such substitute guarantor, said substitute guarantor shall enter into such guaranties as required by the Majority Owner Representative, in form and substance satisfactory to the Majority Owner Representative in its sole and absolute discretion. Notwithstanding the foregoing, the Tax Credit Investor and/or Special Limited Partner's ability to propose of a substitute guarantor shall in no event delay the Majority Owner Representative's ability its exercise any relief or remedy hereunder or under any of the Bond Documents.

**Section 7.8 Default Rate; Acceleration Premium.** In the event there shall have occurred an acceleration of the obligations of the Borrower hereunder following an Event of Default on or before the Maturity Date, any tender of payment of an amount necessary to satisfy the Indebtedness evidenced by this Agreement and the Note shall include the acceleration premium set forth in Section 2.3(c) hereof. In addition, in the event that principal or interest payable hereunder is not paid when due, there shall be payable on the amount not timely paid, interest at the Default Rate until the unpaid amount, together with interest thereon, shall have been paid in full.

**Section 7.9 Reserved Rights; Regulatory Agreement Defaults.**

(a) Notwithstanding anything to the contrary contained herein, the Issuer may enforce its Reserved Rights under the Bond Documents and exercise the permitted remedies with respect thereto against the Borrower, subject to the provisions of subparagraph (c) below.

(b) If there shall have occurred and be then continuing an event of default under the Regulatory Agreement which would, in the reasonable judgment of the Issuer, the Majority Owner Representative or the Trustee, jeopardize the exclusion from gross income

of interest on the Bond (a “Regulatory Agreement Default”) and such Regulatory Agreement Default remains uncured or unwaived for a period of 60 days after the Borrower, the Majority Owner Representative and the Majority Owner receive written notice from the Trustee or the Issuer stating that a Regulatory Agreement Default has occurred and specifying the nature of such default, then, if authorized by the Bond Documents, the Issuer and the Trustee may (but are not obligated to), without the consent of the Majority Owner Representative or the Holder exercise the remedy of pursuing specific performance of the Bond Documents on account of such default, unless:

(i) The Issuer and the Trustee, prior to the end of such 60 day period, are provided with an opinion of Bond Counsel to the effect that the failure to cure such default will not have an adverse effect on the exclusion from gross income for federal income tax purposes of interest on the Bond (which opinion may be requested and obtained and relied upon by the Majority Owner Representative or the Holder);

(ii) The Majority Owner Representative, the Holder or the Borrower institutes action to cure such Regulatory Agreement Default within such 60 day period and diligently pursues such action thereafter until such Regulatory Agreement Default is cured; or

(iii) If such Regulatory Agreement Default is not reasonably curable by the Majority Owner Representative or the Holder without the Trustee’s first securing possession of the Project Facilities and/or operational control of the Borrower and the Majority Owner Representative or the Holder (subject to extension during any stay on account of the bankruptcy of the Borrower) (x) instructs the Trustee in writing, subject to the terms of the Indenture, to institute, within such 60 day period, proceedings or other action for the purposes of obtaining such possession or control pursuant to the Bond Documents; (y) thereafter instructs the Trustee, pursuant to the terms of the Indenture, to pursue diligently such proceedings until such possession or control is obtained; and (z) diligently pursues action to cure such default after the Trustee or other designee of the Majority Owner Representative or the Holder obtains possession or control of the Project Facilities, until such default is cured; provided, however, that any extension of the period within which a Regulatory Agreement Default must be cured shall only be effective if and to the extent that, in the opinion of Bond Counsel provided to the Trustee, the Majority Owner Representative and the Holder, such extension will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bond; and provided further, that the Trustee, upon five Business Days’ prior written notice to the Majority Owner Representative and the Holder following any such Regulatory Agreement Default, may reduce the 60-day period provided above to such shorter period of time as is specified in such notice (but in no event less than 15 Business Days), but only if the Trustee, the Majority Owner Representative and the Holder shall have been provided with an opinion of Bond Counsel to the effect that such reduction of such period is necessary to preserve the exclusion from gross income for federal income tax purposes of interest on the

Bond. Nothing in the preceding paragraph shall prevent the Issuer's exercise of its remedies under Section 18 of the Regulatory Agreement.

(c) In the event of a default in respect of Reserved Rights or a Regulatory Agreement Default which remains uncured after written notice thereof to the Borrower, the Majority Owner Representative and the Holder, nothing in this Section 7.9 shall restrict or in any way limit the right of the Issuer or the Trustee to take any action for specific performance available under the Regulatory Agreement or at law or in equity in order to enforce the terms of the Regulatory Agreement or to enforce Reserved Rights hereunder, so long as neither the Issuer nor the Trustee takes any action (i) to declare the outstanding balance of the Bond or the Loan to be due on account of such default, (ii) to have a receiver appointed in respect of the Project Facilities, (iii) [reserved], or (iv) to enforce any other similar remedy which would cause such liens or security interests to be discharged or materially impaired thereby.

[End of Article VII]

## ARTICLE VIII

### DEPOSITS TO FUNDS

**Section 8.1** [Reserved].

**Section 8.2** [Reserved].

**Section 8.3** [Reserved].

**Section 8.4 Deposits to Redemption Fund.** The Borrower shall also pay to the Trustee for deposit in the Redemption Fund all amounts required to redeem the Bond pursuant to Section 2.12(b) of the Indenture, as provided therein.

**Section 8.5** [Reserved].

**Section 8.6 Deposits to Bond Proceeds Account, Bond Fund and Collateral Fund.** In consideration of and as a condition to each disbursement of Bond proceeds in the Bond Proceeds Account to pay Qualified Project Costs, and to secure the Borrower's obligation to make Repayments, the Borrower shall cause the delivery of a Collateral Payment equal to the amount of the proposed disbursement to the Trustee on the date of each such disbursement. All Collateral Payments shall be paid to the Trustee for the account of the Issuer and shall be held in the Collateral Fund and disbursed in accordance with the provisions of the Indenture. The Borrower and the Issuer each acknowledges that neither the Borrower nor the Issuer has any interest in the Bond Fund or the Collateral Fund and any money deposited therein shall be in the custody of and held by the Trustee in trust for the benefit of the Holder.

**Section 8.7 Investment.** Funds in the Accounts shall be invested in Permitted Investments upon the direction of the Borrower with the consent of the Majority Owner Representative, as set forth in Section 4.7 of the Indenture. Except as provided in Article V of the Indenture, earnings on the Accounts hereunder shall be held or disbursed as set forth in Article IV of the Indenture. Subject in all respects to the requirements of Section 4.7(d) of the Indenture, the Trustee shall have the right to invest or withdraw any deposited funds or to direct the liquidation of any investments held in order to pay the amounts required under this Agreement and the other Bond Documents. The Trustee shall not be liable for any loss sustained as a result of any liquidation of any collateral prior to its maturity. Any income or gain realized on such investments shall be credited to and become part of the respective Account and reinvested and applied as provided in the Indenture. Provided that no Default or Event of Default exists, the Borrower from time to time may request the Majority Owner Representative to consent to the disbursement to or upon the order of the Borrower of the investment income previously credited to the Operating Reserve Fund, which consent by the Majority Owner Representative shall not be unreasonably withheld or delayed.

**Section 8.8 Security Interest in Accounts.** The Borrower hereby assigns and pledges to the Issuer, and grants the Issuer a security interest in, as additional collateral security for the Borrower's obligations to the Issuer hereunder (and the Borrower acknowledges and agrees that the Issuer shall have a continuing security interest in) all of the Borrower's right, title and interest, if any, in all Accounts, all cash, cash equivalents, instruments, investments and other securities at

any time held in the Accounts, all proceeds of the foregoing, and all of the Borrower's rights associated with such Accounts, if any. The Issuer hereby directs the Trustee to hold all moneys in the Accounts from time to time as assignee of the Issuer.

**Section 8.9 Reports.** The Trustee shall provide to the Borrower detailed monthly reports on or before the fifth day of the month following the month to which such report relates showing receipts, disbursements, balances and investments of each Account. Within 10 days of a written request of the Borrower to such effect, the Trustee shall deliver to the Borrower an accounting of receipts, disbursements and balances in one or more of the Accounts as necessary and appropriate to assist the Borrower in complying with its covenants to calculate and pay any rebate amount or yield reduction payments due and owing to the United States of America with respect to the Bond.

**Section 8.10 No Liability of Trustee.** In performing any of its duties hereunder, the Trustee shall not incur any liability to anyone for any damages, losses or expenses, except for its gross negligence, bad faith or willful misconduct; and the Trustee shall not incur any liability with respect to any action taken or omitted in good faith in the performance of its duties and responsibilities under this Agreement.

[End of Article VIII]

## ARTICLE IX

### RENOVATION AND FUNDING OF ADVANCES

#### Section 9.1 [Reserved].

#### Section 9.2 Making The Advances.

(a) At such time as the Borrower desires to obtain an advance from the Project Fund, an Authorized Representative shall complete, execute and deliver a Requisition to the Majority Owner Representative for its approval; no Requisition shall be delivered to the Trustee until it has been approved in writing by the Majority Owner Representative, and each advance by the Trustee of the amounts in the Project Fund shall be subject to the prior written approval of the Requisition by the Majority Owner Representative and acknowledgment by the Issuer, as provided in the Indenture. The Majority Owner Representative shall endeavor to approve or object to any Requisition within 10 Business Days of its submission and the submission of all additional information required in connection with such Requisition and shall endeavor to provide specific information concerning the nature of any objection it may have.

(b) Each Requisition shall be submitted to the Majority Owner Representative at least 15 Business Days prior to the date of the requested Advance, and no more frequently than once each month (excluding the month in which the initial advance is requested). The Borrower shall open and maintain a checking account with a financial institution reasonably satisfactory to the Majority Owner Representative. Except as otherwise provided for herein, the Majority Owner Representative shall direct the Trustee in writing to deposit the proceeds of each Requisition into such account.

**Section 9.3 Advances to Contractors; to Others.** At its option during the existence of any Event of Default or Default, the Majority Owner Representative shall direct the Trustee in writing to make any or all advances: (a) for costs incurred under any construction contract directly to a contractor, subcontractor or vendor, (b) through the Title Company, or (c) to any Person to whom the Majority Owner Representative in good faith determines payment is due.

**Section 9.4 Requisition.** Each Requisition shall be in the form set forth as *Exhibit C* to the Indenture, shall be signed on behalf of the Borrower by an Authorized Representative, shall be subject to written approval by the Majority Owner Representative and acknowledgement by the Issuer prior to payment and shall state with respect to each disbursement to be made: (a) the number of the Requisition; (b) the amount to be disbursed; (c) that each obligation therein for which such disbursement is being requested has been properly incurred and has not been the basis for any previous disbursement; and (d) that the expenditure of such disbursement, when added to all previous disbursements, will result in not less than (i) 100% of all disbursements of proceeds of the Bond having been used to pay or reimburse the Borrower for Qualified Project Costs and (ii) 100% of all disbursements having been used to pay or reimburse the Borrower for Project Costs.

**Section 9.5 Project Costs.** The Development Budget reflects the purposes and the amounts for which funds to be advanced by the Trustee from the Project Fund are to be used. Subject to Section 9.7 hereof, the Majority Owner Representative shall not be required to approve any Requisition requiring disbursement of funds from the Project Fund for any item of Work in an amount exceeding the amount specified for any item in the Development Budget. Subject to Section 9.7 hereof, in no event shall the Majority Owner Representative approve any Advance in an amount exceeding (a) the total cost (as determined by the Majority Owner Representative) of the labor, materials, fixtures, machinery and equipment completed, approved and incorporated into the Project Facilities prior to the date of such Requisition, less (b) Retainage (if required) less (c) the total amount of any Advances previously made by the Trustee from the Project Fund for such costs.

**Section 9.6 Retainage.** The Majority Owner Representative shall approve disbursement of Retainage upon completion of the Work or category of Work by the contractor or subcontractor under the contract for which the Retainage was held. No advance of funds from the Project Fund shall be approved unless all Work done at the date the Requisition for such Advance is submitted is done in a good and workmanlike manner and without defects, as confirmed by the report of the Engineering Consultant.

**Section 9.7 Contingency Reserve.** The amount allocated to “contingency” in the Development Budget is not intended to be disbursed without, and will only be disbursed upon, the prior approval of the Majority Owner Representative. The disbursement of a portion of the contingency reserve shall in no way prejudice the Majority Owner Representative from directing the Trustee in writing to withhold disbursement of any further portion of the contingency reserve.

**Section 9.8 Stored Materials.** The Majority Owner Representative shall approve Requisitions for funds for materials, furnishings, fixtures, machinery or equipment not yet incorporated into the Improvements, provided that any such disbursement shall be subject to and shall be contingent upon the Majority Owner Representative’s receiving satisfactory evidence that:

(a) such materials are components in a form ready for incorporation into the Improvements and shall be so incorporated within a period of 30 days; and

(b) such materials are stored at the Project Facilities, or at such other site as the Majority Owner Representative shall approve, and are protected against theft and damage.

**Section 9.9 Cost Overruns and Savings.**

(a) If the Borrower becomes aware of any change in the costs of the Work which will increase or decrease the projection of the costs reflected on the Development Budget by \$100,000 or more, the Borrower shall immediately notify the Majority Owner Representative in writing and promptly submit to the Majority Owner Representative for its approval a revised Development Budget. If the Majority Owner Representative otherwise becomes aware of any such change in costs of the Work, the Majority Owner Representative shall have the right to prepare and to authorize disbursements on the basis of a revised Development Budget.

(b) If the revised Development Budget indicates an increase in costs of the Work for the Project Facilities (in excess of the aggregate contingency amount and savings), no further Requisitions for the Work at the Project Facilities need be approved by the Majority Owner Representative unless and until the Borrower has deposited with the Trustee any required funds necessary to cause the amount remaining on deposit in the Project Fund and any Required Equity Funds yet to be deposited with the Trustee to be sufficient to complete fully the renovation and construction of the Improvements in accordance with the Plans and Specifications to the extent applicable, and to pay all other projected costs in connection with the Work.

(c) If the revised schedule indicates a decrease in costs of the Work for the Project Facilities, no savings may be reallocated by the Borrower unless and until the Borrower has furnished the Majority Owner Representative and the Engineering Consultant with evidence satisfactory to them that the labor performed and materials supplied in connection with such line item of costs have been satisfactorily completed and paid for in full. At such time, such savings may be reallocated by the Borrower with the consent of the Majority Owner Representative, to other line items in the Development Budget.

(d) The Issuer does not make any warranty, either express or implied, that the moneys paid into the Project Fund and available for payment of the Project Costs will be sufficient to pay all of the Project Costs. The Borrower agrees that if after exhaustion of the moneys in the Project Fund, the Borrower should pay any portion of the Project Costs as required herein, the Borrower shall not be entitled to any reimbursement therefor from the Issuer, nor shall the Borrower be entitled to any diminution of the amounts payable under this Agreement or under the Note.

#### **Section 9.10 Right to Retain the Engineering Consultant.**

(a) The Majority Owner Representative shall have the right to retain at the Borrower's cost and expense, the Engineering Consultant to perform various services on behalf of the Majority Owner Representative, including, without limitation, to make periodic inspections for the purpose of assuring that renovation and construction of the Improvements to date is in accordance with the Plans and Specifications, to advise the Majority Owner Representative of the anticipated cost of and time for completion of renovation and construction of the Improvements and to review all construction contracts and subcontracts.

(b) The fees of the Engineering Consultant during the performance of the renovation and construction shall be paid by the Borrower in accordance with Section 2.2(b) hereof.

(c) Neither the Majority Owner Representative, the Holder, nor the Engineering Consultant shall have any liability to the Borrower on account of (i) the services performed by the Engineering Consultant, (ii) any neglect or failure on the part of the Engineering Consultant to properly perform its services, or (iii) any approval by the Engineering Consultant of renovation and construction of the Improvements. Neither the



Majority Owner Representative, the Holder, nor the Engineering Consultant assumes any obligation to the Borrower, [the General Partner, the Administrative General Partner] or any other Person concerning the quality of the Work performed or the absence of defects from the Improvements.

**Section 9.11 Inspections.** The Borrower agrees to provide and cause to be provided to the Majority Owner Representative and its authorized agents, at all times during normal business hours, facilities commonly made available by responsible general contractors for the inspection of the Improvements, and to afford full and free access to the Majority Owner Representative and its authorized agents to all plans, drawings and records with respect to the renovation and construction of the Improvements. The Borrower further agrees to promptly send to the Majority Owner Representative a copy of all construction inspection reports made by the Borrower's Architect or engineer.

**Section 9.12 Initial Advances.** The right of the Borrower to draw the initial Advance on the Issue Date shall be subject to the satisfaction of the following conditions precedent:

(a) The Borrower shall have delivered the items listed on ***Schedule 7*** attached hereto;

(b) The Borrower shall have delivered evidence as to the obtaining of all approvals, permits and licenses which are then required, if any, or necessary for the renovation and construction of the Improvements at the Project Facilities, together with copies of all such approvals, permits and licenses or evidence that no such permits or licenses are required;

(c) The Borrower shall have delivered copies of the Borrower's contracts with the Architect and the Contractor, duly executed by the parties thereto, and to the extent applicable, a list of all subcontractors and materialmen who have been or, to the extent identified by the Borrower, will be, supplying labor or materials for the renovation and construction of the Project Facilities;

(d) The Borrower shall have delivered to the Majority Owner Representative two complete sets of the Plans and Specifications, together with evidence of their approval by all Governmental Authorities having jurisdiction;

(e) The Borrower shall have delivered payment and performance bonds in respect of the Construction Contract;

(f) The Majority Owner Representative shall have received a report or written confirmation from the Engineering Consultant that (a) the Engineering Consultant has reviewed the Plans and Specifications identified on ***Schedule 5***, (b) the Construction Contract satisfactorily provides for the renovation and construction of the Project Facilities, and (c) in the opinion of the Engineering Consultant renovation and construction of the Project Facilities can be completed on or before the Completion Date for an amount not greater than the amount allocated for such purpose on the Development Budget;

(g) The Borrower shall have delivered to the Majority Owner Representative evidence as to:

(i) the methods of access to and egress from the Project Facilities, and nearby or adjoining public ways, meeting the reasonable requirements of the Project Facilities and the status of completion of any required improvements to such access;

(ii) the availability of water supply and storm and sanitary sewer facilities meeting the reasonable requirements of the Project Facilities;

(iii) the availability of all other required utilities, in location and capacity sufficient to meet the reasonable needs of the Project Facilities; and

(iv) the obtaining of all Governmental Actions which are required, necessary or desirable for the renovation and construction of the Improvements and the access thereto, together with copies of all such Governmental Actions as listed on **Schedule 6**;

(h) The first installment of the Borrower's Required Equity Funds \$[ ] (which amount does not include a due diligence fee) shall have been delivered to the Trustee and the other deposits required under Section 4.1(c) of the Indenture shall have been made;

(i) The initial deposit from the General Partner of \$[ ] shall have been delivered to the Trustee and the other deposits required under Section 4.1(c) of the Indenture shall have been made; and

(j) The Majority Owner Representative, the Trustee and the Borrower shall have executed a closing statement for the Bond in form and substance satisfactory to the Majority Owner Representative and, if any portion of the initial Advance shall be for hard costs of renovation and construction, a completed Requisition as described in Section 9.13(d)(i) hereof and the Engineering Consultant approval described in Section 9.13(d)(iii) hereof.

**Section 9.13 Subsequent Advances.** The right of the Borrower to draw any subsequent advances of funds from the Project Fund shall be subject to the satisfaction of the following conditions:

(a) The Borrower shall have delivered the items listed on Part B of **Schedule 7** attached hereto.

(b) If the Improvements shall have been materially injured or damaged by fire, explosion, accident, flood or other casualty, such Improvements are able to be and are diligently being restored;

(c) There shall not be a continuing Event of Default or a Default;

(d) The Majority Owner Representative and the Trustee shall have received:

(i) a completed Requisition, accompanied by the certificates, applications, invoices and other materials required thereby;

(ii) a “date down” endorsement to the Title Policy indicating no change in the state of title not approved by the Majority Owner Representative; and

(iii) approval of the portion of the Requisition applicable to the Work for such Advance by the Engineering Consultant, accompanied by a certificate or report from the Engineering Consultant to the effect that in its opinion, based on site observations and submissions by the Contractor, the Work for which the advance is requested to the date thereof was performed in a good and workmanlike manner and stating that the remaining non-disbursed portion of the Bond proceeds and other available funds and funds projected to be deposited in the Project Fund established under the Indenture is adequate to complete renovation and construction of the Improvements in accordance with the Plans and Specifications.

(e) Notwithstanding anything to the contrary set forth in this Agreement, no sums shall be disbursed until the Borrower has delivered a conditional waiver or full or partial release of liens from all contractors, subcontractors, materialmen or others who may be entitled to a lien, as permitted by law for the Work supplied or materials provided and for which payment is requested, and with respect to all contractors, subcontractors, materialmen or others entitled to a Lien for Work done or materials provided and paid from any prior Advance of funds, an unconditional waiver or release of lien with respect to such Work and materials.

(f) The Majority Owner Representative may withhold or refuse to approve any Requisition hereunder if any mechanic’s lien is filed or notice of intention to record or file a mechanic’s lien has been filed or given.

(g) In addition to the conditions set forth in this Section 9.13, the Majority Owner Representative’s obligation to approve any Requisition for Retainage shall be subject to receipt by the Majority Owner Representative of the Engineering Consultant’s certification of completion as to the Work performed under any contract or subcontract for which the Retainage will be disbursed.

(h) All installments of Required Equity Funds then due and payable pursuant to the terms and conditions of the Partnership Agreement shall have been deposited with the Trustee;

(i) If at any time during the renovation and construction of the Project Facilities, the Majority Owner Representative shall in its sole discretion determine that the remaining undisbursed portion of the Project Fund, any other sums previously deposited by Borrower with the Trustee, any amounts required to be deposited in the Project Revenue Account pursuant to Section 8.6 hereof (other than funds which have not been deposited due to a default by the Borrower in its obligation to deposit such funds) and any Required Equity Funds yet to be deposited with the Trustee (other than Required Equity Funds which

have not been deposited due to a default by the Borrower or any partner under the applicable provisions of the Partnership Agreement), is or will be insufficient to complete fully the renovation and construction of the Improvements in accordance with the scope of work, and to pay all other projected costs in connection with the Work, the Borrower will, within seven days after written notice of such determination from the Majority Owner Representative deposit with the Trustee (for deposit into the Equity Account of the Project Fund) such sums of money in cash as the Majority Owner Representative may reasonably require, in an amount sufficient to remedy the condition described in such notice, and sufficient to pay any liens for labor and materials alleged to be due and payable at the time in connection with the Improvements (to the extent not already bonded over or reserved for), and, at the Majority Owner Representative's option, the Majority Owner Representative shall not be obligated to authorize any further advances of the amounts held in the Project Fund by Trustee until the provisions of this Section 9.13(i) have been fully complied with.

(j) No Material Change Order shall have been made without the written approval of the Majority Owner Representative.

(k) Within five days after receiving notice from the Majority Owner Representative (or the Engineering Consultant), the Borrower will commence or cause to be commenced the removal of all materials, whether worked or unworked, and all portions of the renovation and construction which the Majority Owner Representative (or the Engineering Consultant) may condemn as failing in a substantial way to conform with the Plans and Specifications, and will prosecute diligently or cause to be prosecuted diligently such removal. The Borrower further agrees to make good all portions of the renovation and construction and other materials damaged by such removal.

(l) The Trustee shall have received a Requisition approved by the Majority Owner Representative and acknowledged by the Issuer. The Trustee shall have no obligation to review any invoices, schedules, etc. attached to the Requisition and shall be entitled to rely upon any Requisition that has been approved by the Controlling Party in making disbursements from the Accounts.

**Section 9.14 Effect of Approval.** Approval of any Requisition by the Majority Owner Representative shall not constitute an approval or acceptance of the Work or materials, nor shall such approval give rise to any liability or responsibility relating to: (i) the quality of the work, the quantity of the work, the rate of progress in completion of the Work, or the sufficiency of materials or labor being supplied in connection therewith; and (ii) any errors, omissions, inconsistencies or other defects of any nature in the Plans and Specifications. Any inspection of the work that the Majority Owner Representative may choose to make, whether through any consulting engineer or architect, agent or employee or officer, during the progress of the work shall be solely for the Majority Owner Representative's information and under no circumstances will they be deemed to have been made for the purpose of supervising or superintending the Work, or for the information or protection of any right or interest of any person or entity other than the Majority Owner Representative and the Holder.

[End of Article X]

## ARTICLE X

### MISCELLANEOUS

**Section 10.1 Notices.** All notices and other communications provided for hereunder shall be in writing and sent by email (with the original delivered via overnight mail) and by reputable overnight mail service or private delivery service addressed as follows:

To the Borrower: Broadway Apartments Preservation, LP  
c/o Step Up On Second Street, Inc.  
1328 Second Street  
Santa Monica, CA 90401  
Attention: Tod Lipka, Chief Executive Officer

With copies to: Friendship for Affordable Housing, LLC  
5967 West 3rd Street, Suite 102  
Los Angeles, CA 90036  
Attention: Avi Ryzman

Hobson Bernardino & Davis, LLP  
Citigroup Center  
6060 Center Drive, Floor 10  
Los Angeles, CA 90045  
Facsimile: (213) 235-9190  
Attention: Jason A. Hopson, Esq.

Aegon LIHTC FUND 60, LLC  
c/o Aegon USA Realty Advisors, LLC  
Attn: LIHTC Reporting  
6300 C Street SW  
Cedar Rapids, IA 52499  
Facsimile: (319) 355-8030  
Email: [lihtcreporating@aegonusa.com](mailto:lihtcreporating@aegonusa.com)

Transamerica Affordable Housing, Inc.  
c/o Aegon USA Realty Advisors, LLC  
Attn: LIHTC Reporting  
6300 C Street SW  
Cedar Rapids, IA 52499  
Facsimile: (319) 355-8030

Nixon Peabody LLP  
70 West Madison Street, Suite 3500  
Chicago, IL 60602  
Attention: Andrew Tripp, Esq.  
Facsimile: (844) 565-3244  
Email: ahtripp@nixonpeabody.com

If to the Issuer:

City of Los Angeles  
Los Angeles Housing Department  
8th Floor  
1200 West 7th Street  
Los Angeles, CA 90017  
HIMS# 18-125019  
Attention: Supervisor, Affordable Housing  
Bond Program  
Facsimile: (213) 808-8918

With a copy to:

Los Angeles Housing Department  
Post Office Box 532729  
Los Angeles, CA 90053-2729  
HIMS# 18-125019  
Attention: Supervisor, Affordable Housing  
Bond Program  
Facsimile: (213) 808-8606

If to the Trustee:

U.S. Bank Trust Company, National  
Association  
633 West 5th Street, 24th Floor  
Los Angeles, CA 90071  
Attention: Global Corporate Trust  
Ref: LA MF (Broadway 2022T)  
Telephone: (213) 615-6024  
Facsimile: (213) 615-6199

If to the Majority Owner  
Representative:

Red Stone Servicer, LLC  
666 Old Country Road, Suite 603  
Garden City, NY 11530  
Attention: Linda La  
Email: lla@redstoneco.com

With a copy to:

Gilmore & Bell, P.C.  
15 West South Temple, Suite 1450  
Salt Lake City, UT 84101  
Attention: Claymore K. Hardman, Esq.  
Email: chardman@gilmorebell.com

If to the Holder:

At the address set forth on the Register  
maintained by the Trustee

If to Tax Credit Investor:

Aegon LIHTC FUND 60, LLC  
c/o Aegon USA Realty Advisors, LLC  
Attn: LIHTC Reporting  
6300 C Street SW  
Cedar Rapids, IA 52499  
Facsimile: (319) 355-8030  
Email: [lihtcreporating@aegonusa.com](mailto:lihtcreporating@aegonusa.com)

With a copies to:

Transamerica Affordable Housing, Inc.  
c/o Aegon USA Realty Advisors, LLC  
Attn: LIHTC Reporting  
6300 C Street SW  
Cedar Rapids, IA 52499  
Facsimile: (319) 355-8030

Nixon Peabody LLP  
70 West Madison Street, Suite 3500  
Chicago, IL 60602  
Attention: Andrew Tripp, Esq.  
Facsimile: (844) 565-3244  
Email: [ahtripp@nixonpeabody.com](mailto:ahtripp@nixonpeabody.com)

The above parties may change the address to which notices to it are to be sent by written notice given to the other persons listed in this Section. All notices shall, when sent as aforesaid, be effective when received.

Notwithstanding anything in this Agreement or the Indenture to the contrary, the Trustee has agreed under the terms of the Indenture to accept and act upon instructions or directions under the Indenture and under this Agreement sent in writing or by electronic means; provided, however, that such instructions or directions shall be signed by an authorized representative of the Borrower. If the Borrower elects to give the Trustee instructions by electronic notice, the Borrower acknowledges that the Trustee, in its discretion, may deem such instructions controlling. The Borrower further acknowledges that the Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. All notices, approvals, consents, directions, certificates, requests and any communications hereunder ("Notices") must be in writing (provided that any Notices sent to Trustee hereunder must be in the form of a document that is signed manually or by way of a digital signature provided by DocuSign initiated by the Trustee (or such other digital signature provider as specified in writing to Trustee by the authorized representative as shall be acceptable to the Trustee)), in English. The Borrower agrees to assume all risks arising out of the use of digital signatures and such electronic notice to submit instructions and directions to the Trustee, including, without limitation, the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

**Section 10.2 Successors and Assigns; Third Party Beneficiaries.** This Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their respective successors and assigns, including, without limitation, the Trustee. The Majority Owner Representative and the Holder are express third party beneficiaries of this Agreement and the rights of the Trustee (as assignee of the Issuer) hereunder, with full rights of enforcement thereof. The Borrower may not assign its interests in or its rights, duties or obligations under this Agreement without the prior written consent of the Majority Owner Representative. The Borrower and the Issuer intend that no person other than the parties hereto, the Trustee, the Holder, the Majority Owner Representative, and their respective successors and assigns as permitted hereunder, shall have any claim or interest under this Agreement or right of action hereon or hereunder.

**Section 10.3 Survival of Covenants.** All covenants made by the Borrower herein and in any document delivered pursuant hereto shall survive the issuance, sale and delivery of the Bond, the delivery of this Agreement and the payment of any amounts under the Bond Documents.

**Section 10.4 Counterparts; Electronic Signature; Electronic Transactions.** The execution hereof by each party hereto shall constitute a contract between them for the uses and purposes herein set forth, and this Agreement may be executed in any number of counterparts, with each executed counterpart constituting an original and all counterparts together constituting one agreement. To the fullest extent permitted by applicable law, facsimile or electronically transmitted signatures shall be treated as original signatures for all purposes hereunder. The transactions described in this Agreement and the other Bond Documents may be conducted and related documents may be sent, received or stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

**Section 10.5 Costs, Expenses and Taxes.** The Borrower agrees to pay on the Issue Date and thereafter within 30 days after demand, all reasonable costs and expenses of the Issuer, the Trustee, the Majority Owner Representative and the Holder in connection with the preparation, execution, delivery and administration of this Agreement, the other Bond Documents and any other documents that may be delivered in connection with this Agreement or the other Bond Documents or any amendments or supplements thereto, including, without limitation, the fees and expenses of the Engineering Consultant, the cost of an annual appraisal (but only upon the occurrence and during the continuation of an Event of Default) of the Project Facilities by an appraiser selected by the Majority Owner Representative, and the reasonable fees and expenses of counsel for the Holder and the Majority Owner Representative with respect thereto and with respect to advising the Holder and the Majority Owner Representative as to their respective rights and responsibilities under this Agreement, the other Bond Documents and such other documents, and all costs and expenses, if any, (including, without limitation, reasonable counsel fees and expenses of the Majority Owner Representative and the Holder) in connection with the enforcement of this Agreement, the other Bond Documents and such other documents.

**Section 10.6 Severability; Interest Limitation.** If any provision hereof is found by a court of competent jurisdiction to be prohibited or unenforceable in any jurisdiction, it shall be ineffective as to such jurisdiction only to the extent of such prohibition or unenforceability, and such prohibition or unenforceability shall not invalidate the balance of such provision as to such



jurisdiction to the extent it is not prohibited or unenforceable, nor invalidate such provision in any other jurisdiction, nor invalidate the other provisions hereof, all of which shall be liberally construed in favor of the Issuer in order to effect the provisions of this Agreement. Notwithstanding anything to the contrary herein contained, the total liability of the Borrower for payment of interest pursuant hereto shall not exceed the maximum amount, if any, of such interest permitted by applicable Legal Requirements to be contracted for, charged or received, and if any payments by the Borrower to the Trustee include interest in excess of such a maximum amount, the Trustee shall apply such excess to the reduction of the unpaid principal amount due pursuant hereto, or if none is due, such excess shall be refunded to the Borrower; provided that, to the extent permitted by applicable Legal Requirements, in the event the interest is not collected, is applied to principal or is refunded pursuant to this sentence and interest thereafter payable pursuant hereto shall be less than such maximum amount, then such interest thereafter so payable shall be increased up to such maximum amount to the extent necessary to recover the amount of interest, if any, theretofore uncollected, applied to principal or refunded pursuant to this sentence. Any such application or refund shall not cure or waive any Event of Default. In determining whether or not any interest payable under this Agreement exceeds the highest rate permitted by applicable Legal Requirements, any non-principal payment (except payments specifically stated in this Agreement to be "interest") shall be deemed, to the extent permitted by applicable Legal Requirements, to be an expense, fee, premium or penalty rather than interest.

**Section 10.7 Conflicts.** Insofar as possible the provisions of this Agreement shall be deemed complementary to the terms of the other Bond Documents, but in the event of conflict the terms hereof shall control to the extent such are enforceable under applicable Legal Requirements.

**Section 10.8 Complete Agreement.** Taken together with the other Bond Documents and the other instruments and documents delivered in compliance herewith, this Agreement is a complete memorandum of the agreement of the Borrower, [the General Partner, the Administrative General Partner], the Guarantor, the Majority Owner Representative, the Trustee, the Issuer and the Holder, with respect to the subject matter hereof.

**Section 10.9 Venue; Waiver of Jury Trial.** This Agreement and the Bond shall be enforceable in the State of California, and any action arising out of this Agreement or the Bond shall be filed and maintained in Los Angeles County, California, unless the Issuer waives this requirement. **TO THE EXTENT PERMITTED BY LAW THE PARTIES HERETO, EXCEPT THE ISSUER, HEREBY WAIVE THE RIGHT TO TRIAL BY JURY IN ANY ACTION ARISING UNDER THIS AGREEMENT, ANY OF THE OTHER BOND DOCUMENTS OR OTHERWISE IN CONNECTION HEREWITH.**

**Section 10.10 Judicial Reference.** Any claim, not involving the Issuer, brought hereunder in a California state court shall be resolved by a general reference to a referee (or a panel of referees) as provided in California Code of Civil Procedure Section 638. The referee (or presiding referee of the panel) shall be a retired judge or justice of the California state court system. The referee(s) shall be selected by mutual written agreement of the parties. If the parties do not agree, the referee(s) shall be selected by the presiding judge of the court (or his or her representative) as provided in California Code of Civil Procedure Section 640. The referee(s) shall hear and determine all issues relating to the claim, whether of fact or of law, and shall do so in accordance with the laws of the State of California, and shall report a statement of decision. The

referee(s) shall be empowered to enter equitable as well as legal relief, provide all temporary or provisional remedies, enter equitable and legal orders that will be binding on the parties, and rule on any motion which would be authorized in court litigation, including motions to dismiss, for summary judgment, or for summary adjudication. The referee(s) shall award legal fees and costs (including the fees of the referee(s)) relating to the judicial reference proceeding, and to any related litigation or arbitration, in accordance with the terms of this Agreement. The award that results from the decision of the referee(s) shall be entered as a judgment in the court that appointed the referee(s), in accordance with the provisions of California Code of Civil Procedure Sections 644(a). Pursuant to California Code of Civil Procedure Sections 645, the parties reserve the right to seek appellate review of any judgment or order, including but not limited to, orders pertaining to class certification, to the same extent permitted in a court of law.

**Section 10.11 Governing Law.** This Agreement shall be governed by, and construed in accordance with, the Legal Requirements of the State of California without reference to its principles of conflicts of law.

**Section 10.12 Headings.** Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

**Section 10.13 Sale of Bond and Secondary Market Transaction.**

(a) At the Majority Owner Representative or the Holder's request (to the extent not already required to be provided by the Borrower under this Agreement), the Borrower shall use reasonable efforts to satisfy the market standards to which the Majority Owner Representative or the Holder customarily adheres or which may be reasonably required in the marketplace or by the Majority Owner Representative in connection with, as allowed under the Indenture, one or more sales or assignments of all or a portion of the Bond or participations therein or securitizations of single or multi-class securities (the "Securities") secured by or evidencing ownership interests in all or a portion of the Bond (each such sale, assignment and/or securitization, a "Secondary Market Transaction"); provided that neither the Borrower, [the General Partner, the Administrative General Partner], any Guarantor nor the Issuer shall incur any third party or other out-of-pocket costs and expenses in connection with a Secondary Market Transaction, including the costs associated with the delivery of any Provided Information or any opinion required in connection therewith, and all such costs including, without limitation, any costs associated with receiving a rating on the Bond, shall be paid by the Majority Owner Representative, and shall not materially modify the Borrower's, [the General Partner's, the Administrative General Partner's] or any Guarantor's rights or obligations. Without limiting the generality of the foregoing, the Borrower shall, upon reasonable request of the Majority Owner Representative or the Holder, so long as the Loan is still outstanding:

(i) (1) provide financial and other information with respect to the Bond, and with respect to the Project Facilities, the Borrower, [the Administrative General Partner, the General Partner], the Guarantor, the Manager, or the Contractor of the Project Facilities, (2) provide financial statements, audited, if available, relating to the Project Facilities with customary disclaimers for any forward looking

statements or lack of audit, and (3) at the expense of the Majority Owner Representative, perform or permit or cause to be performed or permitted such site inspection, appraisals, surveys, market studies, environmental reviews and reports (Phase I's and, if appropriate, Phase II's), engineering reports, termite and other insect infestation reports and other due diligence investigations of the Project Facilities, the Borrower, [the Administrative General Partner, the General Partner,] the Guarantor, the Manager, the Contractor and other third parties in connection with the Bond, as may be reasonably requested from time to time by the Majority Owner Representative or the Rating Agencies or as may be necessary or appropriate in connection with a Secondary Market Transaction or Exchange Act requirements (the items provided to the Majority Owner Representative pursuant to this paragraph (i) and the other information provided pursuant to this Agreement and the other Bond Documents used in connection with a Secondary Market Transaction being called the "Provided Information"), together, if customary, with appropriate verification of and/or consents to the Provided Information through letters of auditors or opinions of counsel of independent attorneys acceptable to the Majority Owner Representative and the Rating Agencies;

(ii) make such representations and warranties as of the closing date of any Secondary Market Transaction with respect to the Project Facilities, the Borrower, [the Administrative General Partner, the General Partner,] the Guarantor, the Manager, the Contractor, other third parties and the Bond Documents reasonably acceptable to the Majority Owner Representative, consistent with the facts covered by such representations and warranties as they exist on the date thereof, including a "bring down" of the representations and warranties contained in the Bond Documents as of the date thereof and a representation that no Default or Event of Default has occurred; and

(iii) execute such amendments to the Bond Documents to accommodate such Secondary Market Transaction so long as such amendment does not affect the material economic terms of the Bond Documents and is not otherwise materially adverse to such party in its reasonable discretion.

(b) The Borrower understands that certain of the Provided Information and the required records may be included in disclosure documents in connection with a Secondary Market Transaction, including a prospectus or private placement memorandum (each, a "Secondary Market Disclosure Document"), or provided or made available to investors or prospective investors in the Securities, the Rating Agencies and service providers or other parties relating to the Secondary Market Transaction. In the event that the Secondary Market Disclosure Document is required to be revised, the Borrower shall cooperate, subject to Section 10.13(c) hereof, with the Majority Owner Representative in updating the Provided Information or required records for inclusion or summary in the Secondary Market Disclosure Document or for other use reasonably required in connection with a Secondary Market Transaction by providing all current information pertaining to the Borrower, [the Administrative General Partner, the General Partner,] the Guarantor, the Manager, the Contractor and other third parties and the Project Facilities necessary to keep the Secondary Market Disclosure Document accurate and complete in all material respects

with respect to such matters. The Borrower hereby consents to any and all such disclosures of such information; provided that the Borrower shall not be responsible for such disclosures of information if such information was obtained from unrelated third parties, except with respect to information it provided to such parties.

(c) In connection with a Secondary Market Disclosure Document, the Borrower shall provide, or in the case of a Borrower-engaged third party such as the Manager, cause it to provide, information reasonably requested by the Majority Owner Representative pertaining to the Borrower, [the Administrative General Partner, the General Partner], the Guarantor, the Project Facilities or such third party (and portions of any other sections reasonably requested by the Majority Owner Representative pertaining to the Borrower, [the Administrative General Partner, the General Partner,] the Guarantor, the Project Facilities or the third party). The Borrower shall, if requested by the Majority Owner Representative, certify in writing that the Borrower has carefully examined those portions of such Secondary Market Disclosure Document, pertaining to the Borrower, [the Administrative General Partner, the General Partner,] the Guarantor, the Project Facilities or the third party, and such portions (and portions of any other sections reasonably requested and pertaining to the Borrower, [the Administrative General Partner, the General Partner,] the Guarantor, the Project Facilities or the third party) do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; provided that the Borrower shall not be required to make any representations or warranties regarding any Provided Information obtained from a third party except with respect to information it provided to such third parties; provided further that the Borrower will be required to cause such third parties to provide similar certifications with respect to any information not so certified by the Borrower. Furthermore, the Borrower hereby indemnifies the Majority Owner Representative, the Holder, the Trustee, the Issuer and its related Indemnified Parties, sponsor and Guarantor for any Securities, and their affiliates, officers, directors, partners, members, agents, attorneys, and Majority Owner Representatives (collectively, the “Securities Parties”) for any liabilities to which any such parties may become subject to the extent such liabilities arise out of or are based upon the use of the Provided Information in a Secondary Market Disclosure Document.

(d) In connection with filings under the Exchange Act or the Securities Act, the Borrower shall (i) defend and indemnify the Majority Owner Representative, the Holder, the Trustee, the Issuer and its related Indemnified Parties, its members, and the other Securities Parties for any liabilities to which the Holder, the Majority Owner Representative, the Issuer, the Trustee or any of the other Securities Parties may become subject insofar as such liabilities arise out of or are based upon the omission or alleged omission to state in the Provided Information of a material fact required to be stated in the Provided Information in order to make the statements in the Provided Information, in the light of the circumstances under which they were made not misleading, and (ii) reimburse the Majority Owner Representative, the Holder, the Issuer and its related Indemnified Parties, the Trustee and the other Securities Parties for any legal or other expenses reasonably incurred by the Majority Owner Representative, the Holder, the Issuer and its related Indemnified Parties, the Trustee or the Securities Parties in connection with defending or investigating the liabilities; provided that the Borrower shall not provide any

indemnification regarding any Provided Information obtained from unrelated third parties except with respect to information it provided to such parties, but shall require such third parties to provide such indemnification with respect to information that they certify.

(e) Promptly after receipt by an indemnified party under this Section 10.13 of notice of the commencement of any action for which a claim for indemnification is to be made against the Borrower, such indemnified party shall notify the Borrower in writing of such commencement, but the omission to so notify the Borrower will not relieve the Borrower from any liability that it may have to any indemnified party hereunder except to the extent that failure to notify causes prejudice to the Borrower. In the event that any action is brought against any indemnified party, and it notifies the Borrower of the commencement thereof, the Borrower will be entitled, jointly with any other indemnifying party, to participate therein and, to the extent that it (or they) may elect by written notice delivered to the indemnified party promptly after receiving the aforesaid notice of commencement, to assume the defense thereof with counsel selected by the Borrower and reasonably satisfactory to such indemnified party in its sole discretion. After notice from the Borrower to such indemnified party under this Section 10.13 and provided that the Borrower duly provides the defense and indemnity herein described, including payment of all required fees, expenses and liabilities, the Borrower shall not be responsible for any legal or other expenses subsequently incurred by such indemnified party, other than to the Issuer and related Indemnified Parties, in connection with the defense thereof other than reasonable costs of investigation. No indemnified party shall settle or compromise any claim for which the Borrower may be liable hereunder without the prior written consent of the Borrower, which shall not be unreasonably conditioned or withheld.

(f) In order to provide for just and equitable contribution in circumstances in which the indemnity agreement provided for in this Section 10.13 is for any reason held to be unenforceable by an indemnified party in respect of any liabilities (or action in respect thereof) referred to therein which would otherwise be indemnifiable under this Section 10.13, the Borrower shall contribute to the amount paid or payable by the indemnified party as a result of such liabilities (or action in respect thereof); provided, however, that no Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person not guilty of such fraudulent misrepresentation. In determining the amount of contribution to which the respective parties are entitled, the following factors shall be considered: (i) the indemnified parties and the Borrower's relative knowledge and access to information concerning the matter with respect to which the claim was asserted; (ii) the opportunity to correct and prevent any statement or omission; and (iii) any other equitable considerations appropriate in the circumstances, provided that the Issuer and its related Indemnified Parties shall not be liable for any such contribution. The parties hereto hereby agree that it may not be equitable if the amount of such contribution were determined by pro rata or per capita allocation.

#### **Section 10.14 Nonrecourse.**

(a) Notwithstanding anything to the contrary contained in this Agreement (other than Sections 10.14(b) through (e) hereof) or the other Bond Documents, the Issuer

agrees that, in connection with the exercise of any rights or remedies available to the Issuer under this Agreement or any of the other Bond Documents (other than the Environmental Indemnity and the other guaranty agreements of the Guarantors), the Issuer shall look solely to the enforcement of the lien and security interests created by this Agreement and the other Bond Documents and to the collateral and other security held by the Trustee under the Bond Documents and all assets of the Borrower.

(b) Notwithstanding the preceding subsection, the Borrower and the Guarantor shall have full recourse and personal liability for, and be subject to, judgments and deficiency decrees arising from and to the extent of any loss or damage suffered or incurred by the Issuer, the Trustee, the Holder the Majority Owner Representative or the Bondholders as a result of the occurrence of any of the following events:

(i) [reserved];

(ii) the Borrower fails to apply all insurance proceeds or casualty or condemnation proceeds as required by the Bond Documents. However, the Borrower will not be personally liable for any failure described in this Section 10.13(b)(ii) if Borrower is unable to apply insurance or casualty or condemnation proceeds as required by the Bond Documents because of a valid order issued in a bankruptcy, receivership, or similar judicial proceeding;

(iii) if an Event of Default has occurred and is continuing, the Borrower fails to deliver all books and records relating to the Project Facilities or its operation in accordance with the provisions of Section 6.8 or 6.9 of this Agreement;

(iv) the Borrower engages in any willful act of material waste of the Project Facilities;

(v) the Borrower, [the Administrative General Partner, or the General Partner] fails to comply with any provision of Section 6.11(b) hereof;

(vi) the occurrence of any of the following transfers:

(A) any Person that is not an Affiliate creates a mechanic's lien or other involuntary lien or encumbrance against the Project Facilities and Borrower has not complied with the provisions of this Agreement.

(B) a transfer of property by devise, descent or operation of law occurs upon the death of a natural person in violation of the requirements set forth in the Bond Documents.

(C) the Borrower grants an easement that does not meet the requirements set forth in the Bond Documents.

(D) Borrower executes a Lease that does not meet the requirements set forth in the Bond Documents;

(vii) any act of fraud or willful misconduct or any criminal act of the Borrower, [the Administrative General Partner, the General Partner] or the Guarantor;

(viii) the Borrower's misappropriation of funds or other Collateral; or

(ix) any litigation or other legal proceeding related to the Obligations filed by any of Borrower, Guarantor or any of their Affiliates, or any other action of any such Person that delays, opposes, impedes, obstructs, hinders, enjoins or otherwise interferes with or frustrates the efforts of Trustee to exercise any rights and remedies available to Trustee as provided herein or in the other Bond Documents.

(c) The Borrower and the Guarantor shall have full recourse and personal liability for all of the Indebtedness (and the limitation on liability in the first sentence of Section 10.13(a) hereof shall be null and void) as a result of the occurrence of any of the following:

(i) a violation of Section 6.11(a), 6.12(b) or 6.13(c);

(ii) the Borrower's taking any action which adversely affects the exclusion from gross income of interest on the Bond for federal income tax purposes, or the Borrower's omitting or failing to take any action required to maintain the exclusion from gross income of interest on the Bond for federal income tax purposes;

(iii) the Borrower, [the Administrative General Partner, or the General Partner] fails to comply with any provision of Section 6.11(b) hereof and a court of competent jurisdiction holds or determines that such failure or combination of failures is the basis, in whole or in part, for the substantive consolidation of the assets and liabilities of the Borrower or the General Partner with the assets and liabilities of a debtor pursuant to Title 11 of the Bankruptcy Code;

(iv) a transfer that is an Event of Default under Section 7.1 hereof occurs (other than a transfer described in Section 10.14(b)(vi) above, for which Borrower will have personal liability for any loss or damage); provided, however, that Borrower will not have any personal liability for a transfer consisting solely of the involuntary removal or involuntary withdrawal of [the General Partner or the Administrative General Partner];

(v) there was fraud or written material misrepresentation by the Borrower or any officer, director, partner, member or employee of the Borrower in connection with the application for or creation of the Indebtedness or there is fraud in connection with any request for any action or consent by the Issuer, Trustee, Majority Owner Representative or the Bondholder;

(vi) the Borrower, [the Administrative General Partner, or the General Partner] voluntarily files for bankruptcy protection under the Bankruptcy Code;

(vii) the Borrower, [the Administrative General Partner, or the General Partner] voluntarily becomes subject to any reorganization, receivership, insolvency proceeding, or other similar proceeding pursuant to any other federal or state law affecting debtor and creditor rights;

(viii) the Project Facilities or any part of the Project Facilities becomes an asset in a voluntary bankruptcy or becomes subject to any voluntary reorganization, receivership, insolvency proceeding, or other similar voluntary proceeding pursuant to any other federal or state law affecting debtor and creditor rights;

(ix) an order of relief is entered against the Borrower, [the Administrative General Partner,] any Guarantor or the [General Partner] pursuant to the Bankruptcy Code or other federal or state law affecting debtor and creditor rights in any involuntary bankruptcy proceeding initiated or joined in by a Related Party; or

(x) an involuntary bankruptcy or other involuntary insolvency proceeding is commenced against the Borrower, any Guarantor, [the Administrative General Partner, or the General Partner] (by a party other than the Trustee or the owner of the Bond) but only if the Borrower, such Guarantor, the [Administrative General Partner, or the General Partner], as applicable, has failed to use commercially reasonable efforts to dismiss such proceeding or has consented to such proceeding. "Commercially reasonable efforts" will not require any direct or indirect interest holders in the Borrower, such Guarantor, [the Administrative General Partner, or the General Partner] to contribute or cause the contribution of additional capital to the Borrower, such Guarantor, [the Administrative General Partner, or the General Partner.]

(d) The Borrower and the Guarantor shall have full recourse and personal liability for all of the following:

(i) the performance of and compliance with all of Borrower's obligations under Sections 5.12 and 6.14 of this Agreement (relating to environmental matters) or the Borrower's failure to comply with the provisions of the Environmental Indemnity;

(ii) the costs of any audit under Section 6.8 of this Agreement;

(iii) any costs and expenses incurred by the Issuer, Trustee, the Majority Owner Representative and the Holder in connection with the collection of any amount for which Borrower is personally liable under this Section 10.13, including attorneys' fees and costs and the costs of conducting any independent audit of Borrower's books and records to determine the amount for which Borrower has personal liability; and

(iv) Borrower's indemnity obligations pursuant to Sections 2.5 and 10.13 hereof.



(e) Further, nothing contained in this Section shall be deemed to limit, vary, modify or amend any obligation owed under any guaranty, master lease or indemnification agreement, including the Environmental Indemnity and the other guaranty agreements of the Guarantor, furnished in connection with financing of the acquisition, construction, renovation and equipping of the Project Facilities, recourse under which is not, by its terms, expressly limited in accordance with this Section 10.14.

(f) Notwithstanding anything to the contrary in this Agreement, the Note or any of the Bond Documents, Issuer and Trustee shall not be deemed to have waived any right which Issuer or Trustee may have under Section 506(a), 506(b), 1111(b) or any other provisions of the Bankruptcy Code to file a claim for the full amount of the Borrower's and Guarantor's Obligations under the Bond Documents or to require that all collateral shall continue to secure all of the Obligations under the Bond Documents.

**Section 10.15 Publicity.** The Borrower hereby authorizes the Majority Owner Representative or the Holder and their respective affiliates, without further notice or consent, to use the Borrower's and its affiliates' name(s), logo(s) and photographs related to the Project Facilities in its advertising, marketing and communications materials on a national and/or international basis. Such materials may include web pages, print ads, direct mail and various types of brochures or marketing sheets, and various media formats other than those listed (including without limitation video or audio presentations through any media form). In these materials, the Majority Owner Representative or the Holder also may discuss at a high level the types of services and solutions the Majority Owner Representative or the Holder has provided the Borrower. This authorization shall remain in effect unless the Borrower notifies the Majority Owner Representative and the Holder in writing in accordance with the notice provisions set forth herein that such authorization is revoked. The Majority Owner Representative or the Holder shall also have the right to publicize its involvement in the financing of the Project Facilities, including the right to maintain a sign indicating such involvement at a location at the Project Facilities reasonably acceptable to the Borrower and Majority Owner Representative and Holder, as applicable.

**Section 10.16 Determinations by the Holder and Majority Owner Representative.** Subject to specific provisions in this Agreement to the contrary, in any instance under this Agreement where the consent or approval of the Majority Owner Representative or the Holder may be given or is required, or where any determination, judgment or decision is to be rendered by the Majority Owner Representative or the Holder under this Agreement, the granting, withholding or denial of such consent or approval and the rendering of such determination, judgment or decision shall be made or exercised by the Majority Owner Representative or the Holder (or its designated representative) at its sole and absolute discretion.

**Section 10.17 Reliance by Issuer.** Anything in the Indenture to the contrary notwithstanding, it is expressly understood by the parties to this Agreement that (a) the Issuer may rely exclusively on the truth and accuracy of any certificate, opinion, notice or other instrument furnished to the Issuer by the Trustee, the Borrower, the Majority Owner Representative, or any Holder as to the existence of any fact or state of affairs, (b) the Issuer shall not be under any obligation under the Indenture or this Agreement to perform any record keeping or to provide any legal services, it being understood that such services shall be performed or caused to be performed

by the Trustee, the Majority Owner Representative, or by any Holder and (c) none of the provisions of the Indenture, this Agreement, the Regulatory Agreement or any other Bond Document shall require the Issuer to expend or risk its own funds or otherwise to incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers under the Indenture, this Agreement, the Regulatory Agreement and any other Bond Document unless it shall first have been adequately indemnified to its satisfaction against any costs, expenses and liability which it may incur as a result of taking such action. It is recognized that notwithstanding any other provision of this Agreement, neither the Borrower nor any Holder shall look to the Issuer or the members of its City Council, officers, program participants, attorneys, accountants, financial advisors, agents or staff for damages suffered by the Borrower or such Holder as a result of the failure of the Issuer to perform any covenant, undertaking or obligation under this Agreement, the Bond, the Regulatory Agreement, any of the Bond Documents or any of the other documents referred to herein, or as a result of the incorrectness of any representation made by the Issuer in any of such documents, nor for any other reason except for representations made by the Issuer in any certificate of the Issuer and the opinion of counsel to the Issuer delivered on the Issue Date.

**Section 10.18 Nondiscrimination and Affirmative Action.** The Borrower shall comply with the applicable nondiscrimination and affirmative action provisions of the laws of the United States of America, the State of California, and the Issuer. The Borrower shall not discriminate in its employment practices against any employee or applicant for employment or deny family and medical care leave, pregnancy disability leave or reasonable accommodations against any employee or applicant for employment because of such person's race, ancestry, color, citizenship, national origin, religion, sex, sexual orientation, gender identity/expression, transgender status, age, marital status, familial status, domestic partner status, physical handicap, mental disability, medical condition, political affiliation or belief. The Borrower shall comply with Executive Order 11246, entitled "Equal Employment Opportunity", as amended by Executive Order 11375, and as supplemented in Department of Labor regulations (41 C.F.R. Part 60). The Borrower shall comply with the provisions of the Los Angeles Administrative Code Sections 10.8 through 10.13, to the extent applicable hereto. The affirmative action program of the Borrower shall include the mandatory contract provisions set forth in the Los Angeles Administrative Code Section 10.8.4, and said provisions are incorporated herein by this reference. The Borrower shall also comply with all rules, regulations, and policies of the Issuer's Board of Public Works, Office of Contract Compliance relating to nondiscrimination and affirmative action, including the filing of all forms required by the Issuer. Any subcontract entered into by the Borrower relating to this Agreement, to the extent allowed hereunder, shall be subject to the provisions of this Section. No person shall on the grounds of race, ancestry, color, citizenship, national origin, religion, sex, sexual orientation, gender identity/expression, transgender status, age, marital status, familial status, domestic partner status, physical handicap, mental disability, medical condition, political affiliation or belief be excluded from participation in, be denied the benefit of, or be subjected to discrimination under this Agreement. For purposes of this Section, Title 24 Code of Federal Regulations Part 107 and Section 570.601(b) defines specific discriminatory actions that are prohibited and corrective action that shall be taken in a situation as defined therein.

**Section 10.19 Americans with Disabilities Act.** The Borrower hereby certifies that it and any contractor and subcontractor will comply with the Accessibility Laws (as defined in Exhibit I of the Regulatory Agreement). The Borrower and any contractor and subcontractor will provide reasonable accommodations to allow qualified individuals with disabilities to have access

to and to participate in its programs, services, and activities in accordance with the applicable provisions of: (i) the Americans with Disabilities Act, 42 U.S.C. 12101 et seq., and its implementing regulations and the American Disabilities Act Amendments Act (ADAAA) Pub. L. 110 325 and all subsequent amendments; (ii) Section 504 of the Rehabilitation Act of 1973, 29 U.S.C. §794, the implementing regulations at 24 C.F.R. Part 8, as well as the requirements of Uniform Federal Accessibility Standards 24 C.F.R §40, Appendix A; (iii) the Fair Housing Act, 42 U.S.C. §§3601-3620; 24 C.F.R. Parts 100, 103, and 104, and its implementing regulations; and (iv) applicable California building codes. The Borrower and any contractor and subcontractor will not discriminate against persons with disabilities or against persons due to their relationship to or association with a person with a disability. Any contract and subcontract entered into by the Borrower, relating to this Agreement and the Project, to the extent allowed hereunder, shall be subject to the provisions of this Section.

**Section 10.20 Business Tax Registration Certificate.** Subject to any exemption available to it, the Borrower and the Majority Owner Representative each represents that it has obtained or will obtain the Business Tax Registration Certificate(s) required by the City of Los Angeles' Business Tax Ordinance (Article 1, Chapter 2, Section 21.00 and following, of the Los Angeles Municipal Code). For the term covered by this Agreement, the Borrower and the Majority Owner Representative each shall maintain, or obtain as necessary, any such Business Tax Registration Certificate(s) required of it under said Ordinance and shall not allow any such Business Tax Registration Certificate(s) to be revoked or suspended.

**Child Support Assignment Orders.** This Agreement is subject to Section 10.10 of the Los Angeles Administrative Code, Child Support Assignment Orders Ordinance. Pursuant to this Ordinance, the Borrower certifies that (a) it will fully comply with all State and Federal employment reporting requirements applicable to Child Support Assignment Orders; (b) the principal owner(s) of the Borrower are in compliance with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally; (c) it will fully comply with all lawfully served Wage and Earnings Assignment Orders and Notices of Assignment in accordance with California Family Code Section 5230 et seq.; and (d) it will maintain such compliance throughout the term of the Regulatory Agreement. Pursuant to Section 10.10.b of the Los Angeles Administrative Code, failure of the Borrower to comply with all applicable reporting requirements or to implement lawfully served Wage and Earnings Assignment Orders and Notices of Assignment or the failure of any principal owner(s) of the Borrower to comply with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally shall constitute a default by the Borrower as appropriate, under the terms of this Agreement, subjecting the Borrower to the remedies provided herein where, in either case, such failure shall continue for more than 90 days after notice of such failure to the Borrower by the Issuer. Any subcontract entered into by the Borrower relating to this Agreement, to the extent allowed hereunder, shall be subject to the provisions of this paragraph and shall incorporate the provisions of the Child Support Assignment Orders Ordinance. Failure of the Borrower to obtain compliance of its subcontractors shall constitute a default by the Borrower under the terms of this Agreement, subjecting the Borrower to the remedies provided herein where such failure shall continue for more than 90 days after notice of such failure to the Borrower by the Issuer.

The Borrower shall comply with the Child Support Compliance Act of 1998 of the State of California Employment Development Department. The Borrower hereby affirms that to the

best of its knowledge, it is fully complying with the earnings assignment orders of all employees and is providing the names of all new employees to the New Hire Registry maintained by the Employment Development Department as set forth in subdivision (b) of Section 7110 of the Public Contract Code.

**Section 10.21 Disclosure of Border Wall Contracting Ordinance.** The Borrower shall comply with Los Angeles Administrative Code Section 10.50 et seq., “Disclosure of Border Wall Contracting”. The Issuer may declare a default under this Agreement if the Issuer determines that the Borrower failed to fully and accurately complete the required affidavit and disclose all Border Wall Bids and Border Wall Contracts, as defined in Los Angeles Administrative Code Section 10.50.1.

**Section 10.22 Pet Ownership in Publicly-Financed Housing Developments.** The Borrower shall comply with the Pet Ownership in Publicly-Financed Housing Developments Ordinance, Los Angeles Municipal Code Sections 51.20., et seq., as amended from time to time.

[End of Article X]

**IN WITNESS WHEREOF**, the Issuer and the Borrower have caused this Agreement to be duly executed and delivered on the day and year first above written.

**CITY OF LOS ANGELES**, as Issuer

By: Los Angeles Housing Department

By: \_\_\_\_\_

Name: Daniel Huynh

Title: Assistant General Manager

Approved as to form:

MICHAEL N. FEUER, City Attorney

\_\_\_\_\_  
Deputy/Assistant City Attorney

*(Signature Page to Loan Agreement (Subordinate Bond) –Broadway Apartments)*

**BROADWAY APARTMENTS  
PRESERVATION, LP**, a California limited  
partnership

By: Step Up On Second Street, Inc., its  
Managing General Partner

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

*(Signature Page to Loan Agreement (Subordinate Bond) –Broadway Apartments)*

**EXHIBIT A**  
**FORM OF PROMISSORY NOTE**

AFTER THE ENDORSEMENT AS HEREON PROVIDED AND PLEDGE OF THIS NOTE, THIS NOTE MAY NOT BE ASSIGNED, PLEDGED, ENDORSED OR OTHERWISE TRANSFERRED EXCEPT TO AN ASSIGNEE OR SUCCESSOR OF THE TRUSTEE OR TO THE BONDHOLDER OR ITS DESIGNEE UPON THE ASSIGNMENT OF THE SECURITY UNDER SECTION 6.1 OF THE INDENTURE, EACH IN ACCORDANCE WITH THE INDENTURE, BOTH REFERRED TO HEREIN.

\$2,200,000

[November \_\_], 2022

FOR VALUE RECEIVED, BROADWAY APARTMENTS PRESERVATION, LP, a limited partnership duly formed and validly existing under the laws of the State of California (the “Borrower”), by this promissory note hereby promises to pay to the order of the CITY OF LOS ANGELES, a charter city and municipal corporation of the State of California validly existing under the laws of the State of California (the “Issuer”) the principal sum of Two Million Two Hundred Thousand and no/100 Dollars (\$2,200,000), together with interest on the unpaid principal amount hereof, from the Issue Date (as defined in the Indenture referenced below) until paid in full, at a rate per annum equal to the Bond Coupon Rate (as defined in the Indenture), and acceleration premium, if any, on the Loan. All such payments of principal, interest and acceleration premium, if any, shall be made in funds which shall be immediately available on the due date of such payments and in lawful money of the United States of America at the principal corporate trust office of U.S. Bank Trust Company, National Association, 633 West Fifth Street, 24th Floor, Los Angeles, California 90071, or its successor as trustee (the “Trustee”) under the Indenture.

The principal amount and interest shall be payable on the dates and in the amounts set forth on ***Schedule 3*** to the Agreement (as hereinafter defined) and on such other dates, that principal and redemption price of, and interest on the Bond, and the premium, if any, are payable, subject to prepayment as provided in the Indenture and the Agreement.

This promissory note is the “Note” referred to in the Loan Agreement, dated as of [November] 1, 2022 (as the same may be amended, modified or supplemented from time to time, the “Agreement”) between the Borrower and the Issuer, the terms, conditions and provisions of which are hereby incorporated by reference.

This Note and the payments required to be made hereunder are irrevocably assigned, without recourse, representation or warranty, and pledged to the Trustee under the Indenture of Trust, dated as of [November] 1, 2022 (as the same may be amended, modified or supplemented from time to time, the “Indenture”), by and between the Issuer and the Trustee, and such payments will be made directly to the Trustee for the account of the Issuer pursuant to such assignment. Such assignment is made as security for the payment of \$2,200,000 Subordinate Multifamily Housing Revenue Bond (Broadway Apartments) Series 2022T (the “Bond”), issued by the Issuer pursuant to the Indenture. All the terms, conditions and provisions of the Indenture and the Bond are hereby incorporated as a part of this Note (and remain effective and incorporated, notwithstanding any cancellation of the Bond).

The Borrower has previously delivered its promissory note in the aggregate principal amount of \$6,500,000 (the “Senior Note”), under a separate loan agreement. The payment of debt service on this Note is subordinate to the payment of debt service on the Senior Note.

Under certain circumstances, the Borrower may at its option and may be required to, prepay all or any part of the amount due on this Note, together with accrued interest thereon, as provided in the Agreement. The terms of Section 10.14 of the Agreement are hereby incorporated as if more particularly set forth herein.

Presentation, demand, protest and notice of dishonor are hereby expressly waived by the Borrower.

Notwithstanding anything to the contrary contained in this Note, the Agreement or the other Bond Documents (as defined in the Indenture), upon the assignment to the holder (or its designee) of the Security (as described in Section 6.1 of the Indenture), (a) the Borrower’s obligation to pay this Note and repay the Loan shall continue in full force and effect and this Note shall be assigned as provided in Section 6.1 of the Indenture, (b) this Note shall bear interest at the Default Rate (as defined in the Indenture) and, upon demand by the holder hereof at any time on or after the earlier of (i) a failure to pay principal and interest on the Note as prescribed on Schedule 3 to the Agreement and (ii) the occurrence of an assignment to the holder (or its designee) of the Security, the outstanding principal amount hereof and premium, if any, together with all accrued and unpaid interest shall be accelerated and be immediately due and payable.

Presentation, demand, protest and notice of dishonor are hereby expressly waived by the Borrower and the Borrower waives all rights to the benefit of any moratorium, reinstatement, marshaling, forbearance, valuation, stay, extension, redemption, appraisalment, and exemption now provided, or which may hereafter be provided by the Constitution and laws of the United States of America and of any state thereof, both as to itself and in and to all of its property, real and personal, against the enforcement and collection of the obligations evidenced by this Note. The Borrower further agrees to any and all extensions, renewals, modifications, partial payments, substitutions of evidence of indebtedness, and the taking or release or impairment of any collateral with or without notice before or after demand by the holder for payment hereunder.

The Borrower hereby promises to pay reasonable costs of collection and reasonable attorneys’ fees in case of an Event of Default on this Note, as set forth in the Agreement.



This Note shall be governed by, and construed in accordance with, the laws of the State of California, without regard to conflict of laws principles.

**BROADWAY APARTMENTS  
PRESERVATION, LP**, a California limited  
partnership

By: Step Up On Second Street, Inc., its  
Managing General Partner

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ENDORSEMENT**

Pay to the order of U.S. Bank Trust Company, National Association, as Trustee under the Indenture referred to in the within mentioned Agreement, without recourse, as security for such Bond issued under such Indenture. This endorsement is given without any recourse or warranty.

**CITY OF LOS ANGELES**, as Issuer

By: Los Angeles Housing Department

By: \_\_\_\_\_  
Authorized Officer

Approved as to form:

MICHAEL N. FEUER, City Attorney

\_\_\_\_\_  
Deputy/Assistant City Attorney

**EXHIBIT B**  
**[RESERVED]**

**EXHIBIT C**  
**CALIFORNIA ADDENDUM TO HUD LEASE AGREEMENTS**  
[TO BE INSERTED]

**EXHIBIT D**  
**SCHEDULE OF SERVICING FEES**

	Transaction Type	
<b>DISBURSEMENTS</b>		
	Disbursements	\$0
	NSF Fees	\$150
	Two-Party Checks	\$150
<b>EASEMENTS, CONDEMNATION &amp; CASUALTY</b>		
	Collateral Substitution	\$2,500 + Legal
	Condemnation	\$4,000 + Legal
	Easement	\$3,000 + Legal
<b>LEASES &amp; SNDA's</b>		
	Leasing Consents	\$2,500 + Legal if necessary
	Leasing Consents- Ex Post Facto	\$2,500 + Legal if necessary
	Leasing Consents w/ Negotiated SNDA	\$2,500 + Legal if necessary
	Negotiated SNDA/Estoppel (w/o Lease Consent)	\$750 + Legal
	RS Standard SNDA- No Changes to Form	\$750 + Legal
<b>MODIFICATIONS</b>		
	Assignments	\$5,000 Non-Refundable Review Fee + 1% Transfer Fee at closing or as stipulated in Loan Documents + Legal
	Stabilization or other timing Extensions	\$10,000 + Legal
	Forbearance	Negotiated
	Modifications and Amendments to Existing Loan Documents	\$3,000 + Legal
<b>OTHER</b>		
	Defeasance	Negotiated
	Other Credit Action	Negotiated
	Property Management Change	\$1,000
	Annual Fee	\$1,000
	Secondary/Subordinate Debt	\$5,000 + Legal
	Special Asset Management	\$1,500 per site visit + Travel
<b>PAYOFFS &amp; RELEASES</b>		
	Letter of Credit Actions	Negotiated
	Partial Property/Collateral Release	\$3,000 + Legal
	Payoff Preparation	\$750 + Legal
<b>TRANSFERS</b>		
	Assumption / Transfer of Beneficial Interest (Change in control)	\$5,000 Non-Refundable Review Fee + 1% Transfer Fee at closing or as stipulated in Loan Documents
	Transfer of Beneficial Interest/ Partnership Change	\$5,000 + Legal

**SCHEDULE 1**  
**SCHEDULE OF LITIGATION**

**[None]**

**SCHEDULE 2**  
**SCHEDULE OF OBLIGATIONS AND MATERIAL CONTRACTS**  
[TO BE ADDED]

**SCHEDULE 3**  
**SCHEDULE OF DEBT SERVICE PAYMENTS**  
[TO BE ADDED]



**SCHEDULE 4**  
**DEVELOPMENT BUDGET**

[To be added]

**SCHEDULE 5**  
**PLANS AND SPECIFICATIONS**

Plans and Specs were prepared by [\_\_\_\_\_]. Copies are on file with the Majority Owner Representative and the Borrower.

**SCHEDULE 6**  
**PERMITS AND APPROVALS**

A. GOVERNMENTAL ACTIONS ALREADY OBTAINED

[TO BE ADDED]

B. GOVERNMENTAL ACTIONS NOT YET OBTAINED

[TO BE ADDED]

**SCHEDULE 7**  
**CONDITIONS TO ADVANCES**

- A. CONDITIONS TO INITIAL ADVANCE. The right of Borrower to draw the initial advance shall be subject to the fulfillment of the following conditions precedent in a manner, and by documentation, satisfactory to the Majority Owner Representative:
1. Construction Documents. Each of the Architect's Agreement and the Construction Contract shall have been duly executed and delivered by the respective parties thereto and shall be in full force and effect. The Architect and the Contractor shall have duly executed and delivered to the Majority Owner Representative a consent to the assignment of the Architect's Contract, the Engineer's Agreement and the Construction Contract in form and substance satisfactory to the Majority Owner Representative.
  2. Subcontracts; Other Contracts. The Borrower shall have delivered to the Majority Owner Representative, and the Majority Owner Representative shall have approved, a list of all subcontractors and materialmen who have been or, to the extent identified by the Borrower, will be supplying labor or materials for the Project Facilities in the amount of \$25,000 or more. The Borrower shall have delivered to the Majority Owner Representative correct and complete photocopies of all other executed contracts with contractors, subcontractors, engineers or consultants for the Project Facilities in an amount of \$25,000 or more, and of all development, management, brokerage, sales or leasing agreements for the Project Facilities.
  3. Validity of Liens. The Assignment of Project Documents, the Assignment of Capital Contributions, the Assignment of Rents, the Assignment of HAP Contract, the Developer Fee Pledge and the General Partner Pledge shall be effective to create in the Trustee a legal, valid and enforceable lien and security interest in the collateral identified therein. All filing, recordings, deliveries necessary to create, maintain, preserve, and perfect such liens and security interests shall have been duly effected.
  4. Deliveries. The following items or documents shall have been delivered to the Majority Owner Representative by the Borrower and shall be in form and substance satisfactory to the Majority Owner Representative.
    - (a) *Plans and Specifications.* Two complete sets of the Plans and Specifications and approval thereof by any necessary Governmental Authority, with a certification from the Architect that the Improvements to be constructed comply with all Legal Requirements and Governmental Actions and that the Construction Contract satisfactorily provides for the renovation and construction of the Improvements.
    - (b) *Title Policy.* The Title Policy, or a pro forma policy that constitutes a commitment to issue the Title Policy in the form of such pro forma policy,

together with proof of payment of all fees and premiums for such policy and true and accurate copies of all documents listed as exceptions under such policy.

- (c) *Other Insurance.* Duplicate originals or certified copies of all policies of insurance required hereunder to be obtained and maintained during the renovation and construction of the Improvements.
- (d) *Evidence of Sufficiency of Funds.* Evidence that the proceeds of the Bond and the proceeds of the Subordinate Debt, the proceeds of the Seller Loan, together with Required Equity Funds delivered to the Trustee on the Issue Date or to be delivered after the Issue Date pursuant to the Partnership Agreement, will be sufficient to cover all Project Costs reasonably anticipated to be incurred to renovate and construct the Improvements prior to the Completion Date and to carry the Project Facilities through to Stabilization.

5. Evidence of Access. Availability of Utilities, Project Approvals. Evidence as to:

- (a) the methods of access to and egress from the Project Facilities, and nearby or adjoining public ways, meeting the reasonable requirements of the Project Facilities and the status of completion of any required improvements to such access;
- (b) the availability of water supply and stone and sanitary sewer facilities meeting the reasonable requirements of the Project Facilities;
- (c) the availability of all other required utilities, in location and capacity sufficient to meet the reasonable needs of the Project Facilities; and
- (d) the obtaining of all Project Approvals which are required, necessary or desirable for the renovation and construction of the Improvements and the access thereto, together with copies of all such Governmental Actions.

6. Environmental Report. An environmental site assessment report or reports of one or more qualified environmental engineering or similar inspection firms approved by the Majority Owner Representative, which report or reports shall indicate a condition of the Land and any existing improvements thereon in compliance with all Requirements and in all respects satisfactory to the Majority Owner Representative in its sole discretion and upon which report or reports the Majority Owner Representative, the Trustee and the initial Holder shall be expressly entitled to rely.

7. Soils Report. A soils report for the Project Facilities prepared by a soils engineer approved by the Majority Owner Representative, which report shall indicate that based upon actual surface and subsurface examination of the Project Facilities, the soils conditions are fully satisfactory for the proposed renovation, construction and operation of the Improvements and upon which report or reports the Majority

Owner Representative, the Trustee and the initial Holder shall be expressly entitled to rely. A termite or other insect infestation report prepared by a firm approved by the Majority Owner Representative, which report shall indicate that based upon actual inspection of the Project Facilities either (i) that no termite or other insect infestation at the Project Facilities, or (ii) that termite or insect infestation is present and recommended steps for extermination and remediation of the conditions at the Project Facilities, and upon which report or reports the Majority Owner Representative, the Trustee and the initial Holder shall be expressly entitled to rely.

8. Survey and Taxes. A Survey of the Land (and any existing improvements thereon) and Surveyor's Certificate, and evidence of payment of all real estate taxes and municipal charges on the Land (and any existing improvements thereon) which were due and payable prior to the Issue Date.
9. Deposit of Funds. The initial installment of Required Equity Funds and the initial installment of the proceeds of the Subordinate Debt shall have been delivered to the Trustee and deposited in the Project Fund.
10. Requisition. A Requisition complying with the provisions of this Agreement and the Indenture.
11. Form Lease. The standard form of lease to be used by the Borrower in connection with the Improvements.
12. Engineering Consultant Report. The Majority Owner Representative shall have received a report or written confirmation from the Engineering Consultant that (i) the Engineering Consultant has reviewed the Plans and Specifications, (ii) the Plans and Specifications have been received and approved by each Governmental Authority to which the Plans and Specifications are required under applicable Legal Requirements to be submitted, (iii) the Construction Contract satisfactorily provides for the renovation and construction of the Improvements, and (iv) in the opinion of the Engineering Consultant, renovation and construction of the Improvements can be completed on or before the Completion Date for an amount not greater than the amount allocated for such purpose in the Development Budget.
13. Searches. The Majority Owner Representative shall have received searches from a recognized search firm (which shall be updated from time to time at Borrower's expense upon request by the Majority Owner Representative) that searches of the public record disclosed (a) no conditional sales contracts, security agreements, chattel mortgages, leases of personalty, financing statements or title retention agreements which affect the collateral, (b) no bankruptcy filings on the part of any of the Borrower, [the Administrative General Partner, the General Partner] and the Guarantor (collectively, the "Obligors"), and (c) no litigation with respect to the Project Facilities or any of the Obligors that would materially adversely affect the obligations of the Obligors hereunder.

14. Mechanics' Liens. In the event that for any reason the initial Advance is not funded on the Issue Date, the Majority Owner Representative may withhold or refuse to approve the initial Advance if any mechanic's lien or notice of intention to record or file a mechanic's lien has been filed or given and has not been bonded or insured over.
  15. Notices. All notices required by any Governmental Authority under applicable Legal Requirements to be filed prior to commencement of renovation or construction of the Improvements shall have been filed.
  16. Appraisal. The Majority Owner Representative and the Holder shall have received an Appraisal, in form and substance satisfactory to the Majority Owner Representative and the Holder, showing that the original face amount of the Bond less amounts in the Operating Reserve Fund does not exceed 90% of the value of the Project Facilities, assuming completion in accordance with the Plans and Specifications and including the value of the low income housing tax credits and favorable financing.
  17. Performance; No Default. The Borrower shall have performed and complied with all terms and conditions herein required to be performed or complied with by it on or prior to the date of the initial advance, and on the date of the initial advance there shall exist no Event of Default.
  18. Representations and Warranties. The representations and warranties made by the Obligors in the Bond Documents, the General Partner Pledge, the Developer Fee Pledge or the documents executed by the Guarantor or otherwise made by or on behalf of the Obligors in connection therewith or after the date thereof shall have been true and correct in all respects when made and shall be true and correct in all respects on the date of the initial advance.
  19. Proceedings and Documents. All proceedings in connection with the transactions contemplated by this Agreement and the other Bond Documents shall be satisfactory to the Majority Owner Representative and their counsel in form and substance, and the Majority Owner Representative shall have received all information and such counterpart originals or certified copies of such documents and such other certificates, opinions or documents as they or their counsel may reasonably require.
  20. Payment and Performance Bonds. The Majority Owner Representative shall have received the Payment and Performance Bonds in form and content satisfactory in all respects to the Majority Owner Representative.
- B. CONDITIONS TO SUBSEQUENT ADVANCES. The right of the Borrower to draw each advance after the initial advance shall be subject to the following conditions precedent in a manner, and by documentation, satisfactory to the Majority Owner Representative:
1. Prior Conditions Satisfied. All conditions precedent to any prior disbursement shall continue to be satisfied as of the date of the Requisition of such subsequent advance.

2. Performance; No Default. The Borrower shall have performed and complied with all terms and conditions herein required to be performed or complied with by it on or prior to the date of such Requisition, and on such date there shall exist no Default or Event of Default.
3. Representations and Warranties. Each of the representations and warranties made by the Borrower in the Bond Documents or otherwise made by or on behalf of the Borrower in connection therewith after the date thereof shall have been true and correct in all respects on the date on when made and shall also be true and correct in all material respects on the Borrower on the date of such Requisition (except to the extent of changes resulting from transactions contemplated or permitted by the Bond Documents).
4. No Damage. The Improvements shall not have been injured or damaged by fire, explosion, accident, flood or other casualty.
5. Receipt by Majority Owner Representative. The Majority Owner Representative shall have received:
  - (a) Requisition. A Requisition in meeting the requirements of this Agreement and the Indenture;
  - (b) Endorsement to Title Policy. At the time of each advance to update the date of and increase the amount of coverage by the amount of such advance, such endorsements (a “Down Date Endorsement”) shall be delivered by the Title Insurer, increasing the coverage under the Title Policy by the amount of the approved Requisition plus the amount of any Bond proceeds disbursed from the Capitalized Interest Account of the Project Fund;
6. Approval by Engineering Consultant. Approval of the Requisition for such disbursement by the Engineering Consultant, accompanied by a certificate or report from the Engineering Consultant to the effect that in its opinion, based on site observations and submissions by the Contractor, the renovation and construction of the Improvements to the date thereof was performed in a good and workmanlike manner and in accordance with the Plans and Specifications, stating the estimated total cost of renovation and construction of the Improvements, stating the percentage of in-place renovation and construction of the Improvements, and stating that the remaining non-disbursed portion of the Project Fund and Required Equity Funds allocated for such purpose in the Development Budget is adequate to complete the renovation and construction of the Improvements;
7. Contracts. Evidence that 100% of the cost of the remaining Work is covered by firm fixed price or guaranteed maximum price contracts or subcontracts, or orders for the supplying of materials, with contractors, subcontractors, materialmen or suppliers satisfactory to the Majority Owner Representative, and that payment and performance bonds have been obtained, as required.



8. Mechanics' Liens. The Majority Owner Representative may withhold or refuse to fund any advance hereunder if any mechanic's lien has been filed or recorded and not bonded over or otherwise collateralized to the satisfaction of the Majority Owner Representative, or if notice of intention to record or file any such lien has been received.
9. Required Equity Funds. All installments of Required Equity Funds which shall be then due and payable under the Partnership Agreement shall have been deposited with the Trustee.
10. Release of Retainage. In addition to the conditions set forth in this Section, the Majority Owner Representative's obligation to authorize any advance of Retainage shall be subject to receipt by the Majority Owner Representative of evidence of Final Completion.

**SCHEDULE 8**  
**FORM OF COMPLETION CERTIFICATE**

\_\_\_\_\_, 20\_\_

U.S. Bank Trust Company, National Association, as Trustee  
633 West 5th Street, 24th Floor  
Los Angeles, CA 90071  
Attention: Global Corporate Trust

Red Stone Servicer, LLC, as Majority Owner Representative  
666 Old Country Road, Suite 603  
Garden City, NY 11530  
Attention: Kiki Mastorakis

Re: Broadway Apartments (the “Project Facilities”)

Ladies and Gentlemen:

The undersigned, being the owner of the Project Facilities, hereby certifies to U.S. Bank Trust Company, National Association, as trustee (the “Trustee”), and Red Stone Servicer, LLC, as Majority Owner Representative, acting on behalf of the Holder of the Bond issued in connection with the Project Facilities (the “Majority Owner Representative”) that “Final Completion” of the Project Facilities (as defined in the Indenture of Trust dated as of [November] 1, 2022 (the “Indenture”) by and between the Trustee and the City of Los Angeles (the “Issuer”)) has been attained as of the date hereof and all conditions relating thereto as set forth in the Loan Agreement dated as of [November] 1, 2022, between the undersigned and the Issuer (the “Loan Agreement”) have been satisfied. Capitalized terms used herein and not defined shall have the meanings ascribed thereto in the Indenture or the Loan Agreement.

The undersigned hereby represents and warrants that:

1. Attached hereto is an original, executed Architect’s certificate as required by clause (iv) of the definition of “Final Completion” contained in the Indenture.
2. Attached hereto are true, complete and correct copies of all use and occupancy permits issued in connection with the Project Facilities (the “Permits”) as referenced in clause (ii) of the definition of “Final Completion” contained in the Indenture. The Permits are all of the permits, licenses or approvals required for the occupancy of the Project Facilities as a multifamily residential facility. No appeal, action or proceeding challenging any of the Permits has been filed; there is no pending claim, litigation or governmental proceeding challenging the Permits.
3. Attached hereto is a complete schedule of all Punchlist Items referenced in clause (ii) of the definition of “Final Completion” contained in the Indenture. This schedule of Punchlist Items meets the requirements and limitations set forth in the Loan Agreement for Punchlist Items. The undersigned will promptly complete all Punchlist Items.

4. Attached are lien waivers required by clause (vii) of the definition of “Final Completion” contained in the Indenture.

5. Attached hereto is an endorsement down dating the Title Policy insuring the Senior Mortgage in favor of the Senior Trustee, subject only to Permitted Encumbrances, as required by clause (ix) of the definition of “Final Completion” contained in the Indenture.

6. Attached hereto is evidence of insurance meeting the requirements of Section 6.4 of the Loan Agreement.

7. Attached hereto is evidence of payment of all Impositions which are due and payable.

**BROADWAY APARTMENTS  
PRESERVATION, LP**, a California limited  
partnership

By: Step Up On Second Street, Inc., its  
Managing General Partner

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Accepted and agreed to by:

**RED STONE SERVICER, LLC**, as  
Majority Owner Representative

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## **Schedule of Attachments to Completion Certificate**

Architect's Completion Certificate

Schedule of Punchlist Items

Lien Waivers

Endorsement to Title Policy

Insurance Certificates

Evidence of Payment of Impositions

**SCHEDULE 9**  
**FORM OF USE OF PROCEEDS CERTIFICATE**

\_\_\_\_\_, 20\_\_

U.S. Bank Trust Company, National Association, as Trustee  
633 West 5th Street, 24th Floor  
Los Angeles, CA 90071  
Attention: Global Corporate Trust

Red Stone Servicer, LLC, as Majority Owner Representative  
666 Old Country Road, Suite 603  
Garden City, NY 11530  
Attention: Kiki Mastorakis

Re: Broadway Apartments (the “Project Facilities”)

Ladies and Gentlemen:

The undersigned, being the owner of the Project Facilities hereby certifies to U.S. Bank Trust Company, National Association, as trustee (the “Trustee”), and Red Stone Servicer, LLC, as Majority Owner Representative, acting on behalf of the Holder of the Bond issued in connection with the Project Facilities (the “Majority Owner Representative”) that:

(i) no less than 100% of the Net Proceeds of the Bond has been spent for Qualified Project Costs of the Project Facilities as required by Section 142(a) of the Internal Revenue Code; and

[(ii) FOR ACQUISITION/REHAB PROJECTS ONLY - the undersigned has expended, within two years of the later of the date the Project Facilities were acquired or the date of issuance of the Bond, from proceeds of the Bond or other sources, an amount equal to at least 15% of the “portion of the cost of acquiring such building (and equipment) financed with the net proceeds of the Bond” for “rehabilitation expenses” within the meaning of Section 147(d) of the Code.]

Attached hereto is a schedule of expenditures showing all costs of the Project Facilities, the amounts expended for each category of cost, the source of funds therefor, and a calculation of the percentage of the net proceeds of the Bond expended in compliance with the requirements of the Internal Revenue Code.

Capitalized terms used herein and not defined shall have the meanings ascribed to such terms in the Indenture of Trust dated as of [November] 1, 2022 between the Trustee and the City of Los Angeles.

**WITNESS WHEREOF**, the undersigned has duly executed this Use of Proceeds Compliance Certificate as of the day and year first above written.

**BROADWAY APARTMENTS  
PRESERVATION, LP**, a California limited  
partnership

By: Step Up On Second Street, Inc., its  
Managing General Partner

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## **Schedule of Attachments to Use of Proceeds Compliance Certificate**

### **Evidence of Use of Proceeds**

**SCHEDULE 10**  
**FORM OF STABILIZATION CERTIFICATE**

\_\_\_\_\_, 20\_\_

U.S. Bank Trust Company, National Association, as Trustee  
633 West 5th Street, 24th Floor  
Los Angeles, CA 90071  
Attention: Global Corporate Trust

Red Stone Servicer, LLC, as Majority Owner Representative  
666 Old Country Road, Suite 603  
Garden City, NY 11530  
Attention: Kiki Mastorakis

Re: Broadway Apartments (the "Project Facilities")

Ladies and Gentlemen:

The undersigned, being the owner of the Project Facilities, hereby certifies to U.S. Bank Trust Company, National Association, as trustee (the "Trustee") and Red Stone Servicer, LLC, as Majority Owner Representative, acting on behalf of the Holder of the bond issued in connection with the Project Facilities (the "Majority Owner Representative") that the date of Final Completion was \_\_\_\_\_, 20\_\_ and:

The undersigned hereby represents and warrants that:

1. The Improvements have been \_\_\_\_% occupied by tenants meeting the requirements of the Bond Documents in each of the prior \_\_\_\_ (\_\_\_\_) consecutive months.
2. The ratio of Stabilized NOI in each of the prior \_\_\_\_ (\_\_\_\_) consecutive months to maximum principal, interest, Issuer fees and Trustee fees payable in any month [other than the month in which the Maturity Date occurs] on the amount of the Bond Outstanding is \_\_\_\_ to 1.0.
3. No Event of Default or event which, with the passage of time or the giving of notice or both, would constitute an Event of Default shall have occurred and be continuing under the Bond Documents, the General Partner Pledge, the Developer Fee Pledge or the Guarantor Documents.
4. The Borrower has at all times been and is currently in compliance with all requirements set forth in the Regulatory Agreement.
5. The required deposit into the Operating Reserve Fund has been made.
6. Stabilization [has/has not] occurred.
7. Attached hereto is [ \_\_\_\_\_ ] showing the calculation of Stabilization.



Capitalized terms used herein and not defined shall have the meanings ascribed thereto in the Indenture of Trust dated as of [November] 1, 2022 between the Trustee and the City of Los Angeles.

**BROADWAY APARTMENTS  
PRESERVATION, LP**, a California limited  
partnership

By: Step Up On Second Street, Inc., its  
Managing General Partner

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Accepted and agreed to by:

**RED STONE SERVICER, LLC**, as  
Majority Owner Representative

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## **Stabilization Spreadsheet**

**SCHEDULE 11**  
**ANNUAL EXPENSES**

[TO BE ADDED]

**SCHEDULE 12**  
**RENT ROLL**

None

## **SCHEDULE 13**

### **INITIAL INSURANCE REQUIREMENTS**

#### **PROPERTY/BUILDERS RISK INSURANCE**

Please provide evidence of insurance in the form of an ACORD 28 accompanied by a copy of the policy (a binder can be accepted if a new policy has not yet been issued by the carrier). Each of the following items must be evidenced:

- “All Risk” / Special Form coverage in an amount equal to 100% of the replacement cost of the collateral for permanent structures, or “All Risk” / Special Form coverage in an amount equal to 100% of construction contract Hard Cost value for new construction;
- Replacement Cost valuation (no deduction for depreciation);
- Maximum deductible shall be \$50,000 for all property-related coverages;
- 12 months of Business Income coverage is required for loans under \$50,000,000. For loans \$50,000,000 and greater, 18 months of Business income is required;
- For all loans, with the exception of new construction, a 180-day Extended Period of Indemnity is required for the Business Income coverage;
- No coinsurance on Building or Business Income coverage; if coinsurance applies, an Agreed Amount endorsement must be included on the policy;
- Terrorism coverage is required for all loans in an amount equal to 100% of the replacement cost of the collateral plus 12/18 months of Business Income coverage. No coinsurance is permitted;
- Wind/Hail and Named Windstorm coverage is required for all loans in an amount equal to 100% of the replacement cost of the collateral plus 12/18 months of Business Income coverage. If Wind is excluded from the special form policy, a separate policy must be provided. Maximum Wind deductibles shall be 5% of the collateral’s total insured value. No coinsurance is permitted;
- Equipment Breakdown coverage is required where boilers, centralized HVAC systems, mechanical, or other electrical systems appear. Coverage is required in an amount equal to the replacement cost of the building housing the equipment plus 12/18 months Business Income coverage. No coinsurance is permitted. If coverage is provided on a separate policy, a Joint Loss Agreement is required on both policies;
- Flood coverage is required for any real property located in Flood Zones A, V, or Shaded X. Coverage is required in an amount equal to no less than the replacement cost of the first floor of the structures plus 12/18 months of Business Income coverage. Maximum NFIP limits of \$500,000 per building with a \$25,000 per building deductible must be obtained. Excess Flood limits will be required for the difference in the building values and 12/18 months of Business Income coverage. No coinsurance is permitted;
- Earthquake coverage is required for properties located in seismic zones 3 or 4 that have a PML/SEL of 20% or greater, as determined for Seismic Risk Assessment Report. The amount of Earthquake coverage shall 100% of the replacement cost of the collateral plus 12/18 months of Business Income coverage. No coinsurance is permitted.

## LIABILITY INSURANCE

Please provide evidence of insurance in the form of an ACORD 25 accompanied by copies of the policies (a binder can be accepted if a new policy has not yet been issued by the carrier). Each of the following items must be evidenced:

- Commercial General Liability policy with minimum limits of \$1,000,000 each occurrence and \$2,000,000 in the aggregate. Coverage must include Personal & Advertising Injury and Products Completed Operations. Policies that insure multiple locations shall include a 'per location' aggregate. Annual aggregate caps on multi-location GL policies are prohibited;
- Excess Liability/Umbrella Liability policy in an amount determined by loan size as follows:
  - If Loan Amount is \$10,000,000 or less, Umbrella requirement is \$5,000,000
  - If Loan Amount is \$10,000,000-\$15,000,000, Umbrella requirement is \$10,000,000
  - If Loan Amount is \$15,000,000-\$25,000,000, Umbrella requirement is \$15,000,000
  - If Loan Amount is \$25,000,000 or more, Umbrella requirement is \$25,000,000
- All liability policies must provide for claims to be made on an occurrence basis;
- All liability policies must have deductibles/ self-insured retentions of \$35,000 or less;
- If the borrower owns vehicles, \$1,000,000 of Auto Liability is required;
- Terrorism coverage is required for all loans, on the GL and the Umbrella policies;

## OTHER INSURANCE

When a borrowing entity has employees, statutory Workers' Compensation, \$1,000,000 Employers' Liability, and Employee Dishonesty coverage in an amount no less than one month of Gross Income must be maintained.

Other coverages may be required at terminated's discretion: sinkhole, mine subsidence, volcanic eruption, sewer and drain backup, environmental

## GENERAL INFORMATION

For all loans, each insurer must be rated "A- X" or better by A.M. Best, or "A" or better by Standard or Poor's

Any insurance which Borrower is required to obtain may be carried under a "blanket" policy or policies covering other properties of Borrower or under an "umbrella" policy or policies covering other liabilities of Borrower, as applicable; provided that, such blanket or umbrella policy or policies otherwise comply with the provisions herein and shall otherwise provide the same protection as would a separate or stand-alone policy insuring only the subject property. And upon request, Borrower shall provide to Lender a Statement of Locations and Values which may be reviewed annually and shall be amended to the extent determined necessary by Lender based on

revised Replacement Cost Valuations. The original or a certified copy of each such blanket or umbrella policy shall promptly be delivered to Lender.

Each policy must include a Waiver of Subrogation clause substantially equivalent to the following: “The Company may require from the Insured an assignment of all rights of recovery against any party for loss to the extent that payment therefore is made by the Company, but the Company shall not acquire any rights of recovery which the Insured has expressly waived prior to loss, nor shall such waiver affect the Insured’s rights under this policy”.

Each policy must include a provision or endorsement granting the Trustee 30 days’ notice of cancellation (10 days for nonpayment of premium).

A paid premium receipt, or premium invoice must accompany the evidence of coverage showing the premium paid to date for all required coverages and the outstanding premium that remains unpaid.

**ATTACHMENT D**

AMENDED & RESTATED REG. AGREEMENT FOR BROADWAY APTS.



RECORDING REQUESTED BY AND  
WHEN RECORDED RETURN TO:

KUTAK ROCK LLP  
1650 FARNAM STREET  
OMAHA, NE 68102  
ATTENTION: J. TOGER SWANSON, ESQ.

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**AMENDED AND RESTATED REGULATORY AGREEMENT  
AND DECLARATION OF RESTRICTIVE COVENANTS**

by and among

**CITY OF LOS ANGELES,**  
as City

and

**U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,**  
as Trustee

and

**BROADWAY APARTMENTS PRESERVATION, LP,**  
as Borrower

relating to

**\$6,500,000**  
**City of Los Angeles**  
**Multifamily Housing Revenue Bond**  
**(Broadway Apartments)**  
**Series 2019G**

**\$2,220,000**  
**City of Los Angeles**  
**Subordinate Multifamily Housing**  
**Revenue Bond**  
**(Broadway Apartments)**  
**Series 2022T**

Dated as of [November] 1, 2022

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**AMENDED AND RESTATED REGULATORY AGREEMENT AND  
DECLARATION OF RESTRICTIVE COVENANTS**

**THIS AMENDED AND RESTATED REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS** (this “Agreement” or this “Regulatory Agreement”) is made and entered into and dated as of [November] 1, 2022 by and among the **CITY OF LOS ANGELES**, a charter city and municipal corporation in the State of California (together with any successor to its rights, duties and obligations, the “City”), **U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION**, a national banking association in its capacity as Trustee (successor to U.S. Bank National Association, the “Trustee”) under those two Indentures of Trust dated as of June 1, 2019 (the “2019 Indenture”) and dated as of [November] 1, 2022 (the “2022 Indenture” and together with the 2019 Indenture, the “Indenture”) each by and between the City and the Trustee, with an office in Los Angeles, California, and **BROADWAY APARTMENTS PRESERVATION, LP**, a California limited partnership (the “Borrower”).

**W I T N E S S E T H :**

WHEREAS, pursuant to Section 248 of the City Charter of the City and Article 6.3 of Chapter 1 of Division 11 of the Los Angeles Administrative Code, as amended (collectively, the “Law”), and in accordance with Chapter 7 of Part 5 of Division 31 (commencing with Section 52075) of the Health and Safety Code of the State of California, as amended (the “Act”), the City is empowered to issue bonds and other evidence of indebtedness to finance the acquisition, construction and equipping of multifamily rental housing; and

WHEREAS, on July 30, 2018, and March 3, 2022, the City indicated its intent to provide for the issuance of a revenue bond or note to finance a portion of the acquisition, construction and equipping of Broadway Apartments, a multifamily residential rental housing project to be located in the City of Los Angeles at 301 West 49th Street on the site more particularly described in Exhibit A hereto (the “Project”) and the City Council of the City subsequently adopted resolutions (the “Resolution”) authorizing the issuance of a bond or bonds for such purpose; and

WHEREAS, in furtherance of the purposes of the Law, the Act and the Resolution, and as a part of the City’s program of financing housing, the City has issued pursuant to the 2019 Indenture its \$6,500,000 aggregate principal amount of its Multifamily Housing Revenue Bond (Broadway Apartments) Series 2019G (the “2019 Bond”) the proceeds of which were used to fund a loan (the “2019 Loan”) to the Borrower to finance a portion of the acquisition, construction and equipping of the Project; and

WHEREAS, subsequent to the issuance of the 2019 Bond, in furtherance of the purposes of the Law, the Act and the Resolution, and as a part of the City’s program of financing housing, the City has issued pursuant to the 2022 Indenture its \$2,220,000 aggregate principal amount of its Subordinate Multifamily Housing Revenue Bond (Broadway Apartments) Series 2022T (the “2022 Bond” and, together with the 2019 Bond, the “Bond”) the proceeds of which will be used to fund a loan (the “2022 Loan” and together with the 2019 Loan, the “Loan”) to the Borrower to finance a portion of the construction and equipping of the Project; and

WHEREAS, in order for interest on the Bond to be excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the “Code”), and the below-defined Regulations and rulings with respect to the Code, and in order to comply with the Law, the Act and the policies with respect to the City’s housing program, the use and operation of the Project must be restricted in certain respects; and

WHEREAS, in connection with the issuance of the 2019 Bond, the City, the Trustee, and the Borrower entered into that Regulatory Agreement and Declaration of Restrictive Covenants dated as of June 1, 2019 (the “2019 Regulatory Agreement”) which was recorded in the official records of the County of Los Angeles on June 7, 2019, as Instrument No. 20190534394; and

WHEREAS, in connection with the issuance of the 2022 Bond the City, the Trustee and the Borrower have determined to enter into this Regulatory Agreement in order to set forth certain terms and conditions relating to the construction and equipping of the Project and in order to ensure that the Project will be used and operated in accordance with the Code, the Law, the Act and the additional requirements of the City and the California Debt Limit Allocation Committee (“CDLAC”); and

WHEREAS, the City, the Trustee, and the Borrower desire, as evidenced by their execution of this Regulatory Agreement, to fully amend and restate the 2019 Regulatory Agreement in whole with the provisions of this Regulatory Agreement effective as of the date hereof; and

WHEREAS, the City and the Trustee have received an opinion of Bond Counsel as required by the 2019 Regulatory Agreement regarding the amendment and restatement thereof pursuant to this Regulatory Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and undertakings set forth herein, and other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the City, the Trustee and the Borrower hereby agree as follows:

**Section 1. Definitions and Interpretation.** Terms not otherwise defined herein shall have the meanings assigned thereto in the Indenture or the Loan Agreement, as applicable. The following terms shall have the respective meanings assigned to them in this Section 1 unless the context in which they are used clearly requires otherwise:

“*2019 Bond*” means the City’s Multifamily Housing Revenue Bond (Broadway Apartments) Series 2019G authorized, authenticated and delivered under the 2019 Indenture.

“*2019 Indenture*” means the Indenture of Trust dated as of June 1, 2019, by and between the City and the Trustee relating to the issuance of the 2019 Bond, as amended, modified, supplemented or restated from time to time.

“*2019 Loan*” means the loan of the sale proceeds of the 2019 Bond by the City to the Borrower pursuant to the Loan Agreement for the purpose of providing funds for the acquisition, construction and equipping of the Project.

“*2022 Bond*” means the City’s Subordinate Multifamily Housing Revenue Bond (Broadway Apartments) Series 2022T authorized, authenticated and delivered under the 2022 Indenture.

“*2022 Closing Date*” means the date upon which the 2022 Bond is initially funded in an amount equal to at least \$50,001.

“*2022 Indenture*” means the Indenture of Trust dated as of [November] 1, 2022, by and between the City and the Trustee relating to the issuance of the 2022 Bond, as amended, modified, supplemented or restated from time to time.

“*2022 Loan*” means the loan of the sale proceeds of the 2022 Bond by the City to the Borrower pursuant to the Loan Agreement for the purpose of providing funds for the construction and equipping of the Project.

“*Act*” means Chapter 7 of Part 5 of Division 31 of the Health and Safety Code of the State of California, as the same may be amended from time to time (but only to the extent any such amendments, by their terms or by appropriate election of the City, apply to the Bond outstanding as of the effective date of such amendments).

“*Adjusted Income*” means the adjusted income of a person (together with the adjusted income of all persons who intend to reside with such person in one residential unit) calculated pursuant to Section 142(d)(2)(B) of the Code.

“*Affiliated Party*” means a limited or general partner or member of the Borrower, a person whose relationship with the Borrower would result in a disallowance of losses under Section 267 or 707(b) of the Code or a person who, together with the Borrower, is a member of the same controlled group of corporations (as defined in Section 1563(a) of the Code, except that “more than 50 percent” shall be substituted for “at least 80 percent” each place it appears therein).

“*Agreement*” or “*Regulatory Agreement*” means this Amended and Restated Regulatory Agreement and Declaration of Restrictive Covenants, as it may be amended from time to time.

“*Area*” means the Los Angeles Primary Metropolitan Statistical Area.

“*Authorized Borrower Representative*” means any person who, at any time and from time to time, may be designated as the Borrower’s authorized representative by written certificate furnished to the City and the Trustee containing the specimen signature of such person and signed on behalf of the Borrower by or on behalf of any authorized general partner of the Borrower if the Borrower is a general or limited partnership, by any authorized managing member of the Borrower if the Borrower is a limited liability company, or by any authorized officer of the Borrower if the Borrower is a corporation, which certificate may designate an alternate or alternates, or in the event that such term shall refer to successors or assigns of the Borrower, any authorized general partner if the successor or the assignee is a general or limited partnership, any authorized managing member if the successor or assignee is a limited liability company or any authorized officer if the successor or the assignee is a corporation. The Trustee may conclusively presume that a person designated in a written certificate filed with it as an Authorized Borrower Representative is an

Authorized Borrower Representative until such time as the Borrower files with it (with a copy to the City) a written certificate identifying a different person or persons to act in such capacity.

“*Bond*” means, collectively, the 2019 Bond and the 2022 Bond.

“*Bond Counsel*” means an attorney at law or firm of attorneys of nationally recognized standing in matters pertaining to the validity of, and the Tax-exempt nature of interest on, obligations issued by states and their political subdivisions, selected by the City and duly admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia but shall not include counsel for the Borrower or the Trustee.

“*Bond Documents*” means the Indenture, the Loan Agreement, this Regulatory Agreement, the Tax Certificate and any other document now or hereafter executed by the Borrower, City, Trustee or Bondholder in connection with the Bond.

“*Bondholder*” or “*Owner*” or “*Holder*” means the party identified as the owner of the Bond on the registration books maintained by the Trustee on behalf of the City.

“*Bondowner Representative*” means, initially, Red Stone Servicer, LLC and any successor entity pursuant to the 2019 Indenture and the 2022 Indenture.

“*Borrower*” means Broadway Apartments Preservation, LP, a California limited partnership, and its successors and assigns.

“*CDLAC*” means the California Debt Limit Allocation Committee or its successors.

“*CDLAC Conditions*” has the meaning given such term in Section 33 hereof.

“*CDLAC Resolution*” means, collectively, CDLAC Resolution No. 18-110, adopted on October 17, 2018, and revised on March 25, 2021, and CDLAC Resolution No. 22-143, adopted on June 15, 2022, each attached to this Regulatory Agreement as Exhibit G and relating to the Project, as such resolution may be modified or amended from time to time.

“*Certificate of CDLAC Program Compliance*” means the Certification of Compliance II for Qualified Residential Rental Projects, or equivalent form, to be filed with the City at the times specified in Section 33(a) of this Regulatory Agreement, such report to contain the information set forth in and to be in substantially the form attached hereto as Exhibit E or such other form required or otherwise provided by CDLAC from time to time.

“*Certificate of Continuing Program Compliance*” means the Certificate of Continuing Program Compliance and Statistical Report to be filed by the Borrower with the City and the Trustee at the times specified in Sections 4(d) and (f) of this Regulatory Agreement, such report to contain the information set forth in and to be in substantially the form attached hereto as Exhibit B or such other form as may from time to time be prescribed by the City.

“*Certificate of Qualified Project Period*” means the certificate to be filed by the Borrower upon commencement of the Qualified Project Period in substantially the form attached hereto as Exhibit J.

“City” means the City of Los Angeles, a charter city and municipal corporation of the State of California.

“Closing Date” means June 6, 2019, the date upon which the 2019 Bond was initially funded in an amount equal to at least \$50,001.

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

“Completion Date” means the date of the completion of the acquisition, construction and equipping of the Project, as that date shall be certified as provided in Section 2(h) hereof as specified in the Construction Completion Certificate.

“Compliance Period” means the period beginning on the first day of the Qualified Project Period and ending on the later of the end of the Qualified Project Period or such later date as set forth in Section 33 of this Regulatory Agreement.

“Construction Completion Certificate” means a written certification signed by an Authorized Borrower Representative certifying among other things to the substantial completion of the Project and delivered to the City, the Trustee and CDLAC not more than 30 months after the Closing Date, in substantially the form of Exhibit F hereto or such other form required or otherwise provided by CDLAC from time to time.

“Conversion Date” shall have the meaning set forth in the Loan Agreement.

“Costs of Issuance” means costs of issuing the Bond as set forth in the Indenture.

“Determination of Taxability” means either (a) refusal by the Borrower to consent to any amendment or supplement hereto or to the Indenture which, in the written opinion of Bond Counsel, is necessary or advisable to maintain the exclusion of interest on the Bond from gross income for federal income tax purposes; or (b) any of (i) the enactment of applicable legislation of which the Trustee has actual knowledge, (ii) a final judgment or order of a court of original or appellate jurisdiction of which the Trustee has actual knowledge, (iii) a final ruling or decision of the Internal Revenue Service of which the Trustee has actual knowledge or (iv) the filing with the Trustee of an opinion of Bond Counsel, in each case to the effect that the interest on the Bond (other than interest on the Bond for any period during which such Bond is held by a “substantial user” of any facility financed with the proceeds of the Bond or a “related person,” as such terms are used in Section 147(a) of the Code) is includable in the gross incomes of all recipients thereof for federal income tax purposes. With respect to the foregoing, a judgment or order of a court or a ruling or decision of the Internal Revenue Service shall be considered final only if no appeal or action for judicial review has been filed and the time for filing such appeal has expired.

“Hazardous Materials” means petroleum and petroleum products and compounds containing them, including gasoline, diesel fuel and oil; explosives; flammable materials; radioactive materials; polychlorinated biphenyls (“PCBs”) and compounds containing them; lead and lead-based paint; asbestos or asbestos-containing materials in any form that is or could become friable; underground or above-ground storage tanks, whether empty or containing any substance;



any substance the presence of which on the Project is prohibited by any federal, state or local authority; any substance that requires special handling and any other material or substance now or in the future that (i) is defined as a “hazardous substance,” “hazardous material,” “hazardous waste,” “toxic substance,” “toxic pollutant,” “contaminant,” or “pollutant” by or within the meaning of any Hazardous Materials Law, or (ii) is regulated in any way by or within the meaning of any Hazardous Materials Law.

“*Hazardous Materials Laws*” means all federal, state, and local laws, ordinances and regulations and standards, rules, policies and other governmental requirements, administrative rulings and court judgments and decrees in effect now or in the future and including all amendments, that relate to Hazardous Materials or the protection of human health or the environment and apply to the Borrower or to the Project. Hazardous Materials Laws include, but are not limited to, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601, et seq., the Resource Conservation and Recovery Act of 1976, 42 U.S.C. Section 6901, et seq., the Toxic Substance Control Act, 15 U.S.C. Section 2601, et seq., the Clean Water Act, 33 U.S.C. Section 1251, et seq., and the Hazardous Materials Transportation Act, 49 U.S.C. Section 5101 et seq., and their state analogs.

“*Housing Act*” means the United States Housing Act of 1937, as amended, or its successor.

“*HUD*” means the U.S. Department of Housing and Urban Development and any successor agency.

“*Income Certification*” means, initially, an Income Certification in the form attached hereto as Exhibit C or in such other form as may from time to time be provided by the City to the Borrower and, with respect to recertifications, the Annual Tenant Income Recertification attached hereto as Exhibit D or such other form as may, from time to time, be provided by the City to the Borrower.

“*Indenture*” means, collectively, the 2019 Indenture and the 2022 Indenture.

“*Inducement Date*” means July 30, 2018, with respect to the 2019 Bond, and March 3, 2022, with respect to the 2022 Bond.

“*Loan*” means, collectively, the 2019 Loan and the 2022 Loan.

“*Loan Agreement*” means, collectively, the Loan Agreement dated as of June 1, 2019, by and between the City and the Borrower related to the 2019 Loan and the Loan Agreement dated as of [November] 1, 2022 by and between the City and the Borrower related to the 2022 Loan, as each may be amended or supplemented from time to time.

“*Low Income Tenant*” means a tenant whose Adjusted Income does not exceed limits determined in a manner consistent with determinations of lower-income families under Section 8 of the Housing Act, except that the percentage of median gross income that qualifies as lower income shall be 60% of median gross income for the Area with adjustments for family size. Except as otherwise provided herein, the occupants of a unit in the Project shall not be considered to be Low Income Tenants if all the occupants of a unit are students (as defined in Section 152(f)(2) of the Code) and any one of those students is not (1) a single parent living with his/her children; (2) a student receiving assistance under Title IV of the Social Security Act (Temporary Assistance for

Needy Families); (3) a student enrolled in a job training program receiving assistance under the Job Training Partnership Act or under other similar federal, State, or local laws; (4) a student who was previously under the care and placement responsibility of a foster care program (under part B or E of Title IV of the Social Security Act) or (5) a student who is married and files a joint return. Single parents described in (1) above may not be dependents of another individual and their children may not be dependents of another individual other than their parents. The determination of a tenant's status as a Low Income Tenant shall be made by the Borrower upon initial occupancy of a unit in the Project by such Tenant and annually thereafter and at any time the Borrower has knowledge that the number of occupants in that unit has increased, on the basis of an Income Certification executed by the tenant.

*"Low Income Units"* means the units in the Project required to be rented to, or held available for occupancy by, Low Income Tenants pursuant to Sections 4(a), 4(b) and 6(a) hereof.

*"Net Proceeds"* means the total proceeds derived from the issuance, sale and delivery of the Bond, representing the total purchase price of the Bond, including any premium paid as part of the purchase price of the Bond, but excluding the accrued interest, if any, on the Bond paid by the initial purchaser of the Bond.

*"Project"* means the Project Facilities and the Project Site.

*"Project Costs"* means, to the extent authorized by the Code, the Regulations, the Law and the Act, any and all costs incurred by the Borrower with respect to the acquisition, construction and equipping and the credit enhancement fees, if any, attributable to the period of, the construction of the Project, whether paid or incurred prior to or after the Inducement Date, including, without limitation, costs for site preparation, the planning of housing, related facilities and improvements, the acquisition of property, the removal or demolition of existing structures, the construction of housing and related facilities and improvements, and all other work in connection therewith, including Qualified Project Costs, and all costs of financing, including, without limitation, the cost of consultant, accounting and legal services, other expenses necessary or incident to determining the feasibility of the Project, contractors' and developer's overhead and supervisors' fees and costs directly allocable to the Project, administrative and other expenses necessary or incident to the Project and the financing thereof (including reimbursement to any municipality, county or other entity or person for expenditures made, for the Project).

*"Project Facilities"* means the buildings, structures and other improvements on the Project Site to be acquired, constructed, equipped or improved by the Borrower, and all fixtures and other property owned by the Borrower and located on, or used in connection with, such buildings, structures and other improvements constituting the Project. Project Facilities do not include retail sales facilities, leased office space, commercial facilities or recreational, fitness, parking or business facilities available to members of the general public.

*"Project Site"* means the parcel or parcels of real property having the street address of 301 West 49th Street in the City of Los Angeles, California and all rights and appurtenances thereunto appertaining, as more particularly described in Exhibit A hereto.

*“Qualified Project Costs”* means the Project Costs (excluding issuance costs) incurred not earlier than the date 60 days prior to the Inducement Date which either constitute land or property of a character subject to the allowance for depreciation under Section 167 of the Code, or are chargeable to a capital account with respect to the Project for federal income tax and financial accounting purposes, or would be so chargeable either with a proper election by the Borrower or but for the proper election by the Borrower to deduct those amounts; provided, however, that only such portion of the interest accrued on the Bond during the construction of the Project shall constitute Qualified Project Costs as bear the same ratio to all such interest or fees, as applicable, as the Qualified Project Costs bear to all Project Costs; and provided further that interest accruing on or after the Completion Date shall not be Qualified Project Costs; and provided finally that if any portion of the Project is being constructed by the Borrower or an Affiliated Party (whether as a general contractor or a subcontractor), *“Qualified Project Costs”* shall include only (a) the actual out-of-pocket costs incurred by the Borrower or such Affiliated Party in constructing the Project (or any portion thereof), (b) any reasonable fees for supervisory services actually rendered by the Borrower or such Affiliated Party (but excluding any profit component) and (c) any overhead expenses incurred by the Borrower or such Affiliated Party which are directly attributable to the work performed on the Project, and shall not include, for example, intercompany profits resulting from members of an affiliated group (within the meaning of Section 1504 of the Code) participating in the construction of the Project or payments received by such Affiliated Party due to early completion of the Project (or any portion thereof). Qualified Project Costs do not include Costs of Issuance. Notwithstanding anything herein to the contrary, no Project Costs relating to the acquisition of the Project or any assets relating thereto (including, without limitation, rights and interests with respect to development of the Project) shall constitute *“Qualified Project Costs”* unless, at the time Bond proceeds are expended to pay such costs, the Borrower and the seller of such assets are not *“related parties”* as such term is defined in Section 1.150-1(b) of the Regulations.

*“Qualified Project Period”* means the period beginning on the first day on which 10% of the dwelling units in the Project are first occupied and ending on the later of (a) (i) the date which is 15 years after the date on which 50% of the dwelling units in the Project are first occupied, (ii) the first date on which no Tax-exempt private activity bond (as that phrase is used in Section 142(d)(2) of the Code) issued with respect to the Project is outstanding or (iii) the date on which any assistance provided with respect to the Project under Section 8 of the Housing Act terminates; or (b) the date which is 55 years from the date on which 50% of the dwelling units in the Project are first occupied.

*“Regulations”* means the Income Tax Regulations promulgated or proposed (if deemed appropriate in the opinion of Bond Counsel) by the Department of the Treasury pursuant to the Code from time to time.

*“Tax Certificate”* means, together, that Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 dated the Closing Date and that Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 dated the 2022 Closing Date, each executed and delivered by the City and the Borrower, as amended, modified, supplemented or restated from time to time.

*“Tax-exempt”* means, with respect to interest on any obligations of a state or local government, including the Bond, that such interest is excluded from gross income for federal

income tax purposes (other than interest on the Bond for any period during which the Bond is held by a “substantial user” of any facility financed with the proceeds of the Bond or a “related person,” as such terms are used in Section 147(a) of the Code); provided, however, that such interest may be includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax, under the Code.

“*Trustee*” means U.S. Bank Trust Company, National Association in its capacity as trustee under the Indenture, together with its successors and assigns.

Unless the context clearly requires otherwise, as used in this Regulatory Agreement, words of the masculine, feminine or neuter gender shall be construed to include each other gender and words of the singular number shall be construed to include the plural number, and vice versa. This Regulatory Agreement and all the terms and provisions hereof shall be construed to effectuate the purposes set forth herein and to sustain the validity hereof.

The defined terms used in the preamble and recitals of this Regulatory Agreement have been included for convenience of reference only, and the meaning, construction and interpretation of all defined terms shall be determined by reference to this Section 1, notwithstanding any contrary definition in the preamble or recitals hereof. The titles and headings of the sections of this Regulatory Agreement have been inserted for convenience of reference only, and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof or be considered or given any effect in construing this Regulatory Agreement or any provisions hereof or in ascertaining intent, if any question of intent shall arise.

In the event of any conflict between this Regulatory Agreement and the CDLAC Conditions, the most restrictive requirement shall govern.

**Section 2. Acquisition, Construction and Equipping of the Project.** The Borrower hereby represents as of the date hereof, covenants and agrees with the City and the Trustee as follows:

(a) The Borrower has incurred a substantial binding obligation to commence the acquisition, construction and equipping of the Project, pursuant to which the Borrower is or will be obligated to expend at least 5% of the proceeds of the Loan financed from proceeds of the Bond.

(b) The Borrower’s reasonable expectations respecting the total cost of the acquisition, construction and equipping of the Project are accurately set forth in the Borrower Cost Certificates (the “Borrower Cost Certificate”) submitted to the City on the Closing Date and the 2022 Closing Date, respectively.

(c) The Borrower has acquired the Project Site and has commenced the construction of the Project and will proceed with due diligence to complete the same. Notwithstanding anything herein to the contrary, no Project Costs relating to the acquisition of the Project or any assets relating thereto (including, without limitation, rights and interests with respect to development of the Project) shall constitute “Qualified Project Costs” unless, at the time Bond proceeds are expended to pay such costs, the Borrower and

the seller of such assets are not “related parties” as such term is defined in Section 1.150-1(b) of the Regulations. The Borrower reasonably expects to complete the acquisition, construction and equipping of the Project and to expend the full amount of the proceeds of the Loan for Project Costs prior to the date which is 30 months after the Closing Date.

(d) The Borrower agrees that the full amount of each disbursement of Bond proceeds pursuant to the Indenture and the Loan Agreement will be applied to pay or to reimburse the Borrower for the payment of Project Costs as set forth in the Borrower Cost Certificate and that, after taking into account each such disbursement, (i) the aggregate disbursements of Bond proceeds will have been applied to pay or to reimburse the Borrower for the payment of Qualified Project Costs in an aggregate amount equal to 97% or more of the aggregate disbursements of the Loan; provided, however, that if the Borrower provides the Trustee with an opinion of Bond Counsel to the effect that the Tax-exempt status of interest on the Bond will not be adversely affected if less than the aforesaid percentage, but not less than 95%, is disbursed for such purpose, then the certificate may refer to such lesser percentage as may be specified by Bond Counsel; and (ii) less than 25% of the proceeds of the Bond expended relative to the Project Site will be disbursed to pay or to reimburse the Borrower for the cost of acquiring land or rights with respect to land relative to the Project Site (exclusive of the cost of acquiring improvements on such land).

(e) [Reserved].

(f) No proceeds of the Bond will be used to pay or reimburse any cost (i) incurred more than 60 days prior to the Inducement Date, or (ii) incurred more than three years prior to such payment or reimbursement. Any allocation of Bond proceeds to the reimbursement of previously incurred costs shall be made not later than 18 months after the later of (i) the date the original expenditure was paid or (ii) the date the Project is placed in service or abandoned. The acquisition, construction and equipping of the Project by the Borrower commenced less than 60 days prior to the Inducement Date, and as of 60 days prior to the Inducement Date (A) neither the Borrower nor any related person (as such phrase is used in Section 147(a)(2) of the Code) has made any expenditure in connection with the acquisition, construction or equipping of the Project, (B) no on-site work has been commenced by the Borrower or any related person in connection with the construction of the Project, and (C) no off-site fabrication of any portion of the Project has been commenced by the Borrower or any related person. The Project consists, and shall at all times consist, of property which is land or is subject to the allowance for depreciation provided in Section 167 of the Code.

(g) The Borrower (and any Affiliated Party) will not take or omit to take, as is applicable, any action if such action or omission would in any way cause the proceeds from the Loan to be applied in a manner contrary to the requirements of this Regulatory Agreement, nor will it take or omit to take any such action if the Borrower (or any Affiliated Party) knows that such action or omission may cause the proceeds from the sale of the Bond to be applied in a manner contrary to the Indenture, the Loan Agreement, the Law, the Act or the Code.

(h) The Borrower shall, on the Completion Date, evidence the Completion Date by providing a Construction Completion Certificate to CDLAC, the Trustee and the City, signed by the Authorized Borrower Representative. Notwithstanding the foregoing, such certificate may state that it is given without prejudice to any rights of the Borrower against third parties for the payment of any amount not then due and payable which exist at the date of such certificate or which may subsequently exist. The Construction Completion Certificate shall be delivered to the Trustee no later than the date 36 months from the Closing Date unless the Borrower delivers to the Trustee a certificate of the City consenting to an extension of such date, accompanied by an opinion of Bond Counsel to the effect that such extension will not result in interest on the Bond being included in gross income for federal income tax purposes.

(i) The Borrower agrees to spend additional moneys for payment of any costs of the Project sufficient to reduce the portion of Bond proceeds (A) spent on land by the Borrower relative to the Project Site to an amount that is less than 25% of the amount of Bond proceeds spent by the Borrower relative to the Project Site for all purposes and (B) spent on costs of the Project paid or incurred by or on account of the Borrower or any related person (as such term is used in Section 147(a)(2) of the Code) on or after the date 60 days prior to the Inducement Date and chargeable to the capital account of the Project (or so chargeable either with a proper election by the Borrower to deduct such amounts, within the meaning of Treasury Regulation 1.103-8(a)(1)) so that the amount of Bond proceeds expended on such Qualified Project Costs is at least 97% of the amount of Bond proceeds spent for all purposes related to the Project, except that, upon receipt by the Borrower, the Trustee and the City of an approving opinion of Bond Counsel, the percentage of such amounts so used may be 95%.

(j) No Bond proceeds shall be expended to acquire any structures other than buildings within the meaning of Section 147(d) of the Code.

**Section 3. Residential Rental Property.** The Borrower hereby acknowledges and agrees that the Project is to be owned, managed and operated as a “qualified residential rental project” (within the meaning of Section 142(d) of the Code) for a term equal to the Qualified Project Period. To that end, and for the Qualified Project Period, the Borrower hereby represents, covenants, warrants and agrees as follows:

(a) The Project Facilities will be developed for the purpose of providing multifamily residential rental property, and the Borrower will own, manage and operate the Project Facilities as a project to provide multifamily residential rental property comprising a building or structure or several interrelated buildings or structures, together with any functionally related and subordinate facilities, and no other facilities in accordance with Section 142(d) of the Code and Section 1.103-8(b) of the Regulations, the Law and the Act, and in accordance with such requirements as may be imposed thereby on the Project from time to time. For purposes of this Section 3(a), the term “functionally related and subordinate facilities” includes facilities for use by the tenants (for example, swimming pools, other recreational facilities and parking areas) and other facilities which are reasonably required for the Project, for example, heating and cooling equipment, trash disposal equipment and units for resident managers and maintenance personnel.

Substantially all of the Project will contain such units and functionally related and subordinate facilities.

(b) All of the dwelling units in the Project will be similarly constructed units, and each Low Income Unit in the Project will contain complete separate and distinct facilities for living, sleeping, eating, cooking and sanitation for a single person or a family, including a sleeping area, bathing and sanitation facilities and cooking facilities equipped with a cooking range and oven, a sink and a refrigerator. Each of the Accessible Housing Units (as defined in Exhibit I hereto) shall also comply with the requirements of Exhibit I. Notwithstanding the foregoing, a unit shall not fail to be treated as a residential unit merely because such unit is a single room occupancy unit within the meaning of Section 42(i)(3)(B)(iv) of the Code even though such housing may provide eating, cooking and sanitation facilities on a shared basis.

(c) None of the dwelling units in the Project will at any time be utilized on a transient basis or will ever be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, rest home or trailer court or park. Notwithstanding the foregoing, single-room occupancy units provided under Section 42(i)(3)(B)(iv) of the Code shall not be considered to be utilized on a transient basis.

(d) No part of the Project will at any time be owned by a cooperative housing corporation, nor shall the Borrower take any steps in connection with a conversion to such ownership or uses. Other than filing a condominium map and a final subdivision map on the Project and obtaining a Final Subdivision Public Report from the California Department of Real Estate, the Borrower shall not take any steps in connection with a conversion of the Project to condominium ownership during the Qualified Project Period.

(e) All of the dwelling units (which shall not include any manager units) in the Project will be available for rental on a continuous basis to members of the general public, and the Borrower will not give preference to any particular class or group in renting the dwelling units in the Project, except to the extent of the following: (1) any dwelling units that are required to be leased or rented to Low Income Tenants, (2) to the extent not otherwise inconsistent with the requirements of Section 3(e), the requirements of any regulatory agreement executed between the Borrower and HUD or between the Borrower and a subordinate lender (including the City), (3) the requirements of any Section 8 Housing Assistance Payments Contract with respect to the Project, (4) any preference Borrower gives to veterans or any other class of persons permitted to be given preference pursuant to the Code, State law and other applicable federal law, and (5) Accessible Housing Units shall be made available to persons with disabilities as provided in Exhibit I.

(f) The Project Site consists of a parcel or parcels that are contiguous except for the interposition of a road, street or stream, and all of the Project Facilities comprise a single geographically and functionally integrated project for residential rental property, as evidenced by the ownership, management, accounting and operation of the Project.

(g) No dwelling unit in the Project shall be occupied by the Borrower; provided, however, that if the Project contains five or more dwelling units, this subsection shall not be construed to prohibit occupancy of not more than one dwelling unit by one or more resident managers or maintenance personnel any of whom may be the Borrower.

(h) The Project shall be maintained in conformity with the habitability and fire codes of the City of Los Angeles.

(i) The Project shall be managed in a manner consistent with prudent property management standards and in compliance with all state and local laws, ordinances and regulations relating thereto.

(j) Should involuntary noncompliance with the provisions of Regulations Section 1.103-8(b) be caused by fire, seizure, requisition, foreclosure, transfer of title by deed in lieu of foreclosure, change in a federal law or an action of a federal agency after the Closing Date which prevents the City from enforcing the requirements of the Regulations, or condemnation or similar event, the Borrower covenants that, within a “reasonable period” determined in accordance with the Regulations, and subject to the provisions of the Indenture and the Loan Agreement, it will either prepay the Loan or apply any proceeds received as a result of any of the preceding events to reconstruct the Project to meet the requirements of Section 142(d) of the Code and the Regulations.

**Section 4. Low Income Tenants; Records and Reports.** Pursuant to the requirements of the Code and the City, the Borrower hereby represents, warrants and covenants as follows:

(a) The Project will be developed for the purpose of providing multifamily residential rental property, and the Borrower will own, manage and operate the Project as a project to provide multifamily residential rental property comprising a building or structure or several interrelated buildings or structures, together with any functionally related and subordinate facilities, and no other facilities in accordance with the Law and the Act, and in accordance with such requirements as may be imposed thereby on the Project from time to time. Within 30 days after the date on which 50% of the dwelling units in the Project are occupied by tenants providing an Income Certification, the Borrower shall execute and deliver to the City (with a copy to the Los Angeles Housing Department, Occupancy Monitoring Section, 1200 West 7<sup>th</sup> Street, 8<sup>th</sup> Floor, Los Angeles, CA 90017), and a copy to CDLAC and the Trustee a Certificate of Qualified Project Period.

(b) Commencing on the first day of the Qualified Project Period, Low Income Tenants shall occupy at least 40% of all completed and occupied units in the Project (excluding units occupied by property managers) before any additional units are occupied by persons who are not Low Income Tenants; and for the Qualified Project Period no less than 40% of the total number of completed units of the Project (excluding units occupied by property managers) shall at all times be rented to and occupied by Low Income Tenants. For the purposes of this subsection (b), a vacant unit which was most recently occupied by a Low Income Tenant is treated as rented and occupied by a Low Income Tenant until reoccupied, other than for a temporary period of not more than 31 days, at which time the



character of such unit shall be redetermined. In determining whether the requirements of this subsection (b) have been met, fractions of units shall be treated as entire units.

(c) No tenant qualifying as a Low Income Tenant shall be denied continued occupancy of a unit in the Project because, after admission, such tenant's Adjusted Income increases to exceed the qualifying limit for Low Income Tenants; provided, however, that should a Low Income Tenant's Adjusted Income, as of the most recent determination thereof, exceed 140% of the then applicable income limit for a Low Income Tenant of the same family size, the next available unit of comparable or smaller size must be rented to (or held vacant and available for immediate occupancy by) a Low Income Tenant; and provided further that, until such next available unit is rented to a tenant who is not a Low Income Tenant, the former Low Income Tenant who has ceased to qualify as such shall be deemed to continue to be a Low Income Tenant for purposes of the 40% requirement of subsection (b) of this Section 4 (if applicable). If the Project consists of more than one building, this requirement shall apply on a building-by-building basis.

(d) The Borrower will obtain, complete and maintain on file Income Certifications from each Low Income Tenant, including (i) an Income Certification dated no later than the day prior to the initial occupancy of such Low Income Tenant in the Project and (ii) thereafter, annual Income Certifications dated as of the anniversary date of each initial Income Certification. The Borrower will obtain such additional information as may be required in the future by the State of California, by the City and by Section 142(d) of the Code, as the same may be amended from time to time, or in such other form and manner as may be required by applicable rules, rulings, policies, procedures, Regulations or other official statements now or hereafter promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service with respect to obligations which are Tax-exempt under Section 142(d) of the Code. A copy of the most recent Income Certification for Low Income Tenants commencing or continuing occupation of a Low Income Unit (and not previously filed with the City) shall be attached to the Certificate of Continuing Program Compliance which is to be filed with the City no later than the fifteenth day of each month until such report indicates compliance with Section 4(b) and thereafter on the fifteenth day of each June and December until the end of the Qualified Project Period. The Borrower shall make a good-faith effort to verify that the income information provided by an applicant in an Income Certification is accurate by obtaining the acceptable forms of verification enumerated in Chapter 3 of the most current, amended edition of HUD Handbook 4350.3, or such instruction by HUD that may supersede this handbook, and any additional documentation that the City shall deem relevant, such as the two most recent years' tax returns or other forms of independent verification satisfactory to the City.

(e) The Borrower will use its best efforts to maintain complete and accurate records pertaining to the Low Income Units, and will with reasonable notice permit any duly authorized representative of the City, the Trustee, the Department of the Treasury or the Internal Revenue Service to inspect the books and records of the Borrower pertaining to the Project during regular business hours, including those records pertaining to the occupancy of the Low Income Units.

(f) The Borrower will prepare and submit to the City and the Trustee, no later than the fifteenth day of each month following the receipt by the Trustee of the Construction Completion Certificate to and including the month in which such report indicates that 40% of the occupied units (excluding units occupied by managers) are occupied by Low Income Tenants, and thereafter no later than the fifteenth day of each June and December until the end of the Qualified Project Period, a Certificate of Continuing Program Compliance executed by the Borrower stating (i) the percentage of the dwelling units of the Project which were occupied or deemed occupied, pursuant to subsection (b) of this Section 4, by Low Income Tenants during such period; (ii) that either (A) no unremedied default has occurred under this Regulatory Agreement, or (B) a default has occurred, in which event the certificate shall describe the nature of the default in detail and set forth the measures being taken by the Borrower to remedy such default; and (iii) that, to the knowledge of the Borrower, no Determination of Taxability has occurred, or if a Determination of Taxability has occurred, setting forth all material facts relating thereto.

(g) On or before each February 15 during the Qualified Project Period, the Borrower will submit to the City a draft of the completed Internal Revenue Service Form 8703 or such other annual certification required by the Code to be submitted to the Secretary of the Treasury as to whether the Project continues to meet the requirements of Section 142(d) of the Code. On or before each March 31 during the Qualified Project Period the Borrower will submit such completed form to the Secretary of the Treasury, regardless of whether or not the City has responded to such draft.

(h) Subject to the requirements of any Section 8 Housing Assistance Payments Contract with respect to the Project, each lease or rental agreement pertaining to a Low Income Unit shall contain a provision to the effect that the Borrower has relied on the Income Certification and supporting information supplied by the Low Income Tenant in determining qualification for occupancy of the Low Income Unit and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease or rental agreement. Each such lease or rental agreement shall also provide that the tenant's income is subject to annual certification in accordance with Section 4(c) hereof and to recertification if the number of occupants in the units changes for any reason (other than the birth of a child to an occupant of such unit) and that if upon any such certification such tenant's Adjusted Income exceeds 140% of the then applicable income limit for a Low Income Tenant of the same family size, such tenant may cease to qualify as a Low Income Tenant, and such tenant's rent is subject to increase. Notwithstanding anything in this Section 4(h) to the contrary, such tenant's rent may be increased only pursuant to Section 7(l) hereof.

(i) Pursuant to the CDLAC Conditions attached hereto and for the entire term of the Regulatory Agreement, the Project shall consist of 32 units plus 1 manager unit of which at least 32 qualified residential units shall be rented or held vacant for rental for

persons or families whose income is at or below 50% and 60% of the area median income as shown in the chart below:

<b>Unit Type</b>	<b>Units at or below 50% AMI</b>	<b>Units at or below 60% AMI</b>	<b>Unrestricted (Manager Units)</b>	<b>Total Number of Units</b>
Studio	10	16	0	<b>26</b>
One Bedroom	4	4	0	8
Two Bedroom	0	0	1	1
<b>Total</b>	<b>14</b>	<b>20</b>	<b>1</b>	<b>35</b>

**Section 5. Tax-exempt Status of the Bond.** The Borrower and the City make the following representations, warranties and agreements for the benefit of the holder of the Bond from time to time:

(a) The Borrower and the City will not knowingly take or permit actions within their control, or omit to take or cause to be taken, as is appropriate, any action that would adversely affect the Tax-exempt nature of the interest on the Bond and, if either should take or permit, or omit to take or cause to be taken, any such action, it will take all lawful actions necessary to rescind or correct such actions or omissions promptly upon obtaining knowledge thereof, provided that the Borrower shall not have violated these covenants if the interest on the Bond becomes taxable to a person solely because such person is a “substantial user” of the Project or a “related person” within the meaning of Section 147(a) of the Code.

(b) The Borrower and the City will take such action or actions as may be necessary, in the written opinion of Bond Counsel filed with the City and the Trustee, with a copy to the Borrower, to comply fully with all applicable rules, rulings, policies, procedures, Regulations or other official statements promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service pertaining to obligations the interest on which is Tax-exempt under Section 142(d) of the Code.

(c) The Borrower and the City will file or record such documents and take such other steps as are necessary, in the written opinion of Bond Counsel filed with the City and the Trustee, with a copy to the Borrower, in order to insure that the requirements and restrictions of this Regulatory Agreement will be binding upon all owners of the Project, including, but not limited to, the execution and recordation of this Regulatory Agreement in the real property records of the County of Los Angeles.

(d) The Borrower will not knowingly enter into any agreements which would result in the payment of principal or interest on the Bond being “federally guaranteed” within the meaning of Section 149(b) of the Code.

(e) Subject to Section 14 hereof, the Borrower hereby covenants to include the requirements and restrictions contained in this Regulatory Agreement in any documents transferring any interest in the Project prior to the expiration of the Qualified Project Period to another person to the end that such transferee has notice of, and is bound by, such restrictions, and to obtain the agreement from any transferee to abide by all requirements and restrictions of this Regulatory Agreement; provided, however, that so long as any former Borrower has no remaining interest in the Project, such former Borrower shall have no obligation to monitor such transferee's compliance with such restrictions, and such former Borrower shall incur liability if such transferee fails to comply with such restrictions only in proportion to its then remaining interest.

(f) The Borrower and any related party (as defined in Section 1.150-1(b) of the Regulations) thereto shall not acquire the Bond in an amount related to the amount of the Loan.

**Section 6. Additional Requirements of the Act.** In addition to the requirements set forth in Sections 2 through 5, and without limiting any additional requirements in Section 7, during the Qualified Project Period, the Borrower and the City hereby agree to comply with each of the requirements of the Act, all provisions in the Health and Safety Code of the State of California applicable to "affordable housing units" as defined therein and, without limiting the foregoing, the Borrower hereby specifically agrees to comply with each of the requirements set forth in this Section 6, as follows:

(a) As provided in Section 52097.5 of the Act, not less than 40% of the total number of units in the Project (excluding units occupied by managers) shall be reserved for occupancy by tenants whose adjusted gross income does not exceed 60% of the median gross income for the Area, adjusted for family size, as determined pursuant to Section 8 of the Housing Act.

(b) The rents paid by the tenant for the units reserved pursuant to paragraph (a) of this Section (excluding any supplemental rental assistance from the State, the federal government, or any other public agency to those occupants or on behalf of those units) shall not exceed the amount derived by multiplying 30% times 60% of the median gross income for the Area, adjusted for family size, as determined pursuant to Section 8 of the Housing Act.

(c) During the Qualified Project Period the Borrower shall file Certificates of Continuing Program Compliance in the form and at the time required by Sections 4(d) and (f) hereof that shall contain sufficient information to allow the City to file any annual report required by the Act or pursuant to California Government Code Section 8855.5 and the Borrower shall provide to the California Debt and Investment Advisory Commission the annual report information required by California Government Code Section 8855(k)(1) until the later of the date the Bond is no longer outstanding or the proceeds of the Bond have been fully spent.

(d) No portion of the Bond shall be used to finance the acquisition, construction, equipping, rehabilitation, refinancing or development of commercial property for lease.

(e) The Borrower shall not apply selection criteria to certificate holders under Section 8 of the Housing Act that are more burdensome than the criteria applied to all other prospective tenants.

(f) Following the expiration or termination of the Qualified Project Period with respect to the Project, except in the event of foreclosure and redemption of the Bond, deed in lieu of foreclosure, eminent domain or action of a federal agency preventing enforcement, units required to be reserved for occupancy pursuant hereto shall remain available to any eligible household occupying a reserved unit at the date of expiration or termination, at a rent not greater than the amount set forth in (b) above, until the earliest of any of the following occur:

(i) The household's income exceeds 140% of the maximum eligible income specified herein;

(ii) The household voluntarily moves or is evicted for "good cause." "Good cause" for the purposes of this Section, means the nonpayment of rent or allegation of facts necessary to prove major, or repeated minor, violations of material provisions of the occupancy agreement which detrimentally affect the health and safety of other persons or the structure, the fiscal integrity of the Project, or the purposes or special programs of the Project;

(iii) Thirty years after the date of the commencement of the Qualified Project Period relative to the Project; and

(iv) The Borrower pays the relocation assistance and benefits to tenants as provided in subdivision (b) of Section 7264 of the California Government Code.

(g) During the three years prior to expiration of the Qualified Project Period, the Borrower shall continue to make available to Low Income Tenants reserved units that have been vacated to the same extent that nonreserved units are made available to tenants other than Low Income Tenants.

Notwithstanding Section 1461 of the California Civil Code, the provisions hereof shall run with the land and may be enforced either in law or in equity by any resident, local agency, entity or any other person adversely affected by the Borrower's failure to comply with this Regulatory Agreement.

**Section 7. Additional Requirements of the City.** In addition to, and not in derogation of, the requirements set forth in the preceding and following sections of this Regulatory Agreement, each of which is hereby incorporated in this Section as a specific requirement of the City, whether or not required by California or federal law, the Borrower represents, warrants, covenants and agrees as follows:

(a) The Borrower shall promptly provide to the City such information with respect to the Project or the Bond as the City shall from time to time request. The Borrower shall provide written notice to the City of receipt of a certificate of occupancy or other official authorization to occupy the Project immediately upon receipt.

(b) The Low Income Units shall be of comparable quality to all other units in the Project, shall be dispersed throughout the Project, and shall offer a range of size and number of bedrooms comparable to those units which are available to other tenants; and Low Income Tenants shall have access to and enjoyment of all common areas and facilities of the Project on the same basis as tenants of other units.

(c) The Borrower agrees that it will not discriminate in the rental of units or in its employment practices against any employee or applicant for employment because of the applicant's race, religion, national origin, ancestry, sex, age, sexual orientation, gender identity/expression, transgender status, disability (except to give priority to persons with disabilities for the occupancy of Accessible Housing Units), marital status, domestic partner status or medical condition. All contracts entered into by the Borrower which relate to the Project shall contain a like provision. The Borrower shall comply with the provisions of Sections 10.8.2 and 10.8.4 of the Administrative Code of the City, the provisions of which are hereby incorporated by reference.

(d) [Reserved].

(e) For the Qualified Project Period, the Borrower will comply with the provisions of the Unruh Civil Rights Act, including, without limitation, Sections 51.2 and as applicable, 51.3 of the California Civil Code, as amended, and Sections 45.50 et seq. of the Los Angeles Municipal Code, as amended.

(f) The lease to be utilized by the Borrower in renting any residential units in the Project to Low Income Tenants shall provide for termination of the lease and consent by such person to immediate eviction, subject to applicable provisions of California law, for any tenant who fails to qualify as a Low Income Tenant and who has made a material misrepresentation on the Income Certification as to such tenant's qualification as a Low Income Tenant. All such leases shall contain clauses, among others, wherein each individual lessee (i) certifies the accuracy of the statements made in the Income Certification and (ii) agrees that the family income, family composition and other eligibility requirements shall be deemed substantial and material obligations of the lessee's tenancy; that the lessee will comply promptly with all requests for information with respect thereto from the Borrower or the City; and that the lessee's failure to provide accurate information in the Income Certification or refusal to comply with a request for information with respect thereto shall be deemed a violation of a substantial obligation of the lessee's tenancy and shall be a default thereunder. Additionally, such lease shall contain provisions informing any tenant of the possibility of rental payment increases in accordance with the terms of this Regulatory Agreement.

(g) All Income Certifications will be maintained on file at the Project or, with the prior written consent of the City, at the principal place of business of the Borrower or

the property manager of the Project, so long as this Regulatory Agreement is in effect and for five years thereafter with respect to each Low Income Tenant who occupied a residential unit in the Project during the Qualified Project Period.

(h) The Borrower will accept as tenants, on the same basis as all other prospective tenants, persons who are recipients of federal certificates for rent subsidies pursuant to the existing program under Section 8 of the Housing Act. The Borrower shall not apply selection criteria to Section 8 certificate or voucher holders that are more burdensome than criteria applied to all other prospective tenants.

(i) The Borrower shall submit to the City (i) at the times specified in Sections 4(d) and (f) herein, a Certificate of Continuing Program Compliance, which shall include the information called for therein, including occupancy records for all units in the Project, and (ii) within 15 days after receipt of a written request, any other information or completed forms requested by the City, in each case, in order to comply with reporting requirements of the Internal Revenue Service or the State of California, including, without limitation, information necessary for the City to file any periodic report, or any other information concerning the Project as the City may reasonably request.

(j) All workers performing construction or rehabilitation work for the Project employed by the Borrower or by any contractor or subcontractor shall be compensated in an amount no less than the greater of (i) the general prevailing rate of per diem wages (“Prevailing Wages”) as determined pursuant to Labor Code Sections 1770-1781 and implementing regulations of the Department of Industrial Relations, (ii) the general prevailing rate of per diem wages as determined by the U.S. Labor Department pursuant to the Davis-Bacon Act under 40 U.S.C.S. 3141–3148 and implementing regulations (“Davis-Bacon Wages”), if applicable; and (iii) the “Living Wage” as determined by the policies and procedures of the City of Los Angeles. The Borrower shall comply with all reporting and recordkeeping requirements of the City’s prevailing wage policy. The Borrower shall, and shall cause the contractors and subcontractors to, submit data and documents related to Prevailing Wages or Davis-Bacon Wages, if applicable, using the LCP Tracker or comparable LAHD-approved program. The fee for the LCP Tracker, or comparable LAHD-approved program, will be in the amount equal to Three One-Hundredths Percent (0.03%) of the total construction cost, which fee shall be paid in full to the City within 30 days of execution of this Agreement.

(k) The City may, at its option and at its expense, at any time appoint an administrator to administer this Regulatory Agreement and to monitor performance by the Borrower of the terms, provisions and requirements hereof. Following any such appointment, the Borrower shall comply with any request by the City to deliver to such administrator, in addition to or instead of the City, any reports, notices or other documents required to be delivered pursuant hereto, and upon reasonable notice to the Borrower to make the Project and the books and records with respect thereto available for inspection during regular business hours by such administrator as an agent of the City.

(l) If upon the annual certification or recertification required in Section 4(d) a tenant’s Adjusted Income exceeds 140% of the then applicable income limit for a

Low Income Tenant of the same family size, all rental limits herein previously applicable to the unit occupied for such tenant shall continue to apply until the next available unit is rented to a tenant who is a Low Income Tenant.

(m) The Borrower shall give written notice to all Low Income Tenants at the Project, the City, the Housing Authority of the City of Los Angeles (“HACLA”) and the California Department of Housing and Community Development (“HCD”) as follows (see also California Government Code Sections 6583.10 and 65863.11):

(i) Upon initial move-in/lease execution, the Borrower shall give written notice to all tenants of Low Income Units, of the duration of the rent restrictions under this Regulatory Agreement. The Borrower must maintain, in its files, a copy of each notice containing each tenant’s signed acknowledgement of the notice required hereunder. The notice shall, at the least, contain language that the rent restrictions under this Regulatory Agreement shall be in effect for a term ending at the expiration of the Qualified Project Period. Upon termination of the rent restriction period under this Regulatory Agreement, rents may be set at market rates unless otherwise restricted by some other legal, regulatory, or contractual requirement.

(ii) Thirty-six months prior to the termination of the rent restriction period under this Regulatory Agreement, the Borrower must give written notice to its tenants of the termination of the restrictions on the Low Income Units before their rents may be raised to market-rent levels. The Borrower must provide a copy of the notice sent to all tenants, pursuant to California Government Code Section 65863.10, to the Mayor of the City, HACLA, HCD and the Los Angeles Housing Department. In addition, the Borrower, within 36 months of a scheduled expiration of rental restrictions, shall also provide notice of the scheduled expiration of rent restrictions to any prospective tenant at the time he or she is interviewed for eligibility.

(iii) Twelve months prior to the termination of the rent restriction period under this Regulatory Agreement, the Borrower must give written notice to its tenants of the termination of the restrictions on the Low Income Units before their rents may be raised to market-rent levels. The Borrower must provide a copy of the notice sent to all tenants, pursuant to California Government Code Section 65863.10, to the Mayor of the City, HACLA, HCD and the Los Angeles Housing Department. The Borrower must also provide any tenant association at the Project, the Mayor of the City, HACLA, and HCD with notice of the opportunity to purchase the Property in accordance with the provisions of California Government Code Section 65863.11.

(iv) Six months prior to the termination of the rent restriction period under this Regulatory Agreement, the Borrower must give written notice to its tenants of the termination of the restrictions on the Low Income Units before their rents may be raised to market rent levels. The Borrower must also provide a copy of the notice sent to all tenants, pursuant to California Government Code



Section 65863.10, to the Mayor of the City, the Housing Authority of the City of Los Angeles, HACLA, HCD and the Los Angeles Housing Department.

(v) Ninety days prior to the termination of the rent restriction period under this Regulatory Agreement, the Borrower must again give written notice to its tenants of the termination of the restrictions on the Low Income Units before their rents may be raised to market rent levels. The Borrower must also provide a copy of the notice sent to all tenants to the Mayor of the City, HACLA, HCD and the Los Angeles Housing Department.

Unless the Borrower meets the requirements of California Government Code 65863.13, pursuant to California Government Code Section 65863.11, prior to or concurrently with the twelve month notice referenced above in (iii), the Borrower must provide notice of the opportunity to offer to purchase the assisted housing development to all qualified entities on the list maintained by the California Department of Housing and Community Development as well as to those qualified entities that contact the Borrower directly, in compliance with California Government Code Sections 65863.11(d) and 65863.11(g). The notice shall conform to the requirements of California Government Code Section 65863.11(h) and shall be sent to the entities by registered or certified mail, return receipt requested. The Borrower shall also post a copy of the notice in a conspicuous place in the common area of the Project.

(n) The Borrower shall, on the Closing Date and the 2022 Closing Date, as applicable, pay to the City its initial fees and thereafter pay to the City its ongoing fees with respect to the issuance of each Bond as follows. The Borrower shall pay the City an initial fee immediately upon issuance of the 2022 Bond equal to \$5,550 (.25% of the aggregate principal amount of the 2022 Bond issuable under the 2022 Indenture (\$2,220,000)). The City acknowledges receipt of the Closing Date of the sum of \$16,250 (.25% of the aggregate maximum principal amount of the 2019 Bond issuable under the 2019 Indenture (\$6,500,000)). In addition, the Borrower shall, as compensation for the City's monitoring of the provisions of this Regulatory Agreement, pay to the City, semiannually in arrears, prorated for the initial payment, on the first day of each June and December, commencing December 1, 2019: for the period from the date of issuance of the 2019 Bond through the end of the Qualified Project Period, prorated for the initial and any subsequent partial period (including such period during which only the 2019 Bond was outstanding), a semiannual amount equal to: (A) during the period from the Closing Date to the Conversion Date, the greater of \$1,500 or one-half of 0.125% of the combined maximum principal amount of the Bond issuable under the Indenture (\$8,720,000); and (B) from and after the Conversion Date, the greater of \$1,500 or one-half of 0.125% of the principal amount of the Bond Outstanding under the Indenture immediately after the Conversion Date; or in either case, such lesser amount as shall be necessary in the opinion of Bond Counsel to preserve the exemption of interest on the Bond from gross income for federal income tax purposes. Throughout the term of this Agreement, the Trustee, the City, or any servicer of the Loan, as applicable, shall provide an invoice to the Borrower monthly or at least 30 days prior to the due date of each such payment (a copy of which shall be provided to the City) and the Borrower shall remit such payments to the Trustee, the City, or such servicer of the

Loan, as applicable. Funds received by the Trustee or any servicer of the Loan shall be paid to the City when due. In the event of any prepayment of the Bond in whole, prior to the end of the Qualified Project Period, the Borrower, at its election, shall either: (A) pay to the City, on or before such payment, an amount equal to the present value of the remaining City fees payable hereunder, as calculated by the City, using a discount rate equal to the yield on the date of prepayment on the United States treasury security maturing on the date nearest the end of the Qualified Project Period, or such lesser amount as shall be necessary in the opinion of Bond Counsel to preserve the exemption of interest on the Bond from gross income for federal income tax purposes; or (B) enter into a trustee agreement with a corporate trustee acceptable to the City requiring the trustee appointed thereunder to bill and collect from the Borrower and to pay to the City on an annual basis, in arrears on or before each December 1, the annual fee described above. The Borrower shall bear the cost of such trustee through the term of this Regulatory Agreement. The Borrower shall not be required to pay the fee described in the preceding sentences if the Bond is prepaid in whole under circumstances which permit termination of this Regulatory Agreement pursuant to Section 14 hereof.

(o) The Borrower shall pay to the City a processing fee equal to the greater of (i) \$5,000; or (ii) 0.125% of the permanent principal amount of the Bond, plus any expenses incurred by the City, including, without limitation, Bond Counsel, City attorney and financial advisor fees, as a condition to the consideration and receipt of any consent, approval, amendment, transfer or waiver requested of the City with respect to the Project, the Project Site or the Bond. The City shall provide an invoice directly to the Borrower for such amounts.

(p) The Borrower shall pay the City its then-current fees in connection with any consent, approval, transfer, amendment or waiver requested of the City, together with any expenses incurred by the City in connection therewith.

(q) The Trustee shall report to the City in writing semiannually, within 10 days of each June 30 and December 31, the principal amount of the Bond outstanding as of such June 30 or December 31, as appropriate.

(r) [Reserved].

(s) The Borrower shall include the City as an additional insured on all liability insurance policies relating to the Borrower or the Project.

(t) The Borrower shall not rent any Low Income Unit to: (i) any individual who (A) holds an ownership interest in the Borrower, any general partner or member (or owner of such general partner or member) of the Borrower, (B) is an officer, board member, employee or agent of, or consultant to, the Borrower or any general partner or member thereof or owner of such general partner or member or (C) is a developer of the Project (collectively, an "Owner/Developer"); (ii) any Immediate Family Member of an Owner/Developer ("Immediate Family Members" consists of: (A) spouses, (B) children, (C) parents and grandparents, (D) siblings, (E) in-laws, including brother/sister-in-law and mother/father-in-law and son/daughter-in-law or

(F) significant other or domestic partner); or (iii) any elected official or his or her spouse/partner, who participated in the deliberative process, vote or consideration of legislative action regarding the issuance of the Bond or other loan in support of the Project.

The Borrower shall include a certification in each tenant application that the applicant is not an Owner/Developer, an elected official who participated in the issuance of the Bond or an Immediate Family Member thereof. The Borrower recognizes and agrees that the penalty for violation of the above covenant shall be a fine of \$5,000 per violation/ per unit.

(u) Neither the Borrower nor any general partner thereof shall issue any publicity release or other communication to any print, broadcast or on-line media, post any sign or in any other way identify the City as the source of the financing provided for the Project, without the prior written approval of the City (provided that nothing herein shall prevent the Borrower or any general partner thereof from identifying the City as the source of such financing to the extent that the Borrower or any general partner thereof is required to do so by disclosure requirements applicable to publicly held companies).

Any of the foregoing requirements of the City may be expressly waived by the City in writing in the City's sole discretion, but (i) no waiver by the City of any requirement of this Section 7 shall, or shall be deemed to, extend to or affect any other provision of this Regulatory Agreement, including particularly but without limitation the provisions of Sections 2 through 6 hereof, except to the extent the City has received an opinion of Bond Counsel that any such provision is not required by the Act or the Law and may be waived without adversely affecting the exclusion from gross income of interest on the Bond for federal income tax purposes; and (ii) any requirement of this Section 7 shall be void and of no force and effect if the City and the Borrower receive a written opinion of Bond Counsel to the effect that compliance with any such requirement would cause interest on the Bond to become includable in gross income for federal income tax purposes, if such opinion is accompanied by a copy of a ruling from the Internal Revenue Service to the same effect, or to the effect that compliance with such requirement would be in conflict with the Act or the Law.

**Section 8. Modification of Covenants.** The Borrower, the Trustee and the City hereby agree as follows:

(a) To the extent any amendments to the Law, the Act, the Regulations or the Code shall, in the written opinion of Bond Counsel filed with the City, the Trustee and the Borrower, impose requirements upon the ownership or operation of the Project more restrictive than those imposed by this Regulatory Agreement in order to maintain the Tax-exempt status of interest on the Bond, this Regulatory Agreement shall be deemed to be automatically amended, without the consent or approval of any other person, to impose such additional or more restrictive requirements. The parties hereto hereby agree to execute such amendment hereto as shall be necessary to document such automatic amendment hereof.

(b) To the extent that the Law, the Act, the Regulations or the Code, or any amendments thereto, shall, in the written opinion of Bond Counsel filed with the City, the Trustee and the Borrower, impose requirements upon the ownership or operation of the Project less restrictive than imposed by this Regulatory Agreement, this Regulatory Agreement may be amended or modified to provide such less restrictive requirements but only by written amendment signed by the City, the Trustee and the Borrower and approved by the written opinion of Bond Counsel to the effect that such amendment is permitted by the Law and the Act and will not affect the Tax-exempt status of interest on the Bond. The City shall be under no obligation to agree to any such amendment, it being understood that each of the requirements of this Regulatory Agreement is a specific requirement of the City, whether or not required by California or federal law.

(c) The Borrower, the City and, if applicable, the Trustee shall execute, deliver and, if applicable, file or record any and all documents and instruments necessary to effectuate the intent of this Section 8, and the City hereby appoints the Trustee as its true and lawful attorney-in-fact to execute, deliver and, if applicable, file or record on behalf of the City, as is applicable, any such document or instrument (in such form as may be approved in writing by Bond Counsel) if the City defaults in the performance of its obligations under this subsection (c); provided, however, that unless directed in writing by the City, the Trustee shall take no action under this subsection (c) without first notifying the City and without first providing the City an opportunity to comply with the requirements of this Section 8. Nothing in this Section 8(c) shall be construed to allow the Trustee to execute an amendment to this Regulatory Agreement on behalf of the City.

**Section 9. Indemnification.** The Borrower shall defend, indemnify and hold harmless the City and the Trustee and the respective officers, members, supervisors, directors, officials and employees, counsel, attorneys and agents, past present and future of each of them (collectively, the “Indemnified Parties”) against all loss, costs, damages, expenses, suits, judgments, actions and liabilities of whatever nature (including, without limitation, reasonable attorneys’ fees, litigation and court costs, amounts paid in settlement, and amounts paid to discharge judgments) directly or indirectly resulting from or arising out of or related to (a) the design, construction, installation, operation, use, occupancy, maintenance, financing or ownership of the Project (including compliance with laws, ordinances and rules and regulations of public authorities relating thereto), (b) any written statements or representations with respect to the Borrower, the Project or the Bond made or given to the City or the Trustee, or any underwriters or purchaser of the Bond, or any tenants or applicants for tenancy in the Project or any other person, by the Borrower, or any Authorized Borrower Representative, including, but not limited to, statements or representations of facts, financial information or limited partnership affairs, (c) the Bond or the Tax-exempt status of interest on the Bond; (d) the failure or alleged failure of any person or entity (including the Borrower, its contractor or subcontractors) to pay the general prevailing rate of per diem wages as determined pursuant to Labor Code Sections 1770-1781 and implementing regulations of the Department of Industrial Relations in connection with the construction of the improvements or any other work undertaken or in connection with the Project; or (e) any actual or alleged violation of any Hazardous Materials Law or with respect to the presence of Hazardous Materials on or under the Project or in any of improvements or on or under any property of the Borrower that is adjacent to the Project (whether before or after the date of this Agreement and whether or not the Borrower knew of the same); provided, however, that this provision shall not require the Borrower to

indemnify the Indemnified Parties from any claims, costs, fees, expenses or liabilities arising from its active negligence or willful misconduct or, in the case of the Trustee, its negligence, fraud or willful misconduct. The Borrower also shall pay and discharge and shall indemnify and hold harmless the City and the Trustee from (i) any lien or charge upon payments by the Borrower to the City and the Trustee hereunder or under the Bond Documents and (ii) any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges in respect of any portion of the Project. If any such claim is asserted, or any such lien or charge upon payments, or any such taxes, assessments, impositions or other charges are sought to be imposed, the City or the Trustee shall give prompt notice to the Borrower and the Borrower shall, as provided in the following paragraph, have the right to assume the defense thereof, with full power to litigate, compromise or settle the same in its sole discretion, provided that the City and the Trustee shall have the right to review and approve or disapprove any such compromise or settlement. In addition thereto, the Borrower will pay upon demand all of the reasonable fees and expenses paid or incurred by the Trustee and/or the City in enforcing the provisions hereof against the Borrower. The Borrower shall also pay the City its standard fees and reimburse the City for its expenses in connection with any consent, approval, amendment, waiver or other action taken at the request or for the benefit of the Borrower in connection with this Regulatory Agreement, the Bond or any other document or agreement relating thereto. In the event of any audit or inquiry regarding the Bond or the Project from any governmental entity, the Borrower shall, at the election of the City, be responsible for responding to and resolving such audit or inquiry at the expense of the Borrower.

Promptly after receipt by any party entitled to indemnification under this Section 9 of notice of the commencement of any suit, action or proceeding, such Indemnified Party shall, if a claim in respect thereof is to be made against the indemnifying party under this Section 9, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve the indemnifying party from any liability which it may have to any Indemnified Party otherwise than under this Section 9 or from any liability under this Section 9 unless the failure to provide notice prejudices the defense of such suit, action or proceeding. In case any such action is brought against any Indemnified Party, and it notifies the indemnifying party, the indemnifying party shall be entitled to participate in, and to the extent that it may elect by written notice delivered to the Indemnified Party within five Business Days after receiving the aforesaid notice from such Indemnified Party (but shall not be required) to assume, the defense thereof, with counsel reasonably satisfactory to such Indemnified Party; provided, however, if the defendants in any such action include both the Indemnified Party and the indemnifying party and the Indemnified Party shall have reasonably concluded that there are legal defenses available to it and/or other Indemnified Parties which are different from or additional to those available to the indemnifying party, the Indemnified Party or Parties shall have the right to select separate counsel to assert such legal defenses and otherwise to participate in the defense of such action on behalf of such Indemnified Party or Parties. Upon the indemnifying party's receipt of notice from the Indemnified Party of such Indemnified Party's election so to assume the defense of such action and selection by the Indemnified Party of counsel, the indemnifying party shall not be liable to such Indemnified Party under this Section 9 for any attorneys' fees or expenses subsequently incurred by such Indemnified Party for the engagement of separate counsel in connection with defense thereof unless (i) the Indemnified Party shall have employed separate counsel in connection with the assertion of legal defenses in accordance with the proviso to the next preceding sentence, (ii) the indemnifying party shall not have employed counsel reasonably

satisfactory to the Indemnified Party to represent the Indemnified Party or shall not have employed such counsel within a reasonable time after notice of commencement of the action or (iii) the indemnifying party has authorized the employment of separate counsel to represent the Indemnified Party at the expense of the indemnifying party. Notwithstanding the foregoing, the Trustee shall not be indemnified for income tax, franchise tax or similar tax liability relating to the Trustee's own income and operations.

**Section 10. Consideration.** The City has issued the Bond to provide funds to finance the acquisition, construction and equipping of the Project, all for the purpose, among others, of inducing the Borrower to acquire, construct and equip the Project. In consideration of the issuance of the Bond by the City, the Borrower has entered into this Regulatory Agreement and has agreed to restrict the uses to which this Project can be put on the terms and conditions set forth herein.

**Section 11. Reliance.** The City and the Borrower hereby recognize and agree that the representations and covenants set forth herein may be relied upon by all persons interested in the legality and validity of the Bond and in the exemption from federal income taxation and California personal income taxation of the interest on the Bond. In performing their duties and obligations hereunder, the City and the Trustee may rely upon statements and certificates of the Low Income Tenants and upon audits of the books and records of the Borrower pertaining to the Project. In addition, the City and the Trustee may consult with counsel, and the written opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the City or the Trustee hereunder in good faith and in conformity with such opinion. In determining whether any default or lack of compliance by the Borrower exists under this Regulatory Agreement, the Trustee may, but shall not be required to, conduct any investigation into or review of the operations or records of the Borrower and may rely solely on any written notice or certificate delivered to the Trustee by the Borrower or the City with respect to the occurrence or absence of a default unless it knows that the notice or certificate is erroneous or misleading.

**Section 12. Project in the City.** The Borrower hereby represents and warrants that the Project will be located entirely within the City.

**Section 13. Sale or Transfer of the Project; Equity Interests.** The Borrower hereby covenants and agrees not to voluntarily (which term shall not be interpreted to include a foreclosure of any security for the Loan, the granting by the Borrower of a deed-in-lieu of foreclosure, or any other comparable conversion of the Loan) sell, transfer or otherwise dispose of the Project, or any portion thereof (other than for individual tenant use as contemplated hereunder), equity interests in the Borrower aggregating more than 50% of the equity interest in the Borrower, or any general partner interests in the Borrower, without obtaining the prior written consent of the City, which consent shall not be unreasonably withheld by the City and shall be given by the City if (a) the Borrower is not in default hereunder or under the Loan Agreement; (b) the purchaser or assignee is not in default under any obligations it may have to the City and is not the subject of any legal or enforcement actions by the City, and the purchaser or assignee certifies that the continued operation of the Project will comply with the provisions of this Regulatory Agreement; (c) evidence reasonably satisfactory to the City is presented to establish that the purchaser or assignee is willing to comply and capable of complying with the terms and conditions of this Regulatory Agreement; (d) either (i) evidence satisfactory to the City is presented to establish that

the purchaser or assignee has at least three years' experience in the ownership, operation and management of rental housing projects, without any record of material violations of discrimination restrictions or other state or federal laws or regulations applicable to such projects or (ii) the purchaser or assignee agrees to retain a property management firm which the City determines has the experience and record described in subclause (i) above or (iii) the City determines that it has no reason to believe that the purchaser or assignee is incapable, financially or otherwise, of complying with, or may be unwilling to comply with, the terms of all agreements binding on such purchaser or assignee and relating to the Project; (e) the City and Trustee shall have received (i) with respect to any transfer of the Project, reasonable evidence satisfactory to the City that the Borrower's purchaser or transferee has assumed in writing and in full, the Borrower's duties and obligations under this Regulatory Agreement and the Loan Agreement, (ii) with respect to any transfer of the Project to a new Borrower, an opinion of counsel to the transferee that the transferee has duly assumed the obligations of the Borrower under this Regulatory Agreement and that such obligations and this Regulatory Agreement are binding on the transferee, (iii) unless waived by the City, an opinion of Bond Counsel that such transfer will not adversely affect the Tax-exempt nature of the interest on the Bond, (iv) from the Borrower, a Certificate of Continuing Program Compliance (and a "bring-down" certificate, if necessary) current as of the date of transfer and (v) evidence satisfactory to the City that the purchaser or assignee does not have pending against it, nor does it have a history of, building or fire code violations as identified by City, the State of California or federal regulatory agencies; (f) the purchaser or assignee complies with the provisions of the Los Angeles Administrative Code Section 10.8.4 Affirmative Action Program Provisions; (g) the Borrower or transferee pays all costs of the transfer of title, including, but not limited to, the cost of meeting the conditions specified in this Section 13; and (h) such other conditions are met as the City may reasonably impose to assure compliance by the Project with the requirements of this Regulatory Agreement. It is hereby expressly stipulated and agreed that, except for any such sale, transfer or disposition agreed to by the City in a separate writing, any sale, transfer or other disposition of the Project in violation of this Section 13 shall be null, void and without effect, shall cause a reversion of title to the Borrower, and shall be ineffective to relieve the Borrower of its obligations under this Regulatory Agreement. Upon any sale or other transfer which complies with this Regulatory Agreement, the Borrower shall be fully released from its obligations hereunder, but only to the extent such obligations have been assumed by the transferee of the Project, without the necessity of further documentation. Any transfer of the Project to any entity, whether or not affiliated with the Borrower, shall be subject to the provisions of this Section 13.

Notwithstanding the foregoing, if the Trustee acquires title to the Project by foreclosure or deed in lieu of foreclosure, no consent of the City shall be required to such transfer under this Regulatory Agreement and no other conditions shall be required to be satisfied. However, if the Trustee acquires title to the Project by foreclosure or deed in lieu of foreclosure and this Regulatory Agreement has not been terminated pursuant to Section 14 below, consent of the City and delivery of items (a) through (h) above shall be required for any transfer of the Project subsequent to the Trustee's acquisition of the Project by foreclosure or deed in lieu of foreclosure.

Notwithstanding anything to the contrary contained herein, the interest of the Borrower's limited partners shall, with prior written notice to the City, be transferable under this Regulatory Agreement to any affiliate of the limited partners of the Borrower, without the consent of the City and/or Trustee but with prior written notice thereto.

The Borrower acknowledges and recognizes that in addition to the above requirements the consent of CDLAC, in the manner and to the extent as may at the time be required by CDLAC, among other parties, may be required in connection with any transfer of the Project.

**Section 14. Term.** This Regulatory Agreement and all and each of the provisions hereof shall become effective upon its execution and delivery, and shall remain in full force and effect for the periods provided herein and, except as otherwise provided in this Section 14, shall terminate in its entirety at the end of the Qualified Project Period (or such later date provided in Section 33 hereof pursuant to the CDLAC Resolution, which imposes restrictions for a term of at least 55 years), it being expressly agreed and understood that the provisions hereof are intended to survive the retirement of the Bond, discharge of the Loan and termination of the Indenture and the Loan Agreement.

Notwithstanding the foregoing, the provisions of Section 9 hereof shall, in the case of the Trustee, survive the term of this Regulatory Agreement or the replacement of the Trustee, but only as to claims arising from events occurring during the term of this Regulatory Agreement or the Trustee's tenure as Trustee under the Indenture, and shall, in the case of the City, survive the term of this Regulatory Agreement, but only as to claims arising from events occurring during the term of this Regulatory Agreement.

The terms of this Regulatory Agreement to the contrary notwithstanding, this Regulatory Agreement and all the requirements set forth herein (except Section 9 as aforesaid) shall terminate and be of no further force and effect in the event of (a) involuntary noncompliance with the provisions of this Regulatory Agreement caused by fire, seizure, requisition, change in a federal law or an action of a federal agency after the Closing Date which prevents the City or the Trustee from enforcing the provisions hereof, or (b) condemnation, foreclosure, delivery of a deed in lieu of foreclosure or a similar event, but only if, within a reasonable period thereafter, either the portion of the Bond attributable to the affected portion of the Project is retired or amounts received as a consequence of such event are used to provide a project which meets the requirements of the Code set forth in Sections 2 through 6 of this Regulatory Agreement and provided that, in either case, an opinion of Bond Counsel (unless waived by the City) is delivered to the Trustee to the effect that the exclusion from gross income for federal income tax purposes of interest on the Bond will not be adversely affected thereby. The provisions of the preceding sentence shall cease to apply and the requirements referred to therein shall be reinstated if, at any time during the Qualified Project Period after the termination of such requirements as a result of involuntary noncompliance due to foreclosure, transfer of title by deed in lieu of foreclosure or similar event, the Borrower or any "related party" (within the meaning of Section 1.150-1(b) of the Regulations) or "related person" (defined in Section 1.103-10(e) of the Regulations) obtains an ownership interest in the Project for tax purposes. The Borrower hereby agrees that, following any foreclosure, transfer of title by deed in lieu of foreclosure or similar event, neither the Borrower nor any related party as described above will obtain an ownership interest in the Project for tax purposes.

Upon the termination of this Regulatory Agreement, the parties hereto agree to execute, deliver and record appropriate instruments of release and discharge of the terms hereof; provided, however, that the execution and delivery of such instruments shall not be necessary or a prerequisite to the termination of this Regulatory Agreement in accordance with its terms.



**Section 15. Covenants To Run With the Land.** The Borrower hereby subjects its interest in the Project (including the Project Site) to the covenants, reservations and restrictions set forth in this Regulatory Agreement. The City and the Borrower hereby declare their express intent that the covenants, reservations and restrictions set forth herein shall be deemed covenants running with the land and shall pass to and be binding upon the Borrower's successors in title to the Project; provided, however, that on the termination of this Regulatory Agreement said covenants, reservations and restrictions shall expire. The City and, if necessary, the Trustee, agree to execute a quitclaim deed or other documents required to remove this Regulatory Agreement from title after the covenants, agreements and restrictions herein have expired. Each and every contract, deed or other instrument hereafter executed covering or conveying the Project or any portion thereof shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations and restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instruments.

No breach of any of the provisions of this Regulatory Agreement shall impair, defeat or render invalid the lien of any security instrument, deed of trust or like encumbrance made in good faith and for value encumbering the Project or any portion thereof.

**Section 16. Burden and Benefit.** The City and the Borrower hereby declare their understanding and intent that the burden of the covenants set forth herein touch and concern the land in that the Borrower's legal interest in the Project is rendered less valuable thereby. The City and the Borrower hereby further declare their understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Project by Low Income Tenants, the intended beneficiaries of such covenants, reservations and restrictions, and by furthering the public purposes for which the Bond was issued. Notwithstanding the foregoing or any other provision of this Regulatory Agreement, no person, other than the parties hereto, shall have any rights of enforcement of this Regulatory Agreement.

**Section 17. Uniformity; Common Plan.** The covenants, reservations and restrictions hereof shall apply uniformly to the entire Project in order to establish and carry out a common plan for the use, development and improvement of the Project Site.

**Section 18. Default; Enforcement.** If the Borrower defaults in the performance or observance of any covenant, agreement or obligation of the Borrower set forth in this Regulatory Agreement, and if such default remains uncured for a period of 60 days after notice thereof shall have been given by the City to the Borrower, then the City shall declare an "Event of Default" to have occurred hereunder; provided, however, that if the default stated in the notice is of such a nature that it cannot be corrected within 60 days, such default shall not constitute an Event of Default hereunder so long as (i) the Borrower institutes corrective action within said 60 days and diligently pursues such action until the default is corrected and (ii) in the opinion of Bond Counsel, the failure to cure said default within 60 days will not adversely affect the Tax-exempt status of interest on the Bond. The Trustee hereby consents to any correction of the default by the City on behalf of the Borrower. The City hereby consents to any correction of a default on the part of the Borrower hereunder made by the Borrower's limited partners on behalf of the Borrower within the time periods provided in this Section. Copies of any notices sent to the Borrower hereunder shall simultaneously be sent to the Borrower's limited partners at the address set forth in Section 23.

Following the declaration of an Event of Default hereunder, the Trustee, as directed by the City and subject to the provisions of the Indenture relative to the Trustee's duty to exercise remedies generally, or the City may, at its option, take any one or more of the following steps:

- (a) by mandamus or other suit, action or proceeding at law or in equity, including injunctive relief, require the Borrower to perform its obligations and covenants hereunder or enjoin any acts or things which may be unlawful or in violation of the rights of the City or the Trustee hereunder;
- (b) have access to and inspect, examine and make copies of all or any portion of the books and records of the Borrower pertaining to the Project; and
- (c) take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Borrower hereunder.

During the Qualified Project Period, the Borrower hereby grants to the City the option, upon either (a) the expiration of 60 days after the giving of the notice to the Borrower referred to in the first paragraph of this Section 18 of the Borrower's default under this Regulatory Agreement or (b) the vacancy of a Low Income Unit for more than six months and the submission by the City to the Borrower during such six-month or longer period of at least five proposed tenants which meet the qualifications of Low Income Tenants and the qualifications of a reasonable landlord, to lease up to 40% of the units in the Project for a rental of \$1.00 per unit per year for the sole purpose of subleasing such units to Low Income Tenants for a period of not less than six months, but only to the extent necessary to comply with the provisions of Sections 2 through 7 of this Regulatory Agreement and to insure full occupancy of the Low Income Units. The option granted in the preceding sentence shall be effective only if the Borrower or the Trustee has not instituted corrective action before the end of such 60-day period referenced in (a) above, or the Borrower has not rented the unit during the six-month or longer period referenced in (b) above, to a qualified Low Income Tenant. The option and any leases to the City under this provision shall terminate with respect to each default upon the achievement, by the Borrower, the Trustee or the City, of compliance with the requirements of Section 2 through 7 hereof, and any subleases entered into pursuant to the City's option shall be deemed to be leases from the Borrower. The City shall make diligent effort, but shall not be required, to rent Low Income Units to Low Income Tenants at the highest rents practicable, subject to the limits of Sections 5, 6 and 7 hereof. Any rental paid under any such sublease shall be paid to the Borrower after the City has been reimbursed for any reasonable expenses incurred in connection with such sublease, provided that, if the Borrower is in default under the Loan Agreement, such rental shall be paid to the Trustee for credit against payments due under the Loan Agreement. The Trustee shall have the right, as directed by the City, in accordance with this Section 18 and the provisions of the Indenture, to exercise any or all of the rights or remedies of the City hereunder, provided that prior to taking any such action the Trustee shall give the City written notice of its intended action. All reasonable fees, costs and expenses of the City and the Trustee incurred in taking any action pursuant to this Section 18 shall be the sole responsibility of the Borrower.

After the Indenture has been discharged, the City may act on its own behalf to declare an "Event of Default" to have occurred and to take any one or more of the steps specified hereinabove to the same extent and with the same effect as if taken by the Trustee.

The obligations of the Borrower hereunder are not secured by a lien on the Project and the Loan shall not be accelerated as a result of any default hereunder. The Borrower hereby agrees that specific enforcement of the Borrower's agreements contained herein is the only means by which the City may obtain the benefits of such agreements made by the Borrower herein and the Borrower therefore agrees to the imposition of the remedy of specific performance against it in the case of any default by the Borrower hereunder.

The occurrence of a Determination of Taxability shall not, in and of itself, constitute a default hereunder.

**Section 19. The Trustee.** The Trustee shall act as specifically provided herein and in the Indenture. The Trustee is entering into this Regulatory Agreement solely in its capacity as trustee under the Indenture, and the duties, powers, rights and liabilities of the Trustee in acting hereunder shall be subject to the provisions of the Indenture.

The City shall be responsible for the monitoring and verifying of compliance by the Borrower with the terms of this Regulatory Agreement. The Trustee may at all times assume compliance with this Regulatory Agreement unless otherwise notified in writing by the City, or unless it has actual knowledge of noncompliance.

After the date on which no principal of the Bond remains outstanding as provided in the Indenture, the Trustee shall no longer have any duties or responsibilities under this Regulatory Agreement and all references to the Trustee in this Regulatory Agreement shall be deemed references to the City.

**Section 20. Recording and Filing.** The Borrower shall cause this Regulatory Agreement, and all amendments and supplements hereto and thereto, to be recorded and filed in the real property records of the County of Los Angeles and in such other places as the City or the Trustee may reasonably request. The Borrower shall pay all fees and charges incurred in connection with any such recording. This Regulatory Agreement shall be recorded in the grantor-grantee index to the name of the Borrower as grantor and the City as grantee.

**Section 21. Governing Law.** This Regulatory Agreement shall be governed by the laws of the State of California. The Trustee's rights, duties and obligations hereunder are governed in their entirety by the terms and provisions of the Indenture.

**Section 22. Amendments.** Except as provided in Section 33(e), this Regulatory Agreement shall be amended only by a written instrument executed by the parties hereto or their successors in title, and duly recorded in the real property records of the County of Los Angeles, California, and only upon receipt by the City of an opinion from Bond Counsel that such amendment will not adversely affect the Tax-exempt status of interest on the Bond and is not contrary to the provisions of the Law or the Act and with the written consent of the Trustee.

The City, the Trustee and the Borrower hereby agree to amend this Regulatory Agreement to the extent required, in the opinion of Bond Counsel (subject to the approval of the City Attorney of the City), in order that interest on the Bond remains Tax-exempt. The party or parties requesting such amendment shall notify the other parties to this Regulatory Agreement of the proposed amendment, with a copy of such requested amendment to Bond Counsel and the City Attorney of

the City and a request that such Bond Counsel render to the City an opinion as to the effect of such proposed amendment upon the Tax-exempt status of interest on the Bond.

**Section 23. Notices.** Any notice required to be given hereunder shall be made in writing and shall be given by personal delivery, certified or registered mail, postage prepaid, return receipt requested, at the addresses specified below, or at such other addresses as may be specified in writing by the parties hereto:

If to the City:	City of Los Angeles c/o Los Angeles Housing Department 8th Floor 1200 West 7th Street Los Angeles, CA 90017 Attention: Supervisor, Affordable Housing Bond Program HIMS# 18-125037 Facsimile: (213) 808-8918
with a copy to:	Los Angeles Housing Department P.O. Box 532729 Los Angeles, CA 90053-2729 Attention: Supervisor, Affordable Housing Bond Program HIMS # 18-125037
If to the Borrower:	Broadway Apartments Preservation, LP c/o Step Up On Second Street, Inc. 1328 Second Street Santa Monica, CA 91401 Attention: Tod Lipka, Chief Executive Officer
with a copy to:	Friendship for Affordable Housing, LLC 5967 West 3rd Street, Suite 102 Los Angeles, CA 90036 Attention: Avi Ryzman
with a copy to:	Hobson, Bernardino & Davis LLP Citigroup Center 6060 Center Drive, Floor 10 Los Angeles, CA 90045 Attention: Jason A. Hobson, Esq. Telephone: (213) 235-9190
with a copy to:	Aegon LIHTC FUND 60, LLC c/o Aegon USA Realty Advisors, LLC Attention: LIHTC Reporting 6300 C Street Southwest Cedar Rapids, IA 52499 Facsimile: (319) 355-8030 Email: <a href="mailto:lihtcreporting@aegonusa.com">lihtcreporting@aegonusa.com</a>

with a copy to: Nixon Peabody LLP  
70 West Madison Street, Suite 3500  
Chicago, IL 60602  
Attention: Andrew Tripp, Esq.  
Facsimile: (844) 565-3244

If to the Trustee: U.S. Bank Trust Company, National Association  
633 West 5th Street, 24th Floor  
Los Angeles, CA 90071  
Attention: Global Corporate Trust  
Ref: LA MF (Broadway 2019G & 2022T)  
Telephone: (213) 615-6024  
Facsimile: (213) 615-6199

If to the Bondowner  
Representative: Red Stone Servicer, LLC  
666 Old Country Road, Suite 603  
Garden City, NY 11530  
Attention: Linda La  
Email: lla@redstoneco.com

With a copy to: Gilmore & Bell, P.C.  
15 West South Temple, Suite 1450  
Salt Lake City, UT 84101  
Attention: Claymore K. Hardman, Esq.  
Email: chardman@gilmorebell.com

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

Notice shall be deemed given three Business Days after the date of mailing.

A duplicate copy of each notice, certificate or other communication given hereunder by any party hereto to another party hereto shall also be given to all of the parties specified above. Failure to provide any such duplicate notice pursuant to the foregoing sentence, or any defect in any such duplicate notice so provided shall not constitute a default hereunder. All other documents required to be submitted to any of the foregoing parties shall also be submitted to such party at its address set forth above. Any of the foregoing parties may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates, documents or other communications shall be sent.

**Section 24. Severability.** If any provision of this Regulatory Agreement or if the applicability of any such provision shall be invalid, illegal or unenforceable, the validity, legality, enforceability, or the applicability with respect to the validity, legality and enforceability, of the remaining portions hereof shall not in any way be affected or impaired thereby.

**Section 25. Multiple Counterparts.** This Regulatory Agreement may be simultaneously executed in multiple counterparts, all of which shall constitute one and the same instrument, and each of which shall be deemed to be an original.

**Section 26. Nondiscrimination and Affirmative Action.** The Trustee and the Borrower shall comply with the applicable nondiscrimination and affirmative action provisions of the laws of the United States of America, the State of California, and the City of Los Angeles. The Trustee and the Borrower shall not discriminate in their employment practices against any employee or applicant for employment; denial of family and medical care leave; denial of pregnancy disability leave or reasonable accommodations against any employee or applicant for employment because of such person's race, ancestry, color, citizenship, national origin, religion, sex, sexual orientation, gender identity/expression, transgender status, age, marital status, familial status, domestic partner status, physical handicap, mental disability, medical condition, political affiliation or belief. The Trustee and the Borrower shall comply with Executive Order 11246, entitled "Equal Employment Opportunity", as amended by Executive Order 11375, and as supplemented in Department of Labor regulations (41 C.F.R. Part 60). The Trustee and the Borrower shall comply with the provisions of the Los Angeles Administrative Code Sections 10.8 through 10.13, to the extent applicable hereto. The affirmative action program of the Trustee and the Borrower shall include the mandatory contract provisions set forth in the Los Angeles Administrative Code Section 10.8.4, and said provisions are incorporated herein by this reference. The Borrower and Trustee shall also comply with all rules, regulations, and policies of the City of Los Angeles' Board of Public Works, Office of Contract Compliance relating to nondiscrimination and affirmative action, including the filing of all forms required by the City. Any subcontract entered into by the Borrower or Trustee relating to this Regulatory Agreement, to the extent allowed hereunder, shall be subject to the provisions of this section. No person shall on the grounds of race, ancestry, color, citizenship, national origin, religion, sex, sexual orientation, gender identity/expression, transgender status, age, marital status, familial status, domestic partner status, physical handicap, mental disability, medical condition, political affiliation or belief be excluded from participation in, be denied the benefit of, or be subjected to discrimination under this Regulatory Agreement. For purposes of this Section, Title 24 Code of Federal Regulations Part 107 and Section 570.601(b) define specific discriminatory actions that are prohibited and corrective action that shall be taken in a situation as defined therein.

**Section 27. Business Tax Registration Certificate.** Subject to any exemption available to it, the Trustee and the Borrower each represent that it will obtain and hold the Business Tax Registration Certificate(s) required by the City's Business Tax Ordinance (Article 1, Chapter 2, Section 21.00 and following, of the Los Angeles Municipal Code). For the term covered by this Regulatory Agreement, the Trustee and the Borrower shall maintain, or obtain as necessary, all such Business Tax Registration Certificates required of it under said Ordinance and shall not allow any such Business Tax Registration Certificate to be revoked or suspended.

**Section 28. Financial Obligations Personal to Borrower.** The City acknowledges that the Project shall be encumbered by the Bond Documents. Notwithstanding any provisions of this Regulatory Agreement to the contrary, all obligations of the Borrower under this Regulatory Agreement for the payment of money and all claims for damages against the Borrower occasioned by breach or alleged breach by the Borrower of its obligations under this Regulatory Agreement, including indemnification obligations, shall not be a lien on the Project and no Person shall have

the right to enforce such obligations other than directly against the Borrower as provided in Section 18 of this Regulatory Agreement, except that the City shall have the right at all times to enforce the rights contained in the third paragraph of Section 18 hereof. No subsequent owner of the Project shall be liable or obligated for the breach or default of any obligations of the Borrower under this Regulatory Agreement on the part of any prior Borrower, including, but not limited to, any payment or indemnification obligation. Such obligations are personal to the Person who was the Borrower at the time the default or breach was alleged to have occurred and such Person shall remain liable for any and all damages occasioned thereby even after such Person ceases to be the Borrower. Each Borrower shall comply with and be fully liable for all obligations of an “owner” hereunder during its period of ownership.

**Section 29. [Reserved].**

**Section 30. Child Support Assignment Orders.** This Regulatory Agreement is subject to Section 10.10 of the Los Angeles Administrative Code, Child Support Assignment Orders Ordinance. Pursuant to this Ordinance, each of the Borrower and the Trustee certifies that (a) it will fully comply with all State and federal employment reporting requirements applicable to Child Support Assignment Orders; (b) the principal owner(s) of the Borrower are in compliance with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally; (c) it will fully comply with all lawfully served Wage and Earnings Assignment Orders and Notices of Assignment in accordance with California Family Code Section 5230 et seq.; and (d) it will maintain such compliance throughout the term of this Regulatory Agreement. Pursuant to Section 10.10.b of the Los Angeles Administrative Code, failure of the Borrower or the Trustee to comply with all applicable reporting requirements or to implement lawfully served Wage and Earnings Assignment Orders and Notices of Assignment or the failure of any principal owner(s) of the Borrower or the Trustee to comply with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally shall constitute a default by the Borrower or the Trustee, as appropriate, under the terms of this Regulatory Agreement, subjecting (i) the Borrower to the remedies provided herein and (ii) the Trustee to termination under the Indenture where, in either case, such failure shall continue for more than 90 days after notice of such failure to the Borrower or the Trustee by the City. Any subcontract entered into by the Borrower or the Trustee relating to this Regulatory Agreement, to the extent allowed hereunder, shall be subject to the provisions of this paragraph and shall incorporate the provisions of the Child Support Assignment Orders Ordinance. Failure of the Borrower or the Trustee to obtain compliance of its subcontractors shall constitute a default by the Borrower or the Trustee, as appropriate, under the terms of this Regulatory Agreement, subjecting (A) the Borrower to the remedies provided herein and (B) the Trustee to termination under the Indenture where such failure shall continue for more than 90 days after notice of such failure to the Borrower or the Trustee by the City.

The Borrower and the Trustee shall comply with the Child Support Compliance Act of 1998 of the State of California Employment Development Department. The Borrower and the Trustee each assures that to the best of its knowledge it is fully complying with the earnings assignment orders of all employees, and is providing the names of all new employees to the New Hire Registry maintained by the Employment Development Department as set forth in subdivision (b) of the Public Contract Code Section 7110.

**Section 31. Americans with Disabilities Act.** The Borrower and the Trustee each hereby certifies that it and any contractor and subcontractor will comply with the Accessibility Laws (as defined in Exhibit I). The Borrower and any contractor and subcontractor will provide reasonable accommodations to allow qualified individuals with disabilities to have access to and to participate in its programs, services, and activities in accordance with the applicable provisions of the ADA, the ADAAG, Section 504, the UFAS, the FHA (each as defined in Exhibit I) and all subsequent amendments. The Borrower and the Trustee each and any contractor and subcontractor will not discriminate against persons with disabilities or against persons due to their relationship to or association with a person with a disability. Any contract and subcontract entered into by the Borrower or the Trustee, relating to this Regulatory Agreement and the Project, to the extent allowed hereunder, shall be subject to the provisions of this paragraph. The Borrower hereby agrees to observe all of the covenants contained in Exhibit I to this Regulatory Agreement as if contained herein.

**Section 32. Slavery Disclosure Ordinance.** This Regulatory Agreement is subject to the Slavery Disclosure Ordinance, Section 10.41 et, seq., of the Los Angeles Administrative Code, as amended from time to time. Any subcontract entered into by the Borrower for work to be performed under this Regulatory Agreement must include an identical provision to this Section 32. The Borrower acknowledges and agrees that failure to fully and accurately complete the required affidavit and disclosures of such ordinance may result in a default under this Regulatory Agreement.

**Section 33. Requirements of CDLAC.** In addition to other requirements set forth herein and to the extent not prohibited by the requirements set forth in Sections 2 through 6 hereof, the Borrower hereby agrees to comply with each of the requirements of CDLAC set forth in this Section 33, as follows:

(a) The Borrower shall comply with the conditions set forth in Exhibit A to the CDLAC Resolution (the “CDLAC Conditions”), as they may be modified or amended from time to time, which conditions are incorporated herein by reference and made a part hereof and are attached hereto as Exhibit G. Notwithstanding anything to the contrary herein, the provisions of this Section 33 shall remain effective for the period specified in the CDLAC Conditions, unless this Regulatory Agreement shall terminate as otherwise provided in Section 14 hereof.

(b) The Borrower acknowledges that the City shall monitor the Borrower’s compliance with the terms of the CDLAC Conditions. The Borrower will cooperate fully with the City in connection with such monitoring and reporting requirements as provided herein. Compliance with the terms of the CDLAC Conditions not contained within this Regulatory Agreement, but referred to in the CDLAC Conditions is the responsibility of the Borrower to report to the City.

(i) The Borrower shall prepare and deliver a Certificate of CDLAC Program Compliance pursuant to the terms of the CDLAC Conditions. The Borrower acknowledges that the Borrower will prepare and submit to the City, not later than January 15 of each year, and the City will submit to CDLAC, not later than March 1 of each year, until the Borrower has submitted to the City and



CDLAC a Construction Completion Certificate, and on March 1 every three years thereafter (such that the next succeeding year shall be the beginning of each such three year period) until the end of the Qualified Project Period, a Certificate of CDLAC Program Compliance, executed by an Authorized Borrower Representative.

(ii) The Borrower shall prepare and deliver a Self-Certification Certificate pursuant to the terms of the CDLAC Conditions. The Borrower acknowledges that the Borrower will prepare and submit to the City, not later than January 15 of each year, and the City will submit to CDLAC, not later than March 1 of each year, until the Borrower has submitted to the City and CDLAC a Construction Completion Certificate, and on March 1 every three years thereafter (such that the next succeeding year shall be the beginning of each such three year period) until the end of the Qualified Project Period, a Self-Certification Certificate in the form provided by CDLAC.

(iii) Within 30 days following the completion of the Project, the Borrower will prepare and submit to the City, Trustee and CDLAC, a Construction Completion Certificate. Following the submission of the Construction Completion Certificate, the Borrower will prepare and submit to the City, not later than January 15 every three years thereafter until the end of the Compliance Period, a California Tax Credit Allocation Committee Project Status Report or equivalent documentation in substantially the form required or otherwise provided by CDLAC from time to time.

(c) Except as otherwise provided in Section 14 of this Regulatory Agreement, this Regulatory Agreement shall terminate on the date 55 years after the date on which at least fifty percent (50%) of the units in the Project are first occupied or such later date as the Qualified Project Period shall begin, as required by the CDLAC Conditions.

(d) The Borrower shall notify CDLAC in writing of: (i) any change in ownership of the Project, (ii) any change in the issuer of the Bond, (iii) any change in the name of the Project or the Project manager; (iv) any default under the Indenture, the Loan Agreement or this Regulatory Agreement; or (v) termination of this Regulatory Agreement.

(e) Any of the foregoing requirements of CDLAC contained in this Section 33 may be expressly waived by CDLAC, in its sole discretion, in writing, but (i) no waiver by CDLAC of any requirement of this Section 33 shall, or shall be deemed to, extend to or affect any other provision of this Regulatory Agreement except to the extent the City has received an opinion of Bond Counsel that any such provision is not required by the Code, the Act and the Law and may be waived without adversely affecting the exclusion from gross income of interest on the Bond for federal income tax purposes; and (ii) any requirement of this Section 33 shall be void and of no force and effect if the City and the Borrower receive a written opinion of Bond Counsel to the effect that compliance with any such requirement would cause interest on the Bond to cease to be Tax-exempt or to the effect that compliance with such requirement would be in conflict with the Code, the Act, the Law or any other state or federal law.

(f) CDLAC is intended to be and is a third party beneficiary of this Regulatory Agreement, and CDLAC shall have the right (but not the obligation) to enforce, separately or jointly with the City and/or the Trustee or to cause the City or the Trustee to enforce, the provisions of Section 33 of this Regulatory Agreement and to pursue an action for specific performance of such provisions or other available remedy at law or in equity in accordance with Section 18 hereof, provided that any such action or remedy shall not materially adversely affect the interests and rights of the Bondholders and shall otherwise be subject to the terms, conditions and limitations applicable to the enforcement of remedies under this Regulatory Agreement.

(g) CDLAC shall have the right, but not the obligation, to deliver revised CDLAC Conditions to the Borrower after the Closing Date or the 2022 Closing Date, as applicable, at any time, that are not more restrictive than the original CDLAC Conditions; provided however, that, with the prior written consent of the Bondholders, which will not be unreasonably withheld: (i) any changes in the terms and conditions of the CDLAC Conditions prior to the recordation against the Project in the real property records of Los Angeles County, California, of a regulatory agreement between the Borrower and the California Tax Credit Allocation Committee (“TCAC Regulatory Agreement”) shall be limited to such changes as are necessary to correct any factual errors or to otherwise conform the CDLAC Conditions to any change in facts or circumstances applicable to the Borrower or the Project; and (ii) after recordation of the TCAC Regulatory Agreement, any changes in the terms and conditions of the CDLAC Conditions shall be limited to such changes as are necessary to conform Items 1, 6, 7, 10, 11, 12, 14, 15, 16, 18, 19, 20, 21, 22, 23, 24, 25, 26, or 37 of Exhibit A to the CDLAC Conditions to any change in terms and conditions requested by the Borrower and approved by CDLAC. The City may, in its sole and absolute discretion, require the Borrower to enter into an amendment to this Regulatory Agreement reflecting the revised CDLAC Conditions, which amendment shall be executed by the parties hereto or their successor in title and duly recorded in the real property records of the County of Los Angeles. The Borrower shall pay any costs and expenses in connection therewith and provide CDLAC with a copy of that recorded amendment reflecting the revised CDLAC Conditions. Where consent of the Bondholder is not required, the Borrower shall provide notice to the Bondholder of any revisions to the CDLAC Conditions.

**Section 34. Pet Ownership In Publicly-Financed Housing Developments.** The Borrower shall comply with the Pet Ownership in Publicly-Financed Housing Developments Ordinance, Los Angeles Municipal Code Sections 51.20., et seq., as amended from time to time.

**Section 35. Disclosure of Border Wall Contracting Ordinance.** The Borrower and the Trustee shall comply with Los Angeles Administrative Code Section 10.50 et seq., “Disclosure of Border Wall Contracting”. The City may declare a default under this Regulatory Agreement if the City determines that the Trustee or the Borrower failed to fully and accurately complete the required affidavit and disclose all Border Wall Bids and Border Wall Contracts, as defined in Los Angeles Administrative Code Section 10.50.1.

**Section 36. Amendment to 2019 Regulatory Agreement.** The terms of this Regulatory Agreement amend and restate the terms of the 2019 Regulatory Agreement in whole as of the date hereof.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the City, the Trustee and the Borrower have executed this Regulatory Agreement by duly authorized representatives, all as of the date first above written.

**CITY OF LOS ANGELES**, as City

By: Los Angeles Housing Department

By

---

Name: Daniel Huynh

Title: Assistant General Manager

Approved as to form:

**CITY OF LOS ANGELES**

MICHAEL N. FEUER,

City Attorney

---

Deputy/Assistant City Attorney

[Signature Page to *Broadway Apartments* A&R Regulatory Agreement]

**U.S. BANK TRUST COMPANY,  
NATIONAL ASSOCIATION, as Trustee**

By \_\_\_\_\_

Name: Julia Hommel

Title: Vice President

[Signature Page to ***Broadway Apartments*** A&R Regulatory Agreement]

**BROADWAY APARTMENTS  
PRESERVATION, LP, a California limited  
partnership**

By: Step Up On Second Street, Inc., its  
Managing General Partner

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

[Signature Page to *Broadway Apartments* A&R Regulatory Agreement]

## NOTARY ACKNOWLEDGMENT STATEMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California )

County of \_\_\_\_\_ )

On \_\_\_\_\_, before me, \_\_\_\_\_, a Notary Public in and for said State, personally appeared \_\_\_\_\_

(here insert name(s) of signers), who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_ [SEAL]

## NOTARY ACKNOWLEDGMENT STATEMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California )

County of \_\_\_\_\_ )

On \_\_\_\_\_, before me, \_\_\_\_\_, a Notary Public in and for said State, personally appeared \_\_\_\_\_

(here insert name(s) of signers), who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_

[SEAL]



## NOTARY ACKNOWLEDGMENT STATEMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California )

County of \_\_\_\_\_ )

On \_\_\_\_\_, before me, \_\_\_\_\_, a Notary Public in and for said State, personally appeared \_\_\_\_\_

(here insert name(s) of signers), who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_

[SEAL]

## **EXHIBIT A**

### **DESCRIPTION OF PROJECT SITE**

The land referred to is situated in the City of Los Angeles, County of Los Angeles, State of California, and is described as follows:

#### **PARCEL 1:**

LOTS 61 AND 62, AND THE SOUTH 20 FEET OF LOT 60 OF LENNOX-FIGUEROA STREET TRACT, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 6 PAGE 140 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THE EAST 10 FEET THEREOF, IN BROADWAY, AS WIDENED TO 100 FEET.

#### **PARCEL 2:**

THE SOUTH 22.64 FEET OF THE EAST 110 FEET OF LOT 58 AND THE NORTH 20 FEET OF THE EAST 110 FEET OF LOT 59 OF THE LENNOX FIGUEROA STREET TRACT, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 6 PAGE 140 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

#### **PARCEL 3:**

THE SOUTH 25 FEET OF LOT 59 AND THE NORTH 25 FEET OF LOT 60 OF THE LENNOX FIGUEROA STREET TRACT, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 6 PAGE 140 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN: 5110-016-027

## EXHIBIT B

### FORM OF CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

FOR THE [MONTH/QUARTER] ENDING \_\_\_\_\_

\$6,500,000  
City of Los Angeles  
Multifamily Housing Revenue Bond  
(Broadway Apartments)  
Series 2019G

\$2,220,000  
City of Los Angeles  
Subordinate Multifamily Housing Revenue Bond  
(Broadway Apartments)  
Series 2022T

The undersigned, being the Authorized Borrower Representative of Broadway Apartments Preservation, LP, a California limited partnership (the “Borrower”), has read and is thoroughly familiar with the provisions of the various loan documents associated with the Borrower’s participation in the multifamily housing program of the City of Los Angeles (the “City”), including, without limitation, the Amended and Restated Regulatory Agreement and Declaration of Restrictive Covenants, dated as of [November] 1, 2022 (the “Regulatory Agreement”), among the Borrower, the City and U.S. Bank Trust Company, National Association, as Trustee relative to the property located at 301 West 49th Street, Los Angeles, California.

As of the date of this Certificate, the following percentages of completed residential units in the Project (as such term is defined in the Regulatory Agreement) (i) are occupied by Low Income Tenants (as such term is defined in the Regulatory Agreement) or (ii) are currently vacant and being held available for such occupancy and have been so held continuously since the date a Low Income Tenant vacated such unit, as indicated:

Occupied by Low Income Tenants: \_\_\_\_\_ %  
Unit Nos. \_\_\_\_\_ and  
size

Held vacant for occupancy continuously  
since last occupied by Low Income Tenant: \_\_\_\_\_ %  
Unit Nos. \_\_\_\_\_ and  
size

Vacant Units: \_\_\_\_\_ %

Low Income Tenants who commenced  
Occupancy of units during the  
Preceding [month/quarter]:

Unit Nos. \_\_\_\_

Attached is a separate sheet (the "Occupancy Summary") listing, among other items, the following information for each unit in the Project: the number of each unit, the occupants of each unit and the size, in square feet, of each unit. It also indicates which units are occupied by Low Income Tenants and which units became Low Income Units during the preceding [month/quarter]. The information contained thereon is true and accurate.

The undersigned hereby certifies that (1) a review of the activities of the Borrower during such [month/quarter] and of the Borrower's performance under the Loan Agreement has been made under the supervision of the undersigned; (2) to the best of the knowledge of the undersigned, based on the review described in clause (1) hereof, the Borrower is not in default under any of the terms and provisions of the above documents [OR DESCRIBE THE NATURE OF ANY DEFAULT IN DETAIL AND SET FORTH THE MEASURES BEING TAKEN TO REMEDY SUCH DEFAULT]; and (3) to the knowledge of the Borrower, no Determination of Taxability (as such term is defined in the Regulatory Agreement) has occurred [OR, IF A DETERMINATION OF TAXABILITY HAS OCCURRED, SET FORTH ALL MATERIAL FACTS RELATING THERETO]

**BROADWAY APARTMENTS**  
**PRESERVATION, LP,** a California limited  
partnership

By: Step Up On Second Street, Inc., its  
Managing General Partner

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

[Signature Page to ***Broadway Apartments*** Certificate of Program Compliance]

## EXHIBIT C

### FORM OF INCOME CERTIFICATION

*NOTE TO APARTMENT OWNER: This form is designed to assist you in computing Annual Income in accordance with the method set forth in the Department of Housing and Urban Development ("HUD") Regulations (24 C.F.R. Part 5 Subpart F). You should make certain that this form is at all times up to date with the HUD Regulations.*

Re: Broadway Apartments, 301 West 49th Street, Los Angeles, California

The undersigned hereby (certify) (certifies) that:

1. This Income Certification is being delivered in connection with the undersigned's application for occupancy of Apartment # \_\_\_\_\_ in the Broadway Apartments located at 301 West 49th Street, Los Angeles, California.

2. List all the occupants of the apartment, the relationship (if any) of the various occupants, their ages, and indicate whether they are students (for this purpose, a student is any individual who has been, or will be, a full-time student at an educational institution during five months (whether consecutive or not) of the year in which this application is submitted, other than a correspondence school, with regular facilities and students).

	Occupant	Relationship	Age	Student (Yes or No)	Social Security Number
(a)	_____	_____	_____	_____	_____
(b)	_____	_____	_____	_____	_____
(c)	_____	_____	_____	_____	_____
(d)	_____	_____	_____	_____	_____
(e)	_____	_____	_____	_____	_____
(f)	_____	_____	_____	_____	_____

3. If all of the occupants are students, answer the following questions for each occupant

(a) Is any student listed in paragraph 2 above married and files a joint return for federal income tax purposes? List any such students.

Name(s)

No

Not Applicable

(b) Is any student listed in paragraph 2 above (i) a single parent living with his/her children, (ii) not a dependent of another individual and (iii) whose children are not dependents of an individual other than their parents? List any such students.

Yes	Name(s)	No	Not Applicable
-----	---------	----	----------------

(c) Is any student listed in paragraph 2 above a student receiving assistance under Title IV of the Social Security Act (Temporary Assistance for Needy Families)? List any such students.

Yes	Name(s)	No	Not Applicable
-----	---------	----	----------------

(d) Is any student listed in paragraph 2 above a student enrolled in a job-training program receiving assistance under the Job Training Partnership Act or under other similar federal, State or local laws? List any such students.

Yes	Name(s)	No	Not Applicable
-----	---------	----	----------------

(e) Is any student listed in paragraph 2 a student who was previously under the care and placement responsibility of a foster care program (under part B or E of Title IV of the Social Security Act)? List any such students.

Yes	Name(s)	No	Not Applicable
-----	---------	----	----------------

4. The total anticipated income for each person listed in paragraph 2 above during the 12-month period commencing with the date occupancy will begin including:

full amount, before any payroll deductions, of wages, salaries, overtime, commissions, fees, tips, and bonuses; net income from the operation of a business or profession or from the rental of real or personal property (without deducting expenditures for business expansion or amortization of capital indebtedness or any allowance for depreciation of capital assets); interest and dividends (including income from assets excluded below); the full amount of periodic payments from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic payments including any lump sum payment for the delayed start of a periodic payment; payments in lieu of earnings, such as unemployment and disability compensation, workers' compensation and severance pay; all public assistance income; periodic and determinable allowances such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling; all regular and special pay and allowances of members of the Armed Forces (whether or not living in the dwelling) who are the head of the family or spouse; and any earned income tax credit to the extent that it exceeds income tax liability;

but excluding:

income from employment of children (including foster children) under the age of 18 years; payments received for the care of foster children or foster adults (usually individuals with disabilities, unrelated to the tenant family, who are unable to live alone); lump sum

additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and workers' compensation), capital gains and settlement for personal or property losses; amounts which are specifically for reimbursement of medical expenses; amounts of educational scholarships paid directly to the student or the educational institution, and amounts paid to a veteran for use in meeting the costs of tuition, fees, books and equipment, but in either case only to the extent used for such purposes; special pay to a serviceman head of a family who is away from home and exposed to hostile fire; amounts received under training programs funded by HUD; amounts received under Plan to Attain Self-Sufficiency; amounts for out-of-pocket expenditures incurred in connection with other public assistance programs; resident service stipend (not in excess of \$200 per month); amounts from state or local employment training programs; temporary, nonrecurring or sporadic income (including gifts); reparation payments paid by a foreign government to persons who were persecuted during the Nazi era; earnings in excess of \$480 for each full-time student 18 years old or older (excluding head of family and spouse); adoption assistance payments in excess of \$480 per adopted child; deferred periodic payments of supplemental social security income and benefits received in a lump sum; refunds or rebates of property taxes paid on the unit; payments from state agency to allow developmentally disabled family member to stay home; relocation payments under Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970; foster child care payments; the value of coupon allotments for the purchase of food pursuant to the Food Stamp Act of 1964 which is in excess of the amount actually charged for the allotments; and payments to volunteers under the Domestic Volunteer Service Act of 1973; is as follows:

<b>Occupant</b>	<b>Anticipated Annual Income</b>	<b>Source of Income or Employer</b>
(a) _____ _____	\$ _____	_____
(b) _____ _____	\$ _____	_____
(c) _____ _____	\$ _____	_____
(d) _____ _____	\$ _____	_____
(e) _____ _____	\$ _____	_____
(f) _____ _____	\$ _____	_____
<b>TOTAL</b>	<b>\$ _____</b>	

5.(a) Do the persons whose income or contributions are included in Item 4 above have savings, stocks, bonds, equity in real property or other form of capital investment (excluding the



values of necessary items of personal property such as furniture and automobiles and interest in Indian trust land)?

\_\_\_\_\_ Yes \_\_\_\_\_ No

(b) Have the persons whose income or contributions are included in Item 4 above disposed of any assets (other than at a foreclosure or bankruptcy sale) during the last two years at less than fair market value?

\_\_\_\_\_ Yes \_\_\_\_\_ No

(c) If the answer to (a) or (b) above is yes, does the combined total value of all such assets owned or disposed of by all such persons total more than \$5,000?

\_\_\_\_\_ Yes \_\_\_\_\_ No

(d) If the answer to (c) above is yes,

(i) insert the total value of all such assets owned or disposed of  
\$ \_\_\_\_\_; and

(ii) state:

(A) the amount of income expected to be derived from such assets in the 12-month period beginning on the date of initial occupancy in the unit that you propose to rent:

\$ \_\_\_\_\_

(B) the amount of such income, if any, that was included in Item 4 above:

\$ \_\_\_\_\_

6. Neither myself nor any other occupant of the unit I/we propose to rent is the owner of the rental housing project in which the unit is located (hereinafter, the "Borrower"), has any family relationship to the Borrower or owns directly or indirectly any interest in the Borrower. For purposes of this paragraph, indirect ownership by an individual shall mean ownership by a family member, ownership by a corporation, partnership, estate or trust in proportion to the ownership or beneficial interest in such corporation, partnership, estate or trust held by the individual or a family member and ownership, direct or indirect, by a partner of the individual.

7. This Income Certification is made with the knowledge that it will be relied upon by the Borrower to determine maximum income for eligibility to occupy the unit, and I/we declare that all information set forth herein is true, correct and complete and based upon information I/we deem reliable and that the statement of total anticipated income contained in paragraph 4 is reasonable and based upon such investigation as the undersigned deemed necessary.

8. I/we will assist the Borrower in obtaining any information or documents required to verify the statements made therein, including either an income verification from my/our present employer(s) or copies of federal tax returns for the immediately preceding calendar year.

9. I/we acknowledge that I/we have been advised that the making of any misrepresentation or misstatement (whether or not intentional) in this Income Certification will constitute a material breach of my/our agreement with the Borrower to lease the unit and will entitle the Borrower to prevent my/our occupancy of the unit and will be cause for immediate termination of such lease.

10. The undersigned hereby acknowledge and agree that on or before January 1 (or upon Lease renewal) of each year the undersigned and any other current residents of such apartment will complete and deliver a new Income Certification, in the form then in use, to the Borrower and that the undersigned's rent is subject to increase 30 days after written notice is given to the undersigned stating that the undersigned no longer qualifies as a Lower Income Tenant under the Tax Regulatory Agreement.

11. RESIDENT(S) STATEMENT: I/We certify that the statements are true and complete to the best of my/our knowledge and belief and are given under penalty of perjury. In the event this Income Certification is executed more than five days prior to the date I/we intend to occupy the unit, I/we hereby agree to update and recertify the accuracy of the information herein provided as of the date I/we first occupy the unit:

- (a) \_\_\_\_\_ Date: \_\_\_\_\_
- (b) \_\_\_\_\_ Date: \_\_\_\_\_
- (c) \_\_\_\_\_ Date: \_\_\_\_\_
- (d) \_\_\_\_\_ Date: \_\_\_\_\_
- (e) \_\_\_\_\_ Date: \_\_\_\_\_
- (f) \_\_\_\_\_ Date: \_\_\_\_\_

*[The signatures of all persons over the age of 18 years listed in Number 2 above are required]*

12. Calculation of Eligible Income:

- (a) Enter the amount entered for entire household in 4 above: \$ \_\_\_\_\_
- (b) Enter income derived from assets (line 5(d)(2)(A)): \$ \_\_\_\_\_
- (c) Subtract (b) from (a) \$ \_\_\_\_\_
- (d) Multiply the amount entered in 5(d)(1) by the current passbook savings rate to

determine the total annual earnings on assets  
[5(d)(1)] if invested in passbook savings.

Passbook rate \_\_\_\_\_ % X \_\_\_\_\_ = \$ \_\_\_\_\_

(e) Enter the greater of (b) or (d) \$ \_\_\_\_\_

(f) TOTAL ELIGIBLE INCOME (Line (e) + (c)) \$ \_\_\_\_\_

13. The amount entered in 12(f):

(a) \_\_\_\_\_ Qualifies the applicant(s) as a Lower Income Tenant(s).

(b) \_\_\_\_\_ Does not qualify the applicant(s) as Lower Income  
Tenant(s).

14. Number of apartment unit assigned: \_\_\_\_\_

Bedroom size: \_\_\_\_\_ Rent: \$ \_\_\_\_\_

Tenant-paid Utilities:

Water \_\_\_\_\_ Gas \_\_\_\_\_ Electric \_\_\_\_\_

Trash \_\_\_\_\_ Other (list type) \_\_\_\_\_

15. Was this apartment unit last occupied for a period of 31 consecutive days by  
persons whose aggregate anticipated annual income as certified in the above manner upon their  
initial occupancy of the apartment unit qualified them as Lower Income Tenants?

\_\_\_\_\_ Yes \_\_\_\_\_ No

16. Method used to verify applicant(s) income:

\_\_\_\_\_ Employer income verification

\_\_\_\_\_ Social Security Administration verification

\_\_\_\_\_ Department of Social Services verification

\_\_\_\_\_ Copies of tax returns

\_\_\_\_\_ Other ( \_\_\_\_\_ )

17. Method used to verify responses, if any, in paragraph 3 of this Income Certification:

\_\_\_\_\_ Copies of Tax Returns

\_\_\_\_\_ Evidence of participation in an enumerated program

18. BORROWER'S STATEMENT: Based on the representations herein and upon the proofs and documentation submitted pursuant to paragraph 8 hereof, the family or individual(s) named in paragraph 2 of this Income Certification is/are eligible under the provisions of the Amended and Restated Regulatory Agreement and Declaration of Restrictive Covenants to live in a unit in the Project.

Date \_\_\_\_\_

Signature of Authorized Borrower  
Representative:

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

#### EXECUTION OF ITEMS 19 AND 20

\_\_\_\_\_ IS \_\_\_\_\_ IS NOT NECESSARY.

Initials: \_\_\_\_\_.

19. If this Income Certification was executed by me/us more than five days prior to my/our occupancy of the unit, I/we hereby update and recertify the accuracy of the information herein provided as of \_\_\_\_\_, 20\_\_\_\_ and state:

\_\_\_\_\_ (a) No additional information is required to be provided to make this Income Certification true and correct on the date of this certification.

\_\_\_\_\_ (b) The following information is provided to update the information previously provided in the Income Certification:

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[Remainder of Page Intentionally Left Blank]

- (a) \_\_\_\_\_ Date: \_\_\_\_\_
- (b) \_\_\_\_\_ Date: \_\_\_\_\_
- (c) \_\_\_\_\_ Date: \_\_\_\_\_
- (d) \_\_\_\_\_ Date: \_\_\_\_\_
- (e) \_\_\_\_\_ Date: \_\_\_\_\_
- (f) \_\_\_\_\_ Date: \_\_\_\_\_

20. BORROWER'S STATEMENT: The family or individual(s) named in paragraph 2 of this Income Certification have, pursuant to paragraph 19 hereof, updated and recertified the information heretofore provided as specifically set forth in paragraph 19 hereof.

Date \_\_\_\_\_

Signature of Authorized Borrower  
Representative

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

[Remainder of Page Intentionally Left Blank]

**INCOME VERIFICATION**  
(for employed persons)

The undersigned employee has applied for a rental unit located in a project financed by the issuance of a bond by the City of Los Angeles for persons of low or moderate income. Every income statement of a prospective tenant must be stringently verified. Please indicate below the employee's current annual income from wages, overtime, bonuses, commissions or any other form of compensation received on a regular basis.

Annual Wages \_\_\_\_\_

Overtime \_\_\_\_\_

Bonuses \_\_\_\_\_

Commissions \_\_\_\_\_

Total Current Income \_\_\_\_\_

I hereby certify that the statements above are true and complete to the best of my knowledge.

\_\_\_\_\_  
Date

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

I hereby grant you permission to disclose my income to \_\_\_\_\_,  
in order that they may determine my income eligibility for rental of an apartment located in their  
project which has been financed by an issuance of a bond by the City of Los Angeles.

Date \_\_\_\_\_

Signature \_\_\_\_\_

Please send form to: \_\_\_\_\_

[Income Verification Signature Page]

**INCOME VERIFICATION**  
(for self-employed persons)

I hereby attach copies of my individual federal and state (if applicable) income tax returns for the immediately preceding calendar year and certify that the information shown in such income tax returns is true and complete to the best of my knowledge.

Date \_\_\_\_\_

Signature \_\_\_\_\_



## EXHIBIT D

### FORM OF ANNUAL TENANT INCOME RECERTIFICATION

#### CITY OF LOS ANGELES ANNUAL TENANT INCOME RECERTIFICATION

Project name \_\_\_\_\_  
Apartment # \_\_\_\_\_ Date of Original Certification \_\_\_\_\_  
Resident name \_\_\_\_\_

#### TO THE RESIDENT:

*This form is a continuation of the City of Los Angeles (the "City") Affordable Housing Program (the "Program") which was previously discussed with you. In order to keep you on the qualifying list, you will need to update the following information each year when you renew your lease. The Borrower is required by the Internal Revenue Code of 1986 and the City to maintain this information in order to maintain the Program.*

#### Household Composition:

- 1) Please list all of those individuals residing in your apartment.
- 2) Please list the anticipated annual income of all occupants of your household who are 18 years of age or older (if housemaker, or unemployed, etc.—please list as such).
- 3) If college or technical school student, please list if full-time or part-time student.

	NAME	SS#	AGE	ANTICIPATED ANNUAL INCOME*	OCCUPATION/STUDENT
1)					
2)					
3)					
4)					
5)					
6)					
7)					

\*SEE INCOME DEFINITION ATTACHED TO THIS FORM.

DO YOU OWN OR HAVE YOU ACQUIRED OR HAVE YOU DISPOSED OF ANY ASSETS OVER \$5,000.00 IN THE PAST YEAR? \_\_\_\_\_

If so, please describe and list amount and annual income expected to be derived from such assets. \_\_\_\_\_

If all persons residing in your apartment are full-time students, please indicate for each such person whether they are: (1) a single parent living with his/her children; (2) a student receiving assistance under Title IV of the Social Security Act (Temporary Assistance for Needy Families); (3) a student enrolled in a job-training program receiving assistance under the Job Training Partnership Act or under other similar federal, state or local laws; (4) a student who was previously under the care and placement responsibility of a foster care program (under part B or E of Title IV of the Social Security Act); or (5) a student who is married and files a joint return. Single parents described in (1) above may not be dependents of another individual and their children may not be dependents of another individual other than their parents.

**Please have all occupants over the age of 18 sign this certification.**

I/we acknowledge that I/we have been advised that the making of any misrepresentation or misstatement in this declaration will constitute a material breach of my/our agreement with the Borrower to lease the unit and will entitle the Borrower to prevent or terminate my/our occupancy of the unit by institution of an action for ejection or other appropriate proceedings.

I/we declare under penalty of perjury that the foregoing is true and correct.

SIGNATURES:

DATE:

- |          |       |
|----------|-------|
| 1) _____ | _____ |
| 2) _____ | _____ |
| 3) _____ | _____ |
| 4) _____ | _____ |

MANAGER'S SIGNATURE:

\_\_\_\_\_

**DEFINITION OF INCOME**

The full amount, before any payroll deductions, of wages, salaries, overtime, commissions, fees, tips, and bonuses; net income from the operation of a business or profession or from the rental of real or personal property (without deducting expenditures for business expansion or amortization of capital indebtedness or any allowance for depreciation of capital assets); interest and dividends (including income from assets excluded below); the full amount of periodic payments from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic payments including any lump sum payment for the delayed start of a periodic payment; payments in lieu of earnings, such as unemployment and disability compensation, workers' compensation and severance pay; all public assistance income; periodic and determinable allowances such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling; all regular and special pay and allowances of members of the Armed Forces (whether or not living in the dwelling) who are the head of the family or spouse; and any earned income tax credit to the extent that it exceeds income tax liability;

but excluding:

income from employment of children (including foster children) under the age of 18 years; payments received for the care of foster children or foster adults (usually individuals with disabilities, unrelated to the tenant family, who are unable to live alone); lump sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and workers' compensation), capital gains and settlement for personal or property losses; amounts which are specifically for reimbursement of medical expenses; amounts of educational scholarships paid directly to the student or the educational institution, and amounts paid to a veteran for use in meeting the costs of tuition, fees, books and equipment, but in either case only to the extent used for such purposes; special pay to a serviceman head of a family who is away from home and exposed to hostile fire; amounts received under training programs funded by HUD; amounts received under Plan to Attain Self-Sufficiency; amounts for out-of-pocket expenditures incurred in connection with other public assistance programs; resident service stipend (not in excess of \$200 per month); amounts from state or local employment training programs; temporary, nonrecurring or sporadic income (including gifts); reparation payments paid by a foreign government to persons who were persecuted during the Nazi era; earnings in excess of \$480 for each full-time student 18 years old or older (excluding head of family and spouse); adoption assistance payments in excess of \$480 per adopted child; deferred periodic payments of supplemental social security income and benefits received in a lump sum; refunds or rebates of property taxes paid on the unit; payments from state agency to allow developmentally disabled family member to stay home; relocation payments under Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970; foster child care payments; the value of coupon allotments for the purchase of food pursuant to the Food Stamp Act of 1964 which is in excess of the amount actually charges for the allotments; and payments to volunteers under the Domestic Volunteer Service Act of 1973.

## EXHIBIT E

### FORM OF CERTIFICATE OF CDLAC PROGRAM COMPLIANCE

1. Project Name Change: \_\_\_\_\_ Yes \_\_\_\_\_ No \_\_\_\_\_  
(If project name has changed since the award of allocation, please note the new project name as well as the original project name.)

New: \_\_\_\_\_ Original: \_\_\_\_\_

2. CDLAC Application No.: 18-411 and 22-490

3. Bond Issuer Change: \_\_\_\_\_ Yes \_\_\_\_\_ No \_\_\_\_\_  
(If Bond Issuer name has changed since the award of allocation, please note the new name.)

New: \_\_\_\_\_ Original: \_\_\_\_\_  
Address: \_\_\_\_\_  
Phone: \_\_\_\_\_  
Email: \_\_\_\_\_

4. Has a termination of the Regulatory Agreement occurred or is a termination planned in the next year?  
Has proper noticing occurred? Yes \_\_\_\_\_ No \_\_\_\_\_  
(If yes, there is no need to complete the rest of this form. Please complete this form through #4.)

5. Borrower Change: \_\_\_\_\_ Yes \_\_\_\_\_ No \_\_\_\_\_  
(If borrower has changed since the award affecting the CDLAC resolution, please note the new borrower.)

New: \_\_\_\_\_ Original: \_\_\_\_\_  
Address: \_\_\_\_\_  
Phone: \_\_\_\_\_  
Email: \_\_\_\_\_

6. Management Company Change: \_\_\_\_\_ Yes \_\_\_\_\_ No \_\_\_\_\_  
(If yes, please provide the following information for the New Management Company.)

New: \_\_\_\_\_  
Address: \_\_\_\_\_  
Phone: \_\_\_\_\_  
Email: \_\_\_\_\_

7. Has the Qualified Project Period commenced? Yes \_\_\_\_\_ No \_\_\_\_\_  
*(If yes, please submit the Certificate of Completion...ONE TIME ONLY.)*

☐ Already Submitted Certification

8. Has the project been completed and placed in service? Yes \_\_\_\_\_ No \_\_\_\_\_  
*(If yes, please submit the Certificate of Completion...ONE TIME ONLY.)*

☐ Already Submitted Certification

9. Has any of the following events occurred associated with the bond allocation: Yes \_\_\_\_\_ No \_\_\_\_\_  
 a. Notices of defaults associated with rents and income requirements  
 b. Bond Default  
 c. Qualified Bond Default.

*(If yes, please describe and explain on separate sheet)*

10.

Federally Bond Restricted Units (Reflected in PSR)	Other Restrictions (Reflected in PSR)	Total (Reported in CDLAC Resolution)
_____ @ 50% AMI	_____ @ 50% AMI	_____ @ 50% AMI
_____ @ 60% AMI	_____ @ 60% AMI	_____ @ 60% AMI

*Please attach a copy of the project's TCAC Project Status Report (PSR) or equivalent documentation.*

11. Please indicate the distribution of the CDLAC restricted 10% of the 50% AMI units

Bedroom Type	# of Units in PSR	# of Units in CDLAC Resolution
1 Bedroom	_____	_____
2 Bedroom	_____	_____
3 Bedroom	_____	_____

12. If the project has committed to and is currently providing the service amenities for a term as specified in the CDLAC resolution, please verify the services are being provided: on a regular and ongoing basis, which are provided free of charge and all hour requirements are being met:

- \_\_\_\_\_ After-School Programs
- \_\_\_\_\_ Educational, Health & Wellness or skill development classes
- \_\_\_\_\_ Health & Wellness services and programs (not group classes)
- \_\_\_\_\_ Licensed Childcare provided for a minimum of 20 hours per week (Monday-Friday)
- \_\_\_\_\_ Bona-Fide Service Coordinator/Social Worker

Is the service being offered on an ongoing basis and provided free of charge (childcare excluded)?

Yes \_\_\_\_\_ No \_\_\_\_\_

Are all hour requirements being met? Yes \_\_\_\_\_ No \_\_\_\_\_

Attach evidence demonstrating that the above listed services are being provided and have met the requirements in the CDLAC Resolution. Including but not limited to MOUs and/or contracts associated with the services rendered, a 12-month schedule (current reporting year) of the services offered, flyers, sign-up sheets, etc.

Pursuant to Section 13 of Resolution No. 18-110 and Resolution No. 22-143 (together, the “Resolution”), adopted by the California Debt Limit Allocation Committee (the “Committee”) on October 17, 2018, and June 15, 2022, respectively, I, \_\_\_\_\_, an Officer of the Borrower, hereby certify under penalty of perjury that, as of the date of this Certification, the above-mentioned Project is in compliance with the terms and conditions set forth in the Resolution as outlined above. I further certify that I have read and understand the CDLAC Resolution, which specifies that once the Bonds are issued, the terms and conditions set forth in the Resolution Exhibit A, shall be enforceable by the Committee through an action for specific performance, negative points, withholding future allocation or any other available remedy.

\_\_\_\_\_  
Signature of Officer

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name of Officer

\_\_\_\_\_  
Phone No.

\_\_\_\_\_  
Title of Officer

## EXHIBIT F

### FORM OF CONSTRUCTION COMPLETION CERTIFICATE

1. Project Name: Broadway Apartments  
*(If project name has changed since the award of allocation please note the original project name as well as the new project name and request a change in the CDLAC resolution.)*

Original: \_\_\_\_\_

2. CDLAC Application No.: 18-411 and 22-490

3. Name of Bond Issuer: City of Los Angeles

4. Name of Borrower: Broadway Apartments Preservation, LP  
*(If Borrower has changed name since the award please note the original Borrower as well as the new Borrower and request a change in the CDLAC resolution.)*

Original: \_\_\_\_\_

5. The undersigned hereby certifies that all work on the Project was substantially completed as of \_\_\_\_\_, 20\_\_\_\_.

The undersigned hereby further certifies that:

(a) the aggregate amount disbursed on the Loan to date is \$ \_\_\_\_\_

(b) all amounts disbursed from proceeds of the Bond have been applied to pay or reimburse the undersigned for the payment of Project Costs (as that term is used in the Regulatory Agreement) and none of the amounts disbursed from the proceeds of the Bond have been applied to pay or reimburse any party for the payment of costs or expenses other than Project Costs; and

(c) at least 95 percent of the amounts disbursed from the proceeds of the Bond have been applied to pay or reimburse the Borrower for the payment of Qualified Project Costs (as that term is used in the Regulatory Agreement) and less than 25% of the amounts disbursed from the proceeds of the Bond, exclusive of amounts applied to pay the costs of issuing the Bond, have been applied to pay or reimburse the Borrower for the cost of acquiring land.

6. The Undersigned hereby certifies the project meets the general federal rule for a Qualified Project Period.

No \_\_\_\_\_ Yes \_\_\_\_\_

(a) 10% of the dwelling units in the project financed in part from the proceeds of the captioned Bond were first occupied on \_\_\_\_\_, 20\_\_\_\_ and

(b) 50% of the dwelling units in the project financed in part from the proceeds of the captioned Bond were first occupied on \_\_\_\_\_, 20\_\_\_\_.

7. If no to #6, the undersigned hereby certifies the project meets the special federal rule for a Qualified Project Period.

No \_\_\_\_\_ Yes \_\_\_\_\_

*(Project qualifies if it is an acquisition/rehabilitation where no more than 90% of the units were not available for occupancy within 60 days of the earlier of the project acquisition or the Bond Issuance Date.)*

(a) Bond was issued on \_\_\_\_\_, 20\_\_\_\_.

(b) Property was acquired on \_\_\_\_\_, 20\_\_\_\_.

(c) The date 10% of the units were available to occupy (within 60 days of the earlier of the acquisition or bond issuance) \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
Signature of Officer

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name of Officer

\_\_\_\_\_  
Phone Number

\_\_\_\_\_  
Title of Officer

**EXHIBIT G**  
**CDLAC RESOLUTIONS**



**EXHIBIT H**  
**[RESERVED]**

## EXHIBIT I

### ACCESSIBILITY COVENANTS

The Accessibility Covenants (the “Covenants”) herein are attached to the Regulatory Agreement as an exhibit and the Borrower hereby agrees to comply with each of the requirements of the City set forth as follows:

**Section 1. Definitions.** Terms not otherwise defined herein shall have the meanings assigned thereto in the Regulatory Agreement as applicable, provided they do not conflict with the terms defined or referenced herein. The definitions contained in the implementing regulations for Section 504 of the Fair Housing Act (“Section 504”) and the ADA are incorporated by reference. *See* 24 C.F.R. §§ 8.3, 100.20; 28 C.F.R. § 35.104. The following terms shall have the respective meanings assigned to them in this Section unless the context in which they are used clearly requires otherwise:

“Accessible,” when used with respect to a Housing Unit or a Housing Development, means and refers to full compliance with the requirements of the Accessibility Standards.

“Accessible Housing Development” means a Housing Development that is Accessible, including Accessible public and common use areas, as well as the number and type of Accessible Housing Units that are required to be Accessible by the Covenants.

“Accessible Housing Units” or “Accessible Unit” refers collectively to Housing Units with Mobility Features and Housing Units with Hearing/Vision Features that are Accessible, on an Accessible Route, and in an Accessible Housing Development.

“Accessibility Laws” means Section 504 of the Rehabilitation Act of 1973, 29 U.S.C. § 794 et seq.; the Americans with Disabilities Act (“ADA”), 42 U.S.C. § 12131, et seq.; California Government Code Section 11135 et seq.; the federal Fair Housing Act of 1968, as amended (“FHA”), 42 U.S.C. §§ 3601-3620; implementing regulations and design standards for each of the preceding statutes; and the California Building Code. In all instances, the requirements of the Federal Accessibility Laws shall supersede any state or local requirements, unless the state or local requirements are stricter than the Federal requirements.

“Accessibility Standards” means the following compliance standards:

For purposes of Section 504 and the ADA:

- a. For Housing Developments constructed or substantially altered before March 15, 2012:
  - i. The new construction requirements of 24 C.F.R. pt. 8, including 24 C.F.R. §§ 8.4(d), 8.22, 8.26, and 8.32 as well as the new construction requirements of UFAS, or their successor standards.
- b. For Housing Developments constructed or substantially altered on or after

March 15, 2012:

- i. The Alternative Accessibility Standard; or
- ii. Any future accessibility standard and other regulatory requirements applicable to newly constructed facilities in federally-assisted programs that may be adopted in a final rule issued by the U.S. Department of Housing and Urban Development (“HUD”) pursuant to notice and comment rulemaking under Section 504 so long as such accessibility standard and regulatory requirements do not provide for less accessibility for persons with disabilities than either a or b;

For purposes of the FHA:

- a. Compliance with the standards set forth in 24 C.F.R. § 100.205, including: the requirements in ANSI A117.1-1998, the Fair Housing Accessibility Guidelines, March 6, 1991, in conjunction with the Supplement to Notice of Fair Housing Accessibility Guidelines: Questions and Answers About the Guidelines, June 28, 1994, and the Fair Housing Accessibility Act Design Manual, Revised April 1998.

For purposes of state law:

- a. The accessibility provisions of the California Building Code Chapters 11A and 11B, or any future accessibility standard and other regulatory requirements applicable to newly constructed facilities adopted as part of the California Building Code; and
- b. All applicable building codes in effect for the City of Los Angeles Building and Safety Department.

“Accessible Route” means and refers to a continuous, unobstructed UFAS-compliant path as prescribed in 24 C.F.R. §§ 8.3 and 8.32 and UFAS § 4.3. As used for purposes of the ADA, an Accessible Route is as described in Chapter 4 of the 2010 Standards for Accessible Design, 28 C.F.R. §§ 35.104, as applied to public entities, except that elevator exceptions do not apply.

“Alternative Accessibility Standard” means and refers to the alternative accessibility standard for new construction set out in HUD’s notice at 79 Fed. Reg. 29,671 (May 23, 2014), when used in conjunction with the new construction requirements of HUD’s regulations at 24 C.F.R. pt. 8, 24 C.F.R. § 8.22, and the new construction requirements of 28 C.F.R. pt. 35, including the 2010 Standards for Accessible Design as defined in 28 C.F.R. § 35.104 and as applied to public entities (excluding any elevator exceptions).

“Assistance Animals” means and refers to animals that work, provide assistance, or perform tasks for the benefit of a person with a disability as well as animals that provide emotional support that alleviates one or more identified symptoms or effects of a person’s disability. Assistance Animals are not pets and are not subject to a housing provider’s pet policies. Service

animals are one type of Assistance Animal. Assistance Animals include animals that are trained and untrained and include dogs and other animals.

“Borrower” means and refers to an owner of a Housing Development and such owner’s successors and assigns who (1) has received, receives, or will receive any federal financial assistance from or through the City since July 11, 1988, and/or (2) was, is or will be the owner of a Housing Development designed constructed, altered, operated, administered, or financed, in whole or in part, in connection with a program administered in whole or in part by the City since January 26, 1992. A Borrower may also be a Subrecipient.

“Covered Housing Development” includes all Housing Developments, including those listed on the City’s Covered Housing list, which can be found at [accesshousingla.org](http://accesshousingla.org).

“Fair Housing Policy Related to Disability” means the documents containing the policies of the City, as amended periodically, that ensure all Housing Developments be constructed and operated in accordance with all applicable Accessibility Laws, including federal accessibility requirements. The current policies can be accessed on the City’s Accessible Housing Program Website. HUD may require modifications to these policies post-closing.

“Housing Development” or “Development” means the whole of one or more residential structures and appurtenant structures, equipment, roads, walks, and parking lots that (1) received or will receive any Federal financial assistance from or through the City and/or (2) were, are, or will be designed, constructed, altered, operated, administered, or financed in connection with a program administered by the City or by its Subrecipients.

“Housing Unit” means a single unit of residence in the Housing Development that provides spaces for living, bathing, and sleeping, provided such definition shall not be construed to exclude Single Room Occupancy Units. A Housing Unit includes a dwelling unit as that term is used in 24 C.F.R. § 8.22.

“Housing Unit with Hearing/Vision Features” means a Housing Unit that complies with 24 C.F.R. §§ 8.22 and 8.23 and all applicable provisions of UFAS, or the comparable provisions of the Alternative Accessibility Standard including but not limited to § 809 and specifically subsection § 809.5 of the 2010 ADA Standards for Accessible Design, and with the California Building Code Chapters 11A & 11B. Hearing/Vision Features include but are not limited to visual alarms (UFAS §§ 4.34.10, 4.28.3), auxiliary alarms (UFAS §§ 4.34.10, 4.28.4), telephone volume controls and hearing aid compatibility (UFAS § 4.31.5), protections against protruding objects (UFAS § 4.4), stairway requirements (UFAS §§ 4.9, 4.26.4), protections against exposed pipes and surfaces (UFAS §§ 4.19.4, 4.24.6, 4.34.6.5(8)), audible alarms (UFAS § 4.28.2), signage (UFAS § 4.30), push button controls for telephones (UFAS § 4.31.6), consumer information (UFAS § 4.34.4), and range, cooktop, and oven controls (UFAS §§ 4.34.6.6, 4.34.6.7).

“Housing Unit with Mobility Features” means a Housing Unit that is located on an Accessible Route and complies with 24 C.F.R. §§ 8.22 and 8.23 and all applicable provisions of UFAS, or the comparable provisions of the Alternative Accessibility Standard including but not limited to § 809 and specifically subsections §§ 809.2 through 809.4 of the 2010 ADA Standards, and with the California Building Code Chapter 11 B. A Housing Unit with Mobility Features can

be approached, entered and used by persons with mobility disabilities, including people who use wheelchairs.

“LAHD” means the Los Angeles Housing Department of the City of Los Angeles.

“Property Management Agent” means and refers to a person or entity that manages one or more of the Housing Developments subject to these Covenants on behalf of a Borrower.

“Reasonable Accommodation” means changes, modifications, exceptions, alterations, or adaptations in rules, policies, practices, programs, activities that may be necessary to (1) provide a person with a disability an equal opportunity to use and enjoy a dwelling, including public and common use areas of a development, (2) participate in, or benefit from, a program (housing or non-housing), service or activity; or (3) avoid discrimination against a person with a disability. Such an accommodation must be granted unless it would (i) pose an undue financial and administrative burden, or (ii) fundamentally alter the essential nature of the program, service, or activity. For purposes of these Covenants, a Reasonable Accommodation includes any physical or structural change to a Housing Unit or a public or common use area that would be considered a reasonable modification for purposes of the FHA.

“Subrecipient” means and refers to any public or private agency, institution, organization, or other entity or person to which federal financial assistance or financial assistance from or through the City is extended. A Subrecipient also means and refers to a non-federal entity that receives a sub-award from a pass-through entity to carry out part of a federal program, but does not include an individual who is a beneficiary of such program. A Subrecipient may also be a recipient of other federal awards from a federal awarding agency. 2 C.F.R. § 200.93. A Subrecipient may also be the Borrower.

“UFAS” means the Uniform Federal Accessibility Standards and refers to a set of scoping requirements and standards for the design and construction of buildings and facilities to ensure that they are readily accessible to and usable by persons with disabilities. See Appendix A to 24 C.F.R. subpart 40 for residential structures and Appendix A to 41 C.F.R. subpart 101-19.6 for general-type buildings (UFAS is also available on-line at <http://www.access-board.gov>).

**Section 2. Borrower Obligations.** The Borrower represents, warrants, covenants and agrees as follows:

- a. A State of California Certified Access Specialist (“CASp”) who is a licensed architect or engineer must be identified as part of the development team. A list of CASps can be found at the following link: [https://www.apps2.dgs.ca.gov/DSA/casp/casp\\_certified\\_list.aspx](https://www.apps2.dgs.ca.gov/DSA/casp/casp_certified_list.aspx). The CASp cannot be the architect of record for the Project. The cost of CASp activities and certifications should be included in the application’s project budget.
- b. The Housing Development shall be constructed in accordance with the Accessibility Standards in Section 1 above to ensure accessibility for persons with disabilities. The Borrower must work with their CASp to

ensure that the Housing Development complies with those Accessibility Standards.

- c. An accessibility report by a CASp inspector certifying that the Housing Development is in compliance with all applicable Accessibility Standards, as defined in Section 1, above, must be submitted to and approved by LAHD at the following phases of the Project development:
  - 1. Accessibility Design Review Report and a pdf copy of the plans are due for review by LAHD when construction documents have been developed, and prior to the submission of plans to Los Angeles Building and Safety Department;
  - 2. The Accessibility Design Review Report must be approved by LAHD before building permits can be issued;
  - 3. Accessibility Progress Inspection Reports conducted after all rough inspections have been signed off by the Los Angeles Building and Safety Department and prior to closing of walls; and
  - 4. LAHD will not issue a clearance for of issuance of a certificate of occupancy or final building permit sign off by the Los Angeles Building and Safety Department and release of a final retention payment unless: (a) corrections issued by LAHD are completed and approved; (b) LAHD approves the final Accessibility Report from CASp for the Project; (c) expert recommendation and City certification of compliance with applicable accessibility requirements are issued; and (d) neutral accessibility consultant verification and City certification of compliance with applicable accessibility requirements are issued.
- d. Applicants/developers/Borrowers must list all applicable accessibility standards on title page of plans, including the designated FHA Safe Harbor for the Project, and include the following note: *“This is a publicly funded housing project and must comply with federal accessibility standards and California Building Code Chapters 11A & 11B.”*
- e. If the Development is to be rehabilitated, accessibility retrofits of the Housing Development shall take place concurrently with any Project rehabilitation in compliance with the Accessibility Standards, including federal accessibility standards.
- f. The Accessible Units shall be prioritized for persons with disabilities who have a disability-related need for the accessibility features of the Accessible Unit. If an Accessible Unit is occupied by residents without disabilities, the Borrower shall require use of a lease addendum to require such residents to relocate to a vacant, non-accessible unit of comparable size, finishes, and amenities, at the same Development at the Development’s expense, within

thirty (30) days of notice by the Borrower or Property Management Agent, or the minimum amount of notice required by state law, that there is an eligible applicant or existing resident with a disability who requires the accessibility features of the unit.

- g. Eleven percent (11%) of the total Housing Units in the Housing Development shall be constructed and maintained by the Borrower as Housing Units with Mobility Features.
- h. An additional four percent (4%) of the total Housing Units in the Housing Development shall be constructed and maintained by the Borrower as Housing Units with Hearing/Vision Features.
- i. The 4% and 11% calculations shall each be based on the total number of Housing Units in the Housing Development. In determining the number of Accessible Units required, any fractions of units shall be rounded up to the next whole number. Required Accessible Units shall, to the maximum extent feasible and subject to reasonable health and safety requirements, be distributed throughout projects and sites, and shall be available in a sufficient range of sizes and amenities so that a qualified individual with a disability has a choice of living arrangements that is, as a whole, comparable to that of other persons eligible for housing assistance under the same program.
- j. While additional Accessible Housing Units may be provided, *i.e.*, up to twenty percent (20%), no more than fifteen percent (15%) of the Housing Units in any Housing Development may be counted toward the target number of Accessible Housing Units that the City must provide pursuant to the Voluntary Compliance Agreement (VCA) with HUD (specifically, no more than eleven percent (11%) of the Housing Units in any Housing Development with Mobility Features and no more than four percent (4%) Housing Units in any Housing Development with Hearing/Vision Features) unless HUD provides specific written authorization.
- k. The Accessible Units shall be affordable for households pursuant to the terms of the Loan Agreement and Regulatory Agreement, including any and all amendments, revisions, or modifications.
- l. The Project shall comply with the City's Accessibility Regulations Matrix & Overview, Accessible Design/Construction Compliance Requirements, and the Accessibility Report Requirements, which may be amended from time-to-time.
- m. The Borrower shall adopt and comply with the City's Fair Housing Policy Related to Disability, as amended.

- n. The Borrower and property managers (including resident managers and on-site managers) of the Housing Development shall attend the City's Fair Housing for People with Disabilities workshops.
- o. The Borrower shall register the Housing Development on the City's Affordable and Accessible Housing Registry ("AAHR") located at <http://lahousing.lacity.org>, and utilize the AAHR to provide and update required information about the Housing Development and the Accessible Units, allow people with disabilities to apply for the Accessible Units when they become available and to place themselves on the waiting list for the Accessible Units, and comply with all other requirements of the AAHR.
- p. Following reasonable notice to the Borrower, Borrower shall allow the City to conduct periodic on-site inspections of the Housing Development in order to verify compliance with the Accessibility Standards and the City's Fair Housing Policy Related to Disability.
- q. The Housing Development as a whole and all Housing Units shall meet the requirements of the Accessibility Standards as defined in Section 1, above, and any requirements of the City, provided such requirements minimally meet and do not diminish the requirements of the Accessibility Standards.
- r. The Borrower shall provide a list to the City of all Accessible Units with unit number, bedroom size and type of Accessible Unit ("Housing Unit with Hearing/Vision Features" or "Housing Unit with Mobility Features").

**Section 3. Occupancy of Accessible Housing Units.** The Borrower shall follow the requirements of Section 504 and its implementing regulations at 24 C.F.R. Part 8, as well as the City's Fair Housing Policy Related to Disability to assure that information regarding the availability of Accessible Units reaches eligible individuals with disabilities. The Borrower will take reasonable, nondiscriminatory steps to maximize the utilization of such units by eligible individuals who require the accessibility features of the particular unit. To this end, the Borrower will take the following steps when an Accessible Unit becomes vacant:

- a. First, the Borrower will offer the Accessible Unit to a current occupant of the Housing Development who needs the features of an Accessible Unit;
- b. Second, the Borrower will offer the Accessible Unit to a current occupant of a Housing Development under common control who needs the features of an Accessible Unit;
- c. Third, the Borrower will offer the Accessible Unit to an eligible, qualified applicant on the waiting list for Accessible Housing Units who needs the features of an Accessible Unit;
- d. Fourth, the Borrower will offer the Accessible Unit to a current tenant of a Covered Housing Development who needs the accessible features of the Accessible Unit and are registered with the AAHR; and



- e. Fifth, Borrower will offer the unit to qualified applicants who need the accessible features of the Accessible Unit and are registered with the AAHR.
- f. If there are no eligible current tenants or applicants in need of Accessible features, then the Borrower must conduct targeted outreach and marketing to advertise the unit to qualified individuals who need the accessible features, including listing it as available to individuals who need the accessible features at <http://www.lahousing.lacity.org>, distributing the information about the accessible vacancy in accord with the Borrower's City approved Property Management Plan, distributing it to the most recent list from the City of organizations that serve people with disabilities, and sending an e-blast to parties on the <http://www.lahousing.lacity.org> website Outreach List. All such communications shall take appropriate steps to ensure effective communication with individuals with disabilities by utilizing appropriate auxiliary aids and services, such as the use of accessible websites and emails. Outreach efforts to the disability community shall include, but not be limited to, notices and other communications describing the availability of such Accessible Units, specific information regarding the features of Accessible Units, eligibility criteria, and application procedures. These, and additional procedures, are incorporated into the City's Fair Housing Policy Related to Disability, as amended.

In the event more than one household has requested an Accessible Unit, the Borrower shall offer the Accessible Unit to households in order on the appropriate waiting list within each category.

If, after using the process identified above, there are no households who need the features of that Accessible Unit, then the Borrower may offer the Accessible Unit to the next household on the conventional waiting list. Should that household choose not to occupy the Accessible Unit, they will remain at the same position on the conventional waiting list. If the household chooses to occupy the Accessible Unit, the tenant must sign a lease addendum in the form approved by the City. The lease addendum requires the household to move to the next available, comparable, conventional unit, when given appropriate notice by the Housing Development that there is an eligible applicant or existing resident with a disability who requires the accessibility features of that Accessible Unit.

For individuals who are required to vacate an Accessible Unit because it is needed by an individual with a disability, the Borrower will pay the costs of the transfer to a comparable conventional unit, including new utility deposit(s), if required, and reasonable moving expenses.

**Section 4. Rental Policies.** The Borrower shall adopt the City's rental policies that meet the requirements of Section 504, the ADA, the FHA, FEHA, and other federal and state laws and regulations as applicable, and of the Fair Housing Policy Related to Disability of the City, as amended. The Borrower shall develop and utilize a Property Management Plan ("PMP"), approved by the City, which describes affirmative marketing, tenanting, and other procedures to

ensure that the Housing Development meets all of the civil rights requirements for individuals with disabilities.

Rental applications will include a section to be filled out by applicants to identify whether they are requesting an Accessible Unit or a Reasonable Accommodation. Applicants will not be required to disclose a disability under any circumstances, and the Borrower shall seek information to be disclosed limited to only what is necessary to establish the disability-related need for the requested accommodation. If both the disability and disability-related need for the requested accommodation are obvious or already known, no additional information may be sought by the Borrower. Applicants and residents may request a Reasonable Accommodation at any time.

**Section 5. Residential Rental Property.** The Borrower hereby represents, covenants, warrants and agrees as follows:

- a. All of the Housing Units in the Housing Development will be similarly constructed units, and each income restricted unit in the Project will contain complete separate and distinct facilities for living, sleeping, eating, cooking and sanitation for a single person or a family, including a sleeping area, bathing and sanitation facilities and cooking facilities, equipped with a cooking range and oven, a sink and a refrigerator. Each of the Accessible Units shall also comply with these requirements. Notwithstanding the foregoing, a unit shall not fail to be treated as a residential unit merely because such unit is a single room occupancy unit within the meaning of Section 42(i)(3)(B)(iv) of the Code even though such housing may provide eating, cooking and sanitation facilities on a shared basis.
- b. All of the Housing Units (which shall not include any manager units) will be available for rental on a continuous basis to members of the general public, and the Borrower will not give preference to any particular class or group in renting the housing units in the Project, except to the extent that: (1) Accessible Housing Units shall be made available on a priority basis to persons who need the accessible features, as described in Section 3 above; (2) any Housing Units are required to be leased or rented to low income tenants or persons 62 years of age and older, (3) the requirements of any regulatory agreement executed between the Borrower and HUD or between the Borrower and a subordinate lender (including the City), (4) the requirements of any Section 8 Housing Assistance Payments Contract with respect to the Project, and (5) any preference the Borrower may legally provide pursuant to applicable federal and state law.

**Section 6. Monitoring Requirements.** The City will monitor the initial production and ongoing occupancy of the Accessible Units and the Housing Development to ensure full compliance with the Accessibility Standards, the Fair Housing Policy Related to Disability and the policies in Sections 1 - 4, above. In order to determine compliance with the Accessibility Standards, the Borrower shall submit and the City shall review and approve a CASp Inspection Report of the Housing Development that identifies the necessary and required design elements to make the Housing Units and site accessible for individuals with disabilities. The City shall inspect

the construction and/or rehabilitation to verify that the legally required number of Accessible Units have been produced and that the necessary and required design elements have been constructed to make the Housing Units and site accessible for individuals with disabilities and supported by an independent CASp consultant's report.

The City will utilize the Housing Development's City approved PMP and Fair Housing Policy Related to Disability to monitor ongoing occupancy compliance of the Accessible Units and nondiscrimination of individuals with disabilities. Compliance with the policies shall include, but not be limited to, target marketing, establishing and monitoring a waiting list specific to the Accessible Units, appropriately responding to Reasonable Accommodation requests, implementation of the assistance animal policies, implementation of the policies for re-leasing vacant Accessible Units, and all elements contained in the Fair Housing Policy Related to Disability, as amended.

**Section 7. Maintenance of Records.** With respect to the Covenants, the Borrower agrees to keep and maintain books, accounts, reports, files, records, and other documents pursuant to the terms of the Bond Documents and Regulatory Agreement, including any and all amendments, revisions, or modifications.

**Section 8. Notices, Demands, Payments and Communication.** Formal notices, demands, payments and communications between the City and the Borrower shall be sufficiently given and shall not be given unless dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered personally pursuant to the Notice provisions in the Indenture.

**Section 9. Term of the Covenants.** The Covenants shall be recorded with the Regulatory Agreement upon its execution and shall terminate in accordance with the most restrictive provisions of the Bond Documents and Regulatory Agreement, including any and all amendments, revisions, or modifications, it being expressly agreed and understood that the provisions hereof are intended to survive the retirement of the Bond.

**Section 10. Covenant to Run with the Land.** The Borrower hereby subjects the Project to the covenants, reservations, and restrictions set forth in the Covenants. The City and the Borrower hereby declare their express intent that the covenants, reservations and restrictions set forth herein shall be deemed covenants running with the land and shall pass to and be binding upon the Borrower's successors in title to the Project. Each and every contract, deed, or other instrument hereafter executed covering or conveying the Project or any portion thereof shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations, and restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instruments. In particular, this Covenant is subject to the requirements of HUD's Section 504 regulation at 24 C.F.R. § 8.50(c).

**Section 11. Default; Enforcement.** As part of ensuring compliance with the Accessibility Covenants, the Accessibility Standards, and the Fair Housing Policy Related to Disability, the City or its agent, will conduct periodic on-site visits inspecting the Housing Development, which inspections may include inspecting the Housing Units and common areas, tenant files, logs and other records. Should the Borrower fail to comply, the City will first issue an Order to Comply ("Order") stating the element of the Housing Development that is out of compliance, and providing

a date by which the Borrower must comply. The Order shall give the Borrower not more than 30 days to correct the violation, or such additional time as the City may grant if the Borrower is taking steps to correct the violation (“Compliance Date”), and diligently pursues such action until the default is corrected, which extension is in the City’s sole discretion. The City shall re-inspect the Housing Development within 10 days of the Compliance Date specified in the Order or any extension, however failure to inspect or re-inspect within the time frame does not remove the obligation of the Borrower to comply with the Order.

If the Order is issued and the violation continues to exist after the Compliance Date, then the City shall declare an “Event of Default” and may take any one or more of the following steps:

- a. **Inspection Fee for Non-Compliance.** In the event the Borrower fails to comply with the Order within the Compliance Date, the Borrower shall be liable for subsequent inspection fees in the amount approved by City Council until compliance has been achieved. Failure to pay the assessed inspection fee within 30 days of the date of invoice, will result in a late charge equal to or two times the fees and a collection fee equal to 50 percent of the original fee shall be imposed if any fee imposed is not paid within 30 days of service of notice of the imposition of the fee.

The late fee may be imposed without a hearing but may be appealed to the General Manager of LAHD. The appeal shall be made in writing, and shall specify the grounds for the appeal. The appeal shall be filed with LAHD within ten calendar days of the issuance of the imposition of the late fees and costs. The General Manager or his designee shall issue a decision within ten calendar days of the filing of the appeal. A copy of the decision shall be served on the person or entity subject to the Order or fee by first class United States mail, postage prepaid, or in person. The City shall have the right to bring legal action in any court to enforce the Order and collect the amount of outstanding fees and penalties. City may waive the penalty imposed pursuant to this section if City determines that good causes exist for the Borrower’s failure to pay in a timely manner.

- b. By mandamus or other suit, action or proceeding at law or in equity, including injunctive relief, require the Borrower to perform its obligations and covenants hereunder or enjoin any acts or things which may be unlawful or in violation of the rights of the City hereunder;
- c. Filing of a complaint or referral to HUD or other appropriate agencies for further enforcement actions;
- d. Have access to and inspect, examine and make copies of all or a portion of the books and records of the Borrower pertaining to the Project, in order to ensure compliance with all provisions of the Covenants, including records relating to the accessibility of the Accessible Units; and

- e. Take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Borrower hereunder.

**Section 12. Compliance with Accessibility Requirements.** The Borrower hereby certifies that it and its property manager and any agent, contractor and subcontractor will comply with the Accessibility Standards as defined, and the policies described in Sections 2-5. The Borrower and any contractor and subcontractor will provide Reasonable Accommodations to allow qualified individuals with disabilities to have access to and to participate in its programs, services, and activities in accordance with each of the applicable and stricter of the requirements of the ADA, the 2010 ADA Standards for Accessible Design, the ADAAG, Section 504, UFAS, the FHA, the Fair Housing Act Design and Construction Requirements, federal regulations implementing the ADA, Section 504, and the FHA, California Government Code 11135 *et seq.*, the California Building Code Chapters 11A and 11B, and all subsequent amendments to those laws. The Borrower and any contractor and subcontractor will not discriminate against persons with disabilities or against persons due to their relationship or association with a person with a disability. Any contract and subcontract entered into by the Borrower, relating to the Covenants and the Project, to the extent allowed hereunder, shall be subject to the provisions of this paragraph.

**Section 13. Governing Law.** The Covenants shall be governed by the laws of the State of California.

**Section 14. Parties Bound.** The provisions of the Covenants shall be binding upon and inure to the benefit of the City and the Borrower and their respective successors and assigns.

**Section 15. Severability.** Every provision of the Covenants is intended to be severable. If any provision of the Covenants shall be held invalid, illegal, or unenforceable by a court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired.

**Section 16. Waiver.** Any waiver by the City of any obligation in the Covenants shall be in writing; however, the City cannot waive the requirement to comply with federal and state law. No waiver will be implied from any delay or failure by the City to take action on any breach or default of the Borrower or to pursue any remedy allowed under the Covenants or applicable law. Any extension of time granted to the Borrower to perform any obligation under the Covenants shall not operate as a waiver or release from any of its obligations under the Covenants. Consent by the City to any act or omission by the Borrower shall not be construed to be a consent to any other or subsequent act or omission or to waive the requirement for the City's written consent to future waivers.

**Section 17. Modifications.** There shall be no amendment or modification of the Covenants without the prior written approval of the City. Any amendment or modification of the Covenants shall be by a written instrument executed by the City and the parties to the Covenants and the Regulatory Agreement or their successors in title, and duly recorded in the real property records of the County of Los Angeles, California. Modifications or amendments to the Covenants may occur by operation of law or other agreements binding the City and the parties to the Covenants and the Regulatory Agreement.

**Section 18. Conflicts.** If the provisions of the Covenants are inconsistent with the provisions of the Regulatory Agreement, the Bond Documents, or any other documents which affect the Project, the more restrictive covenants or restrictions shall control.

**Section 19. Recording and Filing.** The Borrower shall cause the Covenants to be recorded and filed in the real property records of the County of Los Angeles and in such other places as the City may reasonably request. However, failure to record the Covenants by the Borrower shall not relieve Borrower of any of the obligations specified herein.

[Remainder of the page left intentionally blank]

## EXHIBIT J

### FORM OF CERTIFICATE OF QUALIFIED PROJECT PERIOD

Project Name: Broadway Apartments

*(If project name has changed since the award of allocation please note the original project name as well as the new project name and request a change in the CDLAC Resolution.)*

CDLAC Application No.: 18-411 and 22-490

Name of Bond Issuer: City of Los Angeles

Name of Borrower Broadway Apartments Preservation, LP

*(If Borrower has changed since the award please note the original Borrower as well as the new Borrower and request a change in the CDLAC Resolution.)*

Project meets the general federal rule for a Qualified Project Period

Yes \_\_\_\_\_ No \_\_\_\_\_

(a) 10% of the dwelling units in the project financed in part from the proceeds of the captioned Bond were first occupied on \_\_\_\_\_, 20\_\_; and

(b) 50% of the dwelling units in the project financed in part from the proceeds of the captioned Bond were first occupied on \_\_\_\_\_, 20\_\_.

Project meets the special federal rule for a Qualified Project Period.

Yes \_\_\_\_\_ No \_\_\_\_\_

*(Project qualifies if it is an acquisition/rehabilitation where more than 90% of the units were not available for occupancy within 60 days of the earlier of the project acquisition or the Bond Issuance Date.)*

(a) Bond was issued on \_\_\_\_\_, 20\_\_

(b) Date 12 months after the Bond Issuance date \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
Signature of Officer

\_\_\_\_\_  
Printed Name of Officer

\_\_\_\_\_  
Title of Officer

\_\_\_\_\_  
Phone Number

**ATTACHMENT E**

TEFRA HEARING MINUTES FOR BROADWAY APTS.



**TEFRA PUBLIC HEARING MEETING MINUTES**  
**THURSDAY – APRIL 21, 2022**  
**10:00 AM**  
**LOS ANGELES HOUSING DEPARTMENT**  
**BY TELECONFERENCE**  
**APOLINAR ABRAJAN, CHAIR**

This meeting was conducted to meet the required Tax Equity and Fiscal Responsibility Act of 1982 (“TEFRA”) Public Hearing for West Third Apartments, Broadway Apartments, Western Avenue Apartments, Vista Terrace, Luna Vista, and Colorado East.

This meeting was called to order on Thursday, April 21, 2022 at 10:00 a.m. via teleconference by the Los Angeles Housing Department.

A notice of this hearing was published in the Los Angeles Times on April 14, 2022 (the “Notice”). The purpose of this meeting was to hear public comments regarding the City of Los Angeles’ proposed issuance of multifamily housing revenue bonds or notes for the above referenced projects.

The Los Angeles Housing Department representatives present were Apolinar Abrajan, Steven Brady, Donald Byers, Helen Villagomez, Conny Griffith, and Adam R. Miller. All representatives were present via teleconference as described in the Notice.

By 10:30 a.m. there were no other representatives from the public who made themselves available and no public comments were provided, so the meeting was adjourned.

I declare under penalty of perjury that this is a true and exact copy of the TEFRA public hearing meeting minutes regarding the above referenced projects held on April 21, 2022 at Los Angeles, California.

CITY OF LOS ANGELES  
Los Angeles Housing Department  
**ANN SEWILL, General Manager**

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Apolinar Abrajan, Finance Development Officer II