

TRANSMITTAL

To:

THE COUNCIL

Date: 07/14/2015

From:

THE MAYOR

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

A handwritten signature in blue ink, appearing to read 'Eric Garcetti', is written over a faint blue circular stamp.

(Ana Guerrero)

ERIC GARCETTI
Mayor



Eric Garcetti, Mayor
Rushmore D. Cervantes, General Manager

Housing Development Bureau

1200 West 7th Street, Los Angeles, CA 90017
tel 213.808.8638 | fax 213.808.8610
hcidla.lacity.org

July 8, 2015

Council File: New
Council District: 1
Contact Persons: Apolinar Abajian (213) 808-8947
Yaneli Ruiz (213) 808-8951
Manuel Bernal (213) 808-8901
Helmi Hisserich (213) 808-8662

Honorable Eric Garcetti
Mayor, City of Los Angeles
Room 303, City Hall
200 N. Spring Street
Los Angeles, CA 90012

Attention: Mandy Morales, Legislative Coordinator

COUNCIL TRANSMITTAL: REQUEST FOR AUTHORITY TO ISSUE UP TO \$17,800,000 IN TAX-EXEMPT MULTIFAMILY CONDUIT REVENUE BONDS FOR THE PILGRIM TOWER APARTMENTS

SUMMARY

The Los Angeles Housing and Community Investment Department (HCIDLA) respectfully requests authority to issue its tax-exempt multifamily housing conduit revenue bonds in the amount of up to \$17,800,000 to help finance the development of an affordable housing development known as the Pilgrim Tower Apartments (Project). The Project is located at 1207 S. Vermont Avenue in Council District 1. The proposed development entails the acquisition and rehabilitation of an existing apartment building to provide affordable housing for senior citizens. When completed, the Project will include elevator service, a laundry room, a community room, a computer room, a community garden, 60 parking spaces, gated entry and security patrol. In addition, the project includes a two year project-based Section 8 contract; the contract is expected to be renewed for another 20 years. Per the California Debt Limit Allocation Committee (CDLAC), the bonds must be issued by September 8, 2015.

RECOMMENDATIONS

The General Manager of HCIDLA respectfully requests the following:

- I. That your office schedule this transmittal for consideration at the next available meeting(s) of the appropriate Committee(s) of the City Council and forward it to the City Council for review and approval immediately thereafter;

II. That the City Council, subject to the approval of the Mayor, take the following actions:

- A. Authorize the Resolution in Attachment A authorizing the issuance of up to \$17,800,000 in tax-exempt multifamily housing conduit revenue bonds (Bonds) for the development of the Project; and
- B. Authorize the HCIDLA General Manager, or designee, to negotiate and execute the loan agreement and related documents for the Bonds for the Project, including but not limited to the Indenture of Trust (Series H1), the Indenture of Trust (Series H2) and regulatory agreement, subject to the approval of the City Attorney as to form.

BACKGROUND

Financing History

On April 20, 2005, the Council adopted an Inducement Resolution that authorizes the HCIDLA to induce the issuance of bonds for residential rental projects located within the City, thereby allowing for the Project to apply for a tax-exempt bond allocation (CF 04-2646). On August 25, 2014, HCIDLA conducted a public hearing in accordance with the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA). On February 10, 2015, the TEFRA Resolution and Minutes were adopted by the City Council (CF 15-0132). On March 20, 2015, HCIDLA, on behalf of the developer, submitted the CDLAC application for an allocation of tax-exempt bonds. On May 20, 2015 the project was awarded a \$17,800,000 bond allocation from CDLAC. Per CDLAC, the bonds must be issued by September 8, 2015.

Financing Milestones

TEFRA Hearing	August 25, 2014
TEFRA Approved by Council	February 10, 2015 (CF 15-0132)
Inducement	March 17, 2015 (CF 04-2646)
CDLAC Application Submitted	March 20, 2015
CDLAC Allocation Award	May 20, 2015
CDLAC Allocation Expiration Date	September 8, 2015

Affordability Restrictions

Pursuant to the Regulatory Agreement (provided in Attachment E) to be executed in connection with the issuance of the tax-exempt bonds, the affordability restrictions on the Project will have a term of not less than the longer of: 1) 15 years after 50% of the units are first occupied; 2) the date such bond is paid in full; or, 3) the date on which any Section 8 assistance terminates, if applicable. In addition, the CDLAC resolution and rental income restrictions will be in place for at least 55 years. Since the Project will receive 4% Low Income Housing Tax Credits, the subject units will also be restricted under separate agreement for a minimum of 55 years.

The building has a total of 111 units consisting of 108 units targeted to households at or below 60% of Area Median Income (AMI) and three manager units. The table below provides a summary of the unit mix.

Table on next page.

UNIT TYPE	50% AMI	60% AMI	Manager	TOTAL
0 bedroom (Studio)	3	33		36
1 bedroom	8	64	3	75
TOTAL	11	97	3	111

Development Team

The Borrower/Sponsor is Pilgrim Tower Apartments, L.P., a California limited partnership, which includes Brookmore Apartment Corporation (BAC), as General Partner, and Canoga Apartments Corporation (CAC), as limited partner. The Board of Directors of BAC include: Howard Hudson, President; Chris Jones, Vice President; Marlin Plejdrup, Secretary; and, Roy Haugen, Treasurer. BAC is also the Project developer. BAC is a California 501(c)3 non-profit corporation.

BAC has over 20 years of experience in multifamily rental housing development, including eight projects located in California that resulted in approximately 567 housing units.

Developer: Brookmore Apartment Corporation
3204 Rosemead Bl., Ste. 100
El Monte, CA 91731
Phone: (626) 300-2440
Contact: Howard Hudson – President

The Borrower and Developer are in compliance with HCIDLA's Business Policy.

The additional development team members are:

Attorney: Bocarsly, Emden, Cowan, Esmail & Arndt, LLP
633 West Fifth Street, 64th floor
Los Angeles, CA 90071
Phone: (213) 239-8029
Contact: Nicole Deddens

General Contractor: To be determined

Property Manager: CARING Housing Ministries, Inc.
3204 Rosemead Bl., Ste. 100
El Monte, CA 91731
Phone: (626) 300-2440
Contact: Nancy Spring – President

Equity Investor: Hunt Capital Partners, LLC
15260 Ventura Blvd.
Sherman Oaks, CA 91403
Phone: (818) 380-6100
Contact: Dana Mayo – Senior VP

Financial Structure

The City will issue a total of \$17,800,000 in tax-exempt bonds, consisting of series H1 bonds in the amount of \$1,815,000 and series H2 bond in the amount of \$15,985,000. Red Capital Markets, LLC, as Underwriter, will purchase the H1 bonds and sell them to the public via an Official Statement. Proceeds from the sale of the H1 bonds will provide construction financing for the Borrower. Under a private placement, the Seller, Pilgrims Senior Citizen Housing Development Corporation, will provide the H2 bond in the form of a \$15,985,000 bond. The loan of the H2 bond proceeds will be evidenced by a promissory note (Note) to be held by the Trustee. A construction loan in the total amount of \$17,800,000 will be provided to the Borrower as a result of the issuance of the H1 and H2 bonds. The H1 bonds will have a term of 18 months and an interest rate of approximately 0.75%. The H1 bonds will be rated AA+ by Standard and Poor's. The H2 bond will have a 44-year term and an interest rate equal to the Applicable Federal Rate. Simultaneous with the issuance of the \$17,800,000 in bonds, Red Mortgage Capital, LLC (RMC) will originate a \$7,900,000 Federal Housing Administration (FHA) 221(d)4 loan. The H1 bonds will be cash collateralized with \$1,815,000 of the \$7,900,000 FHA loan. RMC is an affiliate of Red Capital Markets, LLC.

At the permanent financing stage, the H1 bonds will be paid off with funds from the cash collateral funds and the total FHA loan will remain in place. The FHA loan will have a permanent term of 40 years with a 5% interest rate. Upon payment of the H1 bonds, the Seller will exchange the H2 bond with the Trustee for the Note under the terms listed above and the H2 bond will be cancelled. The permanent financing will also include 4% tax credit equity from Hunt Capital Properties, LLC (Hunt).

Additionally, the bond structure adheres to both the City Bond Policies and the City's Financial Policies and has been reviewed by the City's financial advisor, City Attorney, and bond counsel. The City's Responsible Banking Ordinance 182138 does not apply to this Project because both bond purchasers are not banking institutions. Bond counsel will provide the City the required legal opinions as to the tax-exempt status of the bonds under federal and state law. The legal and financing documents will also include the required items as per the policies, including but not limited to: language that the bond structure is a limited obligation and strictly payable from the project revenues; and, requiring the borrower to provide annual statements and additional information as may be reasonably requested.

Sources and Uses

Construction	Total Sources	Per Unit	% Total
Bridge loan (Hunt)	\$3,720,064	\$33,514	11%
RMC (FHA loan 221(d)4)	\$5,154,548	\$46,437	14%
Tax Exempt Bonds (H1 bonds)	\$1,815,000	\$16,351	5%
Tax Exempt Bonds (H2 bond)	\$15,985,000	\$144,009	45%
4% Tax Credit Equity (Hunt)	\$6,112,605	\$55,069	17%
Deferred Developer Fee	\$1,500,000	\$13,514	4%
Deferred Reserves	\$912,440	\$8,220	3%
Deferred Soft Costs	\$361,402	\$3,256	1%
TOTAL	\$35,561,059	\$320,370	100%

Permanent	Total Sources	Per Unit	% Total
RMC (FHA loan 221(d)4)	\$7,900,000	\$71,171	22%
Seller (Note)	\$15,595,233	\$140,498	44%
4% Tax Credit Equity (Hunt)	\$11,113,826	\$100,125	31%
Reserves	\$794,000	\$7,153	2%
FHA Working Capital	\$158,000	\$1,423	1%
TOTAL	\$35,561,059	\$320,370	100%

Uses of Funds	Total Uses	Cost/Unit
Acquisition Costs	\$16,300,000	\$146,847
On/Off Site Costs	\$135,980	\$1,225
Hard Costs	\$10,566,928	\$95,197
Architecture/Engineering	\$536,975	\$4,838
Contractor Overhead/Profit	\$721,887	\$6,503
Developer Fee	\$2,500,000	\$22,523
Cost of Issuance	\$435,000	\$3,919
Capitalized Interest	\$640,000	\$5,766
Other Soft Costs	\$3,724,289	\$33,552
TOTAL	\$35,561,059	\$320,370

The HCIDLA Bond Team for the financing of the Project is as follows:

Bond Issuer Financial Advisor

CSG Advisors, Inc.
315 West 5th Street, Suite 302
Los Angeles, CA 90013

Bond Counsel

Kutak Rock, LLP
777 S. Figueroa Street, Suite 4550
Los Angeles, CA 90017

Bond Issuer Counsel

Los Angeles City Attorney
200 N. Main Street, 9th Floor
Los Angeles, CA 90012

Labor Costs

Labor costs are subject to the State of California's Prevailing Wage requirements and/or Federal Davis Bacon wages, if applicable.

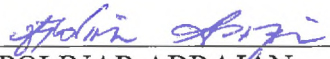
Timeline

The California Debt Limit Allocation Committee has designated September 8, 2015 as the expiration date for the issuance of the tax-exempt bonds.

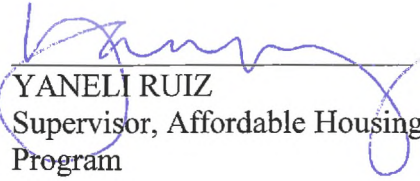
FISCAL IMPACT STATEMENT

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

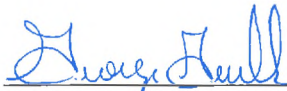
Prepared By:


APOLINAR ABRAZAN
Finance Development Officer I

Reviewed By:


YANELI RUIZ
Supervisor, Affordable Housing Bond
Program

Reviewed By:


GEORGE GUILLEN
Manager, Multifamily Finance and Development Unit

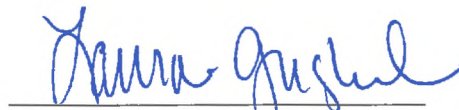
Reviewed By:


MANUEL BERNAL
Director, Finance and Development

Reviewed By:


HELMI HISSERICH
Assistant General Manager

Reviewed By:


LAURA K. GUGLIELMO
Executive Officer

Approved By:


RUSHMORE D. CERVANTES
General Manager

Attachment A – Resolution for Pilgrim Tower Apartments
Attachment B – Loan Agreement
Attachment C – Indenture of Trust (Series H1)
Attachment D – Indenture of Trust (Series H2)
Attachment E – Regulatory Agreement
Attachment F – Bond Placement Agreement
Attachment G – Preliminary Official Statement
Attachment H – Bond Purchase Agreement

Attachment A-

HCIDLA Request for Issuance of Bonds for Pilgrim Tower Apartments

Resolution for Pilgrim Tower Apartments on next page

RESOLUTION
CITY OF LOS ANGELES

A RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF BONDS IN TWO SERIES BY THE CITY OF LOS ANGELES DESIGNATED AS ITS MULTIFAMILY HOUSING REVENUE BONDS (PILGRIM TOWER APARTMENTS) SERIES 2015H-1 AND SERIES 2015H-2 IN A COMBINED AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$17,800,000 TO PROVIDE FINANCING FOR THE ACQUISITION, REHABILITATION AND EQUIPPING OF THE MULTIFAMILY HOUSING PROJECT SPECIFIED IN PARAGRAPH 18 HEREOF AND APPROVING AND AUTHORIZING THE EXECUTION AND DELIVERY OF A TRUST INDENTURE, AN INDENTURE OF TRUST, A REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS, A LOAN AGREEMENT, A BOND PURCHASE AGREEMENT, A BOND PLACEMENT AGREEMENT, AN OFFICIAL STATEMENT 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 Section 248, as amended, of the 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 permanent financing for the acquisition, 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 bonds to provide permanent financing for the acquisition, rehabilitation and equipping of that certain multifamily rental housing project described in paragraph 18 below (the “Project”); and

WHEREAS, the Project is located wholly within the City; and

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

WHEREAS, the City proposes to issue, pursuant to the Law and in accordance with the Act, its Multifamily Housing Revenue Bonds (Pilgrim Tower Apartments) Series 2015H-1 (the “Series 2015H-1 Bonds”) and its Multifamily Housing Revenue Bond (Pilgrim Tower Apartments) Series 2015H-2 (the “Series 2015H-2 Bond”) in a combined aggregate principal amount not to exceed \$17,800,000 (together, the “Bonds”); and

WHEREAS, the City proposes to use the proceeds of the Bonds to cause the financing of the Project and, if applicable, to pay certain costs of issuance in connection with the issuance of the Bonds; and

WHEREAS, Red Capital Markets, LLC or an affiliate thereof (the “Underwriter”), has expressed the intention of the Underwriter to purchase the Series 2015H-1 Bonds authorized hereby pursuant to the terms of a Bond Purchase Agreement (the “Bond Purchase Agreement”) among the City, the below-defined Owner and the Underwriter; and

WHEREAS, Red Capital Markets, LLC (the “Placement Agent”) has expressed the intention of the Placement Agent to place with an institutional accredited investor the Series 2015H-2 Bond authorized hereby pursuant to the terms of a Bond Placement Agreement (the “Bond Placement Agreement”) among the City, the Owner and the Placement Agent, 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 and placement of such Bonds; and

WHEREAS, the interest on the Bonds 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 Bonds are approved in accordance with Section 147(f) of the Code; and

WHEREAS, pursuant to the Code, the Bonds are required to be approved, following a public hearing, by an elected representative of the issuer of the Bonds 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 Bonds 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 August 8, 2014 to the effect that a public hearing would be held on August 25, 2014 regarding the issuance of the Bonds; and

WHEREAS, the Los Angeles Housing and Community Investment 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 Bonds; and

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

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), revenue bonds of the City, to be designated as: “City of Los Angeles Multifamily Housing Revenue Bonds (Pilgrim Tower Apartments) Series 2015H-1,” and “City of Los Angeles Multifamily Housing Revenue Bond (Pilgrim Tower Apartments) Series 2015H-2” in a combined aggregate principal amount not to exceed \$17,800,000 are hereby authorized to be issued. The principal amount of the Bonds to be issued shall be determined by a Designated Officer (as defined below) in accordance with this Resolution.

3. The proposed form of a Trust Indenture (the “2015H-1 Indenture”) by and between the City and such party as shall be designated by the City in the final form of Indenture, as trustee (the “Trustee”) providing for issuance of the Series 2015H-1 Bonds and the Indenture of Trust (together with the 2015H-1 Indenture, the “Indenture”), by and between the City and the Trustee providing for the issuance of the Series 2015H-2 Bond, each substantially in the form attached hereto, are 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 Bonds authorized hereunder. The Mayor of the City, the General Manager, any Acting General Manager, the Interim General Manager or any Assistant General Manager, Interim Assistant General Manager, Executive Officer or Director—Finance and Development Division of the Housing Development Bureau of the Los Angeles Housing and Community Investment Department (each hereinafter referred to as a “Designated Officer”) are 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 Bonds 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 Bonds, 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 Bonds in substantially such form, and the Trustee is hereby authorized and directed to sell and deliver such Bonds to the Purchaser in accordance with the Indenture and the Loan Agreement (hereinafter defined). The date, maturity date, interest rate (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 Bonds shall be as provided in the Indenture as finally executed; provided, however, that the principal amount of the Bonds shall not exceed \$17,800,000, the interest rate on the Bonds shall not exceed 12% per annum and the final maturity of

the Bonds shall be no later than October 1, 2059. The initial purchase price of the Bonds shall be 100% of the par amount thereof as advances are made with respect to the Bonds by the Underwriter and Placement Agent. The Bonds may, if so provided in the Indenture, be issued as “draw-down” bonds to be funded over time as provided in the Indenture. Such Bonds 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 Bonds in definitive form can be prepared.

5. The proposed form of Regulatory Agreement and Declaration of Restrictive Covenants (the “Regulatory Agreement”) to be entered into by and among the City, the Trustee and the owner of the Project (as set forth in paragraph 18 below, the “Owner”), 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 the Regulatory Agreement, 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 Bonds 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. The proposed form of Bond Purchase Agreement among the City, the Underwriter and the Owner, and the proposed form of Bond Placement Agreement among the City, the Placement Agent and the Owner, each in substantially the form attached hereto, are hereby approved. Any Designated Officer is hereby authorized and directed, for and in the name and on behalf of the City, to execute the Bond Purchase Agreement and Bond Placement 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 Bond Purchase Agreement and Bond Placement Agreement with such additions, changes or corrections.

8. The proposed form of Official Statement, attached hereto (the “Official Statement”) relating to the Series 2015H-1 Bonds is hereby approved. The City Council hereby approves and authorizes the use and distribution by the Underwriter of a Preliminary Official Statement and/or an Official Statement in substantially such form to prospective purchasers of the Bonds. Any Designated Officer is hereby authorized to execute and deliver, at the time of the sale of the Bonds, the Official Statement in

substantially the form presented thereto, with such additions and changes as the Designated Officer executing the same shall approve upon consultation with the City Attorney, such approval to be conclusively evidenced by the execution of said Official Statement with such additions, changes or corrections.

9. All actions heretofore taken by the officers and agents of the City with respect to the sale and issuance of the Bonds 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 Bonds and the implementation of the Program in accordance with the Act and the Law and this Resolution and resolutions heretofore adopted by the City.

10. 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.

11. In addition to the Designated Officers, any official of the City, including any official of the Los Angeles Housing and Community Investment 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 Bonds, authorized by this Resolution.

12. 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 Bonds be delivered directly to the Trustee, instead of the City Treasurer, to be deposited into the funds and accounts established under the Indenture.

13. Pursuant to Section 147(f) of the Code, the City Council hereby approves the issuance of the Bonds to finance the Project. It is intended that this Resolution constitute approval of the Bonds by the applicable elected representative of the issuer of the Bonds 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).

14. 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.

15. 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 Bonds or the agreements relating thereto subsequent to their issuance.

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

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

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

Project Name	Address	Number of Units	Owner
Pilgrim Tower Apartments	1207 S. Vermont Avenue, Los Angeles, CA 90006	111 (including 3 manager units)	Pilgrim Tower Apartments, L.P.

I certify that the foregoing Resolution was adopted by the Council of the City of Los Angeles at its meeting on _____, 2015.

By _____

Name _____

Title _____

LOAN AGREEMENT

between

CITY OF LOS ANGELES
as Issuer

and

PILGRIM TOWER APARTMENTS, L.P.
as Borrower

relating to

\$1,815,000
City of Los Angeles
Multifamily Housing Revenue Bonds
(Pilgrim Tower Apartments)
Series 2015H-1

\$15,985,000
City of Los Angeles
Multifamily Housing Revenue Bond
(Pilgrim Tower Apartments)
Series 2015H-2

Dated as of [_____] 1, 2015

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LOAN AGREEMENT

THIS LOAN AGREEMENT (the “Loan Agreement” or “Agreement”) made and entered into as of [] 1, 2015 between the CITY OF LOS ANGELES (the “Issuer”), a charter city and municipal corporation of the State of California (the “State”), and PILGRIM TOWER APARTMENTS, L.P., a California limited partnership (the “Borrower”), under the following circumstances summarized in the following recitals (the capitalized terms not defined in the recitals being used therein as defined in Article I hereof):

RECITALS:

A. Issuer is authorized pursuant to Section 248 of the City Charter of the Issuer 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”), to issue revenue bonds for the purpose of financing, among other things, the acquisition, rehabilitation and development of multifamily rental housing and for the provision of capital improvements in connection therewith and determined necessary thereto.

B. On March 17, 2015, the Issuer indicated its intent to provide for the issuance of revenue bonds to finance a portion of the acquisition, rehabilitation and equipping of Pilgrim Tower, a multifamily residential rental housing project for seniors located at 1207 South Vermont Avenue, Los Angeles, California, (the “Project”) and the City Council of the Issuer subsequently adopted a resolution dated [], 2015 (the “Resolution”) authorizing the issuance of bonds for such purpose.

C. Issuer deems it desirable and in keeping with its purpose to issue its Multifamily Housing Revenue Bonds (Pilgrim Tower Apartments) Series 2015H in the original principal amount of \$1,815,000 (the “Series 2015H-1 Bonds”) and its Multifamily Housing Revenue Bond (Pilgrim Tower Apartments) Series 2015H-2 in the original principal amount of \$15,985,000 (the “Series 2015H-2 Bond” and together with the Series 2015H-1 Bonds, the “Bonds”) and loan the proceeds of the Series 2015H-1 Bonds (the “2015H-1 Loan”) as evidenced by a promissory note (the “2015H-1 Note”) to Borrower and loan the proceeds of the Series 2015H-2 Bond (the “2015H-2 Loan” and together with the 2015H-1 Loan, the “Loan”) as evidenced by a promissory note (the “2015H-2 Note” and together with the 2015H-1 Note, the “Note”) to Borrower for the purposes described above under the terms and conditions contained in this Agreement.

D. The Borrower and the Issuer each have full right and lawful authority to enter into this Agreement and to perform and observe the provisions hereof on their respective parts to be performed and observed.

NOW, THEREFORE, in consideration of the premises and the mutual representations and agreements hereinafter contained, the Issuer and the Borrower agree as follows (provided that any obligation of the Issuer created by or arising out of this Agreement shall never constitute a general debt of the Issuer or give rise to any pecuniary liability of the Issuer but shall be payable solely out of Issuer Revenues):

ARTICLE I

DEFINITIONS

Section 1.01. Use of Defined Terms. In addition to the words and terms defined elsewhere in this Agreement, the words and terms in this Agreement shall have the meanings set forth in the Trust Indenture (the “2015H-1 Indenture”), dated as of the date of this Agreement between the Issuer and [____], National Association, as Trustee and the Indenture of Trust dated as of the date of this Agreement between the Issuer and the Trustee (the “2015H-2 Indenture” together with the 2015H-1 Indenture, the “Indenture”) as applicable.

Section 1.02. Interpretation. Any reference herein to the Issuer, to the Board or to any member or officer of either includes entities or officials succeeding to their respective functions, duties or responsibilities pursuant to or by operation of law or lawfully performing their functions.

Any reference to a section or provision of the Constitution of the State, the Law or the Act, or to a section, provision or chapter of California statutes or to any statute of the United States of America, includes that section, provision or chapter as amended, modified, revised, supplemented or superseded from time to time; provided, that no amendment, modification, revision, supplement or superseding section, provision or chapter shall be applicable solely by reason of this provision, if it constitutes in any way an impairment of the rights or obligations of the Issuer, the Holders, the Trustee or the Borrower under this Agreement.

Unless the context indicates otherwise, words importing the singular number include the plural number, and vice versa; the terms “hereof,” “hereby,” “herein,” “hereto,” “hereunder” and similar terms refer to this Agreement; and the term “hereafter” means after, and the term “heretofore” means before, the date of delivery of the Bonds. Words of any gender include the correlative words of the other genders, unless the sense indicates otherwise.

Section 1.03. Captions and Headings. The captions and headings in this Agreement are solely for convenience of reference and in no way define, limit or describe the scope or intent of any Articles, Sections, subsections, paragraphs, subparagraphs or clauses hereof.

ARTICLE II

REPRESENTATIONS AND COVENANTS

Section 2.01. Representations of the Issuer. The Issuer represents that: (a) it is a charter city and municipal corporation of the State of California; (b) it has duly accomplished all conditions necessary to be accomplished by it prior to the issuance and delivery of the Bonds and the execution and delivery of this Agreement, the 2015H-1 Indenture, the 2015H-2 Indenture and the Regulatory Agreement; (c) it has the legal right and is empowered to enter into the transactions contemplated by this Agreement, the 2015H-1 Indenture, the 2015H-2 Indenture and the Regulatory Agreement; (d) it has duly authorized the execution, delivery and performance of this Agreement, the 2015H-1 Indenture, the 2015H-2 Indenture and the Regulatory Agreement;

and (e) it will do all things in its power in order to maintain its existence or assure the assumption of its obligations under this Agreement, the 2015H-1 Indenture, the 2015H-2 Indenture and the Regulatory Agreement by any successor public body.

The Issuer makes no representation or warranty that the Project will be adequate or sufficient for the purposes of the Borrower. Nothing in this Agreement shall be construed as requiring the Issuer to provide: (i) any financing for the Project other than the proceeds of the Loan; or (ii) sufficient moneys for all of the costs of the Project.

Section 2.02. Representations and Covenants of the Borrower. The Borrower represents and covenants that:

(a) It is a limited partnership duly formed and in full force and effect under the laws of the State.

(b) It has full power and authority to execute, deliver and perform this Agreement, the Bond Purchase Agreement, the Bond Placement Agreement, the Note and the Regulatory Agreement (collectively, the “Borrower Documents”) and to enter into and carry out the transactions on its part contemplated by those documents. The execution, delivery and performance by it of the Borrower Documents do not, and will not, violate any provision of law applicable to the Borrower and do not, and will not, conflict with or result in a default under any agreement or instrument to which the Borrower is a party or by which it is bound. The Borrower Documents have, by proper action, been duly authorized, executed and delivered by the Borrower and all steps necessary have been taken to constitute the Borrower Documents valid and binding obligations of the Borrower.

(c) The provision of financial assistance to be made available to it under this Agreement and the commitments therefor made by the Issuer have induced the Borrower to undertake the transactions contemplated by this Agreement.

(d) It presently intends to use or operate the Project in a manner consistent with the Act and in accordance with the Regulatory Agreement for period of the restrictions set forth therein and knows of no reason why the Project will not be so operated. If, in the future, there is a cessation of that operation, it will use its best efforts to resume that operation or accomplish an alternate use by the Borrower or others approved in writing by the Issuer which will be consistent with the Act and the Regulatory Agreement.

(e) The acquisition and rehabilitation of the Project will be completed in accordance with the Plans and Specifications and the portion of the Project funded with the proceeds of the Bonds will constitute a qualified residential rental project within the meaning of Section 142(d) of the Code and will be operated and maintained in such manner as to conform in all material respects with all applicable zoning, planning, building, environmental and other applicable Governmental regulations and as to be consistent with the Act.

(f) The Project will be located entirely within the boundaries of the City of Los Angeles, California.

(g) At least 95% of the net proceeds of the Bonds (as defined in Section 150 of the Code) will be used to provide a qualified residential rental project (as defined in Section 142(d) of the Code), and the Borrower will not use proceeds of the Bonds on the Closing Date or request or authorize any disbursement from the Project Fund of the 2015H-1 Indenture pursuant to Section 3.04 hereof, which, if paid, would result in less than 95% of the net proceeds of the Bonds being so used. No costs of the Project for which Bond proceeds will be used were paid for or incurred more than 60 days prior to the Inducement Date (as defined in the Regulatory Agreement). The Borrower will incur Qualified Rehabilitation Expenditures (as defined in the Regulatory Agreement) with respect to the Project in an amount equal to or greater than 15% of the portion of the cost of acquiring the Project (exclusive of any acquisition costs attributable to land) financed with the net proceeds of the Bonds.

(h) The costs of issuance financed by the Bonds will not exceed 2% of the proceeds of the Bonds (within the meaning of Section 147(g) of the Code), and the Borrower will not request or authorize any disbursement from the Project Fund of the 2015H-1 Indenture pursuant to Section 3.04 hereof or otherwise, which, if paid, would result in more than 2% of the proceeds of the Bonds being so used. Except as permitted by Treasury Regulations 1.148-6(d)(3)(ii), none of the proceeds of the Bonds will be used for working capital purposes.

(i) The proceeds of the Bonds shall be used or deemed used exclusively to pay costs that (i) are (A) capital expenditures (as defined in Section 1.150-1(a) of the Code's regulations) and (B) not made for the acquisition of existing property, to the extent prohibited in Section 147(d) of the Code, and (ii) are made exclusively with respect to a "qualified residential rental project" within the meaning of Section 142(d) of the Code and that for the greatest number of buildings the proceeds of the Bonds shall be deemed allocated on a pro rata basis to each building in the Project and the land on which it is located so that each building and the land on which it is located will have been financed 50% or more by the proceeds of the Bonds for the purpose of complying with Section 42(h)(4)(B) of the Code; provided, however, the foregoing representation, covenant and warranty is made for the benefit of the Borrower and its partners and neither the Trustee nor the Issuer shall have any obligation to enforce this covenant nor shall they incur any liability to any person, including without limitation, the Borrower, the partners of the Borrower, any other affiliate of the Borrower or the holders of the Bonds for any failure to meet the intent expressed in the foregoing representation, covenant and warranty; and provided further, failure to comply with this representation, covenant and warranty shall not constitute a default or event of default under this Agreement or the Indenture.

(j) Upon the execution and delivery thereof by the other parties thereto, each of the Borrower Documents will constitute valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with their respective terms, except as limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws or

judicial decisions affecting creditors' rights generally and by judicial discretion in the exercise of equitable remedies.

(k) The Borrower acknowledges, represents and warrants that it understands the nature and structure of the financing of the Project; that it is familiar with the provisions of all of the documents and instruments relating to the financing of the Project to which it is a party; that it understands the risks inherent in such transactions, including without limitation the risk of loss of the Project; and that it has not relied on the Issuer for any guidance or expertise in analyzing the financial or other consequences of such financing transactions or otherwise relied on the Issuer in any manner except to issue the Bonds in order to provide funds for the Loan.

(l) The Borrower intends to hold the Project for its own account, has no current plans to sell and has not entered into any agreement to sell any of the units that comprise the Project.

(m) The Borrower shall use its best efforts to cause there to be deposited from time to time in the Collateral Fund of the 2015H-1 Indenture, Available Moneys in such amount and at such times as may be necessary to allow the Trustee to disburse funds from the Project Fund pursuant to Section 5.03 of the 2015H-1 Indenture upon the Trustee's receipt of a Disbursement Request from the Borrower to pay costs of the Project.

(n) In the event the Loan proceeds are not sufficient to complete the acquisition and rehabilitation of the Project and the payment of all costs of issuance of the Bonds, the Borrower will furnish any additional moneys from any source determined by the Borrower as necessary to complete the acquisition and rehabilitation of the Project and pay all cost of issuance of the Bonds.

(o) Less than 25% of the proceeds of the Loan will be used to pay or reimburse the Borrower for the cost of land or any interest therein.

(p) The Borrower has not knowingly taken or permitted to be taken and will not knowingly take or permit to be taken any action which would have the effect, directly or indirectly, of causing interest on any of the Bonds to be included in the gross income of the owners thereof for purposes of federal income taxation.

(q) The Borrower covenants that it shall not take, or knowingly permit or suffer to be taken by the Trustee or any party acting on its behalf, any action with respect to the proceeds of the Bonds which if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Bonds would have caused the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code.

The Borrower acknowledges that the representations and covenants herein made by the Borrower have been expressly and specifically relied upon by the Issuer in determining to make the Loan to the Borrower and the Loan would not have been made but for such representations and covenants. Borrower acknowledges, represents and warrants that it has not relied on Issuer

for any guidance or expertise in analyzing the financial or other consequences of the transactions contemplated by this Agreement or otherwise relied on Issuer in any manner.

ARTICLE III

COMPLETION OF THE PROJECT; ISSUANCE OF THE BONDS

Section 3.01. Acquisition, Rehabilitation, Installation, Equipment and Improvement. The Borrower (a) has acquired or is in the process of acquiring, the Project site and shall rehabilitate, install, improve and equip the Project with all reasonable dispatch and in substantial accordance with the Plans and Specifications, (b) shall pay when due all fees, costs and expenses incurred in connection with that acquisition, rehabilitation, installation, equipping and improving from funds made available therefor in accordance with this Agreement or otherwise, except to the extent being contested in good faith, and (c) shall ask, demand, sue for, levy, recover and receive all those sums of money, debts and other demands whatsoever which may be due, owing and payable under the terms of any contract, order, receipt, writing and instruction in connection with the acquisition, rehabilitation, installation, equipping and improving of the Project, and shall enforce the provisions of any contract, agreement, obligation, bond or other performance security with respect thereto. It is understood that the Project is that of the Borrower and any contracts made by the Borrower with respect thereto, whether acquisition contracts, construction contracts or otherwise, or any work to be done by the Borrower on the Project are made or done by the Borrower in its own behalf and not as agent or contractor for the Issuer. The Borrower agrees that it will compensate all workers employed in the rehabilitation and improvement of the Project as required by law.

Section 3.02. [Reserved].

Section 3.03. Issuance of the Bonds; Application of Proceeds. To provide funds to make the Loan for purposes of assisting in paying the Project Costs, the Issuer will issue, sell and deliver the Series 2015-1 Bonds to the Underwriter and deliver the Series 2015H-2 Bond as directed by the Placement Agent. The Bonds will be issued pursuant to the Indenture in the aggregate principal amount, will bear interest and will mature as set forth therein. The Borrower hereby approves the terms and conditions of the Indenture and the Bonds, and of the terms and conditions under which the Bonds will be issued, sold and delivered.

The proceeds from the sale of the Series 2015H-1 Bonds in the amount of \$[_____] shall be loaned to the Borrower and paid over to the Trustee for the benefit of the Borrower and the Holders of the Series 2015H-1 Bonds and deposited as follows: (a) a sum equal to any accrued interest paid by the Holder shall be deposited in the Bond Fund of the 2015H-1 Indenture, and (b) the balance of the proceeds of the Series 2015H-1 Bonds shall be deposited in the Project Fund of the 2015H-1 Indenture. Pending disbursement pursuant to Section 3.04 hereof, the proceeds of the Series 2015H-1 Bonds deposited in the Project Fund of the 2015H-1 Indenture, together with any investment earnings thereon, shall constitute a part of the Issuer Revenues assigned by the Issuer to the Trustee as security for the payment of Bond Debt Service Charges as provided in the 2015H-1 Indenture.

Section 3.04. Disbursements from the Project Fund. Subject to the provisions below and so long as no Event of Default hereunder has occurred and is continuing for which the Loan Payments and principal amount of the Series 2015H-1 Bonds has been declared to be immediately due and payable pursuant to Section 7.02 hereof and Section 7.03 of the 2015H-1 Indenture, respectively, disbursements from the Project Fund of the 2015H-1 Indenture shall be made only to pay any of the following Project Costs:

(a) Costs incurred directly or indirectly for or in connection with the acquisition and rehabilitation of the Project, including costs incurred in respect of the Project for preliminary planning and studies; architectural, legal, engineering, accounting, consulting, supervisory and other services; labor, services and materials; and recording of documents and title work.

(b) Premiums attributable to any surety bonds and insurance required to be taken out and maintained during the Construction Period with respect to the Project.

(c) Taxes, assessments and other governmental charges in respect of the Project that may become due and payable during the Construction Period.

(d) Costs incurred directly or indirectly in seeking to enforce any remedy against any contractor or subcontractor in respect of any actual or claimed default under any contract relating to the Project.

(e) Subject to Section 2.02(h) hereof, financial, legal, accounting, printing and engraving fees, charges and expenses, and all other such fees, charges and expenses incurred in connection with the authorization, sale, issuance and delivery of the Bonds, including, without limitation, the fees and expenses of the Trustee, the Registrar and any Paying Agent properly incurred under the Indenture that may become due and payable during the Construction Period.

(f) Any other costs, expenses, fees and charges properly chargeable to the cost of acquisition, rehabilitation, installation, equipping and improving of the Project.

(g) Payment of interest on the Series 2015H-1 Bonds during the Construction Period.

(h) Payments to the Rebate Fund.

Any disbursements from the Project Fund of the 2015H-1 Indenture shall be made by the Trustee only as permitted pursuant to Section 5.03 of the 2015H-1 Indenture and upon the written request of the Borrower executed by an Authorized Borrower Representative substantially in the form attached hereto as Exhibit B, approved by the FHA Lender and, if required by Section 5.03 of the Series 2015H-1 Indenture, the Issuer, which requests shall be consecutively numbered and accompanied by invoices or other appropriate documentation supporting the payments or reimbursements requested. No disbursement shall be made by the Trustee upon the basis of any such disbursement request except upon satisfaction of the following conditions and pursuant to the following procedures:

(i) An executed Certificate of the Borrower substantially in the form attached hereto as Exhibit E, in each case related to the deposit of Available Moneys other than FHA Lender Funds into the Collateral Fund of the 2015H-1 Indenture for the applicable disbursement request.

(ii) The FHA Lender and/or the Subordinate Lender, as applicable, (A) will deliver to the Trustee an executed certificate substantially in the form attached hereto as Exhibit D-1 and/or Exhibit D-2, as applicable and (B) will transfer to the Trustee, by immediately available funds, Available Moneys equal to the Disbursement Amount for deposit into the Collateral Fund of the 2015H-1 Indenture.

(iii) All Loan Payments that are then due shall have been paid.

(iv) The disbursement request must be for an amount that allows the Trustee to purchase with Available Moneys and deposit in the Collateral Fund of the 2015H-1 Indenture Eligible Investments previously held in the Project Fund of the 2015H-1 Indenture, thus allowing a like amount of funds held in the Project Fund of the 2015H-1 Indenture to fund the disbursement request.

Any moneys in the Project Fund remaining after the Completion Date and payment, or provision for payment, in full of the Project Costs, at the direction of the Borrower, promptly shall be paid into the Bond Fund of the 2015H-1 Indenture for payment of Bond Debt Service Charges.

Section 3.05. FHA Lender Funds.

(a) The Borrower hereby acknowledges that the FHA Lender has determined to fund the FHA Insured Mortgage Loan, on the condition that the FHA Lender originate and service the FHA Insured Mortgage Loan in accordance with the FHA Loan Documents, the FHA Insurance Regulations and the GNMA Regulations, and the FHA Lender has further agreed pursuant to the related FHA Loan Documents to issue the GNMA Securities in accordance with the GNMA Regulations, based on and backed by the FHA Insured Mortgage Loan.

(b) The FHA Lender has agreed to deliver or cause to be delivered to the Trustee the FHA Lender Funds up to a maximum amount of \$1,815,000 plus the Initial Deposit upon its receipt and approval of one or more requisitions from the Borrower requesting an advance under the FHA Insured Mortgage Loan for payments of Project Costs.

(c) The Borrower agrees to pay to the FHA Lender all amounts when due under the FHA Note and to abide by the provisions of the FHA Loan Documents and the GNMA Documents.

(d) The Trustee agrees upon receipt from the FHA Lender of (i) the FHA Lender Funds, and (ii) an approved requisition, from time to time, to disburse amounts from the Project Fund, in the exact same amount of the FHA Lender Funds received by

the Trustee from the FHA Lender, to or at the direction of the FHA Lender for the payment of Project Costs set forth in the approved requisition.

(e) The Borrower acknowledges that the FHA Lender shall wire FHA Lender Funds up to an amount equal to \$[] directly to the Trustee and such funds shall be deposited, invested and applied by the Trustee in accordance with the provisions of Section 5.03 of the 2015H-1 Indenture.

Section 3.06. Borrower Required To Pay Costs in Event Project Fund Insufficient.

If moneys in the Project Fund are not sufficient to pay all Project Costs, the Borrower, nonetheless, will complete the Project in substantial accordance with the scope of work for the Project and shall pay all such additional Project Costs from its own funds (or from other public or private financing sources available to the Borrower). The Borrower shall pay all costs of issuing the Bonds. The Borrower shall not be entitled to any reimbursement for any such additional Project Costs or payment of issuance costs from the Issuer, the Trustee or any Holder; nor shall it be entitled to any abatement, diminution or postponement of the Loan Payments.

Section 3.07. Completion Date. The Borrower shall notify the Issuer and the Trustee of the Completion Date by the delivery of a Completion Certificate signed on behalf of the Borrower by an Authorized Borrower Representative substantially in the form of Exhibit C attached hereto. The Completion Certificate shall be delivered as promptly as practicable after the occurrence of the events and conditions referred to in paragraphs (a) through (d) of the Completion Certificate.

Section 3.08. Investment of Fund Moneys. At the written request of the Borrower, any moneys held as part of the Bond Fund, the Project Fund of the 2015H-1 Indenture, the Collateral Fund of the 2015H-1 Indenture and the Rebate Fund shall be invested or reinvested by the Trustee in Eligible Investments as provided in Section 5.05 of the 2015H-1 Indenture or Permitted Investments as provided in Section 6.01 of the 2015H-2 Indenture, as applicable. The Borrower covenants that, to the extent within its control, it will restrict that investment and reinvestment and the use of the proceeds of the Bonds in such manner and to such extent, if any, as may be necessary, after taking into account reasonable expectations at the time of delivery of and payment for the Bonds or subsequent intentional acts, so that the Bonds will not constitute arbitrage bonds under Section 148 of the Code. No provision of this Agreement shall be construed to impose upon the Trustee any obligation or responsibility for compliance with arbitrage regulations.

The Borrower shall provide the Issuer with, and the Issuer may base its certifications as authorized by the Bond Resolution on, a certificate of an appropriate officer, employee or agent of or consultant to the Borrower for inclusion in the transcript of proceedings for the Bonds, setting forth the reasonable expectations of the Borrower on the date of delivery of and payment for the Bonds regarding the amount and use of the proceeds of the Bonds and the facts, estimates and circumstances on which those expectations are based.

Section 3.09. Rebate Fund. The Borrower agrees to make such payments to the Trustee as are required of it under Section 5.09 of the 2015H-1 Indenture and Section 5.07 of the 2015H-2 Indenture as well as the expenses of any Independent certified public accounting firm or

qualified rebate analyst engaged in accordance with those Sections. The obligation of the Borrower to make such payments shall remain in effect and be binding upon the Borrower notwithstanding the release and discharge of the 2015H-1 Indenture or 2015H-2 Indenture.

Section 3.10. No Warranty by Issuer. Borrower agrees that, because the components of the Project have been and are to be designated and selected by it, THE ISSUER HAS NOT MADE AN INSPECTION OF THE PROJECT OR OF ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, AND THE ISSUER MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED OR OTHERWISE, WITH RESPECT TO THE SAME OR THE LOCATION, USE, DESCRIPTION, DESIGN, MERCHANTABILITY, FITNESS FOR USE FOR ANY PARTICULAR PURPOSE, CONDITION OR DURABILITY THEREOF, OR AS TO THE QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, IT BEING AGREED THAT ALL RISKS INCIDENT THERETO ARE TO BE BORNE BY THE BORROWER. IN THE EVENT OF ANY DEFECT OR DEFICIENCY OF ANY NATURE IN THE PROJECT OR ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, WHETHER PATENT OR LATENT, THE ISSUER SHALL HAVE NO RESPONSIBILITY OR LIABILITY WITH RESPECT THERETO. THE PROVISIONS OF THIS SECTION 3.10 HAVE BEEN NEGOTIATED AND ARE INTENDED TO BE A COMPLETE EXCLUSION AND NEGATION OF ANY WARRANTIES OR REPRESENTATIONS BY THE ISSUER, EXPRESS OR IMPLIED, WITH RESPECT TO THE PROJECT OR ANY FIXTURE OR OTHER ITEM CONSTITUTING A PORTION THEREOF, WHETHER ARISING PURSUANT TO THE UNIFORM COMMERCIAL CODE OR ANY OTHER LAW NOW OR HEREAFTER IN EFFECT.

ARTICLE IV

LOAN BY ISSUER; REPAYMENT OF THE LOAN; LOAN PAYMENTS AND ADDITIONAL PAYMENTS

Section 4.01. Loan Repayment; Delivery of Note. Upon the terms and conditions of this Agreement, the Issuer will make the Loan to the Borrower. In consideration of and in repayment of the Loan, the Borrower shall deliver or cause to be delivered to the Trustee on or before each Loan Payment Date and Payment Date, Loan payments, equal to the amount necessary to pay Bond Debt Service Charges due on the next Bond Payment Date and the accrued but unpaid interest on the Series 2015H-2 Bond on the next Payment Date. All such Loan payments shall be paid to the Trustee in accordance with the terms of the 2015H-1 Note and 2015H-2 Note, as applicable, for the account of the Issuer and shall be held and disbursed in accordance with the provisions of the 2015H-1 Indenture, the 2015H-2 Indenture and this Agreement.

The Borrower shall be entitled to a credit against the Loan Payments required to be made hereunder, on any date, equal to the amounts, if any, transferred by the Trustee from the Initial Deposit Account, the Project Fund or the Collateral Fund on such date for the payment of Bond Debt Service Charges.

To secure the Borrower's performance of its obligations under this Agreement, the Borrower shall execute and deliver, concurrently with the issuance and delivery of the Bonds, the Note, the Mortgage and the Regulatory Agreement.

Upon payment in full of the Bond Debt Service Charges on any or all of the Series 2015H-1 Bonds or payment of the entire Outstanding principal amount of the Series 2015H-2 Bond, in accordance with the 2015H-1 Indenture or 2015H-2 Indenture, as applicable, whether at maturity, upon acceleration or otherwise, or upon provision for the payment of all other obligations herein and therein having been made in accordance with the provisions of the 2015H-1 Indenture or 2015H-2 Indenture, as applicable, (i) if with respect to less than all of the related series of Bonds then outstanding, an appropriate notation shall be endorsed on the 2015H-1 Note or 2015H-2 Note, as applicable, evidencing the date and amount of the principal payment (or prepayment) equal to the related Bonds so paid, or with respect to which provision for payment has been made, and (ii) with respect to all of the applicable series Bonds then Outstanding, the related Note shall be deemed fully paid, the obligations of the Borrower shall be terminated, and the related Note shall be surrendered by the Trustee to the Borrower for cancellation. Unless the Borrower is entitled to a credit under express terms of this Agreement or to the 2015H-1 Note and 2015H-2 Note, as applicable, all payments on the 2015H-1 Note and 2015H-2 Note, as applicable shall be in the full amount required thereunder.

The Borrower and the Issuer each acknowledge that neither the Borrower nor the Issuer has any interest in the Bond Fund or in the Collateral Fund of the 2015H-1 Indenture and any moneys deposited therein shall be in the custody of and held by the Trustee in trust for the benefit of the Holders.

Section 4.02. Additional Payments. The Borrower shall pay to the Issuer or the Trustee, as the case may be, as Additional Payments hereunder the following:

(a) To the Issuer, on the Closing Date, the sum of \$[] and on each [] 1 and [] 1, thereafter an administrative fee as set forth in Section 7(n) of the Regulatory Agreement.

(b) To the Issuer or the Trustee, as the case may be, whether or not an Event of Default has occurred hereunder, as payment for or reimbursement or prepayment of any and all costs, expenses, and liabilities (i) incurred or paid by the Issuer or the Trustee, as the case may be, in satisfaction of any obligations of the Borrower hereunder not performed by the Borrower in accordance with the provisions hereof, or (ii) incurred as a result of a request by the Borrower or of a requirement of any Borrower Document or the Indenture and not otherwise required to be paid by the Borrower under this Agreement, including the fee due to the Issuer under Section 7(o) of the Regulatory Agreement or (iii) incurred in the defense of any action or proceeding with respect to the Project or any Borrower Document, or in enforcing any Borrower Document, or arising out of or based upon any other document related to the issuance of the Bonds; and

(c) To the applicable party, as payment for or reimbursement or prepayment of: (i) any Ordinary Services and Ordinary Expenses, Ordinary Fees and Expenses and Extraordinary Services and Extraordinary Expenses and Extraordinary Fees and

Expenses of the Trustee as trustee, registrar, authenticating agent and paying agent, and of any other paying agent, authenticating agent, and registrar on the Bonds under the Indenture, all as provided in the Indenture, as and when the same become due; provided that the Borrower may, without creating an Event of Default hereunder, contest in good faith the necessity for any Extraordinary Services, Extraordinary Expenses and the amount of any such Extraordinary Services, Extraordinary Expenses or Extraordinary Fees and Expenses; and (ii) the fees and expenses of the Rebate Consultant for services rendered pursuant to 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 (or on behalf of the Borrower in accordance with this Agreement) within 10 days of the Borrower's receipt of such demand, such Additional Payments shall bear interest from such tenth date at the Interest Rate for Advances until the amount due shall have been fully paid.

Section 4.03. Place of Payments. The Borrower shall make all Loan Payments and payment due on the Series 2015H-2 Bond directly to the Trustee at its designated corporate trust office. Additional Payments shall be made directly to the person or entity to whom or to which they are due.

Section 4.04. Obligations Unconditional. The obligations of the Borrower to make Loan Payments, Additional Payments and any payments required of the Borrower under Sections 5.09 and 6.03 of the 2015H-1 Indenture and Sections 5.07 and 5.14 of the 2015H-2 Indenture shall be absolute and unconditional, and the Borrower shall make such payments without abatement, diminution or deduction regardless of any cause or circumstances whatsoever including, without limitation, any defense, set off, recoupment or counterclaim which the Borrower may have or assert against the Issuer, the Trustee or any other Person; provided that the Borrower may contest in good faith the necessity for any Extraordinary Services and Extraordinary Expenses or Extraordinary Fees and Expenses and the amount of any Extraordinary Services or Extraordinary Expenses and Extraordinary Fees and Expenses.

Section 4.05. Assignment of Agreement, Issuer Revenues and Project Revenues. To secure the payment of Bond Debt Service Charges and payment of debt service on the Series 2015H-2 Bond, the Issuer shall assign to the Trustee, by the 2015H-1 Indenture and the 2015H-2 Indenture, as applicable, its rights under and interest in this Agreement (except for the Unassigned Issuer's Rights) and the 2015H-1 Note and 2015H-2 Note, as applicable. The Borrower hereby agrees and consents to those assignments. The Issuer shall not attempt to further assign, transfer or convey its interest in the Issuer Revenues, the Project Revenues or this Agreement or create any pledge or Lien of any form or nature with respect to the Issuer Revenues, Project Revenues or Loan Payments hereunder.

ARTICLE V

ADDITIONAL AGREEMENTS AND COVENANTS

Section 5.01. Right of Inspection. At all reasonable times and upon reasonable notice, the Borrower shall allow any duly authorized representative of the Issuer or the Trustee to visit and inspect the Project, to examine and make copies of and from its books of record and account, and to discuss its affairs, finances, and accounts with its officers, and shall furnish to the Issuer and the Trustee any information reasonably required regarding its business affairs and financial condition within a reasonable time after receipt of written request therefor.

Section 5.02. Borrower to Maintain Its Existence; Sales of Assets or Mergers. The Borrower shall maintain its existence, not dissolve or sell, transfer or otherwise dispose of all or substantially all of its assets and not consolidate with or merge into another entity or permit one or more other entities to consolidate with or merge into it; provided, that it may do so if the surviving, resulting or transferee entity is other than the Borrower, it assumes in writing all of the obligations of the Borrower under this Agreement and the Regulatory Agreement and it has a net worth equal to or greater than that of the Borrower immediately prior to such consolidation, merger, sale or transfer. The Borrower shall not permit one or more other entities to consolidate with or merge into it, without the prior written consent of the Issuer; or take any action or allow any action to be taken to terminate the existence of the Borrower except as provided herein. Nothing herein contained shall limit the rights of (a) any direct or indirect owners of interests in the Borrower to (i) transfer, convey, sell or otherwise dispose (a “Transfer”) their ownership interests to any Affiliate, or in connection with any estate planning, or by operation of law, or (ii) make Transfers among and between themselves, or (b) Borrower to make Transfers as otherwise permitted by (or subject to the terms and conditions set forth in) the Regulatory Agreement.

Notwithstanding anything to the contrary contained herein or in any of the other Bond Documents and subject to the consent of HUD prior to each occurrence in accordance with the FHA Loan Documents, the following shall be permitted and shall not, except as provided in the Regulatory Agreement, require the prior written approval of, or notice to, the Issuer or Trustee: (a) the transfer by the Investor Limited Partner of its interest in Borrower in accordance with the terms of Borrower’s [Amended and Restated Agreement of] Limited Partnership, as it may be amended from time to time (the “Partnership Agreement”), (b) the removal of the managing general partner [or administrative limited partner] of Borrower in accordance with the Partnership Agreement and the replacement thereof with the Investor Limited Partner, or any of its affiliates and in the case of the managing general partner, replacement with a nonprofit public benefit corporation, (c) the transfer of ownership interests in the Investor Limited Partner [or the Special Limited Partner], (d) the transfer of the interests of the Investor Limited Partner in Borrower to Borrower’s managing general partner or any of its affiliates, and (e) any amendment to the Partnership Agreement to memorialize the transfers or removal described above. The parties agree that, except for the provisions of the Regulatory Agreement, this section shall control to the extent of any conflict in any Bond Document.

Section 5.03. Indemnification. Borrower releases Issuer, Trustee and their respective officers, directors, agents, officials, employees, counsel, attorneys and agents, past, present and

future (and as to Issuer, members of its governing body) and any person who controls Issuer or 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 Issuer, Trustee 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”) 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:

(a) the transactions provided for in the Borrower Documents or the Indenture or otherwise in connection with the Project, the Bonds, 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 Borrower Documents (provided no indemnity shall be required for claims due to nonpayment of the Note);

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

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

(d) any and all claims arising in connection with the interpretation, performance, enforcement, breach, default or amendment of the Indenture, the Borrower Documents or any other documents relating to the Project or the Bonds or in connection with any federal or state tax audit or any questions or other matters arising under such documents (provided no indemnity shall be required for claims due to nonpayment of the Note);

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

(f) 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 Loan Documents except for claims arising from Trustee’s administration where such is a result of actions contrary to Trustee’s duties and obligations;

(g) 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 Borrower with respect to Borrower or the Project in any offering document or materials regarding the initial offering of the Bonds (in connection with their issuance under the Indenture), the Project or Borrower or the Tax Agreement executed by Borrower or any other certificate executed by 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 by the Borrower relating to Borrower or the Project contained in any offering material relating to the initial offering of the Bonds, as from time to time amended or supplemented with information provided by Borrower, or arising out of or based upon the omission or alleged omission to state in such offering material a material fact relating to 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 Bonds or failure to comply with any licensing or other law or regulation which would affect the manner in which or to whom the Bonds could be sold and the carrying out by Borrower of any of the transactions contemplated by the Indenture or the Borrower Documents;

(h) Borrower's failure to comply with any requirement of this Agreement or the Regulatory Agreement (provided no indemnity shall be required for claims due to nonpayment of the Note);

(i) any act or omission of 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 (provided no indemnity shall be required for claims due to nonpayment of the Note);

(j) 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 Borrower, whether or not related to the Project, 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;

(k) any violation of any environmental law, rule or regulation with respect to, or the release of any toxic substance from, the Project; and

(l) 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).

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 its other Indemnified Parties to the extent such damages are caused by the negligence or willful misconduct of such Person; and

(ii) in the case of the foregoing indemnification of Issuer or any of its Indemnified Parties, to the extent such damages are caused by the willful misconduct of the Issuer.

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, Borrower, upon written notice from the Indemnified Party, shall assume the investigation and defense of the action or proceeding, including the employment of counsel selected by Borrower, subject to the approval of the 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, 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 Borrower shall be obligated to pay the reasonable fees and expenses of such separate counsel if (A) the Indemnified Party, upon the advice of counsel, determines that a conflict of interest exists between the interests of the Indemnified Party and the interests of Borrower or (B) such separate counsel is employed with the approval of Borrower, which approval shall not be unreasonably withheld, conditioned or delayed.

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 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 which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.”

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 Borrower and agree 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 5.03 shall in any way limit the Borrower's indemnification and other payment obligations set forth in the Regulatory Agreement.

Section 5.04. Borrower Not To Adversely Affect Exclusion From Gross Income of Interest on Bonds. The Borrower hereby represents that it has taken and caused to be taken, and covenants that it will take and cause to be taken, all actions that may be required of it, alone or in conjunction with the Issuer, for the interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes, and represents that it has not taken or permitted to

be taken on its behalf, and covenants that it will not take or permit to be taken on its behalf, any actions that would adversely affect such exclusion under the provisions of the Code.

Section 5.05. Affirmative Covenants. Unless the Issuer or the FHA Lender shall otherwise consent in writing:

(a) ***Maintenance of Properties.*** The Borrower shall maintain and preserve in good working order and condition, ordinary wear and tear and casualty loss excepted, all of its properties which are necessary or useful in the proper conduct of its business, and shall from time to time make all necessary repairs, renewals, replacements, additions and improvements to said properties. All damage to apartment units shall be repaired promptly and apartment units shall be maintained so as to be available at all times for habitation.

(b) ***Keeping of Records and Books of Account.*** The Borrower shall keep adequate records and books of account in which complete entries will be made in accordance with GAAP or indicating deviations therefrom, reflecting all financial transactions. The Borrower shall deliver to the Trustee annually its year-end financial statements accompanied by a written statement of the Borrower's independent public accountants that in making the examination necessary for certification of such financial statements, nothing has come to their attention that would lead them to believe that the Borrower has violated any of the terms, covenants or provisions of this Agreement insofar as it relates to accounting matters.

(c) ***Payment of Taxes, Etc.*** The Borrower shall promptly pay and discharge: all taxes, assessments, fees, and other Government charges or levies imposed upon it or upon any of its properties, income or profits, before the same shall become delinquent; all lawful claims of materialmen, mechanics, carriers, warehousemen, landlords and other similar Persons for labor, materials, supplies and rentals, which if unpaid might by law become a Lien upon its properties; any Indebtedness heretofore or hereafter incurred by it when due, and discharge, perform and observe covenants, provisions and conditions to be discharged, performed and observed by it in connection therewith, or in connection with any agreement or other instrument relating thereto or in connection with any Lien existing at any time upon any of its properties; provided, however, that the Borrower shall not be required to pay any of the foregoing if (i) the amount, applicability or validity thereof shall currently be contested in good faith by appropriate proceedings, (ii) the Borrower shall have set aside on its books adequate reserves with respect thereto and (iii) the title of the Borrower to, and its right to use, its properties is not materially and adversely affected thereby. The Borrower hereby agrees that, in the event it fails to pay or cause to be paid taxes, assessments, fees and other Government charges or levies or the premium on any required insurance and such failure constitutes a default under the FHA Loan Documents, the Trustee may make such payment, but is not obligated to do so, and the Trustee shall be reimbursed by the Borrower therefor with interest on the amount so advanced at the Interest Rate for Advances as provided in Section 4.02 hereof.

(d) **Insurance.** The Borrower shall at all times maintain, or cause to be maintained, insurance of such types and in such amounts as required by the FHA Loan Documents.

(e) **Notice of Material Litigation.** The Borrower shall promptly notify the Issuer and the Trustee in writing of any litigation, arbitration proceeding or administrative investigation, inquiry or other proceeding to which it may hereafter become a party or be subject to which may result in a change in the business or assets or in the condition, financial or otherwise, of the Borrower which would materially impair the ability of the Borrower to perform this Agreement, the Regulatory Agreement or the Note, or any other agreement or instrument herein or therein contemplated.

(f) **Notice of Default.** In the event that any Event of Default occurs under this Agreement, the Borrower shall give prompt notice in writing of such happening to the Trustee.

(g) **Performance of Contracts, Etc.** Except to the extent contested in good faith, the Borrower shall perform according to and shall comply with all of its Contractual Obligations and all Requirements of Law if nonperformance thereof would result in a change in the business or assets or in the condition, financial or otherwise, of the Borrower which would materially impair the ability of the Borrower to perform this Agreement, the Regulatory Agreement or the Note or any other agreement or instrument herein or therein contemplated.

(h) **Notice of Other Matters.** The Borrower shall promptly notify the Trustee in writing of any of the following events:

(i) Any change with respect to the business or assets or in the condition, financial or otherwise, of the Borrower which would materially impair the ability of the Borrower to perform its obligations under this Agreement, the Regulatory Agreement or the Note or any other agreement or instrument herein or therein contemplated.

(ii) A default by the Borrower in any material respect under any material agreement to which the Borrower is a party or by which the Borrower or its properties or assets may be bound, giving in each case the details thereof and specifying the action proposed to be taken with respect thereto.

(i) **Cooperation in Perfecting Encumbrances, Etc.** The Borrower shall, and shall promptly execute, deliver and perform or cause to be done, executed, delivered and performed all such documents, instruments, agreements, things and acts, as may be necessary or advisable to perfect or maintain the encumbrance of the Regulatory Agreement against the Project.

(j) **Environmental Matters.** The Borrower will take and continue to take prompt action to remedy all environmental pollution and contamination, hazardous waste disposal and other environmental cleanup problems, if any, whether or not such cleanup problems have resulted from the order or request of a municipal, state, federal,

administrative or judicial authority, or otherwise. The foregoing covenant shall not constitute or create a waiver of any rights the Borrower may have to pursue any legal rights or remedies against any third party for any environmental claims.

(k) ***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 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 (except as permitted in the Regulatory Agreement), 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.R.F. 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 (except as permitted in the Regulatory Agreement), 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.

(l) ***Patriot Act.*** The Borrower covenants and agrees to provide documentation as reasonably requested or required by the Trustee to enable the Trustee to comply with the requirements of the USA Patriot Act as described in Section 13.13 of the Indenture.

(m) ***Incorporation of Tax Agreement.*** The representations of Borrower set forth in the Tax Agreement are incorporated by reference herein as if fully set forth herein. The Borrower and Issuer agree to comply with the requirements of the Tax Agreement.

Section 5.06. Additional Indebtedness. So long as no Event of Default or default hereunder shall have occurred and be continuing, the Borrower shall be permitted to incur any

Indebtedness for any Project Cost or other obligation or payment due under this Agreement, the Indenture or the Regulatory Agreement.

Section 5.07. Nature of Business. The Borrower will not change the general character of its business as conducted at the date hereof, or engage in any type of business not reasonably related to its business as normally conducted.

Section 5.08. Cooperation in Enforcement of Regulatory Agreement. In order to maintain the exclusion from gross income under federal tax law of interest on the Bonds and to assure compliance with the laws of the State (including the Act), the Borrower hereby agrees that it shall, concurrently with or before the execution and delivery of the Bonds, execute and deliver and cause to be recorded the agreement defined in the Indenture as the “Regulatory Agreement.” The Borrower hereby covenants and agrees as follows:

- (a) to comply with all provisions of the Regulatory Agreement;
- (b) to advise the Issuer in writing promptly upon learning of any default with respect to the covenants, obligations and agreements of the Borrower set forth in the Regulatory Agreement;
- (c) upon written direction by the Issuer, to cooperate fully and promptly with the Issuer in enforcing the terms and provisions of the Regulatory Agreement; and
- (d) to file in accordance with the time limits established by the Regulatory Agreement all reports and certificates required thereunder, and the annual certification to the Secretary of the Treasury required by the Regulatory Agreement.

The Issuer shall not incur any liability in the event of any breach or violation of the Regulatory Agreement by the Borrower, and the Borrower agrees to indemnify the Issuer from any claim or liability for such breach pursuant to Section 5.03 hereof.

Section 5.09. Tax-exempt Status of the Bonds.

(a) It is the intention of the Issuer and the Borrower that interest on the Bonds shall be and remain excludable from gross income for federal income taxation purposes, and to that end the covenants and agreements of the Borrower in this Section 5.09 are for the benefit of the owners of the Bonds and the Issuer.

(b) The Borrower covenants and agrees that it will not (i) use or permit the use of any of the funds provided by the Issuer hereunder or any other funds of the Borrower, directly or indirectly, in such manner as would, or (ii) enter into, or allow any “related person” (as defined in Section 147(a)(2) of the Code) to enter into, any arrangement, formal or informal, for the purchase of the Bonds that would, or (iii) take or omit to take any other action that would, in each case cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code.

(c) In the event that at any time the Borrower is of the opinion or becomes otherwise aware that for purposes of this Section 5.09 it is necessary to restrict or to limit

the yield on the investment of any moneys held under the Indenture or otherwise by the Trustee, the Borrower shall determine the limitations and so instruct the Trustee in writing and cause the Trustee to comply with those limitations under the Indenture.

(d) The Borrower will take such action or actions as may be reasonably necessary in the opinion of counsel to the Issuer, or of which it otherwise becomes aware, to fully comply with Section 148 of the Code as applicable to the Bonds.

(e) [Reserved].

(f) The Borrower further warrants and covenants that it has not executed and will not execute any other agreement, or any amendment or supplement to any other agreement, with provisions contradictory to, or in opposition to, the provisions, of this Loan Agreement and of the Regulatory Agreement, and that in any event, the requirements of this Loan Agreement and the Regulatory Agreement are paramount and controlling as to the rights and obligations herein set forth and supersede any other requirements in conflict herewith and therewith.

(g) The Borrower will use due diligence to complete the acquisition and rehabilitation of all of the units comprising the Project and reasonably expects to fully expend the entire \$[] principal amount of the Loan by the Maturity Date.

(h) The Borrower will take such action or actions as necessary to ensure compliance with Sections 2.02(e), (g), (h), (i), (l), (n), (o) and (p) hereof.

Section 5.10. Useful Life. The Borrower hereby represents and warrants that, within the meaning of Section 147(a)(14) of the Code, the average maturity of the Bonds does not exceed 120% of the average reasonably expected economic life of the facilities being financed with the proceeds of the Bonds.

Section 5.11. Federal Guarantee Prohibition. The Borrower shall take no action, nor permit nor suffer any action to be taken if the result of the same would be to cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

Section 5.12. Prohibited Facilities. The Borrower represents and warrants that no portion of the proceeds of the Loan shall be used to provide any airplane, skybox or other private luxury box, health club facility, facility primarily used for gambling, or store the principal business of which is the sale of alcoholic beverages for consumption off premises, and no portion of the proceeds of the Loan shall be used for an office unless (a) the office is located on the premises of facilities constituting a portion of the Project and (b) not more than a de minimis amount of the functions to be performed at such office is not related to the day-to-day operations of the Project.

Section 5.13. Control of Borrower, FHA Lender and Bondowner Representative. The Borrower hereby represents that neither the FHA Lender nor the Bondowner Representative controls, either directly or indirectly, through one or more intermediaries, the Borrower and that the Borrower does not control, either directly or indirectly, through one or more intermediaries, the FHA Lender or the Bondowner Representative. “Control” for this purpose has the meaning

given to such term in Section 2(a)(9) of the Investment Company Act of 1940. The Borrower will give notice to the Trustee, the Placement Agent and the Underwriter of any transaction that would result in the Borrower controlling or being controlled by the FHA Lender or the Bondowner Representative at least 45 days prior to the date of consummation of such transaction. The Trustee will give such notice to the Bondholders within ten days of receipt thereof.

ARTICLE VI

PREPAYMENT

Section 6.01. Optional Prepayment. The 2015H-1 Loan may be prepaid by the Borrower in whole at any time on or after the later to occur of (i) the date that the Project is placed in service (which for purposes of this Agreement shall be the Completion Date), and (ii) [_____], without penalty. In order to prepay the 2015H-1 Loan, the Borrower shall give the Trustee written notice at least thirty (30) days prior to the prepayment date to effect an optional redemption of the Series 2015H-1 Bonds pursuant to Section 4.01 of the 2015H-1 Indenture. The 2015H-2 Loan may be prepaid by the Borrower in whole or in part at any time on or after the later to occur of (i) the date that the Project is placed in service (which for purposes of this Agreement shall be the Completion Date), and (ii) [_____], [without penalty] as provided in the 2015H-2 Note following delivery to the Trustee of not less than [5] days written notice thereof.

Section 6.02. Termination Upon Assignment of FHA Insured Mortgage Loan. Upon receipt from the FHA Lender of written certification of an occurrence of any event of default by the Borrower under any FHA Loan Documents and commencement of proceedings for assignment of the FHA Insured Mortgage Loan to HUD for a claim for FHA insurance, the Trustee shall promptly proceed to call the Series 2015H-1 Bonds for mandatory redemption pursuant to Section 4.01 of the 2015H-1 Indenture, and pay the redemption price of the Series 2015H-1 Bonds with funds on deposit in the Bond Fund, Collateral Fund, and Project Fund of the 2015H-1 Indenture.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

Section 7.01. Events of Default. Each of the following shall be an Event of Default:

(a) The Borrower shall fail to pay any Loan Payment on or prior to the date on which that Loan Payment is due and payable [or within the Loan Payment Cure Period];

(b) The Borrower shall fail to observe and perform any other agreement, term or condition contained in this Agreement and the continuation of such failure for a period of 30 days after written notice thereof shall have been given to the Borrower and the Investor Limited Partner by the Issuer or the Trustee, or for such longer period as the Issuer and the Trustee may agree to in writing; provided, that if the failure is other than

the payment of money and is of such nature that it can be corrected but not within the applicable period, that failure shall not constitute an Event of Default so long as the Borrower institutes curative action within the applicable period and diligently pursues that action to completion, which must be resolved within 180 days after the aforementioned notice;

(c) The Borrower shall: (i) admit in writing its inability to pay its debts generally as they become due; (ii) have an order for relief entered in any case commenced by or against it under the federal bankruptcy laws, as now or hereafter in effect, which is not dismissed within 90 days; (iii) voluntarily commence a proceeding under any other federal or state bankruptcy, insolvency, reorganization or similar law, or have such a proceeding commenced against it and either have an order of insolvency or reorganization entered against it or have the proceeding remain undismissed and unstayed for 90 days; (iv) make an assignment for the benefit of creditors; or (v) have a receiver or trustee appointed for it or for the whole or any substantial part of its property which appointment is not vacated within a period of 90 days;

(d) Any representation or warranty made by the Borrower herein or any statement in any report, certificate, financial statement or other instrument furnished in connection with this Agreement or with the purchase of the Bonds shall at any time prove to have been false or misleading in any adverse material respect when made or given;

(e) There shall occur an “Event of Default” as defined in the Indenture or the Regulatory Agreement; and

(f) The Borrower shall fail to make payment of accrued interest and principal on the Series 2015H-2 Bond in accordance with the 2015H-2 Note.

Notwithstanding the foregoing, if, by reason of Force Majeure, the Borrower is unable to perform or observe any agreement, term or condition hereof which would give rise to an Event of Default under subsection (b) hereof, the Borrower shall not be deemed in default during the continuance of such inability. However, the Borrower shall promptly give notice to the Trustee and the Issuer of the existence of an event of Force Majeure and shall use commercially reasonable efforts to remove the effects thereof; provided that the settlement of strikes or other industrial disturbances shall be entirely within its discretion.

The term “Force Majeure” shall mean, without limitation, the following:

(i) acts of God; strikes, lockouts or other industrial disturbances; acts of terrorism or of public enemies; orders or restraints of any kind of the government of the United States of America or of the State or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; civil disturbances; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornados; storms; droughts; floods; arrests; restraint of government and people; explosions; breakage, malfunction or accident to facilities, machinery, transmission pipes or canals; partial or entire failure of utilities; shortages of labor, materials, supplies or transportation; or

(ii) any cause, circumstance or event not reasonably within the control of the Borrower.

The declaration of an Event of Default under subsection (c) above, and the exercise of remedies upon any such declaration, shall be subject to any applicable limitations of federal bankruptcy law affecting or precluding that declaration or exercise during the pendency of or immediately following any bankruptcy, liquidation or reorganization proceedings.

Section 7.02. Remedies on Default. Whenever an Event of Default shall have happened and be subsisting, any one or more of the following remedial steps may be taken:

(a) If acceleration of the principal amount of the Bonds has been declared pursuant to Section 7.03 of the 2015H-1 Indenture, the Trustee shall declare all Loan Payments to be immediately due and payable together with any other amounts payable by the Borrower under this Agreement and the 2015H-1 Note whereupon the same shall become immediately due and payable;

(b) The Trustee may exercise any or all or any combination of the remedies specified in this Agreement;

(c) The Issuer or the Trustee may have access to, inspect, examine and make copies of the books, records, accounts and financial data of the Borrower pertaining to the Project; or

(d) The Issuer or the Trustee may pursue all remedies now or hereafter existing at law or in equity to collect all amounts then due and thereafter to become due under this Agreement, the Regulatory Agreement, the Mortgage and the Note or to enforce the performance and observance of any other obligation or agreement of the Borrower under those instruments.

Notwithstanding the foregoing, neither the Issuer nor the Trustee, as assignee of the Issuer, shall be obligated to take any step which in its respective opinion will or might cause it to expend time or money or otherwise incur liability unless and until a satisfactory indemnity bond has been furnished to the Issuer or the Trustee, as applicable, at no cost or expense to the Issuer or the Trustee. Any amounts collected as Loan Payments and payments on the 2015H-2 Loan or applicable to Loan Payments or payments on the 2015H-2 Loan, and any other amounts which would be applicable to payment of Bond Debt Service Charges and payments on the 2015H-2 Loan collected pursuant to action taken under this Section shall be paid: first into the Bond Fund of the 2015H-1 Indenture and applied in accordance with the provisions of the 2015H-1 Indenture until the Outstanding Series 2015H-1 Bonds have been paid and discharged in accordance with the provisions of the 2015H-1 Indenture; and second into the Bond Fund of the 2015H-2 Indenture and applied in accordance with provisions of the 2015H-2 Indenture; and third, any remaining funds shall be paid as provided in Section 5.08 of the 2015H-1 Indenture for transfers of remaining amounts in the Bond Fund of the 2015H-1 Indenture.

The Bondowner Representative may, following an Event of Default in connection with the 2015H-2 Note and the Mortgage, request the delivery and assignment from the Trustee in exchange for the Series 2015H-2 Bond as stated in Article VIII of the 2015H-2 Indenture.

The provisions of this Section are subject to the further limitation that the rescission by the Trustee of its declaration that all of the Bonds are immediately due and payable also shall constitute an annulment of any corresponding declaration made pursuant to paragraph (a) of this Section and a waiver and rescission of the consequences of that declaration and of the Event of Default with respect to which that declaration has been made, provided that no such waiver or rescission shall extend to or affect any subsequent or other default or impair any right consequent thereon.

Section 7.03. No Remedy Exclusive. No remedy conferred upon or reserved to the Issuer or the Trustee by this Agreement is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement, the Regulatory Agreement, the Mortgage or the Note, or now or hereafter existing at law, in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair that right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Issuer or the Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than any notice required by law or for which express provision is made herein.

Section 7.04. Agreement To Pay Attorneys' Fees and Expenses. If an Event of Default should occur and the Issuer or the Trustee should incur expenses, including attorneys' fees, in connection with the enforcement of this Agreement, the Regulatory Agreement, the Mortgage or the Note or the collection of sums due thereunder, the Borrower shall reimburse the Issuer and the Trustee, as applicable, for the expenses so incurred upon demand.

Section 7.05. No Waiver. No failure by the Issuer or the Trustee to insist upon the strict performance by the Borrower of any provision hereof shall constitute a waiver of their right to strict performance and no express waiver shall be deemed to apply to any other existing or subsequent right to remedy the failure by the Borrower to observe or comply with any provision hereof.

Section 7.06. Notice of Default. The Borrower shall notify the Trustee immediately if it becomes aware of the occurrence of any Event of Default hereunder or of any fact, condition or event which, with the giving of notice or passage of time or both, would become an Event of Default.

Section 7.07. Investor Limited Partner's Cure Rights. The Issuer hereby agrees that any cure of any Event of Default hereunder made or tendered by the Investor Limited Partner shall be deemed to be cured by the Borrower, and shall be accepted or rejected by the Issuer on the same basis as if made or tendered by the Borrower.

ARTICLE VIII

MISCELLANEOUS

Section 8.01. Term of Agreement. This Agreement shall be and remain in full force and effect from the date of delivery of the Bonds until such time as all of the Bonds shall have

been fully paid (or provision made for such payment) pursuant to the Indenture and all other sums payable by the Borrower under this Agreement and the Note shall have been paid, except for obligations of the Borrower under Sections 3.09, 4.02 and 5.03 hereof, which shall survive any termination of this Agreement.

Section 8.02. Amounts Remaining in Funds. Any amounts in the Bond Fund of the 2015H-1 Indenture or 2015H-2 Indenture, remaining unclaimed by the Holders of the respective Bonds for two years after the due date thereof (whether at stated maturity or otherwise), at the option of the Borrower, shall be deemed to belong to and shall be paid, at the written request of the Borrower, to the Borrower by the Trustee as overpayment of Loan Payments or debt service on the 2015H-2 Note as applicable. With respect to that principal of and interest on the Bonds to be paid from moneys paid to the Borrower pursuant to the preceding sentence, the Holders of the Bonds entitled to those moneys shall look solely to the Borrower for the payment of those moneys. Further, any amounts remaining in the respective Bond Fund, respective Project Fund and any other special funds or accounts created under this Agreement, the Regulatory Agreement or the Indenture after all of the Outstanding Bonds shall be deemed to have been paid and discharged under the provisions of the Indenture and all other amounts required to be paid under this Agreement, the Note, the Mortgage, the Regulatory Agreement and the Indenture have been paid, shall be paid to the Borrower to the extent that those moneys are in excess of the amounts necessary to effect the payment and discharge of the outstanding Bonds.

Section 8.03. Notices. All notices, certificates, requests or other communications hereunder shall be given in the same manner as notices, certificates, requests and other communications are to be given under Section 13.03 of the 2015H-1 Indenture.

Section 8.04. Extent of Covenants of the Issuer; No Personal Liability. 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 Issuer in his or her individual capacity, and neither any employee, attorney or officer of the Issuer nor any officer thereof executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof. No director, officer, employee, attorney or agent of Issuer shall incur any personal liability with respect to any other action taken by him or her pursuant to this Agreement or the Act, 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 Issuer contained in any document executed by Issuer in connection with the Project or the issuance, sale and delivery of the Bonds shall give rise to any pecuniary liability of Issuer or a charge against its general credit or taxing powers, or shall obligate Issuer financially in any way.

Section 8.05. Binding Effect. This Agreement shall inure to the benefit of and shall be binding in accordance with its terms upon the Issuer, the Borrower and their respective permitted successors and assigns provided that this Agreement may not be assigned by the Borrower (except in connection with a sale or transfer of assets pursuant to Section 5.02 hereof) and may not be assigned by the Issuer except to the Trustee pursuant to the Indenture or as otherwise may be necessary to enforce or secure payment of Bond Debt Service Charges and debt service due on the Series 2015H-2 Bond. This Agreement may be enforced only by the parties, their assignees and others who may, by law, stand in their respective places.

Section 8.06. Amendments and Supplements. Except as otherwise expressly provided in this Agreement or the Indenture, subsequent to the issuance of the Bonds and prior to all conditions provided for in the Indenture for release of the Indenture having been met, this Agreement, the Regulatory Agreement and the Note may not be effectively amended, changed, modified, altered or terminated except in accordance with the provisions of Article XI of the Indenture, as applicable.

Section 8.07. Execution Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be regarded as an original and all of which shall constitute but one and the same instrument.

Section 8.08. Severability. If any provision of this Agreement, or any covenant, obligation or agreement contained herein is determined by a court to be invalid or unenforceable, that determination shall not affect any other provision, covenant, obligation or agreement, each of which shall be construed and enforced as if the invalid or unenforceable portion were not contained herein. That invalidity or unenforceability shall not affect any valid and enforceable application thereof, and each such provision, covenant, obligation or agreement shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

Section 8.09. Governing Law. This Agreement shall be deemed to be a contract made under the laws of the State and for all purposes shall be governed by and construed in accordance with the laws of the State.

Section 8.10. Nonrecourse Obligations. Notwithstanding anything to the contrary set forth herein, in the Note and in any other document delivered in connection herewith, it is hereby expressly agreed and understood that the obligations of Borrower hereunder, under the Note and under every document executed and delivered in connection herewith, are nonrecourse. Neither the Borrower nor any member, partner, officer, director or employee of the Borrower (each, a “Related Party”) shall have any personal liability for the repayment of the Loan. In furtherance thereof, the Issuer and the Trustee shall be entitled to look solely and exclusively to the Issuer Revenues, the Project Revenues and any income derived therefrom for the payment and other obligations of Borrower hereunder, under the Note and all evidences of indebtedness secured hereby, and shall not seek a personal judgment against any Related Party, provided that nothing herein shall relieve any such Related Party (other than the Investor Limited Partner) from liability for any of the following:

- (a) [reserved];
- (b) [reserved];
- (c) fraud or material misrepresentation by a Related Party against the Issuer or the Holder;
- (d) conversion by a Related Party of all or a material portion of the Project; or
- (e) gross negligence, willful misconduct or intentional torts of a Related Party relating to the Project or the revenues therefrom.

Section 8.11. FHA Federal Laws and Requirements Control. Notwithstanding anything in this Loan Agreement or the Indenture to the contrary:

(a) The Borrower, the Trustee and the Issuer acknowledge that this Loan Agreement, the Note, the Mortgage and all of the Borrower's obligations thereunder, are subject and subordinate to the FHA Loan Documents. Notwithstanding any provision in this Loan Agreement to the contrary, no obligations of the Borrower hereunder shall be payable except from (i) Surplus Cash (as defined in the HUD Regulatory Agreement) or (ii) funds that are not derived from (A) revenues of the Project (as defined in the FHA Mortgage), (B) any reserve or deposit made with the FHA Lender or any other party as required by HUD in connection with the FHA Loan Documents, (iii) any proceeds of the FHA Note which have been deposited into the Collateral Fund of the 2015H-1 Indenture by or at the direction of the FHA Lender or (iv) FHA Lender Funds (collectively, "Non-Project Sources"). No claims or actions shall be made (or payable) under this Loan Agreement against the Project, the FHA Lender, the proceeds of the FHA Note, or the assets of the Borrower, except for Surplus Cash of the Borrower. In addition, the rights and obligations of the parties under this Loan Agreement and all other Bond Documents are and shall be subordinated in all respects to the rights and obligations of the parties to and under the FHA Loan Documents. In the event of any conflict between the provisions of (1) this Loan Agreement or any other Bond Document and (2) the provisions of the FHA Loan Documents or the Program Obligations (as defined in the FHA Mortgage), the provisions of the FHA Loan Documents or the Program Obligations shall control. The provisions of this Section 8.11 shall control over any inconsistent provisions in this Loan Agreement or the other Bond Documents.

(b) Any subsequent amendment to this Loan Agreement or the Indenture is subject to prior written approval of HUD (so long as the Project is subject to a mortgage insured or held by HUD). No amendment to this Loan Agreement or the Indenture shall conflict with the provisions of the Program Obligations.

(c) [Reserved].

(d) There is no pledge hereunder or under the Indenture of the gross revenues or any of the assets of the Project.

(e) Neither a default under this Loan Agreement nor under the Indenture shall constitute a default under the FHA Loan Documents related to the Project.

(f) Nothing contained herein or in the Indenture shall inhibit or impair the right of FHA to require or agree to any amendment, change or modification of any FHA Loan Documents related to the Project for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provision contained therein, or in regard to matters or questions arising under said FHA Loan Documents so long as any such amendment, change or modification shall not adversely affect the payment terms of the Bonds.

(g) Neither the Issuer, the Trustee, nor any of the Holders has or shall be entitled to assert any claim against the Project, any reserves or deposits required by HUD in connection with the Project, or the rents or deposits or other income of the Project.

(h) Proceeds from any condemnation award or from the payment of a claim under any hazard insurance policy relating to the Project will not be payable to the Trustee, but will be payable and applied in accordance with the FHA Loan Documents.

Section 8.12. Limitation on Liability of the Issuer. The Issuer shall not be obligated to pay the principal of or interest on the Bonds, except from moneys and assets received by the Trustee on behalf of the Issuer pursuant to this Loan Agreement, or from amounts held by the Trustee under the Indenture.

THE BONDS ARE NOT OBLIGATIONS, EITHER GENERAL OR SPECIAL, AND DO NOT CONSTITUTE A PLEDGE OF THE GENERAL CREDIT OR TAXING POWER, OF THE CITY OF LOS ANGELES, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, BUT ARE PAYABLE SOLELY FROM THE TRUST ESTATE AND ANY OTHER REVENUES, FUNDS AND ASSETS PLEDGED UNDER THE INDENTURE AND NOT FROM ANY OTHER REVENUE, FUNDS OR ASSETS OF THE ISSUER. NEITHER THE CITY OF LOS ANGELES, THE STATE OF CALIFORNIA NOR ANY SUCH POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE THEREON. NO MEMBER, OFFICER, AGENT, EMPLOYEE OR ATTORNEY OF THE ISSUER, INCLUDING ANY PERSON EXECUTING THE INDENTURE, THE BONDS OR THIS AGREEMENT, SHALL BE LIABLE PERSONALLY ON THE BONDS, THE INDENTURE OR THIS AGREEMENT OR FOR ANY REASON RELATING TO THE ISSUANCE OF THE BONDS. NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE BONDS, OR FOR ANY CLAIM BASED ON THE BONDS, OR OTHERWISE IN RESPECT OF THE BONDS, OR BASED ON OR IN RESPECT OF THIS AGREEMENT, THE INDENTURE OR ANY SUPPLEMENT TO EITHER, AGAINST ANY MEMBER, OFFICER, EMPLOYEE OR AGENT, AS SUCH, OF THE ISSUER OR ANY SUCCESSOR, 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, BY THE ACCEPTANCE OF THE BONDS AND AS PART OF THE CONSIDERATION FOR THE ISSUE OF THE BONDS, EXPRESSLY WAIVED AND RELEASED.

The Borrower hereby acknowledges that the Issuer's sole source of moneys to repay the Bonds will be provided by the payments made by the Borrower pursuant to this Loan Agreement, and amounts in certain funds and accounts held by the Trustee under the Indenture, and hereby agrees that if the payments to be made hereunder shall ever prove insufficient to pay all principal of and interest on the Bonds as the same shall become due (whether by maturity, redemption, acceleration or otherwise), then upon notice from the Trustee, the Borrower shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal of or interest on the Bonds, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Trustee, the Borrower, the Issuer or any third party, subject to any right of reimbursement from the Trustee, the Issuer or any such third party, as the case may be, therefor.

Section 8.13. Americans with Disabilities Act. [the following is subject to further revision] Borrower hereby certifies that it will comply with 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”). Borrower 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 provisions of the ADA. Borrower will not discriminate against persons with disabilities nor against persons due to their relationship to or association with a person with a disability. Any subcontract entered into by Borrower, relating to this Agreement, to the extent allowed hereunder, shall be subject to the provisions of this Section.

Section 8.14. Business Tax Registration Certificate. Subject to any exemption available to it, Borrower 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, Borrower 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.

Section 8.15. 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, Borrower certifies that it will (a) fully comply with all State and Federal employment reporting requirements applicable to Child Support Assignment Orders; (b) that the principal owner(s) of Borrower are in compliance with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally; (c) 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) maintain such compliance throughout the term of the Regulatory Agreement. Pursuant to Section 10.10.b of the Los Angeles Administrative Code, failure of 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 Borrower to comply with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally shall constitute a default by Borrower as appropriate, under the terms of this Agreement, subjecting (i) 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 Borrower by Issuer. Any subcontract entered into by 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 Borrower to obtain compliance of its subcontractors shall constitute a default by Borrower under the terms of this Agreement, subjecting (i) Borrower to the remedies provided herein and (ii) the Trustee to termination under the Indenture where such failure shall continue for more than 90 days after notice of such failure to Borrower by Issuer.

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 8.16. Delivery of Reports, Etc. The delivery of reports, information and documents to the Issuer as provided herein is for informational purposes only and the Issuer's receipt of such shall not constitute constructive knowledge of any information contained therein or determinable from information contained therein. The Issuer shall have no duties or responsibilities except those that are specifically set forth herein, and no other duties or obligations shall be implied in this Loan Agreement against the Issuer.

[Remainder of Page Intentionally Left Blank]

ISSUER:

CITY OF LOS ANGELES

By Los Angeles Housing and Community
Investment Department

By _____
Helmi A. Hisserich
Authorized Officer

Approved as to form:

CITY OF LOS ANGELES
MICHAEL N. FEUER, City Attorney

By _____
Deputy/Assistant City Attorney

[Issuer signature page to *Pilgrim Tower* Loan Agreement]

BORROWER:

PILGRIM TOWER APARTMENTS, L.P., a
California limited partnership

By: Pilgrim Tower Apartments, LLC, a
California limited liability company, its
general partner

By: Brookmore Apartment Corporation, a
California nonprofit corporation, its
sole member

By: _____
Howard Hudson, President

[Borrower signature page to *Pilgrim Tower* Loan Agreement]

EXHIBIT A-1

FORM OF SERIES 2015H-1 NOTE

This Note has not been registered under the Securities Act of 1933. Its transferability is restricted by the Trust Indenture and the Loan Agreement referred to herein.

\$1,815,000

[____], 2015

Pilgrim Tower Apartments, L.P., a California limited partnership (the “Borrower”), for value received, promises to pay in installments to City of Los Angeles, as Issuer (the “Issuer”), under the Indenture hereinafter referred to, the principal sum of \$1,815,000 and to pay interest on the unpaid balance of such principal sum from and after the date hereof at the rate of [____]% per annum, until the payment of such principal sum has been made or provided for. The Principal Amount stated above shall be paid on or before the fifth Business Day (as defined in the Indenture defined herein) immediately preceding the Maturity Date (as defined in the Indenture defined herein). Interest shall be calculated on the basis of a 360-day year of 12 equal months. Interest on this Note shall be paid in Federal Reserve funds on the fifth Business Day next preceding each March 1 and September 1, commencing March 1, 2016 (the “Interest Payment Dates”).

This Note has been executed and delivered by the Borrower to the Issuer pursuant to that certain Loan Agreement (the “Agreement”) dated as of [____] 1, 2015, between the Issuer and the Borrower. Terms used but not defined herein shall have the meanings ascribed to such terms in the Agreement and the Indenture.

Under the Agreement, the Issuer has loaned the Borrower the principal proceeds received from the sale of the Issuer’s \$1,815,000 Multifamily Housing Revenue Bonds (Pilgrim Tower Apartments), Series 2015H-1 dated of even date herewith (the “Bonds”) to assist in the financing of the Project, and the Borrower has agreed to repay such loan by making payments (“Loan Payments”) at the times and in the amounts set forth in this Note for application to the payment of Bond Debt Service Charges on the Bonds as and when due. The Bonds have been issued, concurrently with the execution and delivery of this Note, pursuant to, and are secured by, the Trust Indenture (the “Indenture”), dated as of [____] 1, 2015, between the Issuer and [____] Bank National Association, as Trustee (the “Trustee”) and in the Indenture has been assigned by the Issuer to the Trustee to secure the repayment of principal and interest on the Bonds and other amounts under the Indenture.

To provide funds to pay the principal of and interest on the Bonds as and when due as specified herein, the Borrower hereby agrees to and shall make Loan Payments in Federal Reserve funds on the fifth Business Day immediately preceding each Interest Payment Date in an amount equal to the Bond Debt Service Charges on the Bonds payable on the next succeeding Interest Payment Date. In addition, to provide funds to pay the Bond Debt Service Charges on the Bonds as and when due at any other time, the Borrower hereby agrees to and shall make Loan Payments in United States Federal Reserve funds on the fifth Business Day immediately preceding any other date on which any Bond Debt Service Charges on the Bonds shall be due

and payable, whether at maturity, upon acceleration or otherwise, in an amount equal to those Bond Debt Service Charges.

If payment or provision for payment in accordance with the Indenture is made in respect of the Bond Debt Service Charges on the Bonds from moneys other than Loan Payments, this Note shall be deemed paid to the extent such payments or provision for payment of Bonds has been made. Consistent with the provisions of the immediately preceding sentence, the Borrower shall have credited against its obligation to make Loan Payments any amounts transferred from the Initial Deposit Account of the Bond Fund, the Project Fund or the Collateral Fund to the Bond Fund. Subject to the foregoing, all Loan Payments shall be in the full amount required hereunder.

All Loan Payments shall be made to the Trustee at its designated corporate trust office for the account of the Issuer and deposited in the Bond Fund created by the Indenture. Except as otherwise provided in the Indenture, the Loan Payments shall be used by the Trustee to pay the Bond Debt Service Charges and payment of principal and interest on the Series 2015H-2 Bond as and when due.

The obligation of the Borrower to make the payments required hereunder shall be absolute and unconditional and the Borrower shall make such payments without abatement, diminution or deduction regardless of any cause or circumstances whatsoever including, without limitation, any defense, set off, recoupment or counterclaim which the Borrower may have or assert against the Issuer, the Trustee or any other person.

This Note is subject to optional prepayment by the Borrower on the terms stated in the Agreement.

Whenever an Event of Default under Section 7.01 of the Indenture shall have occurred and, as a result thereof, the principal of and any premium on all Bonds then outstanding, and interest accrued thereon, shall have been declared to be immediately due and payable pursuant to Section 7.03 of the Indenture, the unpaid principal amount of and any premium and accrued interest on this Note shall also be due and payable in Federal Reserve funds on the date on which the principal of and premium and interest on the Bonds shall have been declared due and payable; provided that the annulment of a declaration of acceleration with respect to the Bonds shall also constitute an annulment of any corresponding declaration with respect to this Note.

The payment obligations of this Note are nonrecourse to the Borrower to the extent set forth in Section 8.10 of the Agreement.

This Note and all of the Borrower's obligations hereunder are subject and subordinate to the FHA Loan Documents to the extent set forth in Section 8.11 of the Agreement.

In the event of any conflict between the provisions of (i) this Note or the other Subordinate Loan Documents and (ii) the provisions of the FHA Loan Documents or the Program Obligations (as defined in the FHA Mortgage), the provisions of the FHA Loan Documents or the Program Obligations shall control.

IN WITNESS WHEREOF, the Borrower has caused this Note to be executed in its name as of the date first above written.

BORROWER:

PILGRIM TOWER APARTMENTS, L.P., a
California limited partnership

By: Pilgrim Tower Apartments, LLC, a
California limited liability company, its
general partner

By: Brookmore Apartment Corporation, a
California nonprofit corporation, its
sole member

By: _____
Howard Hudson, President

EXHIBIT A-2
FORM OF SERIES 2015H-2 NOTE

[TO BE PROVIDED]

EXHIBIT B

BORROWER'S CERTIFICATE TO FHA LENDER AND TRUSTEE

STATEMENT NO. ____ REQUESTING DISBURSEMENT OF FUNDS FROM
PROJECT FUND PURSUANT TO SECTION 3.04 OF THE LOAN AGREEMENT
DATED AS OF [_____] 1, 2015 BETWEEN THE
CITY OF LOS ANGELES
AND PILGRIM TOWER APARTMENTS, L.P.

Pursuant to Section 3.04 of the Loan Agreement (the "Agreement") between the City of Los Angeles (the "Issuer") and Pilgrim Tower Apartments, L.P., a California limited partnership (the "Borrower"), dated as of [_____] 1, 2015, the Borrower hereby requests and authorizes [_____] Bank National Association, as trustee (the "Trustee"), as depository of the Project Fund created by the Indenture, to disburse out of the moneys deposited in the Project Fund in the amount(s) and to the person(s) set forth in this certificate immediately upon a corresponding amount of FHA Lender Funds or other Available Moneys being deposited by the FHA Lender or the Borrower into the Collateral Fund. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the 2015H-1 Indenture referenced in the Agreement.

To induce the Trustee to release moneys deposited in the Project Fund pursuant to the terms of the Indenture and the Agreement in the amounts(s) and to the person(s) set forth herein and in the Disbursement Schedule attached hereto, the undersigned Borrower represents, warrants and certifies to the Issuer and the Trustee:

(a) Each item for which disbursement is requested hereunder either (i) are presently due and payable, constitute Project Costs properly incurred by the Borrower in connection with the Project being financed with the proceeds of the Loan, or are reimbursable Project Costs properly chargeable against the Loan; or (ii) are to be deposited to an escrow fund to be disbursed therefrom solely for Project Costs properly incurred by the Borrower in connection with the Project; and in each case none of the items for which disbursement is requested has formed the basis for any disbursement heretofore made from said Project Fund. The amount or amounts and the party or parties to whom the disbursements shall be made are specified in the Disbursement Schedule attached hereto (and may be the undersigned in the case of reimbursement for advances and payments made or cost incurred for work done by the undersigned).

(b) Each such item is or was necessary in connection with the acquisition and rehabilitation of the Units of the Project.

(c) The costs specified in the Disbursement Schedule attached hereto, when added to all previous disbursements from the Project Fund, will result in at least 95% of the aggregate amount of all disbursements having been used to pay or reimburse the Borrower for amounts which are Qualified Project Costs (as defined in the Regulatory Agreement referred to in the Agreement).

(d) To the knowledge of the undersigned, there is no current or existing event of default pursuant to the terms of the Agreement or the Regulatory Agreement and no event exists which by notice or passage of time or both would constitute an event of default under any of the foregoing documents.

(e) No representation or warranty of the Borrower contained in the Agreement or the Regulatory Agreement is materially incorrect or inaccurate, except as the Borrower has set forth in writing, and there has been no event of default under the terms of any of those documents and which is continuing and no event shall exist which by notice, passage of time or both would constitute an event of default under any of those documents.

(f) This statement and all exhibits hereto, including the Disbursement Schedule attached hereto, shall be conclusive evidence of the facts and statements set forth herein and shall constitute full warrant, protection and authority to the Trustee for its actions taken pursuant hereto.

This statement constitutes the approval of the Borrower of the disbursement hereby requested and authorized.

Dated this _____ day of _____, 20__.

BORROWER:

PILGRIM TOWER APARTMENTS, L.P., a
California limited partnership

By: Pilgrim Tower Apartments, LLC, a
California limited liability company, its
general partner

By: Brookmore Apartment Corporation, a
California nonprofit corporation, its
sole member

By: _____
Howard Hudson, President

Schedule 1 Approved by FHA Lender:

RED MORTGAGE CAPITAL, LLC, a
Delaware limited liability company

By _____
Name _____
Title _____

Approved by the Issuer:

For Issuer consent requirements,
see Section 5.03(a) of the Indenture

CITY OF LOS ANGELES

By _____
Name _____
Title _____
Date _____

DISBURSEMENT SCHEDULE 1

TO STATEMENT NO. _____ REQUESTING AND AUTHORIZING
DISBURSEMENT OF FUNDS FROM PROJECT FUND PURSUANT TO SECTION 3.04 OF
THE LOAN AGREEMENT DATED AS OF [_____] 1, 2015 BETWEEN THE CITY OF
LOS ANGELES AND PILGRIM TOWER APARTMENTS, L.P.

Payee

Amount

Purpose

EXHIBIT C
COMPLETION CERTIFICATE

\$1,815,000
City of Los Angeles
Multifamily Housing Revenue Bonds
(Pilgrim Tower Apartments)
Series 2015H-1

\$15,985,000
City of Los Angeles
Multifamily Housing Revenue Bond
(Pilgrim Tower Apartments)
Series 2015H-1

[] Bank National Association
[ADDRESS]

Attention: Global Corporate Trust Services

City of Los Angeles
c/o Los Angeles Housing and
Community Investment Department
8th Floor
1200 West 7th Street
Los Angeles, CA 90017
Attention: Supervisor, Affordable
Housing Bond Program

Pursuant to Section 3.07 of the Loan Agreement (the “Agreement”) between the City of Los Angeles (the “Issuer”) and Pilgrim Tower Apartments, L.P., a California limited partnership (the “Borrower”), dated as of [] 1, 2015, and relating to the captioned Bonds, the Borrower hereby certifies (with capitalized words and terms used and not defined in this Certificate having the meanings assigned in the Agreement):

(a) The Project was substantially completed and available and suitable for use as multifamily housing on _____.

(b) All other facilities necessary in connection with the Project have been acquired, constructed, equipped and improved.

(c) The acquisition, rehabilitating, equipping and improvement of the Project and those other facilities have been accomplished in such a manner as to conform in all material respects with all applicable zoning, planning, building, environmental and other similar governmental regulations.

(d) Except as provided in subsection (e) of this Certificate, all costs of that acquisition, rehabilitation, equipping and improvement of the Project due on or after the date of this Certificate and now payable have been paid.

(e) The Trustee shall retain \$_____ in the Project Fund for the payment of costs of the Project not yet due or for liabilities which the Borrower is contesting or which otherwise should be retained, for the following reasons: _____
_____.

(f) This Certificate is given without prejudice to any rights against third parties that now exist or subsequently may come into being.

IN WITNESS WHEREOF, the Borrower has executed this certificate as of the _____ day of _____, 20__.

RED MORTGAGE CAPITAL, LLC, a
Delaware limited liability company

By _____
Name _____
Title _____

EXHIBIT D-1

FHA LENDER'S CERTIFICATE TO TRUSTEE

Pursuant to Section 3.04 of the Loan Agreement (the "Loan Agreement") between the City of Los Angeles (the "Issuer") and Pilgrim Tower Apartments, L.P., a California limited partnership (the "Borrower"), dated as of [_____] 1, 2015, the undersigned Authorized FHA Lender Representative hereby certifies that the deposit of \$[_____] into the Collateral Fund on [_____] 2015 was fully derived from FHA Lender funds or other Available Moneys.

Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Trust Indenture dated as of [_____] 1, 2015, between the Issuer and [_____] as Trustee.

This [_____] day of [_____], 2015.

By: Authorized FHA Lender Representative

By: _____
Name:
Title:

EXHIBIT D-2

SUBORDINATE LENDER'S CERTIFICATE TO TRUSTEE

Pursuant to Section 3.04 of the Loan Agreement (the "Loan Agreement") between the City of Los Angeles (the "Issuer") and Pilgrim Tower Apartments, L.P., a California limited partnership (the "Borrower"), dated as of [_____] 1, 2015, the undersigned authorized representative of the Subordinate Equity Bridge Lender hereby certifies that the deposit of \$[_____] into the Collateral Fund on [_____] 2015 was fully derived from Subordinate Loan funds or other Available Moneys.

Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Trust Indenture dated as of [_____] 1, 2015, between the Issuer and [_____] as Trustee.

This [_____] day of [_____] 2015.

By: [Subordinate Equity Bridge Lender]

By: _____
Name:
Title:

EXHIBIT E

BORROWER'S CERTIFICATE TO TRUSTEE

Pursuant to Section 3.04 of the Loan Agreement (the "Agreement") between the City of Los Angeles (the "Issuer") and Pilgrim Tower Apartments, L.P., a California limited partnership (the "Borrower"), dated as of _____, 2015, the Borrower hereby certifies that the deposit of \$_____ into the Collateral Fund on _____, 201____ was fully derived from Available Moneys.

Capitalized terms used herein and not otherwise defined herein shall have the meanings given them in the 2015H-1 Indenture referenced in the Agreement.

This _____ day of _____, 20____.

BORROWER:

PILGRIM TOWER APARTMENTS, L.P., a
California limited partnership

By: Pilgrim Tower Apartments, LLC, a
California limited liability company, its
general partner

By: Brookmore Apartment Corporation, a
California nonprofit corporation, its
sole member

By: _____
Howard Hudson, President

TRUST INDENTURE

between

CITY OF LOS ANGELES

and

[TRUSTEE],
as Trustee

relating to

\$1,815,000
City of Los Angeles
Multifamily Housing Revenue Bonds
(Pilgrim Tower Apartments)
Series 2015H-1

Dated as of [_____] 1, 2015

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TRUST INDENTURE

THIS TRUST INDENTURE dated as of [_____] 1, 2015 is made by and between the CITY OF LOS ANGELES, a charter city and municipal corporation in the State of California (the “Issuer”) and [TRUSTEE], a national banking association, with its designated corporate trust office located in Los Angeles, California, as Trustee (the “Trustee”) under the circumstances summarized in the following recitals (the capitalized terms not defined in the recitals and granting clauses being used therein as defined in Article I hereof):

A. Section 248 of the City Charter of the Issuer 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”), empowers the Issuer to issue bonds and other evidence of indebtedness to finance the acquisition, rehabilitation and equipping of multifamily rental housing;

B. Pursuant to the Law and in accordance with the Act, the Issuer has determined to issue and sell the below defined Bonds in the aggregate principal amount of \$1,815,000 and to loan the proceeds to be derived from the sale thereof to the Borrower (as defined below) to assist in the financing of the Project (as defined below) to be undertaken by the Borrower;

C. The Act and the Law authorizes the Issuer: (i) to make loans to any person to provide financing for rental residential developments, and intended to be occupied in part by persons of low and moderate income, as determined by the Issuer; (ii) to issue its revenue bonds for the purpose of obtaining moneys to make such loans and provide such financing, to establish necessary reserve funds and to pay administrative costs and other costs incurred in connection with the issuance of such bonds; and (iii) to pledge all or any part of the revenues, receipts or resources to be received by the Issuer from or in connection with such loans, and to mortgage, pledge or grant security interests in such loans or other property of the Issuer in order to secure the payment of the principal or redemption price of and interest on such bonds;

D. On March 17, 2015, the Issuer indicated its intent to provide for the issuance of revenue bonds to finance a portion of the acquisition, rehabilitation and equipping of Pilgrim Tower Apartments, a multifamily residential rental housing project for seniors located at 1207 South Vermont Avenue, Los Angeles, California (the “Project”) and the Issuer’s City Council subsequently adopted a resolution (the “Bond Resolution”) authorizing the issuance of bonds for such purpose;

E. The Bonds will be secured by this Indenture, and the Issuer is authorized to execute and deliver this Indenture and to do or cause to be done all acts provided or required herein to be performed on its part;

F. Pursuant to its lawful authority under the Act, the Issuer and Pilgrim Tower Apartments, L.P. (the “Borrower”), have executed a certain Loan Agreement, dated as of [_____] 1, 2015 (the “Agreement” or the “Loan Agreement”), by the terms of which Loan Agreement the Issuer agrees to loan the proceeds of the Bonds to the Borrower (the “Loan”) for the purpose of financing the acquisition, rehabilitation and equipping of the Project;

G. The Loan will be evidenced by a Promissory Note (the "Note") executed by the Borrower in the form attached as Exhibit A-1 to the Loan Agreement and delivered to the Issuer, and assigned by the Issuer to the Trustee;

H. Concurrently with the issuance of the Bonds, the Issuer will issue pursuant to an Indenture of Trust dated as of the date hereof between the Issuer and the Trustee, its Multifamily Housing Revenue Bond (Pilgrim Tower Apartments) Series 2015H-2, the proceeds of which will finance a portion of the acquisition of the Project;

I. All acts and conditions required to happen, exist and be performed precedent to and in the issuance of the Bonds and the execution and delivery of this Indenture have happened, exist and have been performed, or at the delivery of the Bonds will exist, will have happened and will have been performed (i) to make the Bonds, when issued, delivered and authenticated, valid obligations of the Issuer in accordance with the terms thereof and hereof and (ii) to make this Indenture a valid, binding and legal trust agreement for the security of the Bonds in accordance with its terms; and

J. The Trustee has accepted the trusts created by this Indenture, and in evidence thereof has joined in the execution hereof.

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that to secure the payment of Bond Debt Service Charges on the Bonds according to their true intent and meaning, to secure the performance and observance of all of the covenants, agreements, obligations and conditions contained therein and herein, and to declare the terms and conditions upon and subject to which the Bonds are and are intended to be issued, held, secured and enforced, and in consideration of the premises and the acceptance by the Trustee of the trusts created herein and of the purchase and acceptance of the Bonds by the Holders, and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Issuer has executed and delivered this Indenture and absolutely assigns hereby to the Trustee, and to its successors in trust, and its and their assigns, all right, title and interest of the Issuer in and to (i) the Issuer Revenues, including, without limitation, all Loan Payments and other amounts receivable by or on behalf of the Issuer under the Loan Agreement in respect of repayment of the Loan, (ii) the Special Funds, including all accounts in those funds and all moneys deposited therein and the investment earnings on such moneys, (iii) all right, title and interest of the Issuer in the proceeds derived from the sale of the Bonds, and any securities in which moneys in the Special Funds are invested, and (except for moneys in the Rebate Fund and otherwise required to be rebated to the United States of America under the Code) the proceeds derived therefrom, and any and all other real or personal property of every name 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 by the Issuer or by anyone in its behalf, or with its written consent, to the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms of this Indenture, (iv) the Loan Agreement, except for the Unassigned Issuer's Rights; and (v) the Note (the foregoing collectively referred to as the "Trust Estate");

TO HAVE AND TO HOLD unto the Trustee and its successors in that trust and its and their assigns forever;

BUT IN TRUST, NEVERTHELESS, and subject to the provisions hereof,

(a) except as provided otherwise herein, for the equal and proportionate benefit, security and protection of all present and future Holders of the Bonds issued or to be issued under and secured by this Indenture;

(b) for the enforcement of the payment of the principal of and interest on the Bonds, when payable, according to the true intent and meaning thereof and of this Indenture; and

(c) to secure the performance and observance of and compliance with the covenants, agreements, obligations, terms and conditions of this Indenture;

in each case, without preference, priority or distinction, as to lien or otherwise, of any one Bond over any other by reason of designation, number, date of the Bonds or of authorization, issuance, sale, execution, authentication, delivery or maturity thereof, or otherwise, so that each Bond and all Bonds shall have the same right, lien and privilege under this Indenture and shall be secured equally and ratably hereby; provided, however, that

(i) if the principal of the Bonds and the interest due or to become due thereon shall be well and truly paid, at the times and in the manner to which reference is made in the Bonds, according to the true intent and meaning thereof, or the outstanding Bonds shall have been paid and discharged in accordance with Article IX hereof; and

(ii) if all of the covenants, agreements, obligations, terms and conditions of the Issuer under this Indenture shall have been kept, performed and observed and there shall have been paid to the Trustee, the Registrar and the Paying Agents all sums of money due or to become due to them in accordance with the terms and provisions hereof;

then this Indenture and the rights assigned hereby shall cease, determine and be void, except as provided in Section 9.03 hereof with respect to the survival of certain provisions hereof; otherwise, this Indenture shall be and remain in full force and effect.

It is declared that all Bonds issued hereunder and secured hereby are to be issued, authenticated and delivered, and that all Issuer Revenues assigned hereby are to be dealt with and disposed of under, upon and subject to, the terms, conditions, stipulations, covenants, agreements, obligations, trusts, uses and purposes provided in this Indenture. The Issuer has agreed and covenanted, and agrees and covenants with the Trustee and with each and all Holders, as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. In addition to the words and terms defined elsewhere in this Indenture or by reference to the Loan Agreement, unless the context or use clearly indicates another meaning or intent:

“*Act*” means Chapter 7 of Part 5 of Division 31 of the Health and Safety Code of the State of California.

“*Additional Payments*” means the amounts required to be paid by the Borrower pursuant to the provisions of Section 4.02 of the Loan Agreement.

“*Affiliate*” of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, “control” when used with respect to any specified Person means the power to direct the policies of such Person, directly or indirectly, whether through the power to appoint and remove its directors, the ownership of voting securities, by contract, or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“*Agreement*” or “*Loan Agreement*” means the Loan Agreement dated as of even date with this Indenture, between the Issuer and the Borrower and assigned by the Issuer, except for Unassigned Issuer’s Rights, to the Trustee, as amended or supplemented from time to time.

“*Arbitrage Consultant*” or “*Rebate Consultant*” means any accountant, law firm or consultant experienced in the calculation of arbitrage rebate selected by the Borrower and approved by the Issuer.

“*Authorized Attesting Officer*” means the 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 Borrower Representative*” means the person or persons designated to act on behalf of the Borrower by written certificate furnished to the Issuer and the Trustee containing the specimen signature of such person and signed on behalf of the Borrower by the president or vice president of the general partner of the Borrower, which certificate may designate an alternate or alternates.

“*Authorized Denomination*” means \$5,000 or any integral multiple of \$5,000 in excess thereof.

“*Authorized Official*” means the Mayor or the General Manager, any Interim General Manager, any Assistant General Manager, any Acting General Manager or any Interim Assistant General Manager, the Executive Officer or the Director or Acting Director, Finance and

Development Division of the Los Angeles Housing and Community Investment Department, and any other officer or employee of the Issuer designated 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 or the General Manager or any Acting General Manager or any Interim General Manager or any Assistant General Manager or Interim Assistant General Manager, the Executive Officer or Director, or Acting Director, Finance and Development Division of the Los Angeles Housing and Community Investment Department and contains the specimen signature of such other officer or employee of the Issuer. The Borrower may conclusively presume that any of the aforementioned officials or a person designated in a written certificate filed with it as an Authorized Issuer Representative is an Authorized Issuer Representative until such time as the Issuer files with the Borrower and Trustee a written certificate identifying a different person or persons to act in such capacity.

“*Available Moneys*” means, as of any date of determination, any of the following, as applicable:

- (a) the proceeds of the Bonds;
- (b) proceeds from the sale of GNMA Securities;
- (c) proceeds from advances on the FHA Insured Mortgage Loan or FHA Lender Funds deposited directly with the Trustee by the FHA Lender;
- (d) proceeds from advances on the Subordinate Loan deposited directly by the Subordinate Lender with the Trustee;
- (e) any other amounts, including the proceeds of refunding bonds, for which the Trustee has received an opinion of counsel to the effect that the use of such amounts to make payments on the Bonds 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) or be avoidable as preferential payments under Section 547 of the Bankruptcy Code should the Issuer or the Borrower become a debtor in proceedings commenced under the Bankruptcy Code;
- (f) the proceeds of any letter of credit; or
- (g) investment earnings derived from the investment of moneys described in (a), (b), (c), (d), (e) or (f).

“*Bankruptcy Code*” means Title 11 of the United States Code entitled “Bankruptcy,” as in effect now and in the future, or any successor statute.

“*Board*” means the City Council of the Issuer.

“*Bond Counsel*” shall mean, collectively, Kutak Rock LLP or any other attorney or firm of attorneys designated by the Issuer and approved by a Majority of the Holders of the Bonds and who has a national reputation for skill in connection with the authorization and issuance of

municipal obligations under Sections 103 and 141 through 150 (or any successor provisions) of the Code.

“Bond Debt Service Charges” means, for any period or payable at any time, the principal of and interest on the Bonds for that period or payable at that time whether due at maturity or upon redemption or acceleration.

“Bond Documents” means this Indenture, the Loan Agreement, the Regulatory Agreement, the Tax Agreement, the Bond Purchase Agreement and any other document now or hereafter executed by the Borrower, the Issuer, Trustee or Bondholders in connection with the Bonds.

“Bond Fund” means the Bond Fund created in Section 5.01 of this Indenture.

“Bond Payment Date” means each Interest Payment Date and any other date Bond Debt Service Charges on the Bonds are due, whether at maturity, upon acceleration or otherwise.

“Bond Purchase Agreement” shall mean that Bond Purchase Agreement dated as of August [____], 2015, among the Issuer, Borrower and the Underwriter.

“Bond Resolution” means that certain Resolution relating to the Project, adopted by the Board on [____], 2015.

“Bonds” means the Multifamily Housing Revenue Bonds (Pilgrim Tower Apartments), Series 2015H-1 of the Issuer authorized in the Bond Resolution and Section 2.02 hereof in an amount of \$1,815,000.

“Bond Year” means each annual period of 12 months the first of which commences on the date of the original issuance and delivery of the Bonds and ends on [____], 2016 and the last of which ends on the maturity of the Bonds, except that the first and last Bond Year may be less than 12 months.

“Book Entry Form” or *“Book Entry System”* means, with respect to the Bonds, a form or system, as applicable, under which (a) physical Bond certificates in fully registered form are issued only to a Depository or its nominee, with the physical Bond certificates “immobilized” in the custody of the Depository and (b) the ownership of book entry interests in Bonds and Bond Debt Service Charges thereon may be transferred only through a book entry made by Persons other than the Issuer or the Trustee. The records maintained by Persons other than the Issuer or the Trustee constitute the written record that identifies the owners, and records the transfer, of book entry interests in the Bonds and Bond Debt Service Charges thereon.

“Borrower” means Pilgrim Towers, L.P., a California limited partnership, and its lawful successors and assigns to the extent permitted by the Loan Agreement.

“Borrower Documents” has the meaning given to such term in Section 2.02(b) of the Loan Agreement.

“*Business Day*” means a day of the week, other than a Saturday or a Sunday, on which commercial banks located in the city in which the designated corporate trust office of the Trustee are not required or authorized to remain closed.

“*Closing Date*” means [____], 2015.

“*Code*” means the Internal Revenue Code of 1986, as amended, and all applicable regulations (whether proposed, temporary or final) under the Code and the statutory predecessor of the Code, and any official rulings and judicial determinations under the foregoing applicable to the Bonds.

“*Collateral Fund*” means the Collateral Fund created pursuant to Section 5.01 of this Indenture.

“*Completion Date*” means the date of substantial completion of the Project evidenced in accordance with the requirements of Section 3.07 of the Loan Agreement.

“*Construction Period*” means the period between the beginning of the acquisition, rehabilitation, remodeling, improving and equipping of the Project and the Completion Date.

“*Continuing Disclosure Agreement*” means the Continuing Disclosure Agreement, dated as of [____] 1, 2015, between the Borrower and [TRUSTEE], as Dissemination Agent.

“*Contractual Obligation*” means for any Person any obligation, covenant, or condition contained in any evidence of Indebtedness or any agreement or instrument under or pursuant to which any evidence of Indebtedness has been issued, or any other material agreement, instrument or guaranty, to which such Person is a party or by which such Person or any of its assets or properties are bound.

“*Costs of Issuance Fund*” means Costs of Issuance Fund created in Section 5.01 of this Indenture.

“*Depository*” means, with respect to the Bonds while in Book Entry Form, DTC, until a successor Depository shall have become such pursuant to the applicable provisions of this Indenture, and thereafter, Depository shall mean the successor Depository. Any Depository shall be a securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a Book Entry System to record ownership of book entry interests in the Bonds or Bond Debt Service Charges thereon, and to effect transfers of book entry interests in the Bonds.

“*Disbursement Request*” shall have the meaning set forth in Section 5.03(a) hereof.

“*DTC*” means The Depository Trust Company (a limited purpose trust company), New York, New York, and its successors or assigns.

“*DTC Participant*” means any participant contracting with DTC under its book entry system and includes securities brokers and dealers, banks and trust companies and clearing corporations.

“Eligible Investments” means, subject to Section 5.05 hereof and only to the extent permitted by law for the investment of moneys of the Issuer, any of the following investments, which at the time are legal investments for moneys of the Issuer that are then proposed to be invested therein and each of which investments must mature or be guaranteed to be able to be tendered at a price equal to par prior to the optional redemption date [or, after the optional redemption date, prior to the stated maturity of the Bonds]:

(a) Direct obligations of the United States of America including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America.

(b) Money market mutual funds that are invested solely in the types of investments set forth under subparagraph (a) immediately above, and which have a rating in the highest investment category granted thereby from the Rating Agency, including, without limitation any mutual fund for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian.

“Event of Default” means any of the events described as an Event of Default in Section 7.01 hereof.

“Extraordinary Services” and *“Extraordinary Expenses”* mean all services rendered and all reasonable expenses properly incurred by the Trustee under this Indenture, other than Ordinary Services and Ordinary Expenses. Extraordinary Services and Extraordinary Expenses shall specifically include services rendered or expenses incurred by the Trustee in connection with, or in contemplation of, an Event of Default.

“FHA” means the Federal Housing Administration.

“FHA Insurance Commitment” means the commitment for insurance of advances issued by the Federal Housing Commissioner of HUD with respect to the Project, dated [____], 2015, as the same may be amended from time to time.

“FHA Insurance Regulations” means the FHA Regulations promulgated under the National Housing Act.

“FHA Insured Mortgage Loan” means the mortgage loan in the original principal amount of \$[_____] to be advanced by the FHA Lender to the Borrower and insured by FHA under Section 221(d)(4) of the National Housing Act, as amended.

“FHA Lender” means Red Mortgage Capital, LLC, a Delaware limited liability company, its successors and assigns.

“FHA Lender Funds” means funds of the FHA Lender, other than proceeds of the FHA Insured Mortgage Loan, delivered to the Trustee in exchange for a disbursement of a like amount from the Project Fund.

“*FHA Loan Documents*” means the documents related to the FHA Insured Mortgage Loan, including the FHA Insurance Commitment, the FHA Note, the FHA Mortgage, the HUD Regulatory Agreement and any and all other documents, agreements, or instruments which evidence or secure the indebtedness evidenced by the FHA Note.

“*FHA Mortgage*” means the first-lien priority Multifamily Deed of Trust, Assignment of Rents and Security Agreement dated as of [_____] 1, 2015 from Borrower for the benefit of FHA Lender to secure the repayment of the FHA Note.

“*FHA Note*” means the \$[_____] FHA-Insured Note (Multistate) dated [_____] 1, 2015 from Borrower to FHA Lender to evidence its indebtedness under the FHA Insured Mortgage Loan.

“*Fiscal Year*” means, with respect to a Person, that period beginning on January 1 of each year and ending on December 31 of that year or such other fiscal year as shall be designated by such Person as its annual accounting period.

“*Force Majeure*” means any of the causes, circumstances or events described as constituting Force Majeure in Section 7.01 of the Loan Agreement.

“*GAAP*” means generally accepted accounting principles applied on a consistent basis.

“*GNMA*” means the Government National Mortgage Association, a corporate instrumentality of the United States within the United States Department of Housing and Urban Development organized and existing under the National Housing Act.

“*GNMA Documents*” means the GNMA Guaranty and the documents related to the GNMA Guaranty.

“*GNMA Guaranty*” means the guaranty made by GNMA pursuant to the provisions of Section 306(g) of Title III of the National Housing Act, as amended, and the regulations promulgated under the National Housing Act.

“*GNMA Regulations*” means the GNMA Regulations promulgated under the National Housing Act.

“*GNMA Security*” or “*GNMA Securities*” means a fully modified pass through security in the form of a CLC or a PLC issued by an approved FHA lender and guaranteed by GNMA as to timely payment of principal of and interest on a PLC and as to timely payment of interest only until maturity and timely payment of principal at maturity on a CLC, pursuant to Section 306(g) of the National Housing Act of 1934, as amended, and the regulations promulgated thereunder.

“*Government*” shall mean the government of the United States of America, the government of any other nation, any political subdivision of the United States of America or any other nation (including, without limitation, any state, territory, federal district, municipality or possession) and any department, agency or instrumentality thereof; and “*Governmental*” shall mean of, by, or pertaining to any Government.

“*Holder*,” “*Holders*” or “*Holder of a Bond*” means the Person in whose name a Bond is registered on the Register.

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

“*HUD Regulatory Agreement*” means the Regulatory Agreement dated as of [_____] 1, 2015 between the Borrower and HUD, related to the FHA Insured Mortgage Loan.

“*Indebtedness*” shall mean for any Person (a) all indebtedness or other obligations of such Person for borrowed money or for the deferred purchase price of property or services, (b) all indebtedness or other obligations of any other Person for borrowed money or for the deferred purchase price of property or services, the payment or collection of which such Person has guaranteed (except by reason of endorsement for deposit or collection in the ordinary course of business) or in respect of which such Person is liable, contingently or otherwise, including, without limitation, by way of agreement to purchase, to provide funds for payment, to supply funds to or otherwise to invest in such other Person, or otherwise to assure a creditor against loss, (c) all indebtedness or other obligations of any other Person for borrowed money or for the deferred purchase price of property or services secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien, upon or in property (including, without limitation, accounts and contract rights) owned by such Person, whether or not such Person has assumed or become liable for the payment of such indebtedness or other obligations, (d) all direct or contingent obligations of such Person in respect of letters of credit, (e) all lease obligations which have been or should be, in accordance with GAAP, capitalized on the books of such Person as lessee, and (f) guaranties of any of the foregoing; provided that Indebtedness does not include accounts payable and accrued expenses incurred in the ordinary course of business.

“*Indenture*” means this Trust Indenture, dated as of [_____] 1, 2015, between the Issuer and the Trustee, as amended or supplemented from time to time in accordance with Article VIII hereof.

“*Independent*” when used with respect to a specified Person means such Person has no specific financial interest direct or indirect in the Borrower or any Affiliate of the Borrower and in the case of an individual is not a director, trustee, officer, partner or employee of the Borrower or any Affiliate of the Borrower and in the case of an entity, does not have a partner, director, trustee, officer, partner or employee who is a director, trustee, officer or employee of any partner of the Borrower or any Affiliate of the Borrower.

“*Information Services*” means in accordance with then-current guidelines of the Securities and Exchange Commission, the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor entity or entities designated by the Securities and Exchange Commission.

“*Initial Deposit*” means the deposit in the amount of \$[_____] which the Borrower shall cause to be made from Available Moneys other than the proceeds of the Bonds to the Initial Deposit Account of the Bond Fund on the Closing Date.

“Initial Deposit Account” means the Initial Deposit Account within the Bond Fund created in Section 5.01 hereof.

“Interest Payment Date” means each [March] 1 and [September] 1 of each year, commencing [March 1, 2016], and on any date the Bonds are called for redemption prior to maturity.

“Interest Rate” means [_____] % per annum.

“Interest Rate for Advances” means the rate of 12% or the rate per annum which is 2% plus that interest rate announced by the Trustee in its lending capacity as a bank as its “Prime Rate” or its “Base Rate,” whichever is greater and lawfully chargeable, in whole or in part.

“Investor Limited Partner” means [_____] , a [State][form of business], its permitted successors and assigns.

“Issuer” means the City of Los Angeles, a municipal corporation and charter city of the State of California.

“Issuer’s Closing Fee” shall mean the Issuer’s issuance fee in the amount of \$[_____] payable by the Borrower to the Issuer on or before the Closing Date.

“Issuer’s Fee” means Issuer’s Closing Fee and Issuer’s Ongoing Fee.

“Issuer’s Ongoing Fee” shall mean the annual fee of the Issuer with respect to the Bonds in the amount as set forth in and in accordance with and pursuant to the provisions of Section 7(n) of the Regulatory Agreement.

“Issuer Revenues” means (a) the Loan Payments, (b) all other moneys received or to be received by the Issuer or the Trustee in respect of repayment of the Loan, including without limitation, all moneys and investments in the Bond Fund, (c) any moneys and investments in the Project Fund and the Collateral Fund, and (d) all income and profit from the investment of the foregoing moneys. The term “Issuer Revenues” does not include any moneys or investments in the Rebate Fund or the Costs of Issuance Fund.

“Law” means 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 supplemented and amended to the Closing Date.

“Lien” means any mortgage, deed of trust, lien, charge, security interest or encumbrance of any kind upon, or pledge of, any property, whether now owned or hereafter acquired, and includes the acquisition of, or agreement to acquire, any property subject to any conditional sale agreement or other title retention agreement, including a lease on terms tantamount thereto or on terms otherwise substantially equivalent to a purchase.

“Loan” means the loan by the Issuer to the Borrower of the proceeds received from the sale of the Bonds.

[*“Loan Payment Cure Period”* means a period of four Business Days following any Loan Payment Date.]

“Loan Payment Date” means the fifth Business Day preceding each Bond Payment Date.

“Loan Payments” means the amounts required to be paid by the Borrower in repayment of the Loan pursuant to the provisions of the Note and Section 4.01 of the Loan Agreement.

“Majority of the Holders of the Bonds” means the Holders of more than 50% of the principal amount of the then Outstanding Bonds.

“Maturity Date” means [March 1, 2017].

“Minimum Trustee Rating” means a long term rating of the Trustee’s unsecured obligations with maturities in excess of one year of not less than “A” by S&P, or, if the Trustee does not have such a rating from S&P, it must have a minimum rating of its unsecured obligations with maturities of one year or less of “A-1” from S&P.

“Note” means the Promissory Note, dated the Closing Date, in the form attached to the Loan Agreement as Exhibit A-1, in the original principal amount of \$1,815,000, evidencing the obligation of the Borrower to make Loan Payments.

“Notice Address” means:

To the Issuer: City of Los Angeles
 c/o Los Angeles Housing and
 Community Investment Department
 8th Floor
 1200 West 7th Street
 Los Angeles, CA 90017
 Attention: Supervisor, Affordable Housing Bond Program
 Facsimile: (213) 808-8918

with a copy to: Los Angeles Housing and Community
 Investment Department
 Post Office Box 532729
 Los Angeles, CA 90053-2729
 Facsimile: (213) 808-8606
 Attention: Supervisor, Affordable Housing Bond Program

To the Trustee: [TRUSTEE]
 [ADDRESS]
 Los Angeles, CA 90071
 Attention: Global Corporate Trust Services
 Ref: LA MF (Pilgrim Tower) 2015H-1
 Telephone: (213)
 Facsimile: (213)

To the Borrower: Pilgrim Tower Apartments, L.P.
[ADDRESS]
Telephone:
Facsimile:
Attention: [_____]

with a copy to: [BORROWER COUNSEL]
[ADDRESS]
Telephone:
Facsimile:
Attention: [_____]

To the Rating Agency: Standard & Poor's Rating Services
38th Floor
55 Water Street
New York, NY 10041
Attention: Public Finance Surveillance Group
E-mail: pubfin_structured@standardandpoors.com

If to Investor
Limited Partner: ACP-ILP, LLC
15260 Ventura Boulevard, Suite 600
Los Angeles, CA 91403]
Telephone:
Facsimile:
Attention: Jeffrey N. Weiss

with a copy to: Ballard Spahr LLP
1735 Market Street, 51st Floor
Philadelphia, PA 19103
Telephone: (215) 864-8501
Facsimile: (215) 864-8999
Attention: Jere G. Thompson

or such additional or different address, notice of which is given under Section 13.03 hereof.

“Opinion of Bond Counsel” means an opinion of Bond Counsel.

“Ordinary Services” and *“Ordinary Expenses”* mean those services normally rendered, and those expenses normally incurred, by a trustee, registrar, paying agent and authenticating agent under instruments similar to this Indenture. Without limiting the generality of this definition, Ordinary Services and Ordinary Expenses shall include, without limitation, services provided by the Trustee in connection with the redemption of Bonds as provided in Article IV of this Indenture and in connection with any meetings of Holders of the Bonds as provided in Article XII of this Indenture.

“Outstanding Bonds,” “Bonds outstanding” or “outstanding” as applied to Bonds mean, as of the applicable date, all Bonds which have been authenticated and delivered, or which are being delivered by the Trustee under this Indenture, except:

(a) Bonds cancelled upon surrender, exchange or transfer, or cancelled because of payment on or prior to that date;

(b) Bonds, or the portion thereof, for the payment or purchase for cancellation of which sufficient money has been deposited and credited with the Trustee or the Paying Agent on or prior to that date for that purpose (whether upon or prior to the maturity of those Bonds);

(c) Bonds, or the portion thereof, which are deemed to have been paid and discharged or caused to have been paid and discharged pursuant to the provisions of this Indenture; and

(d) Bonds in lieu of which others have been authenticated under Section 3.06 of this Indenture.

“Paying Agent” means the Trustee acting as such, or any other bank or trust company designated as a Paying Agent by or in accordance with this Indenture.

“Person” or words importing persons mean firms, associations, partnerships (including without limitation, general and limited partnerships), joint ventures, societies, estates, trusts, corporations, limited liability companies, public or governmental bodies, other legal entities and natural persons.

“Plans and Specifications” means the plans and specifications describing the Project as now prepared and as they may be changed as provided in the Loan Agreement from time to time.

“Predecessor Bond” of any particular Bond means every previous Bond evidencing all or a portion of the same debt as that evidenced by the particular Bond. For the purposes of this definition, any Bond authenticated and delivered under Section 3.06 of this Indenture in lieu of a lost, stolen or destroyed Bond shall, except as otherwise provided in Section 3.06, be deemed to evidence the same debt as the lost, stolen or destroyed Bond.

“Project” means the acquisition, rehabilitation and equipping of an existing 108-unit apartment complex for seniors known or to be known as Pilgrim Tower, and located at 1207 South Vermont Avenue in Los Angeles, California.

“Project Costs” means the costs of the Project specified in Section 3.04 of the Loan Agreement.

“Project Fund” means Project Fund created in Section 5.01 of this Indenture.

“Project Purposes” means the operation of the Project in accordance with the Act, the Code and the Regulatory Agreement.

“*Rating Agency*” means S&P, Moody’s Investors Service, Inc. (“Moody’s”) or any other nationally recognized municipal securities rating agency acceptable to the Underwriter.

“*Rebate Fund*” means the Rebate Fund created in Section 5.01 of this Indenture.

“*Register*” means the books kept and maintained by the Registrar for registration and transfer of Bonds pursuant to Section 3.05 hereof.

“*Registrar*” means the Trustee, until a successor Registrar shall have become such pursuant to applicable provisions of this Indenture; each Registrar shall be a transfer agent registered in accordance with Section 17A(c) of the Securities Exchange Act of 1934.

“*Regular Record Date*” means the fifteenth day of the calendar month next preceding an Interest Payment Date.

“*Regulatory Agreement*” means the Regulatory Agreement and Declaration of Restrictive Covenants, dated as of even date with this Indenture, among the Issuer, the Trustee and the Borrower.

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

“*Securities Act*” means the United States Securities Act of 1933, as in effect on the Closing Date.

“*Securities Depositories*” means The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Facsimile: (516) 227-4039 or 4191; Midwest Securities Trust Company, Capital Structures – Call Notification, 440 South LaSalle Street, Chicago, Illinois 60605, Facsimile: (312) 663-2343; Pacific Securities Depository Trust Company, Pacific and Company, Post Office Box 7041, San Francisco, California 94120, Facsimile: (415) 393-4128; Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention: Bond Department, Facsimile: (215) 496-5058; or, in accordance with the then current guidelines of the Securities and Exchange Commission to such other addresses and/or such other securities depositories or, as the Issuer may designate in a request of the Issuer delivered to the Trustee, to no such depositories.

“*S&P*” means Standard & Poor’s Ratings Services.

“*Special Funds*” means, collectively, the Bond Fund, the Collateral Fund and the Project Fund, and any accounts therein, all as created in this Indenture.

“*Special Record Date*” means, with respect to any Bond, the date established by the Trustee in connection with the payment of overdue interest or principal on that Bond.

“*State*” means the State of California.

“*Subordinate Lender*” means [_____], or any of its Affiliates.

“*Subordinate Loan*” means a loan by the Subordinate Lender to the Borrower in the principal amount of \$[_____].

“*Supplemental Indenture*” means any indenture supplemental to this Indenture entered into between the Issuer and the Trustee in accordance with Article VIII hereof.

“*Tax Agreement*” 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 Closing Date by the Issuer and the Borrower.

“*Trustee*” means [TRUSTEE], until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter, “Trustee” shall mean the successor Trustee.

“*Unassigned Issuer’s Rights*” means all of the rights of the Issuer, its members, officers, attorneys, accountants, employees, agents and consultants, past, present and future specifically reserved by the Issuer under this Indenture to receive Additional Payments under Section 4.02 of the Loan Agreement, to be held harmless and indemnified under Section 5.03 of the Loan Agreement, to be reimbursed for attorney’s fees and expenses under Section 7.04 of the Loan Agreement, to receive notices pursuant to Section 8.03 of the Loan Agreement and to give or withhold consent to amendments, changes, modifications, alterations and termination of the Loan Agreement under Section 8.06 of the Loan Agreement, its rights of access, and to the extent not included above the rights specifically reserved by the Issuer under this Indenture.

“*Underwriter*” means Red Capital Markets, LLC.

Section 1.02. Interpretation. Any reference herein to the Issuer, to the Board or to any member or officer of either includes entities or officials succeeding to their respective functions, duties or responsibilities pursuant to or by operation of law or lawfully performing their functions.

Any reference to a section or provision of the Constitution of the State or the Act, or to a section, provision or chapter of California statutes, or to any statute of the United States of America, includes that section, provision or chapter as amended, modified, revised, supplemented or superseded from time to time; provided, that no amendment, modification, revision, supplement or superseding section, provision or chapter shall be applicable solely by reason of this paragraph, if it constitutes in any way an impairment of the rights or obligations of the Issuer, the Holders, the Trustee, the Registrar, the Paying Agent, any Authenticating Agent or the Borrower under this Indenture, the Bond Resolution, the Bonds, the Loan Agreement, the Note, the Regulatory Agreement or any other instrument or document entered into in connection with any of the foregoing, including without limitation, any alteration of the obligation to pay Bond Debt Service Charges in the amount and manner, at the times, and from the sources provided in the Bond Resolution and this Indenture, except as permitted herein.

Unless the context indicates otherwise, words importing the singular number include the plural number, and vice versa. The terms “hereof,” “hereby,” “herein,” “hereto,” “hereunder,” “hereinafter” and similar terms refer to this Indenture; and the term “hereafter” means after, and

the term “heretofore” means before, the date of this Indenture. Words of any gender include the correlative words of the other genders, unless the sense indicates otherwise.

Section 1.03. Captions and Headings. The captions and headings in this Indenture are solely for convenience of reference and in no way define, limit or describe the scope or intent of any Articles, Sections, subsections, paragraphs, subparagraphs or clauses hereof.

ARTICLE II

AUTHORIZATION AND TERMS OF BONDS

Section 2.01. Authorized Amount of Bonds. No Bonds may be issued under the provisions of this Indenture except in accordance with this Article. The total authorized principal amount of Bonds which shall be issued under the provisions of this Indenture is \$1,815,000.

Section 2.02. Issuance of Bonds. It is determined to be necessary to, and the Issuer shall, issue, sell and deliver \$1,815,000 principal amount of Bonds and shall loan the proceeds thereof to the Borrower to finance the Project. The Bonds shall be designated “Multifamily Housing Revenue Bonds (Pilgrim Tower Apartments), Series 2015H-1,” shall be issuable only in fully registered form, substantially as set forth in Exhibit A to this Indenture, shall be numbered in such manner as determined by the Trustee in order to distinguish each Bond from any other Bond; shall be in Authorized Denominations; shall be dated the Closing Date; and shall bear interest from the most recent date to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from their date of delivery.

The Bonds shall be executed on behalf of the Issuer by the manual or facsimile signature of its Mayor and the Authorized Attesting Officer and attested by the manual or facsimile signature of its Authorized Attesting Officer under the official seal, or a facsimile of the seal, of the Issuer (whether affixed, imprinted, impressed, engraved or otherwise reproduced). Any facsimile signatures shall have the same force and effect as if the Mayor and the Authorized Attesting Officer had manually signed and attested the Bonds. In case any officer whose signature or a facsimile of whose signature shall appear on any Bond shall cease to be such officer before the delivery of such Bond, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes as if such officer had remained in office until delivery. Any reproduction of the official seal of the Issuer on any Bond shall have the same force and effect as if the official seal of the Issuer had been manually impressed on such Bond.

The Bonds shall mature on the Maturity Date and shall bear interest from their date on the principal amount outstanding at the Interest Rate, payable on each Interest Payment Date, calculated on the basis of a 360-day year consisting of twelve 30-day months.

Section 2.03. Authorization of Bonds; Sale and Delivery of the Bonds. Upon the execution and delivery hereof, the Issuer shall execute the Bonds and deliver them to the Trustee, and the Trustee shall authenticate or cause the authentication of the Bonds and deliver them to such purchaser or purchasers as shall be directed by the Issuer, provided, that there shall be previous thereto or simultaneously therewith filed with the Trustee the following:

(a) copies, certified by the City Clerk of the Issuer, of all resolutions adopted and proceedings had by the Issuer authorizing the issuance and delivery of the Bonds, including the Bond Resolution;

(b) a letter of instructions of the Issuer directing the Trustee to authenticate and deliver the Bonds against receipt of the purchase price therefor;

(c) original executed counterparts of this Indenture, the Loan Agreement, the Regulatory Agreement and the Note;

(d) an approving opinion of Bond Counsel in form and content acceptable to the Issuer and the Underwriter;

(e) an opinion of counsel to the Issuer, in the form required by the Issuer, addressed to the Issuer and the Trustee;

(f) an opinion of counsel for the Borrower in form and content acceptable to the Issuer, Bond Counsel and the Underwriter;

(g) an executed Tax Agreement;

(h) payment to the Trustee, for the account of the Issuer, of the purchase price for the Bonds of \$[_____];

(i) receipt by the Trustee of the Initial Deposit;

(j) receipt by the Trustee of the sum of \$[_____] for deposit in the Costs of Issuance Fund;

(k) the Issuer's and Trustee's receipt of a rating letter from the Rating Agency conferring a rating of "AA+" or higher on the Bonds;

(l) the Issuer's receipt of a Responsible Banking Ordinance Certificate in the form of Exhibit D hereof; and

(m) satisfaction of the conditions established in the Bond Purchase Agreement for delivery of the Bonds.

Section 2.04. Special Obligations. The Bonds are special limited obligations of the Issuer, payable solely from amounts provided by or at the direction of the Borrower, and are not obligations payable from the general revenues or other funds of the Issuer, the State of California or any other political subdivision of the State of California. The Bonds are payable solely from the Trust Estate and any other revenues, funds and assets pledged under this Indenture and not from any other revenues, funds or assets of the Issuer. Neither the Issuer nor the State nor any political subdivision of the State will be obligated to pay the principal of and the interest on the Bonds or other costs incident thereto except from the Issuer Revenues pledged under this Indenture.

THE BONDS ARE ISSUED PURSUANT TO THE LAW AND IN ACCORDANCE WITH THE ACT, AND ARE LIMITED OBLIGATIONS OF THE ISSUER. NEITHER THE CITY COUNCIL OF THE ISSUER NOR ANY OFFICIAL OR EMPLOYEE OF THE ISSUER NOR ANY PERSON EXECUTING THE BONDS SHALL BE LIABLE PERSONALLY ON THE BONDS OR SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THEIR ISSUANCE. THE BONDS AND THE INTEREST THEREON ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM THE TRUST ESTATE AND ANY OTHER REVENUES, FUNDS OR ASSETS PLEDGED UNDER THIS INDENTURE AND NOT FROM ANY OTHER REVENUES, FUNDS OR ASSETS OF THE ISSUER. NEITHER THE ISSUER, THE STATE NOR ANY OTHER POLITICAL CORPORATION OR SUBDIVISION OR AGENCY THEREOF SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF THE BONDS OR THE INTEREST THEREON OR OTHER COSTS INCIDENT THERETO EXCEPT FROM THE MONEY PLEDGED THEREFOR. 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 ISSUER IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR OTHER COSTS INCIDENT THERETO. THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA.

NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON ANY BOND OR FOR ANY CLAIM BASED THEREON OR UPON ANY OBLIGATION, COVENANT OR AGREEMENT IN THIS INDENTURE CONTAINED, AGAINST THE ISSUER, ANY PAST, PRESENT OR FUTURE MEMBER OF ITS GOVERNING BODY, ITS OFFICERS, ATTORNEYS, ACCOUNTANTS, FINANCIAL ADVISORS, AGENTS OR STAFF OR THE OFFICERS, ATTORNEYS, ACCOUNTANTS, FINANCIAL ADVISORS, AGENTS OR STAFF OF ANY SUCCESSOR PUBLIC ENTITY, AS SUCH, EITHER DIRECTLY OR THROUGH THE ISSUER OR ANY SUCCESSOR PUBLIC ENTITY, UNDER ANY RULE OF LAW OR PENALTY OF OTHERWISE, AND ALL SUCH LIABILITY OF THE ISSUER, ANY MEMBER OF ITS GOVERNING BODY AND ITS OFFICERS, ATTORNEYS, ACCOUNTANTS, FINANCIAL ADVISORS, AGENTS AND STAFF IS HEREBY, AND BY THE ACCEPTANCE OF THE BONDS, EXPRESSLY WAIVED AND RELEASED AS A CONDITION OF, AND IN CONSIDERATION FOR, THE EXECUTION OF THIS INDENTURE AND THE ISSUANCE OF THE BONDS.

It is recognized that notwithstanding any other provision of this Indenture, neither the Borrower, the Trustee nor any Bondholder shall look to the Issuer for damages suffered by any Borrower, the Trustee or such Bondholder as a result of the failure of the Issuer to perform any covenant, undertaking or obligation under this Indenture, the Loan Agreement, the Bonds 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 2.04, the Issuer shall have received satisfactory indemnification.

ARTICLE III

TERMS OF BONDS GENERALLY

Section 3.01. Form of Bonds. The Bonds, the certificate of authentication and the form of assignment shall be in the form set forth in Exhibit A to this Indenture. All Bonds, shall be in fully registered form, and, except as provided in Section 3.05 hereof, the Holder of a Bond shall be regarded as the absolute owner thereof for all purposes of this Indenture.

Section 3.02. Execution and Authentication of Bonds. Each Bond shall be executed on behalf of the City 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 City on the Bond shall have the same force and effect as if the official seal of the City had been impressed on the Bonds. In case any officer whose signature or a facsimile of whose signature shall appear on any Bond shall cease to be that officer before the issuance of the Bond, his signature or the facsimile thereof nevertheless shall be valid and sufficient for all purposes, the same as if he had remained in office until that time. Any Bond may be executed on behalf of the Issuer by an officer who, on the date of execution is the proper officer, although on the date of the Bond that person was not the proper officer.

No Bond shall be valid or become obligatory for any purpose or shall be entitled to any security or benefit under this Indenture unless and until a certificate of authentication, substantially in the form set forth in Exhibit A to this Indenture, has been signed by the Trustee. The authentication by the Trustee upon any Bond shall be conclusive evidence that the Bond so authenticated has been duly authenticated and delivered hereunder and is entitled to the security and benefit of this Indenture. The certificate of the Trustee may be executed by any person authorized by the Trustee, but it shall not be necessary that the same authorized person sign the certificates of authentication on all of the Bonds.

Section 3.03. Source of Payment of Bonds. To the extent provided in and except as otherwise permitted by this Indenture, (a) the Bonds shall be special limited obligations of the Issuer and the Bond Debt Service Charges thereon shall be payable equally and ratably solely from the Issuer Revenues, including but not limited to moneys and investments in the Special Funds, (b) the payment of Bond Debt Service Charges on the Bonds shall be secured by the assignment of Issuer Revenues hereunder and by this Indenture, and (c) payments due on the Bonds also shall be secured by the Note.

Section 3.04. Payment and Ownership of Bonds. Bond Debt Service Charges shall be payable in lawful money of the United States of America without deduction for the services of the Trustee or the Paying Agent. Subject to the provisions of Section 3.09 hereof, (a) the

principal of any Bond shall be payable when due to a Holder upon presentation and surrender of such Bond at the designated corporate trust office of the Trustee or at the office, designated by the Trustee, of the Paying Agent, and (b) interest on any Bond shall be paid on each Interest Payment Date by wire transfer to a bank account located within the continental United States to the Person in whose name the Bond is registered on the Register at the close of business on the Regular Record Date applicable to that Interest Payment Date, at such Holder's address appearing therein.

If and to the extent, however, that the Issuer shall fail to make payment or provision for payment of interest on any Bond on any Interest Payment Date, that interest shall cease to be payable to the Person who was the Holder of that Bond as of the applicable Regular Record Date. In that event, except as provided below in this Section, when moneys become available for payment of the interest, (i) the Trustee shall, pursuant to Section 7.06(d), establish a Special Record Date for the payment of that interest which shall be not more than 15 nor fewer than 10 days prior to the date of the proposed payment, and (ii) the Trustee shall cause notice of the proposed payment and of the Special Record Date to be mailed by first-class mail, postage prepaid, to each Holder at its address as it appears on the Register not fewer than 10 days prior to the Special Record Date and, thereafter, the interest shall be payable to the Persons who are the Holders of the Bonds at the close of business on the Special Record Date.

Subject to the foregoing, each Bond delivered under this Indenture upon transfer thereof, or in exchange for or in replacement of any other Bond, shall carry the rights to interest accrued and unpaid, and to accrue on that Bond, or which were carried by that Bond.

Except as provided in this Section and the first paragraph of Section 3.09 hereof, (A) the Holder of any Bond shall be deemed and regarded as the absolute owner thereof for all purposes of this Indenture, (B) payment of or on account of the Bond Debt Service Charges on any Bond shall be made only to or upon the order of that Holder or its duly authorized attorney in the manner permitted by this Indenture, and (C) none of the Issuer, the Trustee, the Registrar or the Paying Agent shall, to the extent permitted by law, be affected by notice to the contrary. All of those payments shall be valid and effective to satisfy and discharge the liability upon that Bond, including without limitation, the interest thereon, to the extent of the amount or amounts so paid.

Section 3.05. Registration, Transfer and Exchange of Bonds. The Trustee is hereby constituted and appointed Registrar under this Indenture and shall cause the Register to be kept for the registration of Bonds and the registration of transfers of Bonds. The registration of any Bond may be transferred only upon an assignment duly executed by the registered holder or his duly authorized representative in such form as shall be satisfactory to the Trustee, and upon surrender of such Bond to the Trustee for cancellation. Whenever any Bond shall be surrendered for registration of transfer, the Issuer shall execute and the Trustee shall authenticate and deliver to the transferee a new Bond or Bonds of an Authorized Denomination or Denominations and for the aggregate amount of such Bond so surrendered.

Any Bond may be exchanged at the designated office of the Trustee, for a new Bond or Bonds of an Authorized Denomination or Denominations and for the aggregate amount of such Bond then remaining Outstanding.

In all cases in which the registration of a Bond shall be transferred or a Bond shall be exchanged hereunder, the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such transfer or exchange, and all such taxes, fees or charges shall be Ordinary Expenses payable as scheduled pursuant to Section 6.03 hereof. The Trustee shall not be required to transfer or exchange any Bond after notice calling such Bond for redemption has been mailed.

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 the principal of and premium and interest on any such Bond shall be made only to or upon the order of the holder thereof, or its legal representative, and neither the Issuer nor the Trustee shall be affected by any notice to the contrary. 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 to be paid.

Every Bond presented or surrendered for transfer or exchange shall contain, or be accompanied by, all necessary endorsements for transfer.

Section 3.06. Mutilated, Lost, Wrongfully Taken or Destroyed Bonds. If any Bond is mutilated, lost, wrongfully taken or destroyed, in the absence of written notice to the Issuer or the Registrar that a lost, wrongfully taken or destroyed Bond has been acquired by a bona fide purchaser, the Issuer shall execute, and the Registrar shall authenticate and deliver, a new Bond of like date, maturity and denomination as the Bond mutilated, lost, wrongfully taken or destroyed; provided, that (a) in the case of any mutilated Bond, the mutilated Bond first shall be surrendered to the Registrar, and (b) in the case of any lost, wrongfully taken or destroyed Bond, there first shall be furnished to the Registrar evidence of the loss, wrongful taking or destruction satisfactory to the Registrar, together with indemnity satisfactory to the Registrar for the Trustee, the Registrar and the Issuer.

If any lost, wrongfully taken or destroyed Bond shall have matured, instead of issuing a new Bond, the Trustee may pay that Bond without surrender thereof upon the furnishing of satisfactory evidence and indemnity as the Registrar may require, as in the case of issuance of a new Bond. The Issuer, the Registrar and the Trustee may charge the Holder of a mutilated, lost, wrongfully taken or destroyed Bond their reasonable fees and expenses in connection with their actions pursuant to this Section.

Every new Bond issued pursuant to this Section by reason of any Bond being mutilated, lost, wrongfully taken or destroyed (i) shall constitute, to the extent of the outstanding principal amount of the Bond lost, mutilated, taken or destroyed, an additional contractual obligation of the Issuer, regardless of whether the mutilated, lost, wrongfully taken or destroyed Bond shall be enforceable at any time by anyone and (ii) shall be entitled to all of the benefits of this Indenture equally and proportionately with any and all other Bonds issued and outstanding hereunder.

All Bonds shall be held and owned on the express condition that the foregoing provisions of this Section are exclusive with respect to the replacement or payment of mutilated, lost, wrongfully taken or destroyed Bonds and, to the extent permitted by law, shall preclude any and all other rights and remedies with respect to the replacement or payment of negotiable

instruments or other investment securities without their surrender, notwithstanding any law or statute to the contrary now existing or enacted hereafter.

Section 3.07. Cancellation of Bonds. Any Bond surrendered pursuant to this Article for the purpose of payment or retirement or for exchange, replacement or transfer shall be cancelled upon presentation and surrender thereof to the Registrar, the Trustee or the Paying Agent. Any Bond cancelled by the Trustee or the Paying Agent shall be transmitted promptly to the Registrar by the Trustee or Paying Agent.

The Issuer, or the Borrower on behalf of the Issuer, may deliver at any time to the Registrar for cancellation any Bonds previously authenticated and delivered hereunder, which the Issuer or the Borrower may have acquired in any manner whatsoever. All Bonds so delivered shall be cancelled promptly by the Registrar. Certification of the surrender and cancellation shall be made to the Issuer and the Trustee by the Registrar upon written request to the Registrar. Unless otherwise directed by the Issuer, cancelled Bonds shall be retained and stored by the Registrar for a period of two years after their cancellation. Those cancelled Bonds shall be destroyed by the Registrar by shredding or incineration at that time or at any earlier time directed by the Issuer. The Registrar shall provide certificates describing the destruction of cancelled Bonds to the Issuer and the Trustee upon written request to the Registrar. The costs of such storage, shredding, incineration and certification shall constitute Ordinary Expenses payable as scheduled pursuant to Section 6.03 hereof.

Section 3.08. Special Agreement With Holders. Notwithstanding any provision of this Indenture or of any Bond to the contrary, with the written approval of the Borrower, the Trustee may enter into an agreement with any Holder providing for making all payments to that Holder of principal of and interest on that Bond or any part thereof (other than any payment of the entire unpaid principal amount thereof) at a place and in a manner other than as provided in this Indenture and in the Bond, without presentation or surrender of the Bond, upon any conditions which shall be satisfactory to the Trustee and the Borrower; provided, that payment in any event shall be made to the Person in whose name a Bond shall be registered on the Register, with respect to payment of principal, on the date such principal is due, and, with respect to the payment of interest, as of the applicable Regular Record Date or Special Record Date, as the case may be.

The Trustee will furnish a copy of each of those agreements, certified to be correct by an officer of the Trustee, to the Registrar, the Issuer and the Borrower. Any payment of principal or interest pursuant to such an agreement shall constitute payment thereof pursuant to, and for all purposes of, this Indenture.

Section 3.09. Book-Entry Only System. The Bonds shall be issued and registered in a Book Entry System, in the name of a Depository or its nominee as registered owner of the Bonds, and held in the custody of that Depository. Unless otherwise requested by a Depository, a single certificate will be issued and delivered to the Depository for each maturity of Bonds. Beneficial owners of Bonds in a Book Entry System will not receive physical delivery of Bond certificates except as provided hereinafter. For so long as a Depository shall continue to serve as securities depository for the Bonds as provided herein, all transfers of beneficial ownership interests will be made by book-entry only, and no investor or other party purchasing, selling or

otherwise transferring beneficial ownership of Bonds is to receive, hold or deliver any Bond certificate; provided; that, if a Depository fails or refuses to act as securities depository for the Bonds, the Issuer shall take the actions necessary to provide for the issuance of Bond certificates to the Holders of such Bonds.

With respect to Bonds registered in the name of a Depository, the Issuer, the Borrower and the Trustee shall have no responsibility or obligation to any participant therein or to any Person on whose behalf any participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, neither the Issuer, the Borrower nor the Trustee shall have any responsibility or obligation with respect to (a) the accuracy of the records of the Depository or any participant therein or any other Person, other than a registered owner of the Bonds, as shown on the registration books, or (b) any notice with respect to the Bonds or (c) the payment to any participant in the Depository or any other Person, other than a registered owner of the Bonds, as shown in the registration books, of any amount with respect to principal of or interest on or purchase price of the Bonds.

Replacement Bonds may be issued directly to beneficial owners of Bonds other than a Depository, or its nominee, but only in the event that (i) the Depository determines not to continue to act as securities depository for the Bonds (which determination shall become effective no less than 90 days after written notice to such effect to the Issuer and the Trustee); or (ii) the Issuer has advised a Depository of its determination (which determination is conclusive as to the Depository and beneficial owners of the Bonds) that the Depository is incapable of discharging its duties as securities depository for the Bonds; or (iii) the Issuer has determined (which determination is conclusive as to the Depository and the beneficial owners of the Bonds) that the interests of the beneficial owners of the Bonds might be adversely affected if such book-entry only system of transfer is continued. Upon occurrence of any of the foregoing events, the Issuer and the Borrower shall use commercially reasonable efforts to attempt to locate another qualified securities depository. If the Issuer and the Borrower fail to locate another qualified securities depository to replace the Depository, the Issuer and the Borrower, at the Borrower's expense, shall cause to be authenticated and delivered replacement Bonds, in certificate form, to the beneficial owners of the Bonds. In the event that the Issuer makes the determination noted in (ii) or (iii) above (provided that the Issuer undertakes no obligation to make any investigation to determine the occurrence of any events that would permit the Issuer to make any such determination), and has made provisions to notify the beneficial owners of Bonds of such determination by mailing an appropriate notice to the Depository, it and the Borrower shall cause to be issued replacement Bonds in certificate form to beneficial owners of the Bonds as shown on the records of the Depository provided to the Issuer.

Upon the written consent of 100% of the beneficial owners of the Bonds, the Trustee shall withdraw the Bonds from any Depository and authenticate and deliver Bonds fully registered to the assignees of that Depository or its nominee. If the request for such withdrawal is not the result of any Issuer action or inaction, such withdrawal, authentication and delivery shall be at the cost and expense (including costs of printing, preparing and delivering such Bonds) of the persons requesting such withdrawal, authentication and delivery; otherwise such withdrawal, authentication and delivery shall be at the cost and expense of the Borrower.

Whenever, during the term of the Bonds, the beneficial ownership thereof is determined by a book entry at a Depository, (i) the requirements in this Indenture of holding, delivering or transferring Bonds shall be deemed modified to require the appropriate Person or entity to meet the requirements of the Depository as to registering or transferring the book entry to produce the same effect and (ii) delivery of the Bonds will be in accordance with arrangements among the Issuer, the Trustee and the Depository notwithstanding any provision of this Indenture to the contrary.

The Trustee and the Issuer shall enter into any letter of representation with a Depository to implement the Book Entry System of bond registration described above.

ARTICLE IV

REDEMPTION OF BONDS

Section 4.01. Redemption of Bonds. The Bonds are subject to redemption prior to maturity as provided in this Section.

On each redemption date, the Trustee shall transfer to the Registrar, but only from and to the extent of funds held by the Trustee hereunder available for such purpose, an amount sufficient to pay the redemption price of all Bonds or portions thereof to be redeemed on such redemption date.

In the event the Borrower exercises any option to prepay the Note and amounts are paid from the proceeds of refunding bonds or otherwise from Available Moneys upon the written direction of the Borrower delivered to the Issuer and the Trustee, the Bonds are subject to redemption prior to maturity as a whole on or after the later to occur of (i) the date that the Project is placed in service (which for purposes of this Indenture shall mean the Completion Date), and (ii) September 1, 2016, at a redemption price equal to 100% of the principal amount of such Bonds plus accrued interest to the redemption date.

The Bonds are subject to mandatory redemption in whole, on the earliest practicable day for which notice of redemption may be given upon receipt by the Trustee of written certification from the FHA Lender of an occurrence of an event of default by the Borrower under the FHA Insured Mortgage Loan and commencement of an assignment of the FHA Insured Mortgage Loan by the FHA Lender to HUD for payment of an FHA insurance claim. The Bonds shall be redeemed at a redemption price equal to 100% of the principal amount of such Bonds plus accrued interest to the applicable redemption date from funds on deposit in, or transferred from, the Bond Fund, the Collateral Fund, and the Project Fund.

Section 4.02. Notice of Redemption.

(a) Not less than 20 days prior to the redemption date, the Trustee shall give written notice of redemption to the Holders by first-class mail, postage prepaid, (with a copy to the Borrower and the Investor Limited Partner via overnight delivery service) at their respective addresses appearing on the Register. The notice shall state:

- (i) the redemption date;

(ii) the redemption price;

(iii) if less than all Outstanding Bonds are to be redeemed, the identification by designation, letters, numbers or other distinguishing marks (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed;

(iv) that on the redemption date the redemption price of each such Bond will become due and payable to the extent of funds on deposit with the Trustee for that purpose, and that interest on the principal amount of each such Bond to be redeemed shall cease to accrue on such date;

(v) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the office of the Trustee designated in such notice; and

(vi) such additional information as the Trustee or the Issuer shall deem appropriate.

(b) In addition to the foregoing notice, further notice shall be given by the Trustee as set out below, but no defect in such further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed. Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption and in addition (i) the complete official title, including series designation, delivery date, interest rate and maturity date of each Bond being redeemed, (ii) the certificate and CUSIP number of each such Bond, and, in the case of a partial redemption, the amount of the principal represented by each such certificate that is being redeemed, (iii) the date of mailing of official notice of redemption, and (iv) any other descriptive information needed to identify accurately the Bonds being redeemed. Further notices of redemption shall be sent by first-class mail.

(c) Further notices of redemption shall be sent by overnight delivery service to the Borrower and Investor Limited Partner and by first-class mail or overnight delivery service to any Holder owning, on the date such notice is sent, Bonds in the aggregate principal amount of \$1,000,000 or more.

(d) [reserved].

(e) A second notice of redemption shall be sent by the same means as the first such notice not later than 60 days after the redemption date to any Holder who shall not have presented for payment the Bond or Bonds called for redemption within 30 days after such date.

(f) In the event the Bonds are called for redemption under circumstances resulting in discharge of this Indenture under Section 9.02 hereof more than 90 days before the redemption date, additional official and further notice of redemption satisfying

the requirements of this Section shall be given not less than 30 nor more than 60 days prior to such redemption date.

(g) Failure to give any official or further notice or any defect therein shall not affect the validity of the proceedings for redemption of any Bond with respect to which no such failure or defect has occurred or exists.

Any notice of the redemption of Bonds may state that such notice is conditional and that if the conditions for redemption of such Bonds on the scheduled redemption date are not satisfied (including the availability of funds sufficient to redeem such Bonds), such Bonds will not be redeemed on such date and any Bonds tendered for payment on such date will be returned to the Holders thereof.

Notice of redemption having been given as aforesaid, except as provided below, the principal amount of the Bonds so to be redeemed shall become due and payable on the redemption date at the redemption price specified, and on and after such date (unless the Issuer shall default in the payment of the redemption price) such principal amount of the Bonds shall cease to bear interest. Upon surrender of any such Bond for redemption in accordance with such notice, such Bond shall be paid at the redemption price thereof to the extent that money is on deposit with the Registrar for that purpose. Neither the failure of a Holder to receive such notice nor any defect in any notice shall affect the sufficiency of the proceedings for such redemption. If any Bond called for redemption shall not be so paid on the redemption date upon proper surrender of the Bond for redemption, the redemption price and, to the extent lawful, interest thereon shall, until paid, bear interest from the redemption date at the rate borne by the Bond immediately before the redemption date.

If any Bond is to be redeemed only in part, it shall be surrendered to the Registrar (with, if the Registrar so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Registrar duly executed by, the Holder thereof or its attorney duly authorized in writing) and the appropriate officers of the Issuer shall execute and the Registrar shall authenticate and deliver to the Holder of such Bond, without service charge, a new Bond or Bonds of the same interest rate and of any Authorized Denomination or Authorized Denominations, as requested by such Holder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond surrendered.

ARTICLE V

PROVISIONS AS TO FUNDS, PAYMENTS, PROJECT AND AGREEMENT

Section 5.01. Creation of Funds; Allocation of Bond Proceeds.

(a) The funds and accounts described in this Section, designated as indicated are created by this Section 5.01 in this Indenture. Each fund is to be maintained in the custody of the Trustee as a separate bank account (except when invested in Eligible Investments). The funds and accounts are:

(i) the Bond Fund designated “Bond Fund,” and the “Initial Deposit Account” therein;

(ii) the Project Fund designated “Project Fund”;

(iii) the Collateral Fund designated “Collateral Fund”;

(iv) the Costs of Issuance Fund, designated “Costs of Issuance Fund”;
and

(v) the Rebate Fund designated “Rebate Fund.”

(b) The proceeds of the sale of the Bonds (including without limitation, premium, if any, and interest accrued thereon), shall be deposited by the Trustee on the Closing Date to the Project Fund.

On the Closing Date, the Trustee shall deposit \$[_____] received from or on behalf of the Borrower, from money other than the proceeds of the Bonds, in the Costs of Issuance Fund. In addition, the Trustee shall cause the Initial Deposit, received from the Subordinate Lender to be deposited to the Initial Deposit Account of the Bond Fund.

Section 5.02. Application of Loan Payments. So long as there are any Outstanding Bonds, any payments made by the Borrower pursuant to the Note and the Loan Agreement shall be paid on each Loan Payment Date directly to the Trustee and deposited into the Bond Fund, to be used to pay the interest and principal (if any) on the Bonds on the next succeeding Interest Payment Date; provided that so long as there are amounts available therefor, for purposes of paying interest on the Loan when due the Trustee shall debit the Initial Deposit Account in the amount of interest due on the Bonds on each Interest Payment Date and transfer the same to the Bond Fund to pay interest due on the Bonds on each Interest Payment Date; and provided further that so long as there are amounts available therefor, for purposes of making principal payments on the Loan when due the Trustee shall debit the Collateral Fund and transfer the same to the Bond Fund to pay the principal of the Bonds on the date set for redemption of the Bonds or payment of the Bonds on the Maturity Date.

Section 5.03. Disbursements From the Project Fund.

(a) **Requisitions.** Subject to the provisions of this Section 5.03(a) and Section 5.03(b) below, the Trustee shall make disbursements from the Project Fund to pay Project Costs only upon the receipt of a written request of the Borrower signed by an Authorized Borrower Representative and approved by the FHA Lender and the Issuer, which request shall be in the form attached as Exhibit B to the Loan Agreement, a “Disbursement Request”. The Issuer agrees that if the Issuer has not objected in writing to any disbursement from the Project Fund within five Business Days of receipt of a request for approval of such disbursement, the Issuer shall be deemed to have approved such disbursement. Furthermore, if the Issuer and the FHA Lender disagree as to whether a particular disbursement from the Project Fund shall be approved or disapproved, they shall meet and confer in good faith, upon the request of either of them in an effort to resolve the matter, which meeting may be by telephonic or electronic

means, or may be at a personal meeting. If they fail to agree upon the approval or disapproval of such a disbursement following such good faith efforts, the FHA Lender can approve the disbursement and the Trustee shall pay it from the Project Fund. With respect to transfers as may be necessary from the Project Fund to the Bond Fund to cover deficiencies, no Disbursement Request is needed and the Trustee shall transfer such funds automatically.

(b) ***Project Fund.*** When the Trustee receives a Disbursement Request in accordance with the provisions of Section 5.03(a) above and Sections 3.04 and 3.05 of the Loan Agreement, subject to the following paragraph, the Trustee shall confirm that Available Moneys equal to or greater than the sum of (i) the amount set forth in the Disbursement Request and (ii) all prior disbursements made, are on deposit in the Collateral Fund. Upon confirmation of the items above, the Trustee shall, following satisfaction of the requirements of paragraph (a) above, thereafter disburse the funds from the Project Fund to pay Project Costs in the amount pursuant to the Disbursement Request directly to the FHA Lender, or at the direction of the FHA Lender as provided in Section 3.05(d) of the Loan Agreement, to the extent the corresponding deposit of Available Moneys to the Collateral Fund was made by or at the direction of the FHA Lender (as confirmed in the Disbursement Request). Any investment earnings on the Project Fund shall be credited to the Bond Fund. Neither the Trustee nor the Issuer shall be responsible for the application by the Borrower of moneys disbursed to the Borrower or its designees (if any money is disbursed thereto) in accordance with this Section 5.03.

There shall be deposited from time to time in the Collateral Fund Available Moneys in such amounts and at such times as may be necessary to allow the Trustee to disburse funds from the Project Fund, pursuant to Section 5.03 hereof, upon the Trustee's receipt of a Disbursement Request from the Borrower to pay Project Costs.

(c) ***Records.*** The Trustee shall cause to be kept and maintained adequate records pertaining to the Project Fund and all disbursements therefrom as herein provided. If requested by the Issuer or the Borrower, or the Investor Limited Partner, after the filing by the Borrower of the Completion Certificate with the Trustee as provided in Section 5.11 hereof, the Trustee shall file copies of the records pertaining to the Project Fund and disbursements therefrom with the Issuer and the Borrower and the Investor Limited Partner.

The proceeds of the Bonds shall be used exclusively to pay costs that (i) are (A) capital expenditures (as defined in Section 1.150-1(a) of the Code's regulations) and (B) not made for the acquisition of existing property, to the extent prohibited in Section 147(d) of the Code, and (ii) are made exclusively with respect to a "qualified residential rental project" within the meaning of Section 142(d) of the Code and that for the greatest number of buildings the proceeds of the Bonds shall be deemed allocated on a pro rata basis to the building in the Project and the land on which it is located so that the building and the land on which it is located will have been financed 50% or more by the proceeds of the Bonds for the purpose of complying with Section 42(h)(4)(B) of the Code; provided, however, the foregoing representation, covenant and warranty is made for the benefit of the Borrower and its partners and neither the Trustee nor the Issuer shall

have any obligation to enforce this covenant nor shall they incur any liability to any person, including without limitation, the Borrower, the partners of the Borrower, any other affiliate of the Borrower or the holders of the Bonds for any failure to meet the intent expressed in the foregoing representation, covenant and warranty; and provided further, failure to comply with this representation, covenant and warranty shall not constitute a default or Event of Default under this Indenture.

Upon the occurrence and continuance of an Event of Default hereunder because of which the principal amount of the Bonds has been declared to be due and immediately payable pursuant to Section 7.03 hereof, any moneys remaining in the Project Fund shall be promptly transferred by the Trustee to the Bond Fund.

Section 5.04. Bond Fund. There shall be deposited in the Bond Fund (a) the amounts set forth in Section 5.01, (b) investment earnings on the Project Fund and the Collateral Fund and (c) amounts set forth under this Section 5.04.

The Bond Fund and the moneys and Eligible Investments therein shall be used solely and exclusively for the payment of Bond Debt Service Charges as they become due and at stated maturity, or upon redemption or acceleration, all as provided herein and in the Loan Agreement.

The Trustee shall transmit to the Paying Agent, as appropriate, from moneys on deposit in the Bond Fund, amounts sufficient to make timely payments of Bond Debt Service Charges on the Bonds. To the extent that the amount needed by the Paying Agent is not sufficiently predictable, the Trustee may make any credit arrangements with the Paying Agent which will permit those payments to be made. The Issuer authorizes and directs the Trustee to cause withdrawal of moneys from the Bond Fund which are available for the purpose of paying, and are sufficient to pay, Bond Debt Service Charges on the Bonds as they become due and payable, for the purposes of paying or transferring moneys to the Paying Agent which are necessary to pay such Bond Debt Service Charges. Amounts credited to or on deposit in the Initial Deposit Account shall be transferred to the Bond Fund on each Loan Payment Date in order to provide for the payment of Bond Debt Service Charges on the next succeeding Bond Payment Date.

In the event that amounts on deposit in the Bond Fund on any Loan Payment Date are insufficient to make the payment of Bond Debt Service Charges due on the next succeeding Bond Payment Date, the Trustee shall transfer funds in the following order to the Bond Fund and use such funds, together with amounts then on deposit in the Bond Fund, to pay the Bond Debt Service Charges due on the next succeeding Bond Payment Date:

FIRST, from amounts on deposit in the Initial Deposit Account of the Bond Fund;

SECOND, from amounts on deposit in the Collateral Fund; and

THIRD, from amounts on deposit in the Project Fund.

Section 5.05. Investment of Special Funds. On the Closing Date, subject to the provisions of the following paragraph, moneys on deposit in the Project Fund will be held by the Trustee uninvested until disbursed to the Borrower on the Closing Date in accordance with an approved Disbursement Request.

Any amounts deposited into the Special Funds (including amounts, if any, remaining on deposit in the Project Fund after the Closing Date) shall be invested initially in Blackrock MuniFund (Administrative Shares), to the extent that it is an Eligible Investment, and in any event, at all times in Eligible Investments except for de minimis periods of time necessary to effectuate disbursement of funds pursuant to an interest payment, disbursement from the Project Fund or redemption of the Bonds. For the time period between the Closing Date and the first date on which the Eligible Investments may be purchased, the Trustee shall hold such amounts uninvested.

The Trustee is hereby directed to invest in Eligible Investments maturing no later than [_____] 1, 2015, [_____] 1, 2016, and [_____] 1, 2016, with respect to the portion of the amounts on deposit in the Initial Deposit Account of the Bond Fund equal to interest due on the Bonds on each such date, respectively, and Eligible Investments maturing no later than [_____] 1, 2015 (the first possible optional redemption date under Section 4.01 hereof), with respect to amounts on deposit in the Collateral Fund and the balance of amounts on deposit in the Initial Deposit Account of the Bond Fund.

The Trustee hereby covenants that it will record or cause to be recorded with respect to each Eligible Investment the following information:

- (a) purchase date,
- (b) purchase price,
- (c) information establishing the fair market value of such Eligible Investment,
- (d) face amount,
- (e) coupon rate,
- (f) periodicity of interest payments,
- (g) disposition price, and
- (h) disposition date.

The Trustee further covenants that it will monitor the investment of the amounts on deposit in the Special Funds not less frequently than at the close of every three-month period during which any amounts on deposit in the Special Funds are invested in Eligible Investments. The Trustee hereby covenants that it will retain the records referred to above, including each IRS information reporting form, with its books and records with respect to the Bonds until six years following the last date that the Bonds are retired.

The Trustee may not sell any investment at a loss; provided, however, that no redemption of any investments described in paragraph (b) of the definition of Eligible Investments shall be considered a sale for purposes of this sentence.

As long as no Event of Default (as defined in Section 7.01 hereof) shall have occurred and be continuing, the Borrower shall have the right to designate the investments to be sold and to otherwise direct the Trustee in the sale or purchase of the investments or the conversion to cash of the investments made with the moneys in the Collateral Fund provided that the Trustee shall be entitled to conclusively assume the absence of any such Event of Default unless it has notice thereof; if there has been an Event of Default, the Holders shall have said right. In the absence of such directions from the Borrower, the Trustee shall invest the proceeds of maturing investments in the Collateral Fund in Eligible Investments having a maturity date not longer than thirty-five (35) days from the date of purchase or the Maturity Date, as applicable.

The investments described in each of the above paragraphs shall be made by the Trustee pursuant to the direction provided hereby and in accordance with the written direction of the Borrower to be provided on the Closing Date, which shall remain in effect until further written direction is provided by the Borrower, with the consent of a Majority of the Holders of the Bonds.

Amounts, if any, on deposit in the Costs of Issuance Fund shall be invested at the direction of the Borrower in Eligible Investments until disbursed or returned to the Borrower pursuant to Section 5.13 hereof.

Section 5.06. Moneys To Be Held in Trust. Except where moneys have been deposited with or paid to the Trustee pursuant to an instrument restricting their application to particular Bonds, all moneys required or permitted to be deposited with or paid to the Trustee or the Paying Agent under any provision of this Indenture or the Note, and any investments thereof, shall be held by the Trustee or the Paying Agent in trust. Except for moneys held by the Trustee pursuant to Section 5.09 hereof, all moneys described in the preceding sentence held by the Trustee or the Paying Agent shall be subject to the lien hereof while so held.

Section 5.07. Nonpresentment of Bonds. In the event that any Bond shall not be presented for payment when the principal thereof becomes due, or a check or draft for interest is uncashed, if moneys sufficient to pay the principal then due of that Bond or of such check or draft shall have been made available to the Trustee for the benefit of its Holder, all liability of the Issuer to that Holder for such payment of the principal then due of the Bond or of such check or draft thereupon shall cease and be discharged completely. Thereupon, it shall be the duty of the Trustee to hold those moneys, without liability for interest thereon, in a separate account in the Bond Fund for the exclusive benefit of the Holder, who shall be restricted thereafter exclusively to those moneys for any claim of whatever nature on its part under this Indenture or on, or with respect to, the principal then due of that Bond or of such check or draft. The Trustee shall notify the Borrower in writing of any Bond that has not been presented for payment when the principal thereof becomes due.

Any of those moneys which shall be so held by the Trustee, and which remain unclaimed by the Holder of a Bond not presented for payment or check or draft not cashed for a period of two years after the due date thereof, shall be paid to the Borrower free of any trust or lien, upon a request of the Borrower in writing executed by an Authorized Borrower Representative. Thereafter, the Holder of that Bond shall look only to the Borrower for payment and then only to

the amounts so received by the Borrower without any interest thereon, and the Trustee shall not have any responsibility with respect to those moneys.

Section 5.08. Repayment to the Borrower From the Bond Fund. Except as provided in Section 5.09 hereof, any amounts remaining in the Bond Fund (a) after all of the outstanding Bonds shall be deemed paid and discharged under the provisions of this Indenture, and (b) after payment of all fees, charges and expenses of the Trustee, the Registrar, the Paying Agents and the Issuer, and of all other amounts required to be paid under this Indenture, the Loan Agreement, the Regulatory Agreement and the Note, shall be paid to the Borrower to the extent that those amounts are in excess of those necessary to effect the payment and discharge of the outstanding Bonds.

Section 5.09. Rebate Fund.

(a) The Trustee shall establish and maintain a fund separate from any other fund established and maintained hereunder, designated as the Rebate Fund. There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein at the direction of the Arbitrage Consultant. Subject to the transfer provisions provided in paragraph (c) below, all amounts on deposit in the Rebate Fund shall be held by the Trustee in trust, to the extent required to pay rebatable arbitrage to the United States of America, and neither the Issuer, the Borrower nor any Holder of the Bonds shall have any rights in or claim to such money. All amounts held in the Rebate Fund shall be governed by this Section 5.09 and by the Tax Agreement (the terms of which are incorporated herein by reference). The Trustee shall not be responsible for calculating rebate amounts or for the adequacy or correctness or any rebate report or rebate calculations. The Trustee shall be deemed conclusively to have complied with the provisions of this Indenture regarding calculation and payment of rebate if it follows the directions of the Borrower or the Arbitrage Consultant and it shall have no independent duty to review such calculations or enforce compliance with such rebate requirements.

(b) The Trustee shall unconditionally be entitled to accept and rely upon the recommendations, advice, calculations and opinions of the Arbitrage Consultant as to actions required or not required to be taken by the Trustee to comply with the provisions of Section 148(f) of the Code. The Trustee agrees to act in accordance with the recommendations, advice and opinions of the Arbitrage Consultant for the purpose of complying with any applicable provision of Section 148(f) of the Code.

(c) Pursuant to the Tax Agreement and upon written direction of the Arbitrage Consultant, the Trustee shall remit all rebate installments and a final rebate payment to the United States of America pursuant to the final report of the Arbitrage Consultant. The Trustee shall have no obligation to pay any amounts required to be rebated pursuant to this Section 5.09 and the Tax Agreement, other than from moneys held in the Funds created under this Indenture or from other moneys provided to it by the Borrower. Any moneys remaining in the Rebate Fund after redemption and payment of the Bond and payment and satisfaction of any rebatable arbitrage shall be withdrawn and remitted to the Borrower.

(d) Notwithstanding any other provision of this Indenture, including in particular Article IX hereof, the obligation to pay rebatable arbitrage to the United States of America and to comply with all other requirements of this Section 5.09 and the Tax Agreement shall survive the defeasance or payment in full of the Bond. Any provision hereof to the contrary notwithstanding, amounts credited to the Rebate Fund shall be free and clear of any lien hereunder.

(e) Anything in Article XI hereof to the contrary notwithstanding, the provisions of the Tax Agreement may be superseded or amended by an amendment or supplement to the Tax Agreement effected in accordance with the terms thereof.

(f) The Issuer will comply with all provisions of the Tax Agreement, which provisions are incorporated herein by reference.

Section 5.10. Valuation. For the purpose of determining the amount on deposit to the credit of any fund or account, the value of obligations in which money in such fund or account shall have been invested shall be computed at the then market value thereof.

The Eligible Investments shall be valued by the Trustee at any time requested by the Borrower on two Business Days' notice to the Trustee (which period of notice may be waived or reduced by the Trustee); provided, however, that the Trustee shall not be required to value the Eligible Investments more than once in any calendar month.

Section 5.11. Completion of the Project. The completion of the Project and payment of all costs and expenses incident thereto shall be evidenced by the filing with the Trustee of the Completion Certificate required by Section 3.07 of the Loan Agreement. As soon as practicable after the filing with the Trustee of the Completion Certificate, any balance remaining in the Project Fund (other than the amounts retained by the Trustee as described in the Completion Certificate) shall be applied in accordance with the direction of the Borrower executed by an Authorized Borrower Representative pursuant to Section 3.04 of the Loan Agreement.

Section 5.12. Collateral Fund. There shall be deposited from time to time in the Collateral Fund, Available Moneys in such amounts and at such times as may be necessary to allow the Trustee to transfer funds from the Project Fund, pursuant to Section 5.03 hereof, upon the Trustee's receipt of a disbursement request from the Borrower. Moneys in the Collateral Fund shall be invested in Eligible Investments.

The Collateral Fund shall only be used and applied for, and irrevocably committed to, the payment of (a) the Bond Debt Service Charges on the Bonds which are due and payable on any Interest Payment Date or Maturity Date and (b) the Bond Debt Service Charges on the Bonds as and when due at any other Bond Payment Date. Any investment earnings on the Collateral Fund shall be credited to the Bond Fund.

Section 5.13. Costs of Issuance Fund. The Trustee shall use money on deposit to the credit of the Costs of Issuance Fund to pay the following costs of issuance on the Closing Date: \$[] to the Trustee as its closing fee and expenses and fees of counsel and up to \$[] to CDIAC as its closing fee upon receipt of an invoice and soon as practicable thereafter in accordance with written instructions to be given to the Trustee by the Issuer, as set forth in a

certificate of the Issuer delivered to the Trustee on the Closing Date or as otherwise directed by the Issuer, upon delivery to the Trustee of appropriate invoices for such expenses. Investment earnings on amounts on deposit in the Costs of Issuance Fund shall be retained in such fund. Amounts remaining on deposit in the Costs of Issuance Fund 60 days after the Closing Date shall be remitted by the Trustee to the Borrower. Upon such final disbursement, the Trustee shall close the Costs of Issuance Fund.

Section 5.14. Issuer's Fees. The Issuer shall be paid the fees described in the Regulatory Agreement, including, but not limited to, Sections 7(n) and (o) thereof. The Trustee shall collect the Issuer's fees from the Borrower when due and remit them to the Issuer at the times specified in the Regulatory Agreement. The Trustee may establish a fund or account in its records to deposit and remit the Issuer's fees to the Issuer.

ARTICLE VI

THE TRUSTEE, REGISTRAR, PAYING AGENTS AND AUTHENTICATING AGENTS

Section 6.01. Trustee's Acceptance and Responsibilities. The Trustee accepts the trusts imposed upon it by this Indenture, and agrees to observe and perform those trusts, but only upon and subject to the terms and conditions set forth in this Article, to all of which the parties hereto and the Holders agree.

(a) Prior to the occurrence of an Event of Default (as defined in Section 7.01 hereof) of which the Trustee has been notified, as provided in paragraph (f) of Section 6.02 hereof, or of which by that paragraph the Trustee is deemed to have notice, and after the cure or waiver of all Events of Default which may have occurred,

(i) the Trustee undertakes to perform only those duties and obligations which are set forth specifically in this Indenture, and no duties or obligations shall be implied to the Trustee;

(ii) in the absence of gross negligence or bad faith on its part, the Trustee may rely conclusively, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are required specifically to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture.

(b) In case an Event of Default has occurred and is continuing hereunder (of which the Trustee has been notified, or is deemed to have notice), the Trustee shall exercise those rights and powers vested in it by this Indenture and shall use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that

(i) this subsection shall not be construed to affect the limitation of the Trustee's duties and obligations provided in subparagraph (a)(i) of this Section or the Trustee's right to rely on the truth of statements and the correctness of opinions as provided in subparagraph (a)(ii) of this Section;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by any one of its officers, unless it shall be established that the Trustee was grossly negligent in ascertaining the pertinent facts;

(iii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority in principal amount of the Bonds then outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture; and

(iv) no provision of this Indenture 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 if it shall have reasonable grounds in its sole discretion for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section 6.01.

(e) As to the existence or nonexistence of any fact or as to the sufficiency or authenticity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a certificate of the Issuer signed by an Authorized Official as sufficient evidence of the facts stated therein as the same appear from the books and records under the City Clerk's or any assistant City Clerk's custody or control or are otherwise known to such officer. The Trustee may accept a certificate of an Authorized Official, City Clerk or any assistant City Clerk to the effect that a motion, resolution or ordinance in the form therein set forth has been adopted by the governing body of the Issuer as conclusive evidence that such motion or resolution has been duly adopted, and is in full force and effect, and may accept such motion, resolution or ordinance as sufficient evidence of the facts stated therein and the necessity or expediency of any particular dealing, transaction or action authorized or approved thereby, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same.

(f) The Issuer shall not be liable for the payment of such sums or for providing for the indemnification of the Trustee.

Section 6.02. Certain Rights and Obligations of the Trustee. Except as otherwise provided in Section 6.01 hereof:

(a) The Trustee (i) may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees (but shall be answerable therefor only in accordance with the standard specified above), (ii) shall be entitled to the advice of counsel concerning all matters of trusts hereof and duties hereunder, and (iii) may pay reasonable compensation in all cases to all of those attorneys, agents, receivers and employees reasonably employed by it in connection with the trusts hereof (at its own expense or, if such attorneys, agents and receivers are reasonably employed by the Trustee to perform Extraordinary Services, at the expense of the Borrower as provided in Section 6.03 hereof). The Trustee may act upon the opinion or advice of any attorney (who may be the attorney or attorneys for the Issuer or the Borrower) approved by the Trustee in the exercise of reasonable care. The Trustee shall not be responsible for any loss or damage resulting from any action taken or omitted to be taken in good faith in reliance upon that opinion or advice.

(b) Except for its certificate of authentication on the Bonds, the Trustee shall not be responsible for:

- (i) any recital in this Indenture or in the Bonds;
- (ii) the validity, priority, recording, re-recording, filing or refiling of this Indenture or any Supplemental Indenture or the Regulatory Agreement;
- (iii) any instrument or document of further assurance or collateral assignment;
- (iv) [reserved];
- (v) insurance of the Project or collection of insurance moneys;
- (vi) the validity of the execution by the Issuer of this Indenture, any Supplemental Indenture or instruments or documents of further assurance;
- (vii) the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby;
- (viii) the value of or title to the Project; or
- (ix) the maintenance of the security hereof;

except that, in the event that the Trustee enters into possession of a part or all of the Project pursuant to any provision of the Regulatory Agreement, the Trustee shall use due diligence in preserving that property. The Trustee shall not be bound to ascertain or inquire as to the observance or performance of any covenants, agreements or obligations on the part of the Issuer or the Borrower under the Loan Agreement except as set forth hereinafter; but the Trustee may require of the Issuer or the Borrower full information

and advice as to the observance or performance of those covenants, agreements and obligations. Except as otherwise provided in Section 7.04 hereof, the Trustee shall have no obligation to observe or perform any of the duties of the Issuer under the Loan Agreement.

(c) The Trustee shall not be accountable for the application by the Borrower or any other Person of the proceeds of any Bonds authenticated or delivered hereunder.

(d) The Trustee shall be protected, in the absence of gross negligence or bad faith on its part, in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document reasonably believed by it to be genuine and correct and to have been signed or sent by the proper Person or Persons. Any action taken by the Trustee pursuant to this Indenture upon the request, authority or consent of any Person who is the Holder of any Bonds at the time of making the request or giving the authority or consent, shall be conclusive and binding upon all future Holders of the same Bond and of Bonds issued in exchange therefor or in place thereof.

(e) As to the existence or nonexistence of any fact for which the Issuer or the Borrower may be responsible or as to the sufficiency or validity of any instrument, document, report, paper or proceeding, the Trustee, in the absence of gross negligence or bad faith on its part, shall be entitled to rely upon a certificate signed on behalf of the Issuer or Borrower, as appropriate, by an authorized officer or representative thereof as sufficient evidence of the facts recited therein. Prior to the occurrence of an Event of Default hereunder of which the Trustee has been notified, as provided in paragraph (f) of this Section, or of which by that paragraph the Trustee is deemed to have notice, the Trustee may accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient; provided, that the Trustee in its discretion may require and obtain any further evidence which it deems to be necessary or advisable; and, provided further, that the Trustee shall not be bound to secure any such further evidence.

(f) The Trustee shall not be required to take notice, and shall not be deemed to have notice, of any default or Event of Default hereunder, except Events of Default described in paragraphs (a), (b) and (d) (but only with respect to paragraph (a) of Section 7.01 of the Loan Agreement) of Section 7.01 hereof, unless the Trustee shall be notified specifically of the default or Event of Default in a written instrument or document delivered to it by the Issuer or by the Holders of at least 10% of the aggregate principal amount of Bonds then outstanding. In the absence of delivery of a notice satisfying those requirements, the Trustee may assume conclusively that there is no default or Event of Default, except as noted above.

(g) At any reasonable time, the Trustee and its duly authorized agents, attorneys, experts, engineers, accountants and representatives (i) may inspect and copy fully all books, papers and records of the Issuer pertaining to the Project and the Bonds, and (ii) may make any memoranda from and in regard thereto as the Trustee may desire.

(h) The Trustee shall not be required to give any bond or surety with respect to the execution of these trusts and powers.

(i) Notwithstanding anything contained elsewhere in this Indenture, the Trustee may demand any showings, certificates, reports, opinions, appraisals and other information, and any corporate action and evidence thereof, in addition to that required by the terms hereof, as a condition to the authentication of any Bonds or the taking of any action whatsoever within the purview of this Indenture, if the Trustee deems it to be desirable for the purpose of establishing the right of the Issuer to the authentication of any Bonds or the right of any Person to the taking of any other action by the Trustee; provided, that the Trustee shall not be required to make that demand.

(j) Before taking action hereunder pursuant to Section 6.04 or Article VII hereof (with the exception of any action required to be taken under Section 7.02 hereof), the Trustee may require that a satisfactory indemnity bond be furnished to it for the reimbursement of all expenses which it may incur and to protect it against all liability by reason of any action so taken, except liability which is adjudicated to have resulted from its negligence or willful misconduct. The Trustee may take action without that indemnity, and in that case, the Borrower shall reimburse the Trustee for all of the Trustee's expenses pursuant to Section 6.03 hereof.

(k) Unless otherwise provided herein, all moneys received by the Trustee under this Indenture shall be held in trust for the purposes for which those moneys were received, until those moneys are used, applied or invested as provided herein; provided, that those moneys need not be segregated from other moneys, except to the extent required by this Indenture or by law. Absent written direction provided to the Trustee pursuant to Section 5.05 hereof, the Trustee shall not be responsible or liable for keeping moneys held by it hereunder invested in any particular investment, and the Trustee shall not have any liability for interest on any moneys received hereunder, except to the extent expressly provided herein.

(l) Any resolution by the Board, and any opinions, certificates and other instruments and documents for which provision is made in this Indenture, may be accepted by the Trustee, in the absence of bad faith on its part, as conclusive evidence of the facts and conclusions stated therein and shall be full warrant, protection and authority to the Trustee for its actions taken hereunder.

(m) The Trustee shall be entitled to file proofs of claim in bankruptcy at the direction of the Holders of at least 25% in aggregate principal amount of Bonds outstanding. Trustee fees and expenses are intended to constitute administrative expenses in bankruptcy.

(n) The duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture. No implied covenants or obligations shall be read into this Indenture against the Trustee.

Notwithstanding any provision herein, the Trustee shall have no duty to or obligation to the Borrower except as may be expressly set forth in this Indenture.

(o) The Trustee shall not be responsible or liable for any failure or delay in the performance of its obligations under this Indenture arising or caused, directly or indirectly by circumstances beyond its reasonable control including, without limitation, acts of God; earthquakes; fire; flood; hurricanes or other storms wars; terrorism; similar military disturbances; sabotage; epidemic; pandemic; riots; interruptions; loss or malfunctions of utilities, communications services; accidents; labor disputes; acts of civil or military authority or governmental action; it being understood that the Trustee shall use commercially reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as reasonably practicable under any such circumstances.

(p) Notwithstanding anything contained herein to the contrary, upon the occurrence and continuance of an Event of Default, before taking any action which may subject the Trustee to liability under any environmental law, statute, regulation or similar requirement relating to the environment, the Trustee may require that a satisfactory indemnity bond, indemnity or environmental impairment insurance be furnished for the payment or reimbursement of all costs and expenses to which it may be put (including reasonable attorney's fees, costs and expenses) and to protect it against all liability resulting from any claims, judgments, damages, losses, penalties, fines, liabilities (including strict liability) and costs and expenses which may result from such other action (including reasonable attorney's fees, costs and expenses).

Section 6.03. Fees, Charges and Expenses of Trustee, Registrar, Paying Agents and Authenticating Agents. The Trustee, Registrar, Paying Agents and Authenticating Agents shall be entitled to payment or reimbursement by the Borrower, as provided in the Loan Agreement, for customary fees for their respective Ordinary Services rendered hereunder and for all advances, counsel fees and other Ordinary Expenses reasonably and necessarily paid or incurred by them in connection with the provision of Ordinary Services. For purposes hereof, fees for Ordinary Services provided for by their respective standard fee schedule shall be considered customary. Notwithstanding anything in this Indenture or the other Loan Documents to the contrary, fees of the Trustee, Registrar, Paying Agents and Authenticating Agents for Ordinary Services and any fees for services of the Dissemination Agent under the Continuing Disclosure Agreement shall be paid directly by the Borrower to the Trustee as provided in Section 4.02(c) of the Loan Agreement. In the event that it should become necessary for any of them to perform Extraordinary Services, they shall be entitled to customary extra compensation therefor and to reimbursement for reasonable and necessary Extraordinary Expenses incurred in connection therewith. Unless and until such time as the Trustee resigns or is replaced, and a successor Trustee is appointed pursuant to Section 6.09 hereunder, the Trustee shall continue to perform its duties hereunder notwithstanding the Borrower's failure to timely pay such fees.

Without creating a default or an Event of Default hereunder, however, the Borrower may contest in good faith the necessity for any Extraordinary Service and Extraordinary Expense and the amount of any fee, charge or expense except Ordinary Expenses.

The Trustee, Registrar, Paying Agents and Authenticating Agents shall not be entitled to compensation or reimbursement for Extraordinary Services or Extraordinary Expenses occasioned by their negligence or willful misconduct. The customary fees for their respective Ordinary Services and charges of the foregoing shall be entitled to payment and reimbursement only from (i) the Additional Payments made by the Borrower pursuant to the Loan Agreement, or (ii) from other moneys available therefor. Any amounts payable to the Trustee, Registrar, Paying Agents or Authenticating Agents pursuant to this Section 6.03 shall be payable upon receipt of a detailed invoice from the Trustee, Registrar, Paying Agents or Authenticating Agents, as applicable, and shall bear interest beginning 30 days following the provision of the respective invoice to the Borrower at the Interest Rate for Advances.

Section 6.04. Intervention by Trustee. The Trustee may intervene on behalf of the Holders, and shall intervene if requested to do so in writing by the Holders of at least 25% of the aggregate principal amount of Bonds then outstanding, in any judicial proceeding to which the Issuer or the Borrower is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of Holders of the Bonds. The rights and obligations of the Trustee under this Section are subject to the approval of that intervention by a court of competent jurisdiction. The Trustee may require that a satisfactory indemnity bond be provided to it in accordance with Sections 6.01 and 6.02 hereof before it takes action hereunder.

Section 6.05. Successor Trustee. Anything herein to the contrary notwithstanding:

(a) any corporation or association (i) into which the Trustee may be converted or merged, (ii) with which the Trustee or any successor to it may be consolidated, or (iii) to which it may sell or transfer its corporate trust assets and corporate trust business as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, merger, consolidation, sale or transfer, ipso facto, shall be and become successor Trustee hereunder and shall be vested with all of the title to the whole property or Trust Estate hereunder; and

(b) that corporation or association shall be vested further, as was its predecessor, with each and every trust, property, remedy, power, right, duty, obligation, discretion, privilege, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be exercised by, vested in or conveyed to the Trustee, without the execution or filing of any instrument or document or any further act on the part of any of the parties hereto.

Any successor Trustee, however, (i) shall be a trust company or a bank having the powers of a trust company, (ii) shall be in good standing within the State, (iii) shall be duly authorized to exercise trust powers within the State, (iv) shall have a reported capital, surplus and retained earnings of not less than \$100,000,000, and (v) shall have at least a Minimum Trustee Rating.

Section 6.06. Appointment of Co-Trustee. It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including without limitation, the laws of the State) denying or restricting the right of banks or trust companies to transact business as trustees in that jurisdiction. It is recognized that, (a) if there is litigation under this Indenture or other instruments or documents relating to the Bonds and the Project, and in particular, in case of the

enforcement hereof or thereof upon an Event of Default, or (b) if the Trustee should deem that, by reason of any present or future law of any jurisdiction, it may not (i) exercise any of the powers, rights or remedies granted herein to the Trustee, (ii) hold title to the properties, in trust, as granted herein, or (iii) take any action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an individual or additional institution as a co-Trustee. The following provisions of this Section are adapted to these ends.

In the event that the Trustee appoints an individual or additional institution as a co-Trustee, each and every trust, property, remedy, power, right, duty, obligation, discretion, privilege, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be exercised by, vested in or conveyed to the Trustee shall be exercisable by, vest in and be conveyed to that co-Trustee, but only to the extent necessary for it to be so vested and conveyed and to enable that co-Trustee to exercise it. Every covenant, agreement and obligation necessary to the exercise thereof by that co-Trustee shall run to and be enforceable by it.

Should any instrument or document in writing from the Issuer reasonably be required by the co-Trustee so appointed by the Trustee for vesting and conveying more fully and certainly in and to that co-Trustee those trusts, properties, remedies, powers, rights, duties, obligations, discretions, privileges, claims, demands, causes of action, immunities, estates, titles, interests and liens, that instrument or document shall be executed, acknowledged and delivered, but not prepared, by the Issuer. In case any co-Trustee or a successor to it shall die, become incapable of acting, resign or be removed, all of the trusts, properties, remedies, powers, rights, duties, obligations, discretions, privileges, claims, demands, causes of action, immunities, estates, titles, interests and liens of the co-Trustee shall be exercised by, vest in and be conveyed to the Trustee, to the extent permitted by law, until the appointment of a successor to the co-Trustee.

The total compensation of the Trustee and any co-Trustee or separate trustee shall be as, and may not exceed the amounts, provided in Section 6.03 hereof.

Section 6.07. Resignation by the Trustee. The Trustee may resign at any time from the trusts created hereby by giving 30 days' written notice of the resignation to the Issuer, the Borrower, the Investor Limited Partner, the Registrar, the Paying Agents and Authenticating Agents, and by mailing written notice of the resignation to the Holders as their names and addresses appear on the Register at the close of business 15 days prior to the mailing. Notwithstanding the foregoing, if the Trustee no longer has a Minimum Trustee Rating, it shall resign within 60 calendar days of the withdrawal or suspension of a former Minimum Trustee Rating or other event giving rise to its failure to maintain a Minimum Trustee Rating. The resignation shall take effect upon the appointment of a successor Trustee as provided for in Section 6.09 of this Indenture or an order of a court of competent jurisdiction allowing the Trustee to resign.

Section 6.08. Removal of the Trustee. The Trustee may be removed at any time by an instrument or document or concurrent instruments or documents in writing delivered to the Trustee, with copies thereof mailed to the Issuer, the Registrar, the Paying Agents and Authenticating Agents, the Investor Limited Partner and the Borrower, and signed by or on behalf of the Issuer or Majority of the Holders of the Bonds.

The Trustee also may be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of this Indenture with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the Issuer or the Holders of not less than 25% in aggregate principal amount of the Bonds then outstanding under this Indenture.

The removal of the Trustee under this Section 6.08 shall take effect upon the appointment and acceptance of a successor Trustee as provided for in Section 6.09 of this Indenture.

Section 6.09. Appointment of Successor Trustee. If (a) the Trustee shall resign, shall be removed, shall be dissolved, or shall become otherwise incapable of acting hereunder, (b) the Trustee shall be taken under the control of any public officer or officers, or (c) a receiver shall be appointed for the Trustee by a court, then a successor Trustee shall be appointed by the Issuer; provided, that if a successor Trustee is not so appointed within 30 days after (i) a notice of resignation or an instrument or document of removal is received by the Issuer, as provided in Sections 6.07 and 6.08 hereof, respectively, or (ii) the Trustee is dissolved, taken under control, becomes otherwise incapable of acting or a receiver is appointed, in each case, as provided above, then, but only so long as the Issuer shall not have appointed a successor Trustee, the Holders of a majority in aggregate principal amount of Bonds then outstanding may designate a successor Trustee by an instrument or document or concurrent instruments or documents in writing signed by or on behalf of those Holders. If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section, the Holder of any Bond outstanding hereunder or any retiring Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

Every successor Trustee shall comply with the provisions of Section 6.05 and be willing to accept the trusteeship under the terms and conditions of this Indenture.

Every successor Trustee appointed hereunder shall execute and acknowledge, and shall deliver to its predecessor, the Issuer and the Borrower an instrument or document in writing accepting the appointment. Thereupon, without any further act, the successor shall become vested with all of the trusts, properties, remedies, powers, rights, duties, obligations, discretions, privileges, claims, demands, causes of action, immunities, estates, titles, interests and liens of its predecessor. Upon the written request of its successor, the Issuer or the Borrower, and payment of all fees and expenses owed to it, the predecessor Trustee (A) shall execute and deliver an instrument or document transferring to its successor all of the trusts, properties, remedies, powers, rights, duties, obligations, discretions, privileges, claims, demands, causes of action, immunities, estates, titles, interests and liens of the predecessor Trustee hereunder, and (B) shall take any other action necessary to duly assign, transfer and deliver to its successor all property (including without limitation, all securities and moneys) held by it as Trustee. Should any instrument or document in writing from the Issuer be requested by any successor Trustee for vesting and conveying more fully and certainly in and to that successor the trusts, properties, remedies, powers, rights, duties, obligations, discretions, privileges, claims, demands, causes of action, immunities, estates, titles, interests and liens vested or conveyed or intended to be vested or conveyed hereby in or to the predecessor Trustee, the Issuer shall execute, acknowledge and deliver that instrument or document.

In the event of a change in the Trustee, the predecessor Trustee shall cease to be custodian of any moneys which it may hold pursuant to this Indenture and shall cease to be Registrar, Authenticating Agent and a Paying Agent for any of the Bonds, to the extent it served in any of those capacities.

Section 6.10. Adoption of Authentication. In case any of the Bonds shall have been authenticated, but shall not have been delivered, any successor Trustee, Registrar or Authenticating Agent may adopt the certificate of authentication of any predecessor Trustee, Registrar or Authenticating Agent and may deliver those Bonds so authenticated as provided herein. In case any Bonds shall not have been authenticated, any successor Trustee, Registrar or Authenticating Agent may authenticate those Bonds in its own name as successor Trustee. In all cases, the certificate of authentication shall have the same force and effect as provided in the Bonds or in this Indenture with respect to the certificate of authentication of the predecessor Trustee, Registrar or Authenticating Agent.

Section 6.11. Registrars.

(a) **Succession.** Anything herein to the contrary notwithstanding, any corporation or association (i) into which a Registrar may be converted or merged, (ii) with which a Registrar or any successor to it may be consolidated, or (iii) to which it may sell or transfer its assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, merger, consolidation, sale or transfer, ipso facto, shall be and become successor Registrar to that Registrar hereunder and shall be vested with each and every power, right, duty, obligation, discretion and privilege expressed or intended by this Indenture to be exercised by or vested in the predecessor Registrar, without the execution or filing of any instrument or document or any further act on the part of any of the parties hereto.

(b) **Resignation.** A Registrar may resign at any time by giving written notice of its resignation to the Issuer, the Borrower, the Trustee, the Investor Limited Partner and to each Paying Agent and Authenticating Agent for the Bonds, at least 60 days before the resignation is to take effect. The resignation shall take effect immediately, however, upon the appointment of a successor Registrar, if the successor Registrar is appointed and accepts that appointment before the time stated in the notice.

(c) **Removal.** The Registrar may be removed at any time by an instrument or document or concurrent instruments or documents in writing delivered to the Registrar, with copies thereof mailed to the Issuer, the Trustee, the Investor Limited Partner and the Borrower, and signed by or on behalf of the Holders of not less than a majority in aggregate principal amount of the Bonds then outstanding.

(d) **Appointment of Successors.** If (i) a Registrar shall resign, shall be removed, shall be dissolved, or shall become otherwise completely incapable of acting hereunder, (ii) a Registrar shall be taken under the control of any public officer or officers, (iii) a receiver shall be appointed for a Registrar by a court, or (iv) a Registrar shall have an order for relief entered in any case commenced by or against it under the federal bankruptcy laws or commence a proceeding under any federal or state

bankruptcy, insolvency, reorganization or similar law, or have such a proceeding commenced against it and either have an order of insolvency or reorganization entered against it or have the proceeding remain undismissed and unstayed for 90 days, then a successor Registrar shall be appointed by the Trustee, with the written consent of the Borrower; provided, that if a successor Registrar is not so appointed within 10 days after (A) a notice of resignation or an instrument or document of removal is received by the Trustee, as provided above, or (B) the Registrar is dissolved, taken under control, becomes otherwise incapable of acting or a receiver is appointed, in each case, as provided above, then, if the Trustee shall not have appointed a successor Registrar, the Trustee shall be and become the Registrar.

Every successor Registrar appointed hereunder shall execute and acknowledge, and shall deliver to its predecessor, the Issuer, the Trustee and the Borrower, an instrument or document in writing accepting the appointment. Thereupon, without any further act, the successor shall become vested with all of the properties, remedies, powers, rights, duties, obligations, discretions, privileges, claims, demands, causes of action, immunities, titles and interests of its predecessor. Upon the written request of its successor, the Issuer or the Borrower, a predecessor Registrar (i) shall execute and deliver an instrument or document transferring to its successor all of the properties, remedies, powers, rights, duties, obligations, discretions, privileges, claims, demands, causes of action, immunities, titles and interests of it as predecessor Registrar hereunder, and (ii) shall take any other action necessary to duly assign, transfer and deliver to its successor all property and records (including without limitation, the Register and any cancelled Bonds) held by it as Registrar. Should any instrument or document in writing from the Issuer be requested by any successor Registrar for vesting and conveying more fully and certainly in and to that successor the properties, remedies, powers, rights, duties, obligations, discretions, privileges, claims, demands, causes of action, immunities, titles and interests vested or conveyed or intended to be vested or conveyed hereby in or to a predecessor Registrar, the Issuer shall execute, acknowledge and deliver that instrument or document.

The Trustee shall cause the Borrower to pay pursuant to Section 4.02 of the Loan Agreement, to any Registrar customary compensation for its services from time to time, as authorized, but subject to the limitations set forth, in Section 6.03 hereof. The provisions of Sections 3.05, 3.06, 3.07 and 6.02(d) hereof shall be applicable to the Registrar.

Section 6.12. Designation and Succession of Paying Agents. The Trustee shall be a Paying Agent for the Bonds, and, with the consent of the Issuer, the Trustee may appoint a Paying Agent or Agents with power to act on its behalf and subject to its direction in the payment of Bond Debt Service Charges on the Bonds. It is the responsibility of the Trustee to establish the duties and responsibilities of the Paying Agent for the purposes of this Indenture, to the extent not specified herein.

Any corporation or association with or into which the Paying Agent may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, consolidation or conversion to which the Paying Agent shall be a party, or any corporation or association succeeding to the trust business of the Paying Agent, shall be the successor of that Paying Agent hereunder, if that successor corporation or association is

otherwise eligible hereunder, without the execution or filing of any paper or any further act on the part of the parties hereto or the Paying Agent or that successor corporation or association.

The Paying Agent may at any time resign by giving written notice of resignation to the Trustee, to the Registrar and to the Borrower. The Trustee may at any time terminate the agency of the Paying Agent by giving written notice of termination to such Paying Agent, to the Registrar and to the Borrower. Upon receiving such a notice of resignation or upon such a termination, or in case at any time the Paying Agent shall cease to be eligible under this Section, the Trustee may appoint a successor Paying Agent. The Trustee shall give written notice of appointment of a successor Paying Agent to the Borrower, the Issuer and the Registrar and shall mail, within 10 days after that appointment, notice thereof to all Holders as their names and addresses appear on the Register on the date of that appointment.

The Trustee shall cause the Borrower to pay pursuant to Section 4.02 of the Loan Agreement, to the Paying Agent from time to time customary compensation as authorized, but subject to the limitations set forth, in Section 6.03 hereof for its services.

The provisions of Sections 3.05, 3.07 and 6.02(d) shall be applicable to the Paying Agent.

Section 6.13. Designation and Succession of Authenticating Agents. With the consent of the Issuer, the Trustee may appoint an authenticating agent or agents (each referred to herein as an “Authenticating Agent”), in addition to the Registrar, with power to act on its behalf and subject to its direction in the authentication and delivery of Bonds in connection with transfers and exchanges under Sections 3.06 and 4.02 hereof. For all purposes of this Indenture, the authentication and delivery of Bonds by an Authenticating Agent pursuant to this Section shall be deemed to be authentication and delivery of those Bonds “by the Trustee.”

Any corporation or association with or into which any Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, consolidation or conversion to which any Authenticating Agent shall be a party, or any corporation or association succeeding to the trust business of any Authenticating Agent, shall be the successor of that Authenticating Agent hereunder, if that successor corporation or association is otherwise eligible hereunder, without the execution or filing of any paper or any further act on the part of the parties hereto or the Authenticating Agent or such successor corporation.

Any Authenticating Agent may at any time resign by giving written notice of resignation to the Trustee, to the Registrar and to the Borrower. The Trustee may at any time terminate the agency of any Authenticating Agent by giving written notice of termination to such Authenticating Agent, to the Registrar and to the Borrower. Upon receiving such a notice of resignation or upon such a termination, or in case at any time any Authenticating Agent shall cease to be eligible under this Section, the Trustee may appoint a successor Authenticating Agent. The Trustee shall give written notice of appointment of a successor Authenticating Agent to the Borrower, the Issuer and the Registrar and shall mail, within 10 days after that appointment, notice thereof to all Holders as their names and addresses appear on the Register on the date of that appointment.

The Trustee shall cause the Borrower to pay pursuant to Section 4.02 of the Loan Agreement, to the Authenticating Agent from time to time customary compensation as authorized, but subject to the limitations set forth in Section 6.03 hereof for its services.

The provisions of Section 3.05 and Sections 6.02(b), (c), (d), (h) and (i) shall be applicable to any Authenticating Agent.

Section 6.14. Dealing in Bonds. The Trustee, a Registrar, a Paying Agent and an Authenticating Agent, their Affiliates, and any directors, officers, employees or agents thereof, in good faith, may become the owners of Bonds secured hereby with the same rights which it or they would have hereunder if the Trustee, the Registrar, Paying Agents and Authenticating Agents did not serve in those capacities.

Section 6.15. Representations, Agreement and Covenants of Trustee. The Trustee hereby represents that it is a national banking association duly organized and validly existing under the laws of the United States of America, in good standing and duly authorized to exercise corporate trust powers in the State, and that it has an unimpaired reported capital, surplus and retained earnings of not less than \$100,000,000. The Trustee covenants that it will take such action, if any, as is necessary to remain in good standing and duly authorized to exercise corporate trust powers in the State, and that it will maintain an unimpaired reported capital, surplus and retained earnings of not less than \$100,000,000. The Trustee accepts and agrees to observe and perform the duties and obligations of the Trustee to which reference is made in any other instrument or document providing security for any of the Bonds.

Section 6.16. Right of Trustee To Pay Taxes and Other Charges. The Trustee is hereby authorized (a) to pay taxes, assessments and other governmental charges with respect to the Project, (b) to make payments for the discharge of mechanics' and other liens relating to the Project, (c) to obtain and maintain insurance for the Project and pay premiums therefor, and (d) generally, to make payments and incur expenses, all in the event that the Borrower fails to do so as required by the Loan Agreement, but only to the extent that it has received funds necessary for the purpose of making any such payments, and in any event without prejudice to any rights of the Trustee or the Holders against the Borrower for failure of the Borrower to do so.

Any amount so paid at any time, with interest thereon at the Interest Rate for Advances from the date of payment, (i) shall be an additional obligation secured by this Indenture, (ii) shall be given a preference in payment over any Bond Debt Service Charges, and (iii) shall be paid out of the Issuer Revenues, if not caused otherwise to be paid. The Trustee shall only make such payments if it shall have been requested to do so by the Holders of at least 25% of the aggregate principal amount of Bonds then outstanding and shall have been provided with adequate funds for the purpose of making such payment.

Section 6.17. Interpleader. In the event of a dispute between any of the parties hereto with respect to the disposition of any funds held by the Trustee hereunder, or the Trustee receives conflicting demands made upon the Trustee with respect to the Trustee's duties hereunder or any other document related to the Bonds, the Trustee shall be entitled to file a suit in interpleader in a court of competent jurisdiction seeking to require the parties to interplead and litigate in such court their several claims and rights among themselves. Upon the filing of such a

suit and the deposit of the applicable funds to such court, the Trustee will ipso facto be fully released and discharged from all obligations to further perform any and all duties imposed hereunder or any other document related to the Bonds regarding such matter and/or such funds that are the subject of such interpleader suit. In the event that the Trustee remains as Trustee under this Indenture and receives a court order, directive or other request regarding the interpleader suit, the Trustee shall be entitled to rely upon such instruction without incurring any obligation or liability and the parties hereto release, hold harmless and indemnify the Trustee for any obligation or liability for so relying on such court instruction.

Section 6.18. Survival of Certain Provisions. The provisions of Sections 6.01 through 6.18 of this Indenture shall survive the release, discharge and satisfaction of this Indenture.

ARTICLE VII

DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND HOLDERS

Section 7.01. Defaults; Events of Default. The occurrence of any of the following events is defined as and declared to be and to constitute an Event of Default hereunder:

(a) Payment of any interest on any Bond shall not be made when and as that interest shall become due and payable;

(b) Payment of the principal of any Bond shall not be made when and as that principal shall become due and payable, whether at stated maturity, upon acceleration or otherwise;

(c) Failure by the Issuer to observe or perform any other covenant, agreement or obligation on its part to be observed or performed contained in this Indenture or in the Bonds, which failure shall have continued for a period of 30 days after written notice, by registered or certified mail, to the Issuer and the Borrower specifying the failure and requiring that it be remedied, which notice may be given by the Trustee in its discretion and shall be given by the Trustee at the written request of the Holders of not less than 25% in aggregate principal amount of Bonds then outstanding; provided, that if the failure is other than the payment of money and is of such nature that it can be corrected but not within the applicable period, that failure shall not constitute an Event of Default so long as the Issuer or the Borrower institutes curative action within the applicable period and diligently pursues that action to completion, which must be resolved within 180 days after the aforementioned notice; and

(d) The occurrence and continuance of an Event of Default as defined in Section 7.01 of the Loan Agreement.

The term “default” or “failure” as used in this Article means (i) a default or failure by the Issuer in the observance or performance of any of the covenants, agreements or obligations on its part to be observed or performed contained in this Indenture or in the Bonds, or (ii) a default or failure by the Borrower under the Loan Agreement, exclusive of any period of grace or notice required to constitute an Event of Default, as provided above or in the Loan Agreement.

Section 7.02. Notice of Default. If an Event of Default shall occur under Section 7.01(a) or (b) of this Indenture, the Trustee shall give written notice of the Event of Default, by registered or certified mail, to the Issuer, the Borrower, the Investor Limited Partner, the Registrar or the Paying Agent and Authenticating Agent, immediately after the Trustee has notice of the Event of Default pursuant to Section 6.02(f) of this Indenture. If any other Event of Default occurs of which the Trustee has notice pursuant to this Indenture, the Trustee shall give written notice thereof, within 30 days after the Trustee's receipt of notice of its occurrence, to the Holders of all Bonds then outstanding as shown by the Register at the close of business 15 days prior to the mailing of that notice.

The Investor Limited Partner shall be entitled to cure any Event of Default hereunder within the time frame provided to the Borrower hereunder and under the Loan Agreement, as applicable. Issuer and Trustee agree that cure of any default or Event of Default made or tendered by the Investor 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.

Section 7.03. Acceleration. Upon the occurrence of an Event of Default described in Sections 7.01(a) and (b), the Trustee may declare, and upon the written request of the Holders of not less than 25% in aggregate principal amount of Bonds then outstanding the Trustee shall declare, by a notice in writing delivered to the Issuer and the Borrower, the principal of all Bonds then outstanding (if not then due and payable), and the interest accrued thereon, to be due and payable immediately. Upon the occurrence of any Event of Default other than those described in Sections 7.01(a) and (b), the Trustee, with the written consent of all Holders of Bonds then outstanding, may declare by a notice in writing delivered to the Issuer and the Borrower, the principal of all Bonds then outstanding (if not then due and payable), and the interest accrued thereon, to be due and payable immediately. Upon such declaration, the principal and interest on the Bonds shall become and be due and payable immediately. Interest on the Bonds shall accrue to the date determined by the Trustee for the tender of payment to the Holders pursuant to that declaration; provided, that interest on any unpaid principal of Bonds outstanding shall continue to accrue from the date determined by the Trustee for the tender of payment to the Holders of those Bonds.

The provisions of the preceding paragraph are subject, however, to the condition that if, at any time after declaration of acceleration and prior to the entry of a judgment in a court for enforcement hereunder (after an opportunity for hearing by the Issuer and the Borrower):

(a) all sums payable hereunder (except the principal of and interest on Bonds which have not reached their stated maturity dates but which are due and payable solely by reason of that declaration of acceleration), plus interest to the extent permitted by law on any overdue installments of interest at the rate borne by the Bonds in respect of which the default shall have occurred, shall have been duly paid or provision shall have been duly made therefor by deposit with the Trustee or Paying Agents; and

(b) all existing Events of Default shall have been cured, then and in every case, the Trustee shall waive the Event of Default and its consequences and shall rescind and annul that declaration. No waiver or rescission and annulment shall extend to or affect any subsequent Event of Default or shall impair any rights consequent thereon.

Section 7.04. Other Remedies; Rights of Holders. With or without taking action under Section 7.03 hereof, upon the occurrence and continuance of an Event of Default, the Trustee may pursue any available remedy, including without limitation actions at law or equity to enforce the payment of Bond Debt Service Charges or the observance and performance of any other covenant, agreement or obligation under this Indenture, the Loan Agreement, the Regulatory Agreement or the Note or any other instrument providing security, directly or indirectly, for the Bonds.

If, upon the occurrence and continuance of an Event of Default, the Trustee is requested so to do by the Holders of at least 25% in aggregate principal amount of Bonds outstanding, the Trustee (subject to the provisions of Sections 6.01 and 6.02 and particularly Section 6.01(c)(iv) and Section 6.02(j) of those Sections), shall exercise any rights and powers conferred by this Section and by Section 7.03 hereof.

No remedy conferred upon or reserved to the Trustee (or to the Holders) by this Indenture is intended to be exclusive of any other remedy. Each remedy shall be cumulative and shall be in addition to every other remedy given hereunder or otherwise to the Trustee or to the Holders now or hereafter existing.

No delay in exercising or omission to exercise any remedy, right or power accruing upon any default or Event of Default shall impair that remedy, right or power or shall be construed to be a waiver of any default or Event of Default or acquiescence therein. Every remedy, right and power may be exercised from time to time and as often as may be deemed to be expedient.

No waiver of any default or Event of Default hereunder, whether by the Trustee or by the Holders, shall extend to or shall affect any subsequent default or Event of Default or shall impair any remedy, right or power consequent thereon.

As the assignee of all right, title and interest of the Issuer in and to the Loan Agreement (except for the Unassigned Issuer's Rights), the Trustee is empowered to enforce each remedy, right and power granted to the Issuer under the Loan Agreement. In exercising any remedy, right or power thereunder or hereunder, the Trustee shall take such action as may be directed by the requisite percentage of the Holders of the Bonds then outstanding, applying the standards described in Sections 6.01 and 6.02 hereof.

Section 7.05. Right of Holders To Direct Proceedings. Anything to the contrary in this Indenture notwithstanding, the Holders of a majority in aggregate principal amount of Bonds then outstanding shall have the right at any time to direct, by an instrument or document in writing executed and delivered to the Trustee, the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture or any other proceedings hereunder; provided, that (a) any direction shall not be other than in accordance with the provisions of law and of this Indenture, and (b) the Trustee shall be indemnified as provided in Sections 6.01 and 6.02.

Section 7.06. Application of Moneys. After payment of any costs, expenses, liabilities and advances paid, incurred or made by the Trustee in the collection of moneys and to all fees of the Trustee for Ordinary Expenses and Extraordinary Expenses pursuant to any right given or

action taken under the provisions of this Article or the provisions of the Loan Agreement, the Regulatory Agreement or the Note (including without limitation, reasonable attorneys' fees and expenses, except as limited by law or judicial order or decision entered in any action taken under this Article VII), all moneys received by the Trustee, shall be applied as follows, subject to Section 3.04 hereof:

(a) Unless the principal of all of the Bonds shall have become, or shall have been declared to be, due and payable, all of those moneys shall be deposited in the Bond Fund and shall be applied:

FIRST, to the payment to the Holders entitled thereto of all installments of interest then due on the Bonds, in the order of the dates of maturity of the installments of that interest, beginning with the earliest date of maturity and, if the amount available is not sufficient to pay in full any particular installment, then to the payment thereof ratably, according to the amounts due on that installment, to the Holders entitled thereto, without any discrimination or privilege, except as to any difference in the respective rates of interest specified in the Bonds; and

SECOND, to the payment to the Holders entitled thereto of the unpaid principal of any of the Bonds which shall have become due, in the order of their due dates, beginning with the earliest due date, with interest on those Bonds from the respective dates upon which they became due at the rates specified in those Bonds, and if the amount available is not sufficient to pay in full all Bonds due on any particular date, together with that interest, then to the payment thereof ratably, according to the amounts of principal due on that date, to the Holders entitled thereto, without any discrimination or privilege, except as to any difference in the respective rates of interest specified in the Bonds.

(b) If the principal of all of the Bonds shall have become due or shall have been declared to be due and payable pursuant to this Article, all of those moneys shall be deposited into the Bond Fund and shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest, of interest over principal, of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the Holders entitled thereto, without any discrimination or privilege, except as to any difference in the respective rates of interest specified in the Bonds.

(c) If the principal of all of the Bonds shall have been declared to be due and payable pursuant to this Article, and if that declaration thereafter shall have been rescinded and annulled under the provisions of Section 7.03 or 7.10 hereof, subject to the provisions of paragraph (b) of this Section in the event that the principal of all of the Bonds shall become due and payable later, the moneys shall be deposited in the Bond Fund and shall be applied in accordance with the provisions of Article III.

(d) Whenever moneys are to be applied pursuant to the provisions of this Section, those moneys shall be applied at such times, and from time to time, as the

Trustee shall determine, having due regard to the amount of moneys available for application and the likelihood of additional moneys becoming available for application in the future. Whenever the Trustee shall direct the application of those moneys, it shall fix the date upon which the application is to be made, and upon that date, interest shall cease to accrue on the amounts of principal, if any, to be paid on that date, provided the moneys are available therefor. The Trustee shall give notice of the deposit with it of any moneys and of the fixing of that date, all consistent with the requirements of Section 3.04 hereof for the establishment of, and for giving notice with respect to, a Special Record Date for the payment of overdue interest. The Trustee shall not be required to make payment of principal of a Bond to the Holder thereof, until the Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if it is paid fully.

Section 7.07. Remedies Vested in Trustee. All rights of action (including without limitation, the right to appear on behalf of the Issuer and the Holders of the Bonds in any bankruptcy or insolvency proceeding and to file proof of claims in any such proceeding) under this Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceeding relating thereto. Any suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining any Holders as plaintiffs or defendants. Any recovery of judgment shall be for the benefit of the Holders of the Outstanding Bonds, subject to the provisions of this Indenture.

Section 7.08. Rights and Remedies of Holders. A Holder shall not have any right to institute any suit, action or proceeding for the enforcement of this Indenture, for the execution of any trust hereof, or for the exercise of any other remedy hereunder, unless:

(a) there has occurred and is continuing an Event of Default of which the Trustee has been notified, as provided in paragraph (f) of Section 6.02 hereof, or of which it is deemed to have notice under that paragraph;

(b) the Holders of at least 25% in aggregate principal amount of Bonds then outstanding shall have made written request to the Trustee and shall have afforded the Trustee reasonable opportunity to proceed to exercise the remedies, rights and powers granted herein or to institute the suit, action or proceeding in its own name, and shall have offered indemnity to the Trustee as provided in Sections 6.01 and 6.02 hereof; and

(c) the Trustee thereafter shall have failed or refused to exercise the remedies, rights and powers granted herein or to institute the suit, action or proceeding in its own name.

At the option of the Trustee, that notification (or notice), request, opportunity and offer of indemnity are conditions precedent in every case, to the institution of any suit, action or proceeding described above.

No one or more Holders of the Bonds shall have any right to affect, disturb or prejudice in any manner whatsoever the security or benefit of this Indenture by its or their action, or to enforce, except in the manner provided herein, any remedy, right or power hereunder. Any suit,

action or proceedings shall be instituted, had and maintained in the manner provided herein for the benefit of the Holders of all Bonds then outstanding. Nothing in this Indenture shall affect or impair, however, the right of any Holder to enforce the payment of the Bond Debt Service Charges on any Bond owned by that Holder at and after the maturity thereof, at the place, from the sources and in the manner expressed in that Bond.

Section 7.09. Termination of Proceedings. In case the Trustee shall have proceeded to enforce any remedy, right or power under this Indenture in any suit, action or proceedings, and the suit, action or proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, the Issuer, the Trustee and the Holders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies and powers of the Trustee shall continue as if no suit, action or proceedings had been taken.

Section 7.10. Waivers of Events of Default. The Trustee shall waive any Event of Default hereunder and its consequences and may rescind and annul any declaration of maturity of principal of or interest on, the Bonds upon the written request of the Holders of:

(a) at least a majority in aggregate principal amount of all Bonds then outstanding in respect of which an Event of Default in the payment of Bond Debt Service Charges exists; or

(b) at least 25% in aggregate principal amount of all Bonds then outstanding, in the case of any other Event of Default.

There shall not be so waived, however, any Event of Default described in paragraph (a) or (b) of Section 7.01 hereof or any declaration of acceleration in connection therewith rescinded or annulled, unless at the time of that waiver or rescission and annulment payments of the amounts provided in Section 7.03 hereof for waiver and rescission and annulment in connection with acceleration of maturity have been made or provision has been made therefor. In the case of the waiver or rescission and annulment, or in case any suit, action or proceedings taken by the Trustee on account of any Event of Default shall have been discontinued, abandoned or determined adversely to it, the Issuer, the Trustee and the Holders shall be restored to their former positions and rights hereunder, respectively. No waiver or rescission shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

ARTICLE VIII

SUPPLEMENTAL INDENTURES

Section 8.01. Supplemental Indentures Generally. The Issuer and the Trustee may enter into indentures supplemental to this Indenture, as provided in this Article and pursuant to the other provisions therefor in this Indenture. Trustee shall deliver copies of all Supplemental Indentures to the Borrower and Investor Limited Partner.

Section 8.02. Supplemental Indentures Not Requiring Consent of Holders. Without the consent of, or notice to, any of the Holders, the Issuer and the Trustee may enter into indentures supplemental to this Indenture for any one or more of the following purposes:

(a) to cure any ambiguity, inconsistency or formal defect or omission in this Indenture;

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

(c) to assign additional revenues under this Indenture;

(d) [reserved];

(e) to add to the covenants, agreements and obligations of the Issuer under this Indenture, other covenants, agreements and obligations to be observed for the protection of the Holders, or to surrender or limit any right, power or authority reserved to or conferred upon the Issuer in this Indenture;

(f) to evidence any succession to the Issuer and the assumption by its successor of the covenants, agreements and obligations of the Issuer under this Indenture, the Loan Agreement and the Bonds;

(g) to permit the Trustee to comply with any obligations imposed upon it by law;

(h) to specify further the duties and responsibilities of, and to define further the relationship among, the Trustee, the Registrar and any Authenticating Agents or Paying Agents;

(i) to achieve compliance of this Indenture with any applicable federal securities or tax law;

(j) to make amendments to the provisions hereof relating to arbitrage matters under Section 148 of the Code, if, in the Opinion of Bond Counsel, those amendments would not cause the interest on the Bonds outstanding to be included in gross income of the Holders for federal income tax purposes which amendments may, among other things, change the responsibility for making the relevant calculations, provided that in no event shall such amendment delegate to the Trustee, without its consent, in its sole discretion the obligation to make or perform the calculations required under Section 148 of the Code; and

(k) to permit any other amendment which, in the judgment of the Trustee, is not materially adverse to the Trustee or the Holders.

The provisions of Sections 8.02(g) and (i) shall not be deemed to constitute a waiver by the Trustee, the Registrar, the Issuer or any Holder of any right which it may have in the absence of those provisions to contest the application of any change in law to this Indenture or the Bonds.

Section 8.03. Supplemental Indentures Requiring Consent of Holders. Exclusive of Supplemental Indentures to which reference is made in Section 8.02 hereof and subject to the

terms, provisions and limitations contained in this Section, and not otherwise, with the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time outstanding, evidenced as provided in this Indenture, and with the consent of the Borrower if required by Section 8.04 hereof, the Issuer and the Trustee may execute and deliver Supplemental Indentures adding any provisions to, changing in any manner or eliminating any of the provisions of this Indenture or any Supplemental Indenture or restricting in any manner the rights of the Holders. Nothing in this Section or Section 8.02 hereof shall permit, however, or be construed as permitting:

(a) without the consent of the Holder of each Bond so affected, (i) an extension of the maturity of the principal of or the interest on any Bond or (ii) a reduction in the principal amount of any Bond or the rate of interest thereon; or

(b) without the consent of the Holders of all Bonds then outstanding, (i) the creation of a privilege or priority of any Bond over any other Bond or Bonds, or (ii) a reduction in the aggregate principal amount of the Bonds required for consent to a Supplemental Indenture.

If the Issuer shall request that the Trustee execute and deliver any Supplemental Indenture for any of the purposes of this Section, upon (A) being satisfactorily indemnified with respect to its expenses in connection therewith, and (B) if required by Section 8.04 hereof, receipt of the Borrower's consent to the proposed execution and delivery of the Supplemental Indenture, the Trustee shall cause notice of the proposed execution and delivery of the Supplemental Indenture to be mailed by first-class mail, postage prepaid, to all Holders of Bonds then outstanding at their addresses as they appear on the Register at the close of business on the fifteenth day preceding that mailing.

The Trustee shall not be subject to any liability to any Holder by reason of the Trustee's failure to mail, or the failure of any Holder to receive, the notice required by this Section. Any failure of that nature shall not affect the validity of the Supplemental Indenture when there has been consent thereto as provided in this Section. The notice shall set forth briefly the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the designated corporate trust office of the Trustee for inspection by all Holders.

If the Trustee shall receive, within a period prescribed by the Borrower, of not less than 60 days, but not exceeding one year, following the mailing of the notice, an instrument or document or instruments or documents, in form to which the Trustee does not reasonably object, purporting to be executed by the Holders of not less than a majority in aggregate principal amount of the Bonds then outstanding (which instrument or document or instruments or documents shall refer to the proposed Supplemental Indenture in the form described in the notice and specifically shall consent to the Supplemental Indenture in substantially that form), the Trustee shall, but shall not otherwise, execute and deliver the Supplemental Indenture in substantially the form to which reference is made in the notice as being on file with the Trustee, without liability or responsibility to any Holder, regardless of whether that Holder shall have consented thereto.

Any consent shall be binding upon the Holder of the Bond giving the consent and, anything herein to the contrary notwithstanding, upon any subsequent Holder of that Bond and of any Bond issued in exchange therefor (regardless of whether the subsequent Holder has notice of the consent to the Supplemental Indenture). At any time after the Holders of the required percentage of Bonds shall have filed their consents to the Supplemental Indenture, the Trustee shall make and file with the Issuer a written statement that the Holders of the required percentage of Bonds have filed those consents. That written statement shall be conclusive evidence that the consents have been so filed.

If the Holders of the required percentage in aggregate principal amount of Bonds outstanding shall have consented to the Supplemental Indenture, as provided in this Section, no Holder shall have any right (a) to object to (i) the execution or delivery of the Supplemental Indenture, (ii) any of the terms and provisions contained therein, or (iii) the operation thereof, (b) to question the propriety of the execution and delivery thereof, or (c) to enjoin or restrain the Trustee or the Issuer from that execution or delivery or from taking any action pursuant to the provisions thereof.

Section 8.04. Consent of Borrower. Anything contained herein to the contrary notwithstanding, a Supplemental Indenture executed and delivered in accordance with this Article VIII which affects any rights or obligations of the Borrower shall not become effective unless and until the Borrower shall have consented in writing to the execution and delivery of that Supplemental Indenture. The Trustee shall cause notice of the proposed execution and delivery of any Supplemental Indenture and a copy of the proposed Supplemental Indenture to be mailed to the Borrower, as provided in Section 13.03 hereof, (a) at least 30 days (unless waived by the Borrower) before the date of the proposed execution and delivery in the case of a Supplemental Indenture to which reference is made in Section 8.02 hereof, and (b) at least 30 days (unless waived by the Borrower) before the giving of the notice of the proposed execution and delivery in the case of a Supplemental Indenture for which provision is made in Section 8.03 hereof.

Section 8.05. Authorization to Trustee; Effect of Supplement. The Trustee is authorized to join with the Issuer in the execution and delivery of any Supplemental Indenture in accordance with this Article and to make the further agreements and stipulations which may be contained therein. Thereafter,

- (a) that Supplemental Indenture shall form a part of this Indenture;
- (b) all terms and conditions contained in that Supplemental Indenture as to any provision authorized to be contained therein shall be deemed to be a part of the terms and conditions of this Indenture for any and all purposes;
- (c) this Indenture shall be deemed to be modified and amended in accordance with the Supplemental Indenture; and
- (d) the respective rights, duties and obligations under this Indenture of the Issuer, the Borrower, the Trustee, the Registrar, the Paying Agents, the Authenticating Agents and all Holders of Bonds then outstanding shall be determined, exercised and

enforced hereunder in a manner which is subject in all respects to those modifications and amendments made by the Supplemental Indenture.

Express reference to any executed and delivered Supplemental Indenture may be made in the text of any Bonds issued thereafter, if that reference is deemed necessary or desirable by the Trustee or the Issuer. A copy of any Supplemental Indenture for which provision is made in this Article, except a Supplemental Indenture described in clause (g) of Section 8.02 hereof, shall be mailed by the Trustee to the Borrower, the Investor Limited Partner, the Registrar, each Authenticating Agent and Paying Agent. The Trustee shall not be required to execute any supplemental indenture containing provisions adverse to the Trustee.

Section 8.06. Opinion of Counsel. The Trustee shall be entitled to receive, and shall be fully protected in relying upon, the opinion of any counsel approved by it as conclusive evidence that (a) any proposed Supplemental Indenture complies with the provisions of this Indenture, and (b) it is proper for the Trustee to join in the execution of that Supplemental Indenture under the provisions of this Article. That counsel may be counsel for the Issuer or the Borrower.

Section 8.07. Modification by Unanimous Consent. Notwithstanding anything contained elsewhere in this Indenture, the rights and obligations of the Issuer and of the Holders, and the terms and provisions of the Bonds and this Indenture or any Supplemental Indenture, may be modified or altered in any respect with the consent of (a) the Issuer, (b) the Holders of all of the Bonds then outstanding, (c) the Borrower, and (d) if such modification or alteration contains provisions adverse to the Trustee, the Trustee.

ARTICLE IX

DEFEASANCE

Section 9.01. Release of Indenture. If (a) the Issuer shall pay all of the Outstanding Bonds, or shall cause them to be paid and discharged, or if there otherwise shall be paid to the Holders of the Outstanding Bonds, all Bond Debt Service Charges due or to become due thereon, and (b) provision also shall be made for the payment of all other sums payable hereunder or under the Loan Agreement, the Regulatory Agreement and the Note, then this Indenture shall cease, determine and become null and void (except for those provisions surviving by reason of Section 9.03 hereof in the event the Bonds are deemed paid and discharged pursuant to Section 9.02 hereof), and the covenants, agreements and obligations of the Issuer hereunder shall be released, discharged and satisfied.

Thereupon, and subject to the provisions of Section 9.03 hereof if applicable:

(i) the Trustee shall release this Indenture (except for those provisions surviving by reason of Section 9.03 hereof in the event the Bonds are deemed paid and discharged pursuant to Section 9.02 hereof), and shall execute and deliver to the Issuer any instruments or documents in writing as shall be requisite to evidence that release and discharge or as reasonably may be requested by the Issuer; and

(ii) the Trustee and the Paying Agents shall assign and deliver to the Issuer any property subject at the time to the lien of this Indenture which then may be in their

possession, except amounts in the Bond Fund required (A) to be paid to the Borrower under Section 5.08 hereof, or (B) to be held by the Trustee and the Paying Agents under Section 5.09 hereof or otherwise for the payment of Bond Debt Service Charges.

Section 9.02. Payment and Discharge of Bonds. All or any part of the Bonds shall be deemed to have been paid and discharged within the meaning of this Indenture, including without limitation, Section 9.01 hereof, if:

(a) the Trustee as paying agent and the Paying Agents shall have received, in trust for and irrevocably committed thereto, sufficient moneys; or

(b) the Trustee shall have received, in trust for and irrevocably committed thereto, noncallable direct obligations of or obligations guaranteed as to full and timely payment by the United States of America which are certified by an Independent public accounting firm or such other firm experienced with such certifications of national reputation to be of such maturities or redemption dates and interest payment dates, and to bear such interest, as will be sufficient together with any moneys to which reference is made in subparagraph (a) above, without further investment or reinvestment of either the principal amount thereof or the investment earnings therefrom (which earnings are to be held likewise in trust and so irrevocably committed, except as provided herein), for the payment of all Bond Debt Service Charges on those Bonds at their maturity.

Any moneys held by the Trustee in accordance with the provisions of this Section may be invested by the Trustee only in noncallable direct obligations of or obligations guaranteed as to full and timely payment by the United States of America having maturity dates, or having redemption dates which, at the option of the Holder of those obligations, shall be not later than the date or dates at which moneys will be required for the purposes described above. To the extent that any income or interest earned by, or increment to, the investments held under this Section is determined from time to time by the Trustee to be in excess of the amount required to be held by the Trustee for the purposes of this Section, that income, interest or increment shall be transferred at the time of that determination in the manner provided in Section 5.08 hereof for transfers of amounts remaining in the Bond Fund.

If any Bonds shall be deemed paid and discharged pursuant to this Section 9.02, then within 15 days after such Bonds are so deemed paid and discharged the Trustee shall cause a written notice to be given to each Holder as shown on the Register on the date on which such Bonds are deemed paid and discharged. Such notice shall state the numbers of the Bonds deemed paid and discharged or state that all Bonds are deemed paid and discharged and shall set forth a description of the obligations held pursuant to subparagraph (b) of the first paragraph of this Section 9.02.

Section 9.03. Survival of Certain Provisions. Notwithstanding the foregoing, any provisions of the Bond Resolution and this Indenture which relate to the maturity of Bonds, interest payments and dates thereof, exchange, transfer and registration of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, the storage and shredding of cancelled Bonds, nonpresentment of Bonds, the holding of moneys in trust, and repayments to the Borrower from the Bond Fund, the rebate of moneys to the United States in

accordance with Section 5.09 hereof, and the rights and duties of the Trustee and the Registrar in connection with all of the foregoing, shall remain in effect and be binding upon the Trustee, the Registrar, the Authenticating Agents, Paying Agents and the Holders notwithstanding the release and discharge of this Indenture. The provisions of this Article shall survive the release, discharge and satisfaction of this Indenture. The obligations of the Borrower to pay the Trustee its fees and expenses hereunder shall survive the release, discharge and satisfaction of this Indenture.

ARTICLE X

COVENANTS AND AGREEMENTS OF THE ISSUER

Section 10.01. Covenants and Agreements of the Issuer. In addition to any other covenants and agreements of the Issuer contained in the Loan Agreement, this Indenture or the Bond Resolution, the Issuer further covenants and agrees with the Holders and the Trustee as follows:

(a) ***Payment of Bond Debt Service Charges.*** The Issuer will pay all Bond Debt Service Charges, or cause them to be paid, solely from the sources provided herein, on the dates, at the places and in the manner provided in this Indenture.

(b) ***Issuer Revenues and Assignment of Issuer Revenues.*** The Issuer will not assign the Issuer Revenues or create or authorize to be created any debt, lien or charge thereon, other than the assignment thereof under this Indenture.

(c) ***Issuer Not To Adversely Affect Exclusion From Gross Income of Interest on Bonds.*** The Issuer covenants that it (i) will take, or request to be taken, at the written direction of any Holder or the Trustee, and at the expense of the Borrower, all actions that may be required of the Issuer for the interest on the Bonds to be and remain excluded from gross income for federal income tax purposes, and (ii) will not take or authorize to be taken any actions that would, to its actual knowledge, adversely affect that exclusion under the provisions of the Code.

(d) ***Patriot Act.*** The Issuer covenants and agrees to provide documentation as reasonably requested or required by the Trustee to enable the Trustee to satisfy the requirements of the USA Patriot Act as described in Section 13.13 of this Indenture.

Section 10.02. Observance and Performance of Covenants, Agreements, Authority and Actions. The Issuer will observe and perform faithfully at all times all covenants, agreements, authority, actions, undertakings, stipulations and provisions to be observed or performed on its part under the Loan Agreement, this Indenture, the Bond Resolution, the Regulatory Agreement and the Bonds which are executed, authenticated and delivered under this Indenture, and under all proceedings of its Board pertaining thereto.

The Issuer represents and warrants that:

(a) It is duly authorized by the Constitution and laws of the State, including particularly and without limitation the Law and the Act, to issue the Bonds, to execute and deliver this Indenture, the Loan Agreement and the Regulatory Agreement and to provide the security for payment of the Bond Debt Service Charges in the manner and to the extent set forth in this Indenture.

(b) All actions required on its part to be performed for the issuance, sale and delivery of the Bonds and for the execution and delivery of this Indenture and the Loan Agreement have been taken duly and effectively.

(c) The Bonds will be valid and enforceable special limited obligations of the Issuer according to their terms.

Section 10.03. Trustee May Enforce Issuer's Rights. The Trustee may enforce, in its name or in the name of the Issuer, all rights of the Issuer for and on behalf of the Holders, except for Unassigned Issuer's Rights, and may enforce all covenants, agreements and obligations of the Borrower under and pursuant to the Loan Agreement, regardless of whether the Issuer is in default in the pursuit or enforcement of those rights, covenants, agreements or obligations. The Issuer, however, will do all things and take all actions on its part necessary to comply with covenants, agreements, obligations, duties and responsibilities on its part to be observed or performed under the Loan Agreement, and will take all actions within its authority to keep the Loan Agreement in effect in accordance with the terms thereof.

ARTICLE XI

AMENDMENTS TO AGREEMENT, REGULATORY AGREEMENT AND NOTE

Section 11.01. Amendments Not Requiring Consent of Holders. Without the consent of or notice to the Holders, the Issuer, the Borrower and the Trustee may consent to any amendment, change or modification of the Loan Agreement, the Regulatory Agreement or the Note as may be required (a) by the provisions of the Loan Agreement, the Regulatory Agreement or this Indenture, (b) for the purpose of curing any ambiguity, inconsistency or formal defect or omission in the Loan Agreement, the Regulatory Agreement or the Note, (c) in connection with an amendment or to effect any purpose for which there could be an amendment of this Indenture pursuant to Section 8.02 hereof, or (d) in connection with any other change therein which is not materially adverse to the Trustee or the Holders of the Bonds, in the judgment of the Trustee, applying the standards described in Sections 6.01 and 6.02 hereof.

Section 11.02. Amendments Requiring Consent of Holders. Except for the amendments, changes or modifications contemplated in Section 11.01 hereof, neither the Issuer nor the Trustee shall consent to:

(a) any amendment, change or modification of the Loan Agreement or the Note which would change the amount or time as of which Loan Payments are required to be paid, without the giving of notice as provided in this Section of the proposed

amendment, change or modification and receipt of the written consent thereto of the Holders of all of the then Outstanding Bonds affected by such amendment, change or modification; or

(b) any other amendment, change or modification of the Loan Agreement, the Regulatory Agreement or the Note without the giving of notice as provided in this Section of the proposed amendment, change or modification and receipt of the written consent thereto of the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding affected by such amendment, change or modification.

The consent of the Holders shall be obtained as provided in Section 8.03 hereof with respect to Supplemental Indentures.

If the Issuer or the Authorized Borrower Representative shall request at any time the consent of the Trustee to any proposed amendment, change or modification of the Loan Agreement, the Regulatory Agreement or the Note contemplated in subparagraph (a) or (b) of this Section, upon being indemnified satisfactorily with respect to expenses, the Trustee shall cause notice of the proposed amendment, change or modification to be provided in the manner which is required by Section 8.03 hereof with respect to notice of Supplemental Indentures. The notice shall set forth briefly the nature of the proposed amendment, change or modification and shall state that copies of the instrument or document embodying it are on file at the designated corporate trust office of the Trustee for inspection by all Holders.

ARTICLE XII

MEETINGS OF HOLDERS

Section 12.01. Purposes of Meetings. A meeting of Holders may be called at any time and from time to time pursuant to the provisions of this Article XII, to take any action (a) authorized to be taken by or on behalf of the Holders of any specified aggregate principal amount of the Bonds, (b) under any provision of this Indenture or (c) authorized or permitted by law.

Section 12.02. Call of Meetings. The Trustee may (but shall not be obligated to) call at any time a meeting of Holders pursuant to Section 12.01 to be held at any reasonable time and place the Trustee shall determine. Notice of such meeting, setting forth the time, place and generally the subject thereof, shall be mailed by first-class mail, postage prepaid, not fewer than 15 nor more than 90 days prior to the date of the meeting to the Holders at their addresses as they appear on the Register on the fifteenth day preceding such mailing, which fifteenth day, preceding the mailing, shall be the record date for the meeting.

At any time, the Issuer, the Borrower or the Holders of at least 25% in aggregate principal amount of the Bonds then outstanding, shall have requested the Trustee to call a meeting of Holders, by written request setting forth the purpose of the meeting, and the Trustee shall not have mailed the notice of the meeting within 20 days after receipt of the request, then the Issuer, the Borrower, the Investor Limited Partner or the Holders of Bonds in the amount

above specified may determine the time and the place of the meeting and may call the meeting to take any action authorized in Section 12.01, by mailing notice thereof as provided above.

Any meetings of Holders shall be valid without notice, if the Holders of all Bonds then outstanding are present in person or by proxy, or if notice is waived before or after the meeting by the Holders of all Bonds outstanding who were not so present at the meeting, and if the Issuer, the Borrower and the Trustee are either present by duly authorized representatives or have waived notice, before or after the meeting.

Section 12.03. Voting. To be entitled to vote at any meeting of Holders, a Person shall (a) be a Holder of one or more outstanding Bonds as of the record date for the meeting as determined above, or (b) be a person appointed by an instrument or document in writing as proxy by a Person who is a Holder as of the record date for the meeting, of one or more outstanding Bonds. Each Holder or proxy shall be entitled to one vote for each \$5,000 principal amount of Bonds held or represented by it.

The vote upon any resolution submitted to any meeting of Holders shall be by written ballots on which shall be subscribed the signatures of the Holders of Bonds or of their representatives by proxy and the identifying number or numbers of the Bonds held or represented by them.

Section 12.04. Meetings. Notwithstanding any other provisions of this Indenture, the Trustee may make any reasonable regulations which it may deem to be advisable for meetings of Holders, with regard to:

- (a) proof of the holding of Bonds and of the appointment of proxies;
- (b) the appointment and duties of inspectors of votes;
- (c) recordation of the proceedings of those meetings;
- (d) the execution, submission and examination of proxies and other evidence of the right to vote; and
- (e) any other matters concerning the conduct, adjournment or reconvening of meetings which it may think fit.

The Trustee shall appoint a temporary chair of the meeting by an instrument or document in writing, unless the meeting shall have been called by the Issuer, the Borrower or by the Holders, as provided in Section 12.02, in which case the Issuer, the Borrower or the Holders calling the meeting, as the case may be, shall appoint a temporary chair in like manner. A permanent chair and a permanent secretary of the meeting shall be elected by vote of the Holders of a majority in principal amount of the Bonds represented at the meeting and entitled to vote.

The only Persons who shall be entitled to be present or to speak at any meeting of Holders shall be the Persons entitled to vote at the meeting and their counsel, any representatives of the Trustee or Registrar and their counsel, any representatives of the Issuer and its counsel and any representatives of the Borrower and its counsel.

Section 12.05. Miscellaneous. Nothing contained in this Article XII shall be deemed or construed to authorize or permit any hindrance or delay in the exercise of any right or rights conferred upon or reserved to the Trustee or to the Holders under any of the provisions of this Indenture or of the Bonds by reason of any call of a meeting of Holders or any rights conferred expressly or impliedly hereunder to make a call.

ARTICLE XIII

MISCELLANEOUS

Section 13.01. Limitation of Rights. With the exception of rights conferred expressly in this Indenture, nothing expressed or mentioned in or to be implied from this Indenture or the Bonds is intended or shall be construed to give to any Person other than the parties hereto, the Registrar, the Authenticating Agents, the Paying Agents, the Borrower, the Investor Limited Partner and the Holders of the Bonds any legal or equitable right, remedy, power or claim under or with respect to this Indenture or any covenants, agreements, conditions and provisions contained herein. This Indenture and all of those covenants, agreements, conditions and provisions are intended to be, and are, for the sole and exclusive benefit of the parties hereto, the Registrar, the Paying Agents, the Authenticating Agents, the Borrower, the Investor Limited Partner and the Holders of the Bonds, as provided herein.

Section 13.02. Severability. In case any section or provision of this Indenture, or any covenant, agreement, stipulation, obligation, act or action, or part thereof, made, assumed, entered into or taken under this Indenture, or any application thereof, is held to be illegal or invalid for any reason, or is inoperable at any time, that illegality, invalidity or inoperability shall not affect the remainder thereof or any other section or provision of this Indenture or any other covenant, agreement, stipulation, obligation, act or action, or part thereof, made, assumed, entered into or taken under this Indenture, all of which shall be construed and enforced at the time as if the illegal, invalid or inoperable portion were not contained therein.

Any illegality, invalidity or inoperability shall not affect any legal, valid and operable section, provision, covenant, agreement, stipulation, obligation, act, action, part or application, all of which shall be deemed to be effective, operative, made, assumed, entered into or taken in the manner and to the full extent permitted by law from time to time.

Section 13.03. Notices. It shall be sufficient service or giving of any notice, request, complaint, demand or other instrument or document, if forwarded by overnight courier service, delivery charges prepaid (receipt of which to be evidenced by a signed receipt from such overnight delivery service), or sent by facsimile which produces evidence of transmission, addressed to the appropriate party at its Notice Address.

Such notice or other communication shall be deemed given on (a) the Business Day immediately following deposit thereof with the overnight courier service when forwarded by an overnight courier service, and (b) the Business Day immediately following the date specified in the written evidence of electronic transmission. The Issuer, Trustee, the Borrower, the Investor Limited Partner may, by notice given as provided in this paragraph, designate any further or different address to which subsequent notices or other communication shall be sent.

Any notice given pursuant to Sections 6.09, 6.13, 7.02, 7.03, 8.02, 8.03, 9.02 and 11.02 shall be simultaneously given to the Rating Agency, if and so long as the Bonds are rated. The foregoing parties may designate, by written notice given hereunder, any further or different addresses to which any subsequent notice, request, complaint, demand or other instrument or document shall be sent. The Trustee shall designate, by written notice to the Issuer, the Borrower and the Investor Limited Partner, the addresses to which notices or copies thereof shall be sent to the Registrar, the Authenticating Agents and the Paying Agents. In addition to the foregoing, the Trustee hereby agrees to send written notice to the Rating Agency, if and so long as the Bonds are rated, upon the occurrence of any of the following events: (i) any change in the Trustee; (ii) any amendment to the documents; (iii) a payment of all principal and interest on all of the Bonds; or (iv) any defeasance or acceleration of the Bonds.

In connection with any notice mailed pursuant to the provisions of this Indenture, a certificate of the Trustee, the Issuer, the Registrar, the Authenticating Agents, the Borrower, the Investor Limited Partner or the Holders of the Bonds, whichever or whoever mailed that notice, that the notice was so mailed shall be conclusive evidence of the proper mailing of the notice.

Section 13.04. Suspension of Mail and Courier Service. If because of the suspension of delivery by overnight courier services, the Trustee shall be unable to forward by overnight courier service any notice required to be given by the provisions of this Indenture, the Trustee shall use its best efforts to give such notice in such other manner as in the judgment of the Trustee shall most effectively approximate the required forwarding thereof, and the giving of that notice in that manner for all purposes of this Indenture shall be deemed to be in compliance with the requirements of Section 13.03 hereof. Except as otherwise provided herein, the giving of any notice by any means of delivery permitted herein shall be deemed complete upon receipt of the notice by the delivery service.

Section 13.05. Payments Due on Saturdays, Sundays and Holidays. If any Interest Payment Date or a date of maturity of the principal of any Bonds is a Saturday, a Sunday or a day on which (a) the Trustee is required, or authorized or not prohibited, by law (including without limitation, executive orders) to close and is closed, then payment of interest and principal need not be made by the Trustee or the Paying Agent on that date, but that payment may be made on the next succeeding business day on which the Trustee and the Paying Agent are open for business with the same force and effect as if that payment were made on the Interest Payment Date or date of maturity, and no interest shall accrue for the period after that date, or (b) a Paying Agent is required, or authorized or not prohibited, by law (including without limitation, executive orders) to close and is closed, then payment of interest and principal need not be made by that Paying Agent on that date, but that payment may be made on the next succeeding business day on which that Paying Agent is open for business with the same force and effect as if that payment were made on the Interest Payment Date or date of maturity and no interest shall accrue for the period after that date; provided, that if the Trustee is open for business on the applicable Interest Payment Date or date of maturity, it shall make any payment required hereunder with respect to payment of interest on outstanding Bonds and payment of principal of the Bonds presented to it for payment, regardless of whether the Paying Agent shall be open for business or closed on the applicable Interest Payment Date or date of maturity.

Section 13.06. Instruments of Holders. Any writing, including without limitation, any consent, request, direction, approval, objection or other instrument or document, required under this Indenture to be executed by any Holder may be in any number of concurrent writings of similar tenor and may be executed by that Holder in person or by an agent or attorney appointed in writing. Proof of (a) the execution of any writing, including without limitation, any consent, request, direction, approval, objection or other instrument or document, (b) the execution of any writing appointing any agent or attorney, and (c) the ownership of Bonds, shall be sufficient for any of the purposes of this Indenture, if made in the following manner, and if so made, shall be conclusive in favor of the Trustee with regard to any action taken thereunder, namely:

(i) The fact and date of the execution by any person of any writing may be proved by the certificate of any officer in any jurisdiction, who has power by law to take acknowledgments within that jurisdiction, that the person signing the writing acknowledged that execution before that officer, or by affidavit of any witness to that execution; and

(ii) The fact of ownership of Bonds shall be proved by the Register maintained by the Registrar.

Nothing contained herein shall be construed to limit the Trustee to the foregoing proof, and the Trustee may accept any other evidence of the matters stated therein which it deems to be sufficient. Any writing, including without limitation, any consent, request, direction, approval, objection or other instrument or document, of the Holder of any Bond shall bind every future Holder of the same Bond, with respect to anything done or suffered to be done by the Issuer, the Borrower, the Trustee, the Registrar or the Paying Agent or Authenticating Agent pursuant to that writing.

Section 13.07. Priority of This Indenture. This Indenture shall be superior to any liens which may be placed upon the Issuer Revenues or any other funds or accounts created pursuant to this Indenture.

Section 13.08. Extent of Covenants; No Personal Liability. No recourse under or upon any obligation, covenant, warranty or agreement contained in this Indenture or in the Bonds, 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, 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 owners of the Bonds, or otherwise, of any sum that may be due and unpaid by the Issuer or its governing body upon the Bonds. 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 Issuer's Mayor, the City Council or of any such member, officer, agent or employee, as such, past, present or future of the Issuer by reason of any act or omission on his or her part or otherwise, for the payment for or to the owners of the Bonds or otherwise of any sum that may remain due and unpaid upon the Bonds secured by this Indenture or any of them is, by the acceptance of the Bonds, expressly waived and released as a condition of and in consideration for the execution of this Indenture and the issuance of the

Bonds. 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 or any Bondholder 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 recordkeeping 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 any Bondholder 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 recourse for the payment of any part of the principal of, premium, if any, or interest on the Bonds or for the satisfaction of any liability arising from, founded upon or existing by reason of the issuance, purchase or ownership of the Bonds shall be had against the Mayor, the City Council or any officer, member, agent or employee of the Issuer, as such, all such liability being expressly released and waived as a condition of and as a part of the consideration for the execution of this Indenture and the issuance of the Bonds. 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 of 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 Bonds or be subject to any personal liability or accountability by reason of the issuance of the Bonds.

All covenants, stipulations, obligations and agreements of the Issuer contained in this Indenture are and shall be deemed to be covenants, stipulations, obligations and agreements of the Issuer to the full extent authorized by the Law and the Act and permitted by the Constitution of the State.

Section 13.09. Binding Effect. This Indenture 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 herein.

Section 13.10. Counterparts. This Indenture may be executed in any number of counterparts, each of which shall be regarded as an original and all of which shall constitute but one and the same instrument.

Section 13.11. Governing Law. This Indenture and the Bonds shall be deemed to be contracts made under the laws of the State and for all purposes shall be governed by and construed in accordance with the laws of the State.

Section 13.12. Security Advice Waiver. The Issuer acknowledges that regulations of the Comptroller of the Currency grant the Borrower the right to receive brokerage confirmations of the security transactions as they occur. The Borrower specifically waives such notification to the extent permitted by law and will receive periodic cash transaction statements that will detail all investment transactions.

Section 13.13. Patriot Act. To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account. For a nonindividual person such as a business entity, a charity, a trust or other legal entity the Trustee will request documentation to verify its formation and existence as a legal entity. Furthermore, if required by the Patriot Act, Trustee may request financial statements, licenses, identification and authorization documents from individuals claiming authority to represent the entity or other relevant documentation.

Section 13.14. FHA Federal Laws and Requirements Control. Notwithstanding anything in this Indenture or the Loan Agreement to the contrary:

(a) Borrower, Trustee and Issuer acknowledge that this Indenture, and any obligations of Borrower hereunder, are subject and subordinate to the FHA Loan Documents. Notwithstanding any provision in this Indenture to the contrary, no obligations of the Borrower hereunder shall be payable except from (i) Surplus Cash (as defined in the HUD Regulatory Agreement) or (ii) funds that are not derived from (A) revenues of the Project (as defined in the FHA Mortgage), (B) any reserve or deposit made with the FHA Lender or any other party as required by HUD in connection with the FHA Loan Documents, (iii) any proceeds of the FHA Note which have been deposited into the Collateral Fund by or at the direction of the FHA Lender or (iv) FHA Lender Funds (collectively, “Non-Project Sources”). No claims or actions shall be made (or payable) under this Indenture against the Project, the FHA Lender, the proceeds of the FHA Note, or the assets of the Borrower, except for Surplus Cash of the Borrower. In addition, the rights and obligations of the parties under this Indenture and all other Bond Documents are and shall be subordinated in all respects to the rights and obligations of the parties to and under the FHA Loan Documents. In the event of any conflict between the provisions of (1) this Indenture or the other Bond Documents and (2) the provisions of the FHA Loan Documents or the Program Obligations (as defined in the FHA Mortgage), the provisions of the FHA Loan Documents or the Program Obligations shall control. The provisions of this Section 13.14 shall control over any inconsistent provisions in this Indenture or the other Bond Documents.

(b) Any subsequent amendment to this Indenture or the Loan Agreement is subject to prior written approval of HUD (so long as the Project is subject to a mortgage insured or held by HUD). No amendment to this Indenture or the Loan Agreement shall conflict with the provisions of the Program Obligations.

(c) The Bonds are not a debt of the United States of America, HUD, FHA, GNMA or any other agency or instrumentality of the federal government, and are not guaranteed by the full faith and credit of the United States or any agency or instrumentality thereof.

(d) There is no pledge hereunder or under the Loan Agreement of the gross revenues or any of the assets of the Project.

(e) Neither a default under this Indenture nor under the Loan Agreement shall constitute a default under the FHA Loan Documents related to the Project.

(f) Nothing contained herein or in the Loan Agreement shall inhibit or impair the right of FHA to require or agree to any amendment, change or modification of any FHA Loan Documents related to the Project for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provision contained therein, or in regard to matters or questions arising under said FHA Loan Documents so long as any such amendment, change or modification shall not adversely affect the payment terms of the Bonds.

(g) Neither the Issuer, the Trustee, nor any of the Holders has or shall be entitled to assert any claim against the Project, any reserves or deposits required by HUD in connection with the Project, or the rents or deposits or other income of the Project.

(h) Proceeds from any condemnation award or from the payment of a claim under any hazard insurance policy relating to the Project will not be payable to the Trustee, but will be payable and applied in accordance with the FHA Loan Documents.

Section 13.15. 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. Trustee shall not discriminate in its 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 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 City's 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 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 13.16. Business Tax Registration Certificate. Subject to any exemption available to it, the Trustee represents that it has obtained and presently holds 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 13.17. 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: (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 Trustee 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 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 the 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 7110.

Section 13.18. Americans with Disabilities Act. [this language is subject to further amendment] 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 paragraph.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Issuer and the Trustee have caused this Trust Indenture to be executed and delivered by duly authorized officers thereof as of the day and year first written above.

ISSUER:

CITY OF LOS ANGELES

By Los Angeles Housing and Community
Investment Department

By _____
Name: Helmi A. Hisserich
Title: Assistant General Manager

Approved as to form:

CITY OF LOS ANGELES
MICHAEL N. FEUER, City Attorney

By _____
Deputy/Assistant City Attorney

TRUSTEE:

[TRUSTEE], as Trustee and Registrar of the
Bonds

By _____

Name:

Title:

[Trustee signature page to the Indenture]

EXHIBIT A
BOND FORM

NOTICE: Unless this certificate is presented by an authorized representative of The Depository Trust Company to the Issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

REGISTERED

REGISTERED

NO. R-____

\$1,815,000

[FORM OF FACE OF BOND]
United States of America
State of California
City of Los Angeles
Multifamily Housing Revenue Bonds
(Pilgrim Tower Apartments)
Series 2015H-1

Interest Rate	Maturity Date	Dated	CUSIP
[]%	[] 1, 201[]	Date of Delivery	544582 []

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: ONE MILLION EIGHT HUNDRED FIFTEEN THOUSAND AND 00/100 DOLLARS

The City of Los Angeles (the “Issuer”), a charter city and municipal corporation in the State of California, for value received, promises to pay to the Registered Owner specified above or registered assigns, but solely from the sources and in the manner referred to herein, the principal amount on the Maturity Date specified above (subject to optional redemption set forth herein), which shall be equal to \$[], and to pay from those sources interest thereon at the aforesaid Interest Rate on each [March] 1 and [September] 1, commencing [March 1, 2016] (the “Interest Payment Dates”) until the principal amount is paid or duly provided for. This Bond will bear interest from the most recent date to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from its date of delivery.

The principal of this Bond is payable upon presentation and surrender hereof at the designated corporate trust office of the trustee, presently [TRUSTEE] (the “Trustee”). Interest is

payable on each Interest Payment Date by check or draft mailed to the person in whose name this Bond (or one or more predecessor bonds) is registered (the "Holder") at the close of business on the fifteenth day of the calendar month next preceding that Interest Payment Date (the "Regular Record Date") on the registration books for this issue maintained by the Trustee, as Registrar, at the address appearing therein. Any interest which is not timely paid or duly provided for shall cease to be payable to the Holder hereof (or of one or more predecessor bonds) as of the Regular Record Date, and shall be payable to the Holder hereof (or of one or more predecessor bonds) at the close of business on a Special Record Date to be fixed by the Trustee for the payment of that overdue interest. Notice of the Special Record Date shall be mailed to Holders not less than 10 days prior thereto. The principal of and interest on this Bond are payable in lawful money of the United States of America, without deduction for the services of the paying agent. While the Bonds are held in a book-entry system and in certain other circumstances, all as provided in the Indenture, principal of and interest on this Bond is required to be paid by wire transfer or other arrangement, other than any payment of the entire unpaid principal amount hereof.

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 STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, BUT IS PAYABLE SOLELY FROM THE TRUST ESTATE AND ANY OTHER REVENUES, FUNDS AND ASSETS PLEDGED UNDER THE INDENTURE AND NOT FROM ANY OTHER REVENUES, FUNDS OR ASSETS OF THE ISSUER. NEITHER THE CITY OF LOS ANGELES, THE STATE OF CALIFORNIA NOR ANY SUCH POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE THEREON. THIS BOND HAS BEEN ISSUED PURSUANT TO THE LAW AND IN ACCORDANCE WITH THE ACT.

NO MEMBER, OFFICER, AGENT, EMPLOYEE OR ATTORNEY OF THE ISSUER, INCLUDING ANY PERSON EXECUTING THE INDENTURE OR THIS BOND, SHALL BE LIABLE PERSONALLY ON THIS BOND OR FOR ANY REASON RELATING TO THE ISSUANCE OF THE BONDS. NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE BONDS, OR FOR ANY CLAIM BASED ON THE BONDS, OR OTHERWISE IN RESPECT OF THE BONDS, OR BASED ON OR IN RESPECT OF THE INDENTURE OR ANY SUPPLEMENTAL INDENTURE, AGAINST ANY MEMBER, OFFICER, EMPLOYEE OR AGENT, AS SUCH, OF THE ISSUER OR ANY SUCCESSOR, 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, BY THE ACCEPTANCE OF THIS BOND AND AS PART OF THE CONSIDERATION FOR THE ISSUE OF THE BONDS, EXPRESSLY WAIVED AND RELEASED.

This Bond is one of a duly authorized issue of Multifamily Housing Revenue Bonds (Pilgrim Tower Apartments), Series 2015H-1 (the "Bonds"), issuable under the Trust Indenture dated as of [_____] 1, 2015 (the "Indenture"), between the Issuer and the Trustee, aggregating in the principal amount of \$[_____] and issued for the purpose of making a loan (the "Loan") to the Borrower as described therein (the "Borrower") to pay a portion of the costs of acquiring, rehabilitating, equipping and improving the Project, as defined in the Loan Agreement dated as of even date with the Indenture (the "Agreement"), between the Issuer and the Borrower. The Bonds are special obligations of the Issuer, issued or to be issued under and are to be secured and

entitled equally and ratably to the protection given by the Indenture. This Bond is issued pursuant to and in compliance with Section 248, as amended, of the City Charter of the Issuer 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 (the “Act”) and a resolution of the City Council of the Issuer. Capitalized terms used in this Bond and not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

The Bonds are subject to optional redemption prior to their stated maturity on any Business Day on or after [_____] 1, 201[___], at par plus accrued interest to the redemption date, as set forth in the Indenture. Upon presentation and surrender of the Bonds by the Holder on the date fixed for redemption, the Holder shall be paid the principal amount of the Bonds to be redeemed, plus accrued interest on such Bonds to the redemption date.

Reference is made to the Indenture for a more complete description of the Project, the provisions, among others, with respect to the nature and extent of the security for the Bonds, the rights, duties and obligations of the Issuer, the Trustee and the Holders of the Bonds, and the terms and conditions upon which the Bonds are issued and secured. Each Holder assents, by its acceptance hereof, to all of the provisions of the Indenture.

Pursuant to the Loan Agreement, the Borrower has executed and delivered to the Trustee the Borrower’s promissory note dated of even date herewith (the “Note”), in the principal amount of \$1,815,000. The Borrower is required by the Loan Agreement and the Note to make payments to the Trustee in the amounts and at the times necessary to pay the principal of and interest (the “Bond Debt Service Charges”) on the Bonds. In the Indenture, the Issuer has assigned to the Trustee, to provide for the payment of the Bond Debt Service Charges on the Bonds, the Issuer’s right, title and interest in and to the Loan Agreement, except for Unassigned Issuer’s Rights as defined in the Loan Agreement. To secure its compliance with certain covenants in the Loan Agreement, the Borrower has executed and delivered the Regulatory Agreement and Declaration of Restrictive Covenants (the “Regulatory Agreement”) between itself, the Issuer and the Trustee dated as of even date with the Indenture.

This Bond shall be payable only from: (i) Surplus Cash (as defined in the HUD Regulatory Agreement); (ii) funds that are not derived from (A) revenues of the Project (as defined in the FHA Mortgage), (B) any reserve or deposit made with the FHA Lender or any other party as required by HUD in connection with the FHA Loan Documents, (iii) any proceeds of the FHA Note which have been deposited into the Collateral Fund by or at the direction of the FHA Lender or (iv) FHA Lender Funds (collectively, “Non-Project Sources”). No claims or actions shall be made (or payable) under the Indenture against the Project, the FHA Lender, the proceeds of the FHA Note, or the assets of the Borrower, except for Surplus Cash of the Borrower.

Copies of the Indenture, the Loan Agreement, the Regulatory Agreement and the Note are on file in the designated corporate trust office of the Trustee.

The Bond Debt Service Charges on the Bonds are payable solely from the Issuer Revenues, as defined and as provided in the Indenture (being, generally, the amounts payable

under the Loan Agreement and the Note in repayment of the Loan, deposits to the Collateral Fund and any unexpended proceeds of the Bonds), and are an obligation of the Issuer only to the extent of the Issuer Revenues. The Bonds are not secured by an obligation or pledge of any moneys raised by taxation and do not represent or constitute a debt or pledge of the faith and credit of the Issuer.

The Bonds are, upon satisfaction of the requirements of the Indenture, issuable as fully registered bonds and, except as hereinafter provided, in printed or typewritten form, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), which shall be considered to be the Holder for all purposes of the Indenture, including, without limitation, payment by the Issuer of Bond Debt Service Charges, and receipt of notices to, giving of consents by and exercise of rights of, Holders. There shall be a single Bond representing each maturity, and all Bonds shall be immobilized in the custody of DTC with the owners of beneficial interests in those Bonds (the “book entry interests”) having no right to receive from the Issuer Bonds in the form of physical securities or certificates. Ownership of book entry interests in the Bonds shall be shown by book entry on the system maintained and operated by DTC, its participants (the “Participants”) and certain persons acting through the Participants, and transfers of ownership of book entry interests shall be made only by that book entry system, the Issuer and the Trustee having no responsibility therefor. DTC is to maintain records of the positions of Participants in the Bonds, and the Participants and persons acting through Participants are to maintain records of the purchasers and owners of book entry interests in the Bonds. The Bonds as such shall not be transferable or exchangeable, except for transfer to another Depository (as defined in the Indenture) or to another nominee of a Depository, without further action by the Issuer and otherwise at the expense of the Borrower.

If any Depository determines not to continue to act as a Depository for the Bonds for use in a book entry system, the Issuer may attempt to have established a securities depository/book entry system relationship with another qualified Depository under the Indenture. If the Issuer does not or is unable to do so, the Issuer and the Trustee, after the Trustee has made provision for notification of the owners of book entry interests by the then Depository, shall permit withdrawal of the Bonds from the Depository, all at the cost and expense (including costs of printing or otherwise preparing and delivering replacement Bond certificates) of those persons requesting such authentication and delivery, if the event is not the result of Issuer action or inaction (including action at the request of the Borrower). Upon the written consent of 100% of the beneficial owners of the Bonds, the Trustee shall withdraw the Bonds from any Depository and authenticate and deliver Bonds fully registered to the assignees of that Depository or its nominee.

The Indenture permits certain amendments or supplements to the Indenture, the Loan Agreement, the Regulatory Agreement and the Note not prejudicial to the Holders to be made without the consent of or notice to the Holders, and certain other amendments or supplements thereto to be made with the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds then outstanding.

The Holder of each Bond has only those remedies provided in the Indenture.

The Bonds shall not constitute the personal obligation, either jointly or severally, of the members of the Board or of any other officer of the Issuer.

This Bond shall not be entitled to any security or benefit under the Indenture or be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed.

It is certified and recited that there have been performed and have happened in regular and due form, as required by law, all acts and conditions necessary to be done or performed by the Issuer or to have happened (i) precedent to and in the issuing of the Bonds in order to make them legal, valid and binding special obligations of the Issuer, and (ii) precedent to and in the execution and delivery of the Indenture and the Loan Agreement; that payment in full for the Bonds has been received; and that the Bonds do not exceed or violate any constitutional or statutory limitation.

This Bond shall not be entitled to any security or benefit under the Indenture or be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed.

IN WITNESS OF THE ABOVE, the Issuer has caused this Bond to be to be executed and delivered by duly authorized officers thereof as of the day and year first written above.

IT IS HEREBY CERTIFIED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution, delivery and issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, including the Law and the Act.

The Issuer has caused this Bond to be duly 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 above Dated Date.

[SEAL]

CITY OF LOS ANGELES

City Treasurer

By _____
Mayor

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the within-mentioned Indenture.

Date of Registration and Authentication: _____, ____.

[TRUSTEE], as Trustee

By _____

Name _____

Title _____

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____ the within Bond and irrevocably constitutes and appoints _____ attorney to transfer that Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agent Medallion Program or in such other guarantee program acceptable to the Registrar.

NOTICE: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatever.

Please insert social security number or
other tax identification number of transferee

Unless this certificate is presented by an authorized representative of The Depository Trust Company (55 Water Street, New York, New York) to the Issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

EXHIBIT B

DESCRIPTION OF PROJECT

An existing 108-unit apartment complex for seniors known as Pilgrim Tower located at 1207 South Vermont Avenue, Los Angeles, California.

INDENTURE OF TRUST

between

CITY OF LOS ANGELES,
as Issuer

and

[TRUSTEE],
as Trustee

relating to

\$15,985,000
City of Los Angeles
Multifamily Housing Revenue Bond
(Pilgrim Tower Apartments)
Series 2015H-2

Dated as of [_____] 1, 2015

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INDENTURE OF TRUST

THIS INDENTURE OF TRUST (this “Indenture”) dated as of [_____] 1, 2015 by and between the CITY OF LOS ANGELES, a charter city and municipal corporation, organized and existing under the laws of the State of California (the “Issuer”), and [TRUSTEE], a national banking association duly established, existing and authorized to accept and execute trusts of the character herein set out, with a corporate trust office in Los Angeles, California, as trustee (together with its successors and assigns, the “Trustee”).

WITNESSETH:

WHEREAS, Section 248 of the City Charter of the Issuer 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”), empowers the Issuer to issue bonds and other evidence of indebtedness to finance the acquisition, rehabilitation and equipping of multifamily rental housing; and

WHEREAS, the Act authorizes the Issuer: (a) to make loans to any person to provide financing for rental residential developments, and intended to be occupied in part by persons of low and moderate income, as determined by the Issuer; (b) to issue its revenue bonds for the purpose of obtaining moneys to make such loans and provide such financing, to establish necessary reserve funds and to pay administrative costs and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the specific revenues, receipts or resources of the Issuer to be received by the Issuer from or in connection with such loans, and to mortgage, pledge or grant security interests in such loans or other property of the Issuer in order to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, on March 17, 2015, the Issuer indicated its intent to provide for the issuance of revenue bonds to finance a portion of the acquisition, rehabilitation and equipping of Pilgrim Tower Apartments, a multifamily residential rental housing project located in the City of Los Angeles at 1207 South Vermont Avenue (the “Project”) and the Issuer’s City Council subsequently adopted a resolution (the “Resolution”) authorizing the issuance of 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 Issuer’s program of financing housing, the Issuer deems it desirable and in keeping with its purposes to issue its Multifamily Housing Revenue Bond (Pilgrim Tower Apartments) Series 2015H-2 (the “Bond”) to fund a loan (the “Loan”) to Pilgrim Tower Apartments, LP (the “Borrower”), as evidenced by a Promissory Note, in the initial maximum principal amount of \$15,985,000 relating to the Bond (the “Note”) in order to finance a portion of the acquisition, rehabilitation and equipping of the Project; and

WHEREAS, concurrently with the issuance of the Bond, the Issuer is issuing its Multifamily Housing Revenue Bonds (Pilgrim Tower Apartments) Series 2015H-1 (the “Series

2015H-1 Bonds”) to fund a loan (the “Series 2015H-1 Loan”) to the Borrower to finance a portion of the acquisition, rehabilitation and equipping of the Project; and

WHEREAS, under the terms of a Loan Agreement dated as of [_____] 1, 2015 between the Issuer and the Borrower (the “Loan Agreement”), the Issuer has agreed to make the Loan and the Series 2015H-1 Loan to the Borrower; and the Borrower has agreed to the repayment of the sums borrowed pursuant thereto and to secure the Loan, has executed or caused to be executed the Mortgage and the Loan Documents (as such terms are hereinafter defined) with respect to the Project to secure, among other things, its payment of the Loan and other obligations under the Loan Agreement; and

WHEREAS, the Borrower will finance a portion of the cost of the acquisition, rehabilitation and equipping of the Project with a portion of the proceeds of below-defined FHA Insured Mortgage Loan; and

WHEREAS, the execution and delivery of this Indenture and the issuance of the Bond have been in all respects duly and validly authorized by the Issuer; and

WHEREAS, terms not otherwise defined in the recitals or granting clauses hereof shall have the meanings as hereinafter defined; and

WHEREAS, all things necessary to make the Bond, when issued as provided in this Indenture and authenticated by the Trustee, a valid, binding and legal limited obligation of the Issuer according to the import thereof, and to constitute this Indenture a valid contract for the security of the Bond, have been done and performed; and the execution and delivery of this Indenture, and the execution, delivery and issuance of the Bond, subject to the terms hereof, have in all respects been duly authorized; and

NOW, THEREFORE, KNOW ALL PERSONS BY THESE PRESENTS, THIS INDENTURE WITNESSETH:

GRANTING CLAUSES

The Issuer, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Bond by the Holder thereof, in order to secure the payment of the principal and premium, if any, of and interest on the Bond according to its tenor and effect and the performance and observance by the Issuer of all the covenants expressed or implied herein and in the Bond, does hereby grant, assign, transfer in trust, and pledge to the Trustee, and to its successors in trust, and to them and their assigns, the following (excepting, however, the Unassigned Issuer’s Rights):

GRANTING CLAUSE FIRST

All right, title and interest of the Issuer (excluding Unassigned Issuer’s Rights) in and to the Loan Agreement and the Note, including, but not limited to, all sums (including Project Revenues) which the Issuer is entitled to receive from the Borrower pursuant to the Loan Agreement and the Note (but excluding Unassigned Issuer’s Rights), all moneys and investments held in Funds and accounts held by the Trustee under this Indenture (excluding moneys and

investments held in the Rebate Fund and rebatable arbitrage required to be deposited in the Rebate Fund), and all other sums required to be deposited in the Funds and accounts in accordance with Article V of this Indenture;

GRANTING CLAUSE SECOND

All the Issuer's right, title and interest in all property mortgaged, pledged and assigned under the Mortgage and the Loan Documents to secure the Bond, all rights, remedies and amounts payable under the Note and any and all other property of every name and nature which may from time to time hereafter by delivery or by writing of any kind be subjected to the lien hereof by the Issuer or by anyone on its behalf or with its written consent, and the Trustee is hereby authorized to receive any and all such property at any and all times and to hold and apply the same as additional security hereunder subject to the terms hereof; and

GRANTING CLAUSE THIRD

The earnings derived from the investment of any of the foregoing sums (excluding moneys and investments held in the Rebate Fund and rebatable arbitrage required to be deposited in the Rebate Fund) as provided herein.

TO HAVE AND TO HOLD all the same (herein called the "Trust Estate") with all privileges and appurtenances hereby granted and assigned, or agreed or intended so to be, to the Trustee and its successors in trust and to them and their assigns forever;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth, for the equal and proportionate benefit, security and protection of the Holder from time to time of the Bond issued under and secured by this Indenture, all for the uses and purposes and upon the terms, agreements and conditions set forth herein;

PROVIDED, HOWEVER, that if the Issuer, its successors or assigns, shall well and truly pay, or cause to be paid, or provide fully for payment as herein provided of the principal of the Bond and the interest due or to become due thereon (together with premium, if any), at the time and in the manner set forth in the Bond according to the true intent and meaning thereof, and shall make the payments into the Bond Fund as required hereby or shall provide, as permitted hereby, for the payment thereof by depositing with the Trustee sums sufficient for payment of the entire amount due or to become due thereon as herein provided, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of this Indenture to be kept, performed and observed by it, and shall pay to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof, then this Indenture and the rights hereby granted shall cease and terminate, except as otherwise provided herein.

THIS INDENTURE FURTHER WITNESSETH, and it is expressly declared, that the Bond issued and secured hereunder is to be issued, authenticated and delivered and all payments, revenues, income and funds hereby pledged and assigned, are subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes hereinafter expressed, and the Issuer has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the holder and owner of the Bond, as follows:

ARTICLE I

DEFINITIONS, EXHIBITS AND GENERAL PROVISIONS

Section 1.01. Definitions. In this Indenture the following terms have the following meanings unless the context hereof clearly requires otherwise, and any other terms defined in the Loan Documents shall have the same meanings when used herein as assigned them in the Loan Documents unless the context or use thereof indicates another or different meaning or intent:

“Act” means Chapter 7 of Part 5 of Division 31 of the Health and Safety Code of the State of California, as supplemented and amended to the Closing Date.

“Additional Charges” means payments required to be paid by the Borrower to the Trustee pursuant to Section [] of the Loan Agreement.

“Arbitrage Consultant” or *“Rebate Consultant”* means any accountant, law firm or consultant experienced in the calculation of arbitrage rebate selected by the Borrower and approved by the Issuer.

“Authorized Attesting Officer” means the City Treasurer, Interim City Treasurer or Deputy 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 interim, assistant or deputy officer to the principal officer or officers exercising such responsibilities.

“Authorized Borrower Representative” means, with respect to the Borrower, any person who, at any time and from time to time, is designated as the Borrower’s authorized representative by written certificate furnished to the Issuer, the Bondowner Representative 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 (including any successor or assign) if the Borrower is a general partnership or a limited partnership, any authorized managing member of the Borrower (including any successor or assign) if the Borrower is a limited liability company, or by any authorized officer of the Borrower (including any successor or assign) 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 assignee is a general partnership or a 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 and with the Issuer and the Bondowner Representative a written certificate identifying a different person or persons to act in such capacity.

“Authorized Issuer Representative” shall mean the Mayor or the General Manager, any Interim General Manager, any Assistant General Manager, any Acting General Manager or any

Interim Assistant General Manager, the Executive Officer or the Director or Acting Director, Finance and Development Division of the Los Angeles Housing and Community Investment Department, and any other officer or employee of the Issuer designated 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 or the General Manager or any Acting General Manager or any Interim General Manager or any Assistant General Manager or Interim Assistant General Manager, the Executive Officer or Director, or Acting Director, Finance and Development Division of the Los Angeles Housing and Community Investment Department and contains the specimen signature of such other officer or employee of the Issuer. The Trustee and Borrower may conclusively presume that any of the aforementioned officials or a person designated in a written certificate filed with it as an Authorized Issuer Representative is an Authorized Issuer Representative until such time as the Issuer files with the Borrower and Trustee a written certificate identifying a different person or persons to act in such capacity.

“Bankruptcy Code” means the United States Bankruptcy Reform Act of 1978, as amended, or any similar or succeeding federal bankruptcy law.

“Basic Payments” means the payments of principal, interest and premium required to be made by the Borrower pursuant to the Note as calculated by the Bondowner Representative.

“Bond” means the Issuer’s Multifamily Housing Revenue Bond (Pilgrim Tower Apartments) Series 2015H-2 issued pursuant to this Indenture.

“Bond Closing” means the date on which there is delivery by the Issuer of the Bond.

“Bond Counsel” means Kutak Rock LLP and any other bond counsel firm experienced in tax-exempt private activity bond financing selected by the Issuer.

“Bond Documents” means this Indenture, the Loan Agreement, the Mortgage, the Regulatory Agreement and the Tax Agreement.

“Bond Fund” means the Fund created by Section 5.04 of this Indenture.

“Bondholder,” “Bondowner” or “Holder” means the person in whose name the Bond is registered in the Bond Register.

“Bondowner Representative” means initially [_____] a [State][form of business] and thereafter, any subsequent owner of the Bond or a person appointed to be the Bondowner Representative by such Bondholder.

“Bond Placement Agreement” means that Bond Placement Agreement among the Issuer, the Borrower and Red Capital Markets, LLC as Placement Agent.

“Bond Register” means the bond register maintained by the Bond Registrar pursuant to Section 2.11 of this Indenture.

“*Bond Registrar*” means [TRUSTEE] and any successor thereto appointed, qualified and then acting as such under the provisions of this Indenture.

“*Bond Year*” means the one-year period beginning on [_____] 1 (or, in the case of the initial Bond Year, on the Closing Date) and ending on the next succeeding [_____] , provided that the first Bond Year shall begin on the Closing Date and end on [_____] , 2016.

“*Borrower*” means Pilgrim Tower Apartments, L.P., a California limited partnership, authorized to do business in the State, its successors and assigns, and any surviving, resulting or transferee entity which may assume its obligations under the Loan Documents.

“*Business Day*” means any day other than a Saturday, Sunday, legal holiday or a day on which banking institutions in the city where the principal corporate trust office of the Trustee and the Bond Registrar are located, are authorized by law or executive order to close.

“*Closing Date*” means [_____] , 2015.

“*Code*” or “*Internal Revenue Code*” means the Internal Revenue Code of 1986, and, with respect to a specific section thereof, such reference shall be deemed to include (a) the regulations promulgated by the United States Department of the Treasury under such section, (b) any successor provision of similar import hereafter enacted, (c) any corresponding provision of any subsequent Internal Revenue Code and (d) the regulations promulgated under the provisions described in (b) and (c).

“*Completion Date*” means the date of substantial completion of the Project evidenced in accordance with the requirements of Section 3.07 of the Loan Agreement.

“*Computation Year*” means each one year (except in the case of the initial Computation Year) period ending on [_____] , 2016 and each anniversary thereof.

“*Controlling HUD and GNMA Requirements*” means the National Housing Act and any applicable HUD or GNMA regulations, and related HUD or GNMA administrative requirements and prohibitions.

“*Dated Date*” the initial date upon which the Bond is issued.

“*Defeasance Collateral*” shall have the meaning set forth in Section 7.01 of this Indenture.

“*Determination of Taxability*” means a final judgment or order of a court of original jurisdiction, a final order of any other court of competent jurisdiction, or a final ruling or decision of the Internal Revenue Service, in any such case to the effect that the interest on the Bond (other than interest for a 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) is not excludable from the gross income of the owners 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 or action has expired.

“Discharge Date” means the date on which all Outstanding principal of the Bond is discharged under Article VII of this Indenture.

“Event of Default” means a default as set forth in Article VIII of this Indenture.

“Extraordinary Fees and Expenses” means all fees and expenses charged or incurred by the Trustee under this Indenture or the Loan Agreement, other than Ordinary Fees and Expenses.

“FHA Lender” means Red Mortgage Capital LLC as lender on the FHA Insured Mortgage Loan.

“FHA Insured Mortgage Loan” means that mortgage loan in the original principal amount of \$7,900,000 to be advanced by the FHA Lender to the Borrower and insured by the Federal Housing Administration under Section 221(d)(4) of the National Housing Act of 1937, as amended.

“Funds” means, collectively, the Revenue Fund, the Bond Fund and the Rebate Fund.

“General Partner” means, [_____], a [State][form of business].

“GNMA” means the Government National Mortgage Association.

“Governmental Authority” means any government, municipality or political subdivision thereof; any governmental or quasi-governmental agency, authority, board, bureau, commission, department, instrumentality or public body; any court, administrative tribunal or public utility; or any central bank or comparable authority.

“Holder” or *“Bondholder”* means the person in whose name the Bond is registered in the Bond Register.

“HUD” means, the U.S. Department of Housing and Urban Development.

“HUD Regulatory Agreement” means that Regulatory Agreement between HUD and the Borrower executed and delivered in connection with the FHA Insured Mortgage Loan which encumbers the Land.

“Indenture” means this Indenture of Trust by and between the Issuer and the Trustee, as the same may from time to time be amended or supplemented as herein provided.

“Independent Accountant” means a certified public accountant or firm of certified public accountants registered and qualified to practice as such under the laws of the State, and not employed by the Issuer or the Borrower, except to perform independent audits of the books and records of either or both of them or other similar periodic reviews and to perform other independent services.

“Independent Counsel” means any attorney acceptable to Bondowner Representative, duly admitted to practice law before the highest court of any state or of the District of Columbia, who may be counsel to the Issuer but who may not be an officer or an employee of the Issuer.

“Interest Rate” means the interest rate of [_____] % per annum.

“Investor’s Letter” means a letter in the form of Exhibit C to this Indenture executed by the initial Bondholder and any subsequent transferee of the Bond pursuant to Sections 2.11 and 2.15 of this Indenture.

“Issuer” means the City of Los Angeles, a municipal corporation and charter city of the State of California and its successors and assigns.

“Issuer’s Closing Fee” shall mean the Issuer’s issuance fee in the amount of \$[_____] payable by the Borrower to the Issuer on or before the Closing Date.

“Issuer’s Fee” means Issuer’s Closing Fee and Issuer’s Ongoing Fee.

“Issuer’s Ongoing Fee” shall mean the annual fee of the Issuer with respect to the Bonds in the amount as set forth in and in accordance with and pursuant to the provisions of Section 7 (n) of the Regulatory Agreement.

“Law” means 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 supplemented and amended to the Closing Date.

“Loan” means the loan of sale proceeds of the Bond by the Issuer to the Borrower described in the Loan Agreement.

“Loan Agreement” means the Loan Agreement with respect to the Loan dated as of [_____] 1, 2015 between the Issuer and the Borrower, as the same may from time to time be amended or supplemented as provided therein and in this Indenture.

“Loan Documents” means the Loan Agreement, the Note, the Mortgage and the Regulatory Agreement.

“Maturity Date” means [August 1, 2058].

“Mortgage” means that certain subordinate [Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing] dated as of [_____] 1, 2015, from the Borrower as trustor to [_____] Title Insurance Company as trustee and [the Trustee] as beneficiary with respect to the Project, as the same may from time to time be replaced, amended or supplemented as provided therein and in this Indenture.

“Mortgaged Property” means the properties, real, personal or mixed, described in the Granting Clauses of the Mortgage, as they may at any time exist.

“Mortgagee” means, collectively, the Trustee and any co-trustee or successor trustee appointed, qualified and acting as such under this Indenture, as beneficiaries under the Mortgage.

“*Note*” means the subordinated, surplus cash Promissory Note executed by the Borrower in the amount of \$15,985,000 in favor of the Trustee to evidence the Loan and as security for the Bond.

“*Ordinary Fees and Expenses*” means those fees, expenses and disbursements payable to the Trustee in the fulfillment of its obligations hereunder which are reimbursable to the Trustee as described in Section 9.02 hereof (exclusive of Extraordinary Fees and Expenses) which shall be payable annually in arrears on each [_____] 1, commencing [_____] 1, 2016 in an amount equal to [_____] % of the Outstanding principal amount of the Bond, with a minimum annual amount of \$[_____].

“*Outstanding Bond*” or “*Bond Outstanding*” means, as of the date of determination, the aggregate principal amount of the Bond theretofore issued and delivered under this Indenture except:

(a) any portion of any Bond theretofore canceled by the Trustee or Paying Agent or delivered to the Trustee or Paying Agent for cancellation;

(b) any portion of any Bond for which payment or redemption moneys or securities (as provided in Article VII) shall have been theretofore deposited with the Trustee or Paying Agent in trust for the Holder of such Bond; provided, however, that if such portion of such Bond is to be redeemed, notice of such redemption shall have been duly given pursuant to this Indenture or irrevocable action shall have been taken to call such Bond for redemption at a stated redemption date; or

(c) any Bond in exchange for or in lieu of which another Bond shall have been issued and delivered pursuant to Section 2.07 or other provisions of this Indenture.

“*Paying Agent*” means the Bond Registrar, the Trustee or any other entity designated pursuant to this Indenture as the agent of the Issuer to receive and disburse the principal of and premium, if any, and interest on the Bond.

“*Payment Date*” means the first day of each [_____] 1, commencing [_____] 1, 2016.

“*Permitted Encumbrances*” means the encumbrances listed in Exhibit B to the lender’s policy of title insurance insuring the lien of the Mortgage.

“*Permitted Investments*” means:

To the extent permitted by applicable law, any of the following investments, provided that, except for investment agreements, investments permitted under Article VI hereof and investments approved by the Bondowner Representative, none shall have a term in excess of one year:

(1) certificates or interest-bearing notes or obligations of the United States, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest;

(2) investments in any of the following obligations, provided such obligations are backed by the full faith and credit of the United States: (A) direct obligations or fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States, (B) debentures of the Federal Housing Administration, (C) guaranteed mortgage-backed bonds of the Government National Mortgage Association, (D) certificates of beneficial interest of the Farmers Home Administration, (E) obligations of the Federal Financing Bank, (F) project notes and local authority bonds of the United States Department of Housing and Urban Development or (G) obligations of the Private Export Funding Corp.;

(3) investments in (A) senior obligations of the Federal Home Loan Bank System, (B) participation certificates or senior debt obligations of the Federal Home Loan Mortgage Corporation, (C) mortgage-backed securities and senior debt obligations (excluding stripped mortgage securities that are valued greater than par on the portion of the unpaid principal) of Fannie Mae or (D) senior debt obligations of the Student Loan Marketing Association;

(4) repurchase agreements with primary dealers and/or banks rated “A” or better by the Rating Agency collateralized with the obligations described in (i) or (ii) above held by a third-party custodian, at levels set forth in subsection (b) below;

(5) money market mutual funds, including funds for which the Trustee or an affiliate of the Trustee acts as an advisor, and rated in the highest category by the Rating Agency;

(6) certificates of deposit of any bank (including the Trustee), trust company or savings and loan association whose short-term obligations are rated “A-1” or better by the Rating Agency provided that such certificates of deposit are fully secured by the obligations described in (i) or (ii) above, at the levels set forth in subsection (b) below, the Trustee has a perfected first security interest in the obligations securing the certificates and the Trustee holds (or shall have the option to appoint a bank, trust company or savings and loan association as its agent to hold) the obligations securing the certificates;

(7) certificates of deposit of any bank (including the Trustee), trust company or savings and loan association which certificates are fully insured by the Federal Deposit Insurance Corporation;

(8) commercial paper rated “A-1+” or better by the Rating Agency;

(9) obligations of, or obligations fully guaranteed by, any state of the United States of America or any political subdivision thereof which obligations are rated by the Rating Agency in the highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise and without regard to credit enhancement) assigned by such rating agency to obligations of that nature; and

(10) investment agreements approved in writing by the Bondowner Representative.

Collateral Percentage Levels of United States Government Securities for
Repurchase Agreements and Bank Certificates of Deposit.

Remaining Maturity

Frequency of Valuation	1 year or less	5 years or less	10 years or less	15 years or less	30 years or less
Daily	102	105	106	107	113
Weekly	103	110	111	113	118
Monthly	106	116	119	123	130
Quarterly	106	118	128	130	135

Further Requirements:

(11) on each valuation date, the market value of the collateral shall be in an amount equal to the indicated collateral percentage of the obligation (including unpaid accrued interest) that is being secured;

(12) in the event the collateral level is below its required collateral percentage on a valuation date, such percentage shall be restored within the following restoration periods: one Business Day for daily valuations, two Business Days for weekly valuations and one month for monthly and quarterly valuations. The use of different restoration periods affects the requisite collateral percentage;

(13) the Trustee is hereby required to terminate the repurchase agreement upon a failure to maintain the requisite collateral percentage after the restoration period and, if not paid by the counterparty in federal funds against transfer of the repurchase agreement, to liquidate the collateral; and

(14) collateral for all repurchase agreements must be held by third parties.

“Placement Agent” means Red Capital Markets, LLC.

“Principal Corporate Trust Office” means the corporate trust office of the Trustee at [ADDRESS], Los Angeles, CA 90071, Attention: Global Corporate Trust Services or such other office designated by the Trustee from time to time.

“Proforma Schedule” means the Proforma Schedule attached to the Loan Agreement as Exhibit F, together with such amendments to that Schedule as are made from time to time in accordance with the Loan Agreement.

“Project” means the Project Premises, the improvements thereon and any and all Project Equipment located on or used in connection with the Project Premises.

“Project Debt Service” means all scheduled debt service on the Bond during the period in question, including all interest and scheduled principal payments.

“Project Engineer” means an engineer retained by the Bondowner Representative to provide consulting services to the Bondowner Representative with respect to the Project.

“Project Equipment” means the property described as “Personal Property” in the Mortgage.

“Project Fund” means the fund created under Section 5.02 of this Indenture.

“Project Premises” means the real property described in Exhibit B to the Loan Agreement, together with the other property and interests in real property described in Exhibit A of the Mortgage.

“Project Revenues” means all gross revenues and receipts derived by the Borrower from the operation of the Project during the period in question, including earnings on the foregoing.

“Rating Agency” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc.

“Rebate Fund” means the fund so designated in Section 5.07 of this Indenture.

“Rebate Requirement” or *“Rebate Amount”* shall mean the amount of rebatable arbitrage computed for payment as of the last day of every fifth Computation Year pursuant to Treasury Regulation Section 1.148-2 or any successor regulation as may be applicable thereto; provided, however, that an opinion of Bond Counsel to the effect that no money held under the Indenture is subject to rebate shall be accepted by the Issuer and the Trustee as a substitute for such calculation.

“Record Date” means with respect to any Payment Date, (a) the fifteenth day of the month (whether or not a Business Day) next preceding such Payment Date or (b) if there is a default in payment of interest due on such Payment Date, a special Record Date for the payment of such defaulted interest shall be established by the Trustee by notice mailed by the Trustee (such notice shall be mailed not less than 15 days preceding the applicable special Record Date to the Holder as set forth on the bond register of the Trustee as Registrar at the close of business on the fifth Business Day preceding the date of mailing).

“Regulatory Agreement” means, collectively, that Regulatory Agreement and Declaration of Restrictive Covenants, dated as of [_____] 1, 2015 among the Borrower, the Issuer and the Trustee, together with any amendments and supplements thereto, which together, encumber the Project.

“Related Person” means a “related person” within the meaning of Section 147(a)(2) of the Code.

“Representative” means any Authorized Issuer Representative or Authorized Borrower Representative as the case may be.

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

“Responsible Agent” means any person duly authorized and designated by the Trustee, the Bond Registrar and the Paying Agent to act on its behalf in carrying out the applicable duties and powers of such entity as set forth in this Indenture; any action required by the Trustee, the Bond Registrar and the Paying Agent under this Indenture may be taken by a Responsible Agent.

“Revenue Fund” means the fund created under Section 5.03 of this Indenture.

“Sophisticated Investor” means a qualified institutional buyer” as defined in Rule 144A promulgated under the Securities Act of 1933, as amended, or an institutional “accredited investor” as defined in Rule 501 promulgated under the Securities Act of 1933, as amended.

“State” means the State of California.

“Surplus Cash” has the meaning specified in the HUD Regulatory Agreement.

“Tax Agreement” means the Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986, dated as of the Closing Date and executed by the Issuer and the Borrower.

“Treasury” means the United States Department of the Treasury, and any successor to its functions.

“Treasury Regulations” means all proposed, temporary or final federal income tax regulations issued or amended with respect to the Code by the Treasury or Internal Revenue Service.

“Trustee” means [TRUSTEE], and any co-trustee or successor trustee appointed, qualified and then acting as such under the provisions of this Indenture.

“Trust Estate” means the Trust Estate as defined and set forth in the Granting Clauses hereof.

“Unassigned Issuer’s Rights” means all of the rights of the Issuer, its members, officers, attorneys, accountants, employees, agents and consultants, past, present and future specifically reserved by the Issuer under this Indenture to receive Additional Payments under Section 4.02 of the Loan Agreement, to be held harmless and indemnified under Section 5.03 of the Loan Agreement, to be reimbursed for attorney’s fees and expenses under Section 7.04 of the Loan Agreement, to receive notices pursuant to Section 8.03 of the Loan Agreement and to give or withhold consent to amendments, changes, modifications, alterations and termination of the Loan Agreement under Section 8.06 of the Loan Agreement, its rights of access, and to the extent not included above the rights specifically reserved by the Issuer under this Indenture.

Section 1.02. Rules of Interpretation.

(a) This Indenture shall be governed by and construed in accordance with the laws and judicial decisions of the State, except as they may be preempted by federal rules, regulations and laws applicable to the Issuer.

(b) The words “herein” and “hereof” and “hereunder” and words of similar import, without reference to any particular section or subdivision, refer to this Indenture as a whole rather than to any particular section or subdivision of this Indenture.

(c) References in this Indenture to any particular article, section or subdivision hereof are to the designated article, section or subdivision of this Indenture as originally executed.

(d) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles; and all computations provided for herein shall be made in accordance with generally accepted accounting principles consistently applied and applied on the same basis as in prior years.

(e) The Table of Contents and titles of articles and sections herein are for convenience of reference only and are not a part of this Indenture and shall not deny or limit the provisions hereof.

(f) Unless the context hereof clearly requires otherwise, the singular shall include the plural and vice versa and the masculine shall include the feminine and vice versa.

(g) Articles, sections, subsections and clauses mentioned by number only are those so numbered which are contained in this Indenture.

(h) Any opinion of counsel called for herein shall be a written opinion of such counsel.

(i) References to the Bond as “tax-exempt” or to the “tax-exempt status of the Bond” are to the exclusion of interest on the Bond from gross income for federal income tax purposes pursuant to Section 103(a) of the Code.

ARTICLE II

THE BOND

Section 2.01. Authorized Amount and Form of Bond. The Bond secured by this Indenture shall be issued in fully registered form without coupons and in substantially the form set forth herein with such appropriate variations, omissions and insertions as are permitted or required by this Indenture, and in accordance with the further provisions of this Article II. The aggregate principal amount of Bond that shall be issued hereunder shall be \$15,985,000, unless a duplicate Bond is issued as provided in Section 2.07. The Bond, together with the Certificate of Authentication, the form of Assignment, the principal log and the registration information thereon, shall be in substantially the form found at Exhibit A.

Section 2.02. Issuance of Bond. The Bond shall:

(a) be dated as of the date of original delivery (the “Dated Date”);

- (b) be initially issued and delivered as a single fully registered Bond;
- (c) be numbered from 1 upwards in chronological order of delivery with such number being preceded by such designation as the Trustee shall determine;
- (d) mature on [_____] 1, 20[____];
- (e) bear interest as calculated in the Note on the outstanding principal amount at the Interest Rate payable annually in arrears commencing [_____] 2016, such interest to accrue from the respective Dated Date, or, in the case of transfer or exchange, from the most recent Payment Date to which interest has been paid or provided for under this Indenture. Bondowner Representative shall, as servicer of the Loan, calculate the amount of principal and interest due annually and submit such calculations to the Trustee in writing at least 3 Business Days before each Payment Date. The Trustee shall, absent manifest error, accept such calculations.;
- (f) be payable in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts, at the Principal Corporate Trust Office of the Trustee or Paying Agent, provided that unless otherwise notified by the Bondowner Representative in writing, payments of principal, any premium and interest shall be paid to the Holder of the Bond on the applicable Record Date via wire transfer in immediately available funds to a designated bank account maintained by the Holder at any bank in the United States, such instructions to be delivered not less than 15 days before the payment date. At the written request of the Bondowner Representative (delivered not less than 15 days before the payment date) payments of principal, any premium and interest on the Bond will be payable by check or draft mailed by first class mail by the Trustee to the Record Date Holder (as defined in Exhibit A) of such Bond on the applicable Record Date at the last addresses thereof as shown in the Bond Register on the applicable Record Date; and
- (g) be subject to redemption upon the terms and conditions and at the redemption prices specified in Article III hereof.

Notwithstanding the foregoing, if the date for payment of the principal of, premium, if any, or interest on the Bond shall be a day which is not a Business Day, then the date for such payment shall be the next succeeding day which is a Business Day, and payment on such later date shall have the same force and effect as if made on the nominal date of payment. Furthermore, the Trustee shall, in all circumstances, pass through to the Bondowner (on a pro rata basis), as soon as practicable following receipt by the Trustee, all amounts received by the Trustee in payment of principal of, premium if any, and interest on the Bond if received after the date due hereunder.

All payments so made shall be valid and effective to satisfy and discharge the liability upon the Bond. The Bondholder may instruct the Trustee to hold the Bond on behalf of the Bondholder to facilitate payments pursuant hereto.

Section 2.03. Execution. The Bond shall be executed on behalf of the Issuer by the manual or facsimile signature of its Mayor and attested by the manual or

facsimile signature of its Authorized Attesting Officer under the official seal, or a facsimile of the seal, of the Issuer (whether affixed, imprinted, impressed, engraved or otherwise reproduced). Any facsimile signatures shall have the same force and effect as if the Mayor and the Authorized Attesting Officer had manually signed and attested the Bond. In case any officer whose signature or a facsimile of whose signature shall appear on any Bond shall cease to be such officer before the delivery of such Bond, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes as if such officer had remained in office until delivery. Any reproduction of the official seal of the Issuer on any Bond shall have the same force and effect as if the official seal of the Issuer had been manually impressed on such Bond.

Section 2.04. Authentication. No Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this Indenture unless a certificate of authentication on such Bond, substantially in the applicable form set forth in Exhibit A shall have been manually executed by the Bond Registrar. Certificates of authentication on different Bond certificates need not be signed by the same person. The Bond Registrar shall authenticate each Bond by execution of the certificate of authentication on the Bond; and the certificate of authentication so executed on each Bond shall be conclusive evidence that it has been authenticated and delivered under this Indenture.

Section 2.05. Conditions Precedent to the Delivery of Initial Bond. Upon the execution and delivery of this Indenture, the Issuer shall execute and deliver to the Bond Registrar, and the Bond Registrar shall authenticate, the initial Bond and shall deliver the initial Bond to or upon the order of the initial purchaser thereof at such time or times as may be directed by the Issuer after the Trustee has received the following:

- (a) original executed counterparts of the Loan Agreement and this Indenture;
- (b) an executed copy of the Mortgage;
- (c) an executed copy of the Regulatory Agreement;
- (d) an original executed Note;
- (e) copies of executed counterparts of all Loan Documents not specifically referred to in paragraphs (a) through (d) above;
- (f) a copy of the resolutions adopted by the governing body of the Issuer, authorizing the execution and delivery of this Indenture and the Loan Agreement and issuance of the Bond;
- (g) a request and authorization to the Trustee on behalf of the Issuer, signed by an Authorized Issuer Representative, to deliver the Bond to the Bondowner Representative upon the Borrower's confirmation of delivery of a deed to the Project;

(h) the opinion of counsel to the Borrower in the form required by the Issuer and counsel to the Bondowner Representative, addressed to the Issuer, the Trustee and the Bondowner Representative;

(i) the opinion of counsel to the Issuer, in the form required by the Issuer, addressed to the Issuer and the Trustee;

(j) the opinion of Bond Counsel, addressed to the Issuer and the Trustee, to the effect that (i) the Bond is a valid obligation of the Issuer and (ii) interest on the Bond is excludable from gross income of the owner thereof for federal income tax purposes and interest on the Bond is exempt from personal income taxes of the State;

(k) [reserved];

(l) [reserved];

(m) an original of an Investor's Letter executed by the Bondowner Representative and addressed to the Trustee and the Issuer in the form of Exhibit B;

(n) the Borrower's receipt of a deed to the Project from the Bondowner Representative as the purchase price of the Bond;

(o) any other documents or opinions which the Issuer or Bond Counsel may reasonably require.

Section 2.06. [Reserved].

Section 2.07. Mutilated, Lost or Destroyed Bond. In case any Bond issued hereunder shall become mutilated or be destroyed or lost, the Issuer shall, if not then prohibited by law, cause to be executed, and the Bond Registrar shall authenticate and deliver, a new Bond of like amount, maturity date and tenor, but bearing a number not contemporaneously Outstanding, in exchange and substitution for and upon cancellation of any such mutilated Bond, or in lieu of and in substitution for any such Bond destroyed or lost, upon the Holder's paying the reasonable expenses and charges of the Bond Registrar and the Issuer and, in the case of a Bond destroyed or lost, the Holder's filing with the Bond Registrar of evidence satisfactory to the Bond Registrar and the Trustee that such Bond was destroyed or lost, and of the Holder's ownership thereof, and furnishing the Issuer, the Trustee and the Bond Registrar with indemnity satisfactory to them. If the mutilated, destroyed or lost Bond has already matured or been called for redemption in accordance with its terms, it shall not be necessary to issue a new Bond prior to payment.

Section 2.08. [Reserved].

Section 2.09. Ownership of Bond. The Issuer, the Trustee, the Bond Registrar and Paying Agent may deem and treat the Holder of the Bond, whether or not the Bond shall be overdue, as the absolute owner of the Bond for the purpose of receiving payment thereof and for all other purposes whatsoever, and the Issuer (or any agent

thereof), the Trustee, the Bond Registrar and the Paying Agent shall not be affected by any notice to the contrary.

Section 2.10. [Reserved].

Section 2.11. Registration, Transfer and Exchange of Registered Bond.

(a) The Trustee shall, at the expense of the Borrower, register, prepare and authenticate a fully registered Bond, shall cause to be kept at the Principal Corporate Trust Office of the Bond Registrar a Bond Register in which, subject to such reasonable regulations as the Bond Registrar may prescribe, the Trustee shall provide for the registration of the Bond and the registration of transfers of the Bond. The Bond Register shall contain a record of the Bond, including bond number and principal amount at any time authenticated hereunder, together with the name and address of the Holder thereof, the date of authentication, the date of transfer or payment, and such other matters as are appropriate for the Bond Register in the estimation of the Bond Registrar and the Trustee.

(b) The transfer of the Bond is subject to registration by the Holder thereof only upon compliance with the conditions for registration of transfer imposed on the Holder under this Section 2.11 and under Section 2.15 hereof. Upon surrender of the Bond at the Principal Corporate Trust Office of the Bond Registrar, the Issuer shall execute (if necessary), and the Bond Registrar shall authenticate and deliver, in the name of the designated transferee or transferees (but not registered in blank or to “bearer” or a similar designation), a new Bond of a like aggregate principal amount, and the same stated maturity, tenor and interest rate.

(c) [Reserved].

(d) Each Bond delivered in exchange for or upon transfer of a Bond shall be a valid special obligation of the Issuer evidencing the same debt, and entitled to the same benefits under this Indenture, as the Bond surrendered for such exchange or transfer.

(e) Registration of the transfer of each Bond may be made on the Bond Register by the Holder in person or by the Holder’s attorney duly authorized in writing. Each Bond presented or surrendered for registration of transfer or exchange shall (i) be accompanied by evidence of compliance with the provisions of Section 2.15 of this Indenture, (ii) be duly endorsed or be accompanied by a written instrument or instruments of transfer, in the form printed on the Bond or in another form satisfactory to the Bond Registrar, duly executed and with guaranty of signature of the Holder thereof or his, her or its attorney duly authorized in writing and (iii) include written instructions as to the details of the transfer of the Bond.

(f) No service charge shall be made to the Holder for any registration, transfer or exchange, but the Bond Registrar and Issuer may require payment of a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in connection with any transfer or exchange of any Bond, other than exchanges expressly provided in this Indenture to be made without expense or without charge to the Bondholder, and any legal or unusual costs of transfers and lost bonds.

(g) The Bond Registrar shall not be required (i) to transfer or exchange any Bond during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption or purchase of such Bond under this Indenture and ending at the close of business on the day of such mailing or (ii) to transfer or exchange such Bond so selected for redemption or purchase in whole or in part.

(h) If the transferee is an “Investment Bank” as defined in the Responsible Banking Ordinance, upon delivery to the Issuer of an executed Responsible Banking Ordinance Certificate in the form of Exhibit C hereto

Section 2.12. Nonpresentment of the Bond. In the event the Bond shall not be presented for payment when the principal hereof becomes due, if required hereunder, and, if funds sufficient to pay the Bond shall have been paid to the Trustee (or the Paying Agent (if any)) for the benefit of the registered owner thereof, all liability of the Issuer to the registered owner thereof for the payment of the Bond shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Trustee or other Paying Agent to hold such fund or funds, without liability 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 part under this Indenture or on, or with respect to, the Bond. Any moneys still held by the Trustee (or other Paying Agent, if any) after two years from the date on which the Bond with respect to such amount was paid to the Trustee or other Paying Agent, shall, if and to the extent permitted by law, be paid to the Issuer and shall be discharged from the trust and all liability of the Paying Agent or Trustee with respect to such funds shall cease; and the owner of the Bond shall thereafter be entitled to look only to the Issuer for payment, and the Issuer shall not be liable for any interest thereon.

Section 2.13. [Reserved].

Section 2.14. Destruction of Bond. Whenever the Bond shall be delivered to the Bond Registrar or the Trustee for cancellation pursuant to this Indenture, upon payment of the principal amount and interest represented thereby or for replacement pursuant to Section 2.07 or transfer pursuant to Section 2.11, such Bond shall be canceled and destroyed by the Bond Registrar or the Trustee, as the case may be, and counterparts of a certificate of cancellation evidencing such cancellation shall be furnished by the Bond Registrar, or the Trustee, as the case may be, to the Issuer, the Bond Registrar and, if appropriate, the Trustee.

Section 2.15. Restrictions on Transfer. The Bond may be transferred, only in whole (unless otherwise approved in writing by the Issuer, which approval may be withheld in its sole and absolute discretion), to a new Bondholder only upon receipt by the Bond Registrar, the Issuer and the Trustee of an Investor’s Letter and only with the prior written consent of the Issuer. The Trustee shall be entitled to rely, without any further inquiry, on any Investor’s Letter delivered to it and shall be fully protected in registering any transfer or exchange of the Bond in reliance on any such Investor’s Letter which appears on its face to be correct and of which the Trustee has no actual knowledge otherwise. Any such Holder desiring to effect such transfer shall be a

Sophisticated Purchaser which agrees to indemnify the Issuer and Trustee from and against any and all liability, cost or expense (including attorneys' fees) that may result if the transfer of the Bond is not exempt from the registration requirements of the Securities Act of 1933, as amended or is not made in accordance with federal and state laws. The Bond purchaser shall execute and deliver such an Investor Letter in connection with its initial purchase of the Bond. Every Bond presented or surrendered for transfer or exchange shall contain, or be accompanied by, all necessary endorsements for transfer as provided in the Bond form attached hereto as Exhibit A.

ARTICLE III

REDEMPTION AND TENDER OF THE BOND BEFORE MATURITY

Section 3.01. Redemption Provisions. Subject to the provisions of Sections 3.02 and 3.04, the Bond, or a portion thereof, is subject to redemption as follows:

(a) ***Extraordinary Redemption.*** The Bond is subject to mandatory redemption, in whole or in part on any Business Day, in the event and to the extent the Trustee receives funds from the Borrower representing a mandatory prepayment of principal under the Note, at a redemption price equal to the principal amount thereof plus accrued interest and plus any premium remitted therewith as required by the Note.

(b) ***Optional Redemption.*** The Bond is subject to redemption at the option of the Borrower, in whole or in part on any date, on or after the later to occur of (i) the date that the Project is placed in service (which for purposes of this Indenture shall mean the Completion Date), and (ii) [_____], in the event and to the extent the Trustee receives funds from the Borrower representing an optional prepayment of principal at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date and plus any premium remitted therewith as required by the Note.

(c) ***[Reserved]***

(d) ***[Reserved]***.

(e) ***[Reserved]***.

(f) ***[Reserved]***.

(g) ***Mandatory Redemption Upon Loan Agreement or Other Loan Document Default.*** The Bond is subject to mandatory redemption in whole upon the occurrence and continuance of an Event of Default under the Loan Agreement or any other Loan Document not timely cured, at the direction of the Bondowner Representative at a redemption price equal to the principal amount of the Bond then Outstanding, plus accrued interest thereon to the date of redemption.

If the Bond or any portion thereof is redeemed or purchased and canceled by the Trustee and not theretofore applied as a credit against any redemption of the Bond pursuant to the above-referenced mandatory sinking fund redemption schedule, the Trustee shall apply the principal amount of the Bond redeemed or purchased and canceled for credit against the principal installments to be paid pursuant to the mandatory sinking fund redemption schedule for the Bond in such manner as the Bondowner Representative determines so as to as nearly as possible maintain level principal and interest payments on the Bond to the Maturity Date.

Section 3.02. Notice of Redemption. To effect the redemption of the Bond or a portion thereof under Section 3.01, the Trustee shall promptly give notice within the time, in the manner and with the effect provided by this Section 3.02 by first-class mail, postage prepaid to the Bondowner. No advance notice of redemption shall be required. Notice of redemption shall be provided to the Bondowner immediately upon receipt by the Trustee of funds to be used for such redemption. No notice shall be required in the case of a redemption pursuant to Section 3.01(a) [or 3.01(g)]. No defect in or failure to give notice shall affect the validity of the proceedings for redemption of the Bond. Such notice, which shall be prepared by the Trustee at the expense of the Borrower, shall state the subsection under Section 3.01 pursuant to which the Bond is being called for redemption and shall specify the date on which and the place where the Bond shall be presented for redemption, if presentation is required. Except as specifically provided in this Indenture and provided sufficient funds are on deposit with the Trustee with respect to such redemption, the portion of the Bond thus called for redemption shall cease to bear interest from and after the specified redemption date and the Bondholder shall have no further rights with respect to the redeemed portion of the Bond or under this Indenture except to receive the redemption price of the Bond. The Bondowner need not surrender its Bond in connection with any redemption of the Bond unless the Bond is redeemed in whole or upon maturity of the Bond.

Section 3.03. Cancellation. Subject to the provisions of Section 2.12, the portion of the Bond which has been redeemed shall be canceled by the Trustee as provided in Section 2.14 and shall not be reissued. The Trustee shall note any redemption of the Bond in part in its record and on the principal log maintained by the Trustee at its Principal Corporate Trust Office.

Section 3.04. Method of Redemption.

(a) The Trustee shall redeem the Bond or a portion thereof hereunder [(except in the case of Section 3.01(a) or 3.01(g))] only if it has received immediately available funds sufficient for such purpose on or prior to the redemption date.

(b) If the Bond is redeemed pursuant to subsection 3.01(a) or 3.01(g) hereof, payment of the redemption price shall be deemed made by the Trustee's and the Issuer's absolute assignment to the Bondowner of all right, title and interest of the Issuer and the Trustee in and to the Loan Documents. Such assignment shall constitute full and complete satisfaction of all obligations of the Issuer to the Bondholder hereunder.

(c) If the Bond is redeemed only in part, the Trustee shall make an appropriate notation on the principal log maintained at its Principal Corporate Trust Office indicating the portion of the Bond redeemed. The Trustee shall inform the Bondowner in writing of the current outstanding principal amount of the Bond each month following a Payment Date when the principal amount outstanding has changed since the prior Payment Date and upon receipt of a written request from any Bond Holder.

Section 3.05. Mandatory Tender of Bonds at Request of Borrower. Upon delivery to the Issuer, Trustee and the Bondowner Representative of the written request of the Borrower at least 15 days prior to the tender date, the Bond shall, on any date upon which the Bond is subject to optional redemption under Section 3.01(b) above, be subject to mandatory tender to the Trustee for cancellation in exchange for an assignment to the Bondowner Representative or its order of the Note, Mortgage and remainder of the Trust Estate following satisfaction of all requirements of Section 7.01 hereof. Such assignment shall be without warranty by or recourse to the Trustee. Upon such tender, the Trustee shall cancel the Bonds on its records.

ARTICLE IV

GENERAL COVENANTS

Section 4.01. Payment of Principal, Premium and Interest. Subject to the provisions of Section 4.09 hereof, and solely from the moneys derived from the Loan Agreement (other than to the extent payable (a) from proceeds of the Bond, temporary investments, or amounts recovered by the Trustee under the Mortgage or (b) as provided in Section 3.04(b) hereof), the Issuer will duly and punctually pay the principal of, premium, if any, and interest on the Bond in accordance with the terms of the Bond, the Note and this Indenture. Moneys derived from the Loan Agreement include all moneys derived from the Granting Clauses set forth herein, including, but not limited to, the funds deposited in the Funds (excluding funds held in Rebate Fund and rebatable arbitrage whether or not deposited in the Rebate Fund) to the extent provided herein and in the manner provided in Article V hereof. Nothing in the Bond or in this Indenture shall be considered as assigning or pledging funds or assets of the Issuer other than those covered by the Granting Clauses set forth herein.

Section 4.02. Performance of Covenants.

(a) The Issuer covenants that it will faithfully perform at all times any and all of its covenants, undertakings, stipulations and provisions contained in this Indenture, in any and every Bond executed, authenticated and delivered hereunder and in all proceedings of its governing body pertaining thereto; that it is duly authorized under the Constitution and laws of the State, including particularly and without limitation the Act and the Law, to issue the Bond authorized hereby, to execute this Indenture, to loan the proceeds of the Bond to the Borrower and to assign and pledge the payments from the Loan Agreement in the manner and to the extent herein set forth; that all action on its part for the issuance of the Bond and the execution and delivery of this Indenture has been duly and effectively taken; and that the Bond in the hands of the Holder thereof is and

will be a valid and enforceable obligation of the Issuer according to the terms thereof. The Issuer further covenants that it will timely comply with all of its obligations under the Tax Agreement and that it will not take any action or fail to take any action which, as advised by Bond Counsel, would adversely affect the exclusion of interest on the Bond from gross income for federal tax purposes.

(b) The Trustee covenants that it will faithfully perform at all times any and all of its covenants, undertakings, stipulations and provisions contained in this Indenture, and in every Bond executed, authenticated and delivered hereunder; that it is duly organized, validly existing, in good standing and possesses all licenses and authorizations necessary to enter into this Indenture; that it has full power and authority to enter into this Indenture and the transactions contemplated thereby; that the Indenture has been duly executed and delivered by it; assuming the due execution and delivery hereof by the Issuer, that this Indenture constitutes a legal, valid, binding and enforceable obligation of the Trustee (subject to bankruptcy, insolvency or creditor rights laws generally and principles of equity generally) without offset, defense or counterclaim, that the execution, delivery and performance of this Indenture by the Trustee will not cause or constitute, including due notice or lapse of time or both, a default under or conflict with organizational documents of the Trustee or other agreements to which the Trustee is a party or otherwise materially or adversely affect performance of duties of the Trustee; that the execution of this Indenture by the Trustee will not violate any law, regulation, order or decree of any governmental authority; that all consents, approvals, authorizations, orders or filings of or with any court or governmental agency or body, if any, required for the execution, delivery and performance of this Indenture by the Trustee have been obtained or made; and that there is no pending action, suit, proceeding, arbitration or governmental investigation challenging the authority of the Trustee to perform its obligations under this Indenture.

Section 4.03. Instruments of Further Assurance. The Issuer covenants that it has not made, done, executed or suffered, and will not make, do, execute or suffer, any act or thing whereby its interest in the Loan Agreement or any part thereof is now or at any time hereafter will be impaired, changed or encumbered in any manner whatsoever, except as may be expressly permitted herein or in the Loan Agreement or as required by law; and that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such instruments supplemental hereto and such further acts, instruments and transfers as the Trustee may be reasonably required for the better assuring, transferring, pledging, assigning and confirming unto the Trustee all and singular the sums assigned and pledged hereby to the payment of the principal of, premium, if any, and interest on the Bond.

Section 4.04. Filing of Continuation Statements. The Trustee shall, at the written direction of the Bondowner Representative, file, at the expense of the Borrower, all such continuation statements for the financing statements filed in connection with the issuance of the Bond as are necessary to preserve the first-lien perfected security interest of the Trustee in and to the Trust Estate.

Section 4.05. Books and Records. The Trustee covenants that so long as any portion of Bond issued hereunder and secured by this Indenture shall be unpaid, the Trustee will keep proper books or records and accounts, in which full, true and correct entries will be made of all its financial dealings or transactions in relation to the Project and the payments made by the Trustee derived from the Loan Agreement, this Indenture and the Mortgage. At reasonable times, with reasonable notice and under reasonable regulations established by the Trustee, such books shall be open to the inspection of the Holder or the Issuer, and such accountants or other agencies as the Holder or the Issuer may from time to time designate in writing to the Trustee.

Section 4.06. Bondholder's Access to Bond Register. At reasonable times, with reasonable notice and under reasonable regulations established by the Bond Registrar, the Bond Register or a copy thereof may be inspected and copied by the Issuer, the Trustee or any Holder (or a designated representative thereof), such authority of any such designated representative to be evidenced to the reasonable satisfaction of the Bond Registrar. Except as otherwise may be provided by law, the Bond Register shall not be deemed a public record and shall not be made available for inspection by the public, unless and until notice to the contrary is given to the Bond Registrar by the Issuer.

Section 4.07. Rights Under Loan Agreement. The Loan Agreement sets forth covenants and obligations of the Borrower, and reference is hereby made to the same for a detailed statement of said covenants and obligations. The Issuer agrees to cooperate in the enforcement of all covenants and obligations of the Borrower under the Loan Agreement and agrees that the Trustee and the Bondowner Representative may enforce all rights of the Issuer (other than Unassigned Issuer's Rights) and all obligations of the Borrower under and pursuant to the Loan Agreement in their respective names and on behalf of the Holder, whether or not the Issuer has undertaken to enforce such rights and obligations.

Section 4.08. Rights Under Mortgage.

(a) The Issuer acknowledges that it has assigned its interest in and to the Mortgage and the Note to the Trustee under this Indenture and that such instrument further secures payment of the Loan, interest thereon and amounts due under certain other Loan Documents, and reference is hereby made to the same for a detailed statement of the obligations of the parties thereto.

(b) Subject to the terms of this Indenture and of the Mortgage and the Regulatory Agreement, until the occurrence of an Event of Default under the Loan Agreement, the Borrower shall be permitted to possess, use and enjoy the Mortgaged Property and to receive and use the issues and profits of the Mortgaged Property.

Section 4.09. Limitations on Liability. Notwithstanding any other provision of this Indenture to the contrary:

THE BOND IS ISSUED PURSUANT TO THE LAW AND IN ACCORDANCE WITH THE ACT, AND IS A LIMITED OBLIGATION OF THE ISSUER. NEITHER THE CITY COUNCIL OF THE ISSUER NOR ANY OFFICIAL OR EMPLOYEE OF THE ISSUER NOR ANY PERSON EXECUTING THE BOND SHALL BE LIABLE PERSONALLY ON THE BOND OR SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THEIR ISSUANCE.

THE BOND AND THE INTEREST THEREON ARE PAYABLE SOLELY FROM THE TRUST ESTATE AND ANY OTHER REVENUES, FUNDS AND ASSETS PLEDGED UNDER THIS INDENTURE AND NOT FROM ANY OTHER REVENUES, FUNDS OR ASSETS OF THE ISSUER.

NEITHER THE ISSUER, THE STATE NOR ANY OTHER POLITICAL CORPORATION OR SUBDIVISION OR AGENCY THEREOF SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF SUCH BOND OR THE INTEREST THEREON OR OTHER COSTS INCIDENT THERETO EXCEPT FROM THE MONEY PLEDGED THEREFOR. 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 ISSUER 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, PREMIUM, IF ANY, OR INTEREST ON ANY BOND OR FOR ANY CLAIM BASED THEREON OR UPON ANY OBLIGATION, COVENANT OR AGREEMENT IN THIS INDENTURE CONTAINED, AGAINST, THE ISSUER, ANY PAST, PRESENT OR FUTURE MEMBER OF ITS GOVERNING BODY, ITS OFFICERS, ATTORNEYS, ACCOUNTANTS, FINANCIAL ADVISORS, AGENTS OR STAFF OR THE OFFICERS, ATTORNEYS, ACCOUNTANTS, FINANCIAL ADVISORS, AGENTS OR STAFF OF ANY SUCCESSOR PUBLIC ENTITY, AS SUCH, EITHER DIRECTLY OR THROUGH THE ISSUER OR ANY SUCCESSOR PUBLIC ENTITY, UNDER ANY RULE OF LAW OR PENALTY OF OTHERWISE, AND ALL SUCH LIABILITY OF THE ISSUER, ANY MEMBER OF ITS GOVERNING BODY AND ITS OFFICERS, ATTORNEYS, ACCOUNTANTS, FINANCIAL ADVISORS, AGENTS AND STAFF IS HEREBY, AND BY THE ACCEPTANCE OF THE BOND, EXPRESSLY WAIVED AND RELEASED AS A CONDITION OF, AND IN CONSIDERATION FOR, THE EXECUTION OF THIS INDENTURE AND THE ISSUANCE OF THE BOND.

It is recognized that notwithstanding any other provision of this Indenture, neither the Borrower, the Trustee nor any Bondholder shall look to the Issuer for damages suffered by any Borrower, the Trustee or such Bondholder 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 4.09, the Issuer shall have received satisfactory indemnification.

Section 4.10. Request and Indemnification. If any consent or other action on the part of the Issuer is required in this or any other document, the Issuer shall have no obligation to act unless first requested to do so, and the Issuer shall have no obligation to expend time or money or to otherwise incur any liability unless indemnity satisfactory to the Issuer has been furnished to it.

ARTICLE V

FUNDS AND ACCOUNTS

Section 5.01. Trust Funds Pledged and Assigned to the Trustee. All payments, revenues and income receivable by the Issuer under the Loan Agreement representing payments of principal, interest and premium, if any, and the fees and expenses of the Issuer, the Trustee and pledged and assigned by this Indenture to the Trustee, together with the balance of the Trust Estate, are to be paid directly to the Trustee and deposited by it in the Funds and Accounts described in this Article V and held in trust for the purposes set forth herein. Moneys on deposit in the Funds and Accounts described in this Article V shall be held by the Trustee in trust, and pending application in accordance with the provisions of this Article V shall be subject to a lien and charge in favor of the Bondholder (other than amounts in the Rebate Fund) until applied as hereinafter provided. Funds held by or on behalf of the Bondowner Representative under the Loan Agreement or any other Loan Document are hereby pledged and assigned by the Issuer to the Trustee for the benefit of the Bondholder. The Trustee shall at all times maintain accurate records of deposits into such funds and the sources and timing of such deposits.

Each Fund shall constitute a segregated trust account or accounts maintained with the corporate trust department of the Trustee, shall be established in the name of the Trustee, bearing the designation provided below. The Trustee shall not deposit into such Funds any moneys other than as provided in this Indenture or the Loan Agreement.

Section 5.02. [Reserved].

Section 5.03. Revenue Fund. A special trust fund is hereby created with the Trustee and designated the Revenue Fund.

(a) ***Deposits to the Revenue Fund.*** All payments made to the Issuer under the provisions of the Loan Agreement and the Note are assigned by the Issuer to the Trustee pursuant to the Indenture for monthly deposit to the Revenue Fund (except as to payments contained in the definition of Unassigned Issuer's Rights).

(b) ***Uses of Revenue Fund.*** Provided no Event of Default has occurred under the Loan Agreement and is continuing, funds on deposit in the Revenue Fund shall be distributed annually (except for the Issuer's Ongoing Fee which shall be paid semiannually) by the Trustee as follows:

(i) FIRST, to the Bond Fund for deposit into Interest Account the interest, to become due on the Bond on the next Payment Date;

(ii) SECOND, to the Rebate Fund, the amount calculated as arbitrage rebate due to the United States Department of the Treasury with respect to a particular Bond Year by the Arbitrage Consultant to the extent specified in writing to the Trustee by the Arbitrage Consultant;

(iii) THIRD, to the Trustee, the amount of its Ordinary Fees and Expenses then due, if any and then to the Arbitrage Consultant, the reasonable fees and expenses, if any, as billed and due to it for services hereunder, and then to the Issuer, the Issuer's Ongoing Fee; and

(iv) FOURTH, to the Principal Account the remainder of such funds as a prepayment of principal of the Bond.

Section 5.04. Bond Fund. A special trust fund is hereby created and to be established by the Trustee, designated the Bond Fund, which shall contain (i) the Interest Account, (ii) the Principal Account, and (iii) the Redemption Account.

(a) ***Interest Account.*** The Trustee shall deposit to the Interest Account moneys transferred from the Revenue Fund as provided in Section 5.03 of this Indenture. Moneys in the Interest Account shall be used to pay interest on the Bond when due.

(b) ***Principal Account.*** The Trustee shall deposit to the Principal Account moneys transferred from the Revenue Fund as provided in Section 5.03 of this Indenture. Moneys in the Principal Account shall be used to pay principal of the Bond.

(c) ***Redemption Account.*** The Trustee shall deposit to the Redemption Account any amounts of funds transferred or deposited to effect a redemption of the Bond or any portion thereof pursuant to Article III hereof. Moneys on deposit in the Redemption Account shall be used for redemption of the Bond or a portion thereof pursuant to the provisions of Article III hereof.

Section 5.05. [Reserved].

Section 5.06. Deposit of Funds With Paying Agent.

(a) If the Trustee is not the Paying Agent, the Trustee shall transfer and remit sums from the Bond Fund to the Paying Agent immediately upon deposit therein, from the balance then on hand in the Bond Fund, sufficient to pay all principal, interest and redemption premiums then due on the Bond. The Paying Agent shall hold in trust for the Holder of the Bond all sums so transferred to it until paid to such Holders or otherwise disposed of as herein provided.

(b) The Trustee will cause any Paying Agent which is not the Trustee to execute and deliver to it an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section 5.06, that such Paying Agent will:

(i) hold all sums held by it for the payment of principal of (and premium, if any) or interest on the Bond in trust for the benefit of the Holder until such sums shall be paid to the Holder or otherwise disposed of as herein provided; and

(ii) at any time during the continuance of any default in the making of any such payment of principal (and premium, if any) or interest, upon the written request of the Trustee forthwith pay to the Trustee all sums so held in trust by such Paying Agent. The Trustee, acting as Paying Agent, shall also be bound by the terms of the foregoing requirements.

Section 5.07. Rebate Fund.

(a) The Trustee shall establish and maintain a fund separate from any other fund established and maintained hereunder, designated as the Rebate Fund. There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein at the direction of the Arbitrage Consultant. Subject to the transfer provisions provided in subsection (c) below, all amounts on deposit in the Rebate Fund shall be held by the Trustee in trust, to the extent required to pay rebatable arbitrage to the United States of America, and neither the Issuer, the Borrower nor the Holder of the Bond shall have any rights in or claim to such money. All amounts held in the Rebate Fund shall be governed by this Section 5.07 and by the Tax Agreement (the terms of which are incorporated herein by reference). The Trustee shall not be responsible for calculating rebate amounts or for the adequacy or correctness or any rebate report or rebate calculations. The Trustee shall be deemed conclusively to have complied with the provisions of this Indenture regarding calculation and payment of rebate if it follows the directions of the Borrower or the Arbitrage Consultant and it shall have no independent duty to review such calculations or enforce compliance with such rebate requirements.

(b) The Trustee shall unconditionally be entitled to accept and rely upon the recommendations, advice, calculations and opinions of the Arbitrage Consultant as to actions required or not required to be taken by the Trustee to comply with the provisions of Section 148(f) of the Code. The Trustee agrees to act in accordance with the

recommendations, advice and opinions of the Arbitrage Consultant for the purpose of complying with any applicable provision of Section 148(f) of the Code.

(c) Pursuant to the Tax Agreement and upon written direction of the Rebate Consultant, the Trustee shall remit all rebate installments and a final rebate payment to the United States of America pursuant to the final report of the Arbitrage Consultant. The Trustee shall have no obligation to pay any amounts required to be rebated pursuant to this Section 5.07 and the Tax Agreement, other than from moneys held in the Funds created under this Indenture or from other moneys provided to it by the Borrower. Any moneys remaining in the Rebate Fund after redemption and payment of the Bond and payment and satisfaction of any rebatable arbitrage shall be withdrawn and remitted to the Borrower.

(d) Notwithstanding any other provision of this Indenture, including in particular Article VII hereof, the obligation to pay rebatable arbitrage to the United States of America and to comply with all other requirements of this Section 5.07 and the Tax Agreement shall survive the defeasance or payment in full of the Bond.

Section 5.08. [Reserved].

Section 5.09. [Reserved].

Section 5.10. [Reserved].

Section 5.11. [Reserved].

Section 5.12. Interest Earned on Funds.

(a) The interest earned from the investment of money held by the Trustee in each of the Funds and Accounts created under this Article V (other than the Rebate Fund) shall inure to the benefit of the Borrower and, except as provided in paragraph (b) below, shall be retained in such separate Fund or Account and applied as a credit against the payment next due into such separate Fund or Account.

(b) During the continuance of an Event of Default or an event which, with notice or lapse of time or both, would become an event of default under the Loan Agreement or any other Loan Document, interest earned from the investment of money in the Funds created under this Article V shall be held in each such Fund and shall not be credited against the payments next due to or from such separate Funds.

Section 5.13. Final Balances. Upon the deposit with the Trustee of moneys sufficient to pay all principal of, premium, if any, and interest on the Bond, and upon satisfaction of all claims against the Issuer hereunder and under the Loan Documents, including any rebate obligation, all fees, charges and expenses of the Trustee, the Bond Registrar, the Issuer and any Paying Agent which are properly due and payable hereunder, or upon the making of adequate provisions for the payment of such amounts as permitted hereby, all moneys remaining in all Funds, except: (a) moneys necessary to pay principal of, premium, if any, and interest on the Bond, which moneys shall be

held by the Trustee to be paid to the Bondholder; and (b) moneys, if any, set aside pursuant to Section 5.07 hereof, shall be remitted to the Borrower.

Section 5.14. Issuer's Fees. The Issuer shall be paid the fees described in the Regulatory Agreement, including, but not limited to, Sections 7(n) and (o) thereof. The Trustee shall collect the Issuer's fees from the Borrower when due from the Borrower and remit them to the Issuer at the times specified in the Regulatory Agreement. The Trustee may establish a fund or account in its records to deposit and remit the Issuer's fees to the Issuer.

ARTICLE VI

INVESTMENTS

Section 6.01. Investments by Trustee.

(a) Moneys held hereunder by the Trustee in the Funds, if permitted by law, shall, as nearly as may be practicable, be invested by the Trustee: (i) unless an Event of Default has occurred and is continuing under the Loan Agreement or other Loan Documents, upon direction of the Borrower given or confirmed in writing (which direction shall specify the amount thereof to be so invested) at least two Business Days before the date of investment, in Permitted Investments maturing on or before the Business Day prior to the day such amounts are required and in the amounts required, to enable the Trustee to make payments due hereunder on the Bond or otherwise, but in no event longer than 180 days (unless approved in writing by the Bondowner Representative); or (ii) absent a written investment direction or if an Event of Default has occurred and is continuing under the Loan Agreement or the other Loan Documents, the Trustee shall hold money in the Funds in Permitted Investments of the type described in clause (5) of the definition of Permitted Investments.

(b) The Trustee shall sell and reduce to cash a sufficient portion of investments under the provisions of this Section 6.01 whenever the cash balance in the Fund for which the investment was made is insufficient for its current requirements. Securities so purchased as an investment of money shall be held by the Trustee, shall be registered in the name of the Trustee or its nominee if registration is required, and shall be deemed at all times a part of the applicable Fund, and the interest accruing thereon and any profit realized from such investments shall be credited to the Fund from which the investment was made, subject to any transfer to another Fund as herein provided. Any loss resulting from such investment shall be charged to the Fund from which the investment was made, and in the event such loss reduces the amount held in such Fund below the amount required to be deposited in such Fund, the Trustee shall request the Borrower to transfer to the Trustee for deposit into such Fund the amount required to restore amounts in such Fund to the required amount. The Trustee shall not be liable for any loss incurred from the purchase or sale of any investment (except for any such loss resulting from the negligence or willful misconduct of the Trustee or its employees).

(c) The Trustee may purchase from or sell to itself, or through any affiliated company, as principal or agent, Permitted Investments herein authorized so long as such purchase or sale is at fair market value.

The Trustee is hereby authorized, in making or disposing of any investment permitted by this Section, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or dealing as principal for its own account.

The Issuer (and the Borrower by its execution of the Loan Agreement) acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Issuer or the Borrower the right to receive brokerage confirmations of security transactions as they occur, the Issuer and the Borrower will not receive such confirmations to the extent permitted by law. The Trustee will furnish the Issuer (to the extent requested in writing by the Issuer) and the Borrower periodic cash transaction statements, which shall include detail for all investment transactions made by the Trustee hereunder. The Trustee, or any of its affiliates, may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder

Section 6.02. Computation of Balances in Funds. In computing the assets of any Fund established hereunder, investments and accrued but unpaid interest thereon shall be deemed a part thereof, and, except as otherwise provided in the Tax Agreement, such investments shall be valued at par value, or at the redemption price thereof, if then redeemable at the option of the obligor, whichever is lower.

Section 6.03. Downgrade of Investments. If any rating of a Permitted Investment during the term of this Indenture falls below such rating that is required pursuant to the definition of "Permitted Investments" then the Trustee shall within two Business Days or as soon as reasonably practicable thereafter after receiving actual knowledge of the downgrade of the rating of an investment notify in writing the Borrower of such downgrade. The Borrower shall within five Business Days of the receipt of the downgrade notice from the Trustee, direct the Trustee to reinvest such downgraded investment in other Permitted Investments. The Trustee shall have no duty to reinvest in other Permitted Investments in the absence of such directions.

ARTICLE VII

DISCHARGE OF LIEN

Section 7.01. Payment of Bond; Satisfaction, Defeasance and Discharge of Bond and Obligation to Bondholder. Whenever the conditions specified in either clause (1) or clause (2) of the following subsection (a) and the conditions specified in the following subsections (b), (c), (d) and (e) to the extent applicable, shall exist, namely:

(a) either:

(1) the Bond shall have become due and payable and all principal or premium, if any, and interest on the Bond shall have been paid in full, or the Bond have been cancelled by the Trustee or delivered to the Trustee for cancellation, except for:

(A) Any portion of the Bond for which funds have theretofore been deposited in trust or segregated and held in trust by the Paying Agent or Trustee and thereafter repaid to the Issuer or discharged from such trust, as provided in Section 2.12; and

(B) A Bond alleged to have been destroyed, lost or stolen which have been replaced or paid as provided in Section 2.07, and (1) which, prior to the satisfaction and discharge of this Indenture as hereinafter provided, has not been presented to the Paying Agent or Trustee with a claim of ownership and enforceability by the Holder hereof, or (2) whose enforceability by the Holder thereof has been determined adversely to the Holder by a court of competent jurisdiction or other competent tribunal; or

(2) the Issuer or the Borrower has deposited or caused to be deposited, as trust funds, with the Trustee cash and/or Permitted Investments of the type described in clause (1) of the definition of that term which do not permit the redemption thereof at the option of the issuer thereof, the principal of, premium, if any, and interest on which when due (or upon the redemption thereof at the option of the holder), will, without reinvestment, provide cash which together with the cash, if any, deposited with the Trustee at the same time, shall be sufficient, to pay and discharge the entire indebtedness on any portion of the Bond not theretofore cancelled by the Trustee or delivered to the Trustee for cancellation by the payment of interest on and principal (and premium, if any) of the Bond which have become due and payable or which shall become due at their stated maturity or redemption date, as the case may be (the "Defeasance Collateral"), and which are to be discharged under the provisions hereof, and has made arrangements satisfactory to the Trustee for the giving of notice of redemption, if any, by the Trustee in the name, and at the expense, of the Borrower in the same manner as is provided by Section 3.02;

(b) the Issuer or Borrower has paid, caused to be paid or made arrangements satisfactory to the Trustee for the payment of all other sums due and payable hereunder, including the Issuer's Ongoing Fee and any rebate obligation, and under the Loan Documents;

(c) the Borrower has delivered to the Trustee and the Issuer a report of an Independent Accountant stating that the payments to be made on any securities, together with the cash, if any, deposited pursuant to clause (2) of subsection (a) above will be

sufficient to pay when due the principal of, premium, if any, and interest on the Bond or the portion thereof to be defeased;

(d) if discharge is to be effected under clause (2) of subsection (a), an opinion of Bond Counsel is delivered to the Trustee and the Issuer stating in effect that such discharge will not impair the exclusion of interest on the Bond from gross income for federal income tax purposes; and

(e) the Borrower has delivered to the Trustee and the Issuer an opinion of Independent Counsel to the effect that (i) the Defeasance Collateral has been duly and validly assigned and delivered to the Trustee, (ii) the security interest of the Trustee for the benefit of the Bondholder, with respect to Defeasance Collateral, is a first priority perfected security interest as security for payment of the Bond, which opinion may contain, and be subject to, conditions, exceptions or qualifications as are then customarily included in such opinions, (iii) making the payment which accompanies such opinion would not constitute an avoidable preference under Section 547 of the Bankruptcy Code or under applicable state law in the event of a filing of a petition for relief under the Bankruptcy Code or such applicable state law by or against the Borrower and (iv) the Defeasance Collateral would not be part of the bankruptcy estate under Section 541 of the Bankruptcy Code or be subject to the automatic stay under Section 362 of the Bankruptcy Code in the event of a filing of a petition for relief under the Bankruptcy Code by or against the Borrower;

(f) then, except as otherwise provided in Section 7.05, the rights of the Bondholder shall be limited to the cash or cash and securities deposited as provided in clause (a)(1) or (a)(2) above, and upon the Borrower's request the rights and interest hereby granted or granted by the Loan Documents to or for the benefit of the Trustee or the Bondholder shall cease and terminate, and the Issuer and the Trustee shall, at the expense of the Borrower, execute and deliver such instruments of satisfaction and transfer as may be necessary, and forthwith the estate, right, title and interest of the Trustee in and to all of the Project and in and to all rights under this Indenture and the Loan Documents (except the moneys or securities or both deposited as required above, rebatable arbitrage and except as may otherwise be provided in Section 7.05) shall thereupon be discharged and satisfied; except that in any event the obligations of the Borrower to pay Issuer's Fees and Trustee's Ordinary Fees and Expenses and indemnities under the Loan Agreement shall survive.

Section 7.02. Cancellation of Surrendered Bond. The Issuer or the Borrower may at any time surrender to the Trustee for cancellation by the Trustee, the Bond, which the Issuer or Borrower acquired in any lawful manner whatsoever, and the Bond, upon such surrender and cancellation, shall be deemed to be paid and retired.

Section 7.03. Payment of Bond. The Bond or any portion thereof shall be deemed paid if the conditions set forth in Section 7.01 hereof have been satisfied with respect thereto, even though an additional portion of the Bond may remain Outstanding.

Section 7.04. Application of Deposited Money. All money, securities and income thereon deposited with the Trustee pursuant to Section 7.01 for the purpose of paying the principal, premium, if any, and interest on the Bond shall be applied by the Trustee solely for such purpose.

Section 7.05. Survival of Certain Provisions. Notwithstanding satisfaction of the conditions set forth in subsection 7.01(a)(2) hereof, the provisions contained in Sections 4.07, 4.09, 4.10 and 5.07 shall survive the discharge of this Indenture pursuant to Section 7.01(a)(2).

ARTICLE VIII

DEFAULT AND REMEDIES

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 Bondowner Representative. Notwithstanding the foregoing, or anything else to the contrary herein, no default by the Borrower under the Loan Agreement shall constitute an event of default with respect to 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 Bondholder's remedies with respect to a default under the Loan Documents shall be as set forth under the Loan Documents. The Bondholder may, following a default by the Issuer hereunder, tender the Bond for cancellation in exchange for delivery of the Note and an assignment of Mortgage and such other portions of the Trust Estate held by the Trustee. Such assignment shall be without warranty by or recourse to the Trustee.

ARTICLE IX

THE TRUSTEE

Section 9.01. Acceptance of the Trustee. The Trustee, prior to the occurrence of an Event of Default, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture; and no implied covenants or obligations should be read into this Indenture against the Trustee. In case an Event of Default has occurred and is continuing and has not been waived, the Trustee agrees to perform such trusts as an ordinarily prudent man, but in any event, only upon and subject to the following express terms and conditions:

(a) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees and shall not be liable for any misconduct or negligence on the part of any agent or attorney appointed with due care, and shall be entitled to advice of counsel concerning all matters of trusts hereof and duties hereunder, and may in all cases pay such reasonable compensation to any attorney, agent, receiver or employee retained or employed by it in connection herewith and shall be entitled to reimbursement from the Borrower for such payment. The Trustee may act upon the written opinion or written advice of any attorney, surveyor, engineer or accountant selected by it in the exercise of reasonable care or, if selected or

retained by the Issuer, provided that the only legal advice or opinion that the Trustee may rely upon for purposes of securing advice or an opinion relating to the tax exempt status of the Bond is given by Bond Counsel. The Trustee shall not be responsible for any loss or damage resulting from any action taken in good faith in reliance upon such opinion or advice.

(b) The Trustee shall not be responsible for any recital herein or in the Bond or for the investment of moneys as herein provided (except as provided in Section 6.01 or 6.02), or for collecting any property insurance proceeds, or for the validity of the execution by the Issuer of this Indenture, or of any supplemental indentures or instruments of further assurance, or for the sufficiency of any security for the Bond, or for the value of title of the property herein conveyed, if any, or otherwise as to the maintenance of the security hereof; except as otherwise provided in Sections 4.04 and 4.05 and except that in the event the Trustee enters into possession of a part or all of the property conveyed pursuant to any provisions of this Indenture or the Mortgage, it shall use due diligence in preserving such property. The Trustee may, but shall be under no duty to, require of the Borrower full information and advice as to the performance of the covenants, conditions and agreements in the Loan Agreement, the Regulatory Agreement and the Mortgage as to the condition of any Mortgaged Property and the performance of all other obligations thereunder and shall use reasonable efforts, but without any obligation, to advise the Issuer and the Borrower of any impending Event of Default known to the Trustee.

(c) The Trustee shall not be accountable for the use or application of the Bond or the proceeds thereof (except as herein expressly provided) or for the use or application of any money paid over by the Trustee in accordance with the provisions of this Indenture or for the use and application of money received by any Paying Agent. The Trustee may become the owner of the Bond secured hereby with the same rights it would have if not Trustee.

(d) The Trustee shall be protected in acting in accordance with the standard of care otherwise required hereunder upon any written notice, order, requisition, request, consent, certificate, opinion (including an opinion of Independent Counsel or Bond Counsel), affidavit, letter, telegram or other paper or document reasonably believed by it to be genuine and correct and to have been signed or sent by the proper person or persons, and the Trustee shall be under no duty to make an investigation or inquiry into any statement contained therein. 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 the Bond, shall be conclusive and binding upon all future Holders of the Bond.

(e) As to the existence or nonexistence of any fact or as to the sufficiency or authenticity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a certificate of the Issuer signed by an Authorized Issuer Representative as sufficient evidence of the facts stated therein as the same appear from the books and records under the City Clerk's or any assistant City Clerk's custody or control or are otherwise known to such officer. The Trustee may accept a certificate of an Authorized

Issuer Representative, City Clerk or any assistant City Clerk to the effect that a motion, resolution or ordinance in the form therein set forth has been adopted by the governing body of the Issuer as conclusive evidence that such motion or resolution has been duly adopted, and is in full force and effect, and may accept such motion, resolution or ordinance as sufficient evidence of the facts stated therein and the necessity or expediency of any particular dealing, transaction or action authorized or approved thereby, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same.

(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 nonfulfillment of contracts during any period in which it may be in possession of or managing the real and tangible personal property as in this Indenture provided.

(g) At any and all reasonable times, the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right (but not the duty) fully to inspect any and all of the property comprising the Mortgaged Property, including all books, papers and records of the Issuer pertaining to the Mortgaged Property and the Bond, and to take such memoranda from and with regard thereto as may be desired.

(h) The Trustee shall not be required to give any bond or surety with respect to the execution of said trusts and powers or otherwise with respect to the premises.

(i) Notwithstanding anything contained elsewhere in this Indenture, the Trustee shall have the right, but shall not be required, to demand, with respect to the authentication of the Bond, the withdrawal of any cash except for withdrawals required by the express terms of this Indenture, the release of any property or any action whatsoever within the purview of this Indenture, any showings, certificates, opinions (including opinions of Independent Counsel), appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required as a condition of such action by the Trustee, deemed desirable for the purpose of establishing the right of the Issuer to the authentication of the Bond, the withdrawal of any cash, the release of any property, or the taking of any other action by the Trustee.

(j) The Issuer shall not be liable for the payment of such sums or for providing for the indemnification of the Trustee.

(k) Notwithstanding any provision of this Indenture to the contrary, before taking any action hereunder, the Trustee may require that it be furnished indemnity satisfactory to it for the reimbursement of all expenses to which it may be put and to protect it against all liability (except liability which is adjudicated to have resulted from the negligence or willful misconduct of the Trustee) by reason of any action so taken by the Trustee.

(l) No provision of this Indenture or any Loan Document shall require the Trustee to expend or risk its own funds, make advances or otherwise incur any financial

liability in the performance of any of its duties, or the exercise of its rights and powers hereunder.

(m) Notwithstanding anything to the contrary contained in this Indenture, in the event the Trustee is entitled or required to commence an action or otherwise exercise remedies to acquire control or possession of any or all of the Project under, but not limited to, the provisions of the Mortgage, the Trustee shall not be required to commence any such action or exercise any such remedy if the Trustee has determined in good faith that it may incur liability under an Environmental Law (as defined below) as the result of the presence at, or release on or from the Project of any Hazardous Substances unless the Trustee has received security or indemnity, from a person, in an amount and in a form all satisfactory to the Trustee in its sole discretion, protecting the Trustee from all such liability. The term “Environmental Laws” shall mean all federal, state and local environmental, land use, zoning, health, chemical use, safety and sanitation laws, statutes, ordinances and codes relating to the protection of the environment or governing the use, storage, treatment, generation, transportation, processing, handling, production or disposal of Hazardous Substances and the rules, regulations, policies, guidelines, interpretations, decisions, orders and directives of federal, state and local governmental agencies and authorities with respect thereto.

(n) The Trustee is under no obligation to monitor the receipt of rents by the Borrower.

(o) The Trustee is authorized and directed to execute in its capacity as Trustee the Regulatory Agreement and any Loan Document and any document related thereto which the Trustee is a party.

(p) The immunities extended to the Trustee also extend to its directors, officers, employees and agents.

(q) The Trustee shall not be liable for any action taken or not taken by it in accordance with the direction of the Bondowner Representative relating to the exercise of any right, power or remedy available to the Trustee.

(r) The permissive right of the Trustee to do things enumerated in this Indenture any Loan Documents and any documents related thereto shall not be construed as a duty.

Section 9.02. Trustee’s Fees, Charges and Expenses.

(a) The Trustee and any Paying Agent shall be entitled to payment and/or reimbursement for Ordinary Fees and Expenses and all advances, counsel fees and other expenses reasonably made or incurred by the Trustee in and about the execution of the trusts created by this Indenture in and about the exercise and performance of the powers and duties of the Trustee hereunder in connection with the Event of Default and for the reasonable and necessary costs and expenses incurred in defending any liability in the premises of any character whatsoever (unless such liability is adjudicated to have resulted from the negligence or willful misconduct of the Trustee) in connection with the Event of

Default. In this regard provisions have been made in the Loan Agreement for the payment of said fees, advances, counsel fees, costs and expenses, and reference is hereby made to the Loan Agreement for the provisions so made; and the Issuer shall not otherwise be liable for the payment of such sums.

(b) The compensation of the Trustee shall not be limited by any provision of law which limits the compensation of a trustee of an express trust.

Section 9.03. Notice to Holders of Default. The Trustee shall give to the Bondholder and the Issuer written notice of all defaults under the Loan Documents known to the Trustee, within five days (or as soon as reasonably practicable thereafter) after the Trustee has actual knowledge or receives written notice of such defaults.

Section 9.04. Intervention by Trustee. In any judicial proceeding to which the Issuer is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of the Bondholder, the Trustee may intervene on behalf of the Holder and, to the extent that it is indemnified to its reasonable satisfaction, shall do so if requested in writing by the Bondowner Representative. The rights and obligations of the Trustee under this Section 9.04 are subject to the approval of a court of competent jurisdiction in the premises.

Section 9.05. Successor Trustee. Any corporation, association or agency into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, shall, with the consent of the Issuer and the Bondowner Representative, be and become successor trustee and paying agent under this Indenture and vested with all of the title to the Trust Estate, and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding. If the Issuer's and Bondowner Representative's consent is not obtained, the Trustee shall be deemed to have been removed as set forth in Section 9.07 hereof.

Section 9.06. Resignation by Trustee. The Trustee and any successor trustee may at any time resign from the trusts hereby created by giving 30 days' written notice to the Issuer, the Bondowner Representative and the Borrower and by first-class mail to the Bondholder as shown on the Bond Register, and such resignation shall take effect upon the appointment of a successor trustee as provided in Section 9.08 and acceptance of such successor of the duties of the Trustee hereunder. Such notice to the Issuer, the Bondowner Representative or the Borrower may be served personally or sent by registered or certified mail, or overnight courier.

Section 9.07. Removal of Trustee. The Trustee may be removed at any time by an instrument or concurrent instruments in writing delivered to the Trustee, Borrower and Issuer, and signed by the Issuer or by the Bondowner Representative.

Any such removal shall take effect upon the appointment of a successor trustee as provided in Section 9.08 and acceptance of such successor of the duties of the Trustee hereunder.

Section 9.08. Appointment of Successor Trustee. In case the Trustee hereunder shall resign or be removed, or be dissolved or shall be in course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by the Issuer, with the consent of the Bondowner Representative, by an instrument or concurrent instruments in writing signed by the Issuer. Every such Trustee appointed pursuant to the provisions of this Section 9.08 must be a trust company or bank having (or if such bank or trust company is a member of a bank holding company system, its bank holding company has) trust powers and having a reported capital and surplus not less than \$50,000,000.

Section 9.09. Acceptance by Successor Trustees. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor, to the Borrower and also to the Issuer, an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors as Trustee and Paying Agent; but such predecessor shall, nevertheless, on the written request of the Issuer, or of its successor Trustee, execute and deliver an instrument transferring to such successor Trustee all the estates, properties, rights, powers and trusts of such predecessor hereunder, and every predecessor Trustee shall deliver all securities and moneys held by it as Trustee hereunder to its successor. Should any instrument in writing from the Issuer be required by any successor Trustee for more fully and certainly vesting in such successor the estates, rights, powers and duties hereby vested or intended to be vested in the predecessor trustee, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Issuer. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all other instruments provided for in this Article IX, shall be forthwith filed or recorded or both by the successor Trustee in each recording office where this Indenture or the Mortgage shall have been filed or recorded or both.

Section 9.10. [Reserved]

Section 9.11. Trustee Protected in Relying Upon Resolutions. The resolutions, orders, requisitions, opinions, certificates and other instruments provided for in this Indenture may be accepted by the Trustee as conclusive evidence of the facts and conclusions stated therein and shall be full warrant, protection and authority to the Trustee.

Section 9.12. Successor Trustee as Custodian of Funds and Paying Agent. In the event of a change in the office of the Trustee the predecessor Trustee which has resigned or been removed shall cease to be custodian of the Funds described in Article V and shall cease to act as a Paying Agent for principal and interest on the

Bond, and the successor Trustee shall be and become such custodian and a Paying Agent.

Section 9.13. Right of Bondowner Representative To Service the Loan.

Notwithstanding anything to the contrary contained in this Indenture in any of the Loan Documents, the Bondowner Representative has the right to act on behalf of the Issuer and the Trustee by taking any action which the Bondowner Representative in its good faith discretion deems prudent to enforce any right or remedy of the Issuer or Trustee under the Loan Documents.

Section 9.14. Co-Trustee.

(a) At any time or times upon the consent of the Issuer and the Bondowner Representative, for the purpose of meeting any legal requirements of any jurisdiction in which any part of the Trust Estate may at the time be located, the Trustee shall have the power to appoint one or more persons either to act as cotrustee or cotrustees, jointly with the Trustee, of all or any part of the Trust Estate, or to act as separate trustee or separate trustees of all or any part of the Trust Estate, and to vest in such person or persons, in such capacity, such right to the Trust Estate or any part thereof, and such rights, powers, duties, trusts or obligations as the Trustee may consider necessary or desirable, subject to the remaining provisions of this Section 9.14. Every such cotrustee or separate trustee appointed pursuant to the provisions of this Section 9.14 must be a trust company or bank having trust powers and having a reported capital and surplus not less than \$50,000,000, if there be such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

(b) [Reserved].

(c) Every cotrustee or separate trustee shall, to the extent permitted by law but to such extent only, be appointed subject to the following terms, namely:

(1) All rights, powers, trusts, duties and obligations conferred by this Indenture upon the Trustee with respect to the custody, control or management of moneys, papers, securities and other personal property shall be exercised solely by the Trustee.

(2) 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 cotrustee or cotrustees or separate trustee or separate trustees jointly, as shall be provided in the instrument appointing such cotrustee or cotrustees or separate trustee or separate trustees; provided, however, the Trustee shall remain responsible for exercising all rights and powers, maintaining all trusts and performing all duties and obligations conferred or imposed upon the 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 cotrustee or cotrustees or separate trustee or separate trustees.

(3) Any request in writing by the Trustee to any cotrustee 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 cotrustee or separate trustee.

(4) Any cotrustee or separate trustee may delegate to the Trustee the exercise of any right, power, trust, duty or obligation, discretionary or otherwise.

(5) The Trustee at any time, by an instrument in writing, may accept the resignation of or remove any cotrustee or separate trustee appointed under this Section 9.14. A successor to any cotrustee or separate trustee so resigned or removed may be appointed in the manner provided in this Section 9.14.

(6) No trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder.

(7) Any demand, request, direction, appointment, removal, notice, consent, waiver or other action in writing delivered to the Trustee shall be deemed to have been delivered to each cotrustee or separate trustee.

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

(d) Upon the acceptance in writing of such appointment by any such cotrustee or separate trustee, such cotrustee or separate trustee shall be vested with such interest in and to the Trust Estate or any part thereof, and with such rights, powers, duties or obligations, as shall be specified in the instrument of appointment jointly with the Trustee (except insofar as local law makes it necessary for any such cotrustee or separate trustee to act alone) subject to all the terms of this Indenture. Every such acceptance shall be filed with the Trustee. Any cotrustee or separate trustee may, at any time by an instrument in writing, constitute the Trustee its or his or her attorney-in-fact and agent, with full power and authority to do all acts and things and to exercise all discretion on its or his or her behalf and in its or his or her name.

(e) In case any cotrustee or separate trustee shall die, become incapable of acting, resign or be removed, the title to the Trust Estate and all rights, powers, trusts, duties and obligations of said cotrustee or separate trustee shall, so far as permitted by law, vest in and be exercised by the Trustee unless and until a successor cotrustee or separate trustee shall be appointed in the manner herein provided.

Section 9.15. Obligations as to Reporting. The Trustee shall provide to the Issuer, upon request, monthly reports of the balances in the Funds held under Article V and any other information reasonably requested by the Issuer; provided, that the Trustee

shall not be obligated to provide an accounting for any fund or account that (a) has a balance of \$0.00 and (b) has not had any activity since the last reporting date.

Section 9.16. Appointment of Bond Registrar and Paying Agent. The Issuer hereby appoints the Trustee as Bond Registrar and Paying Agent under this Indenture.

Section 9.17. Successor Paying Agent or Bond Registrar. The provisions of Sections 9.05 through 9.09 with respect to removal, resignation and appointment of a successor trustee shall be equally applicable to the removal, resignation and appointment of a successor to the Paying Agent and the Bond Registrar. If permissible under applicable law, the Trustee shall be eligible for appointment as successor to the Paying Agent if the Trustee is not then already serving in such capacity.

Section 9.18. Confirmation of the Trustee.

(a) At any time while the Bond remains outstanding under this Indenture, if the Trustee reasonably questions whether it has proper authority to take action hereunder, the Trustee may, and upon request of the Issuer, the Borrower or the Bondholder shall, proceed in accordance with an opinion of Bond Counsel.

(b) In construing and interpreting this Indenture and any other Loan Document, the objective shall always be to ascertain and effectuate the intention of the parties.

(c) The Trustee or successor Trustee shall not be answerable for actions taken in compliance with any final order of the court. The Trustee or successor Trustee shall not be entitled to require an indemnity bond pursuant to Section 9.01(k) prior to taking any action directed by final order of the court.

ARTICLE X

SUPPLEMENTAL INDENTURES

Section 10.01. Supplemental Indentures. The Issuer and Trustee may, from time to time and at any time with the prior written consent of the Bondowner Representative enter into an indenture or indentures supplemental to this Indenture for any lawful purpose.

Section 10.02. Rights of Borrower. Anything herein to the contrary notwithstanding, a supplemental indenture under this Article X which adversely affects the right of the Borrower under this Indenture, the Loan Agreement, the Note, the Regulatory Agreement or the Mortgage shall not become effective unless and until the Borrower shall have consented (either in writing or by inaction as provided below) to the execution and delivery of such supplemental indenture. In this regard, the Trustee shall cause notice of the proposed execution and delivery of any such supplemental indenture, together with a copy of the proposed supplemental indenture, to be mailed by certified or registered mail to the Borrower at least 15 days prior to the proposed date of

execution and delivery of any such supplemental indenture. The Borrower shall be deemed to have consented to the execution and delivery of any such supplemental indenture if the Trustee does not receive a letter signed by an Authorized Borrower Representative of protest or objection thereto on or before 5:30 p.m., Pacific Standard or Pacific Daylight Time, whichever is then in effect in Los Angeles, California, of the fifteenth day after the mailing of said notice and a copy of the proposed supplemental indenture to the Borrower unless such fifteenth day falls on a day which is not a Business Day, in which event the letter of objection must be received not later than the next succeeding Business Day.

Section 10.03. Rights of Trustee. The Trustee shall not be required to consent to any Supplemental Indenture referred to in this Article X unless it has first received an opinion of Independent Counsel that such Supplemental Indenture is allowed by this Indenture.

Section 10.04. Opinion of Bond Counsel. Any supplemental indenture governed by this Article X shall be accompanied by an opinion of Bond Counsel that such supplemental indenture does not impair the exclusion of interest on the Bond from gross income for federal income tax purposes nor permit the taking of action which when taken will impair the exclusion of interest on the Bond from gross income for federal income tax purposes.

ARTICLE XI

AMENDMENTS TO LOAN DOCUMENTS

Section 11.01. Amendments. The Issuer or the Trustee or both may, but only with the prior written consent of the Bondowner Representative, consent to or enter into amendments to the Loan Documents for any lawful purpose.

Section 11.02. [Reserved].

Section 11.03. Opinion of Bond Counsel. Any amendment governed by this Article shall be accompanied by an opinion of Bond Counsel that such amendment does not adversely affect the exclusion of interest on the Bond from gross income for federal income tax purposes nor permit the taking of action which when taken will adversely affect the exclusion of interest on the Bond from gross income for federal income tax purposes.

Section 11.04. Rights of Trustee. The Trustee shall not be required to consent to any amendment referred to in this Article XI unless it has first received an opinion of Independent Counsel that such amendment is allowed by this Indenture.

ARTICLE XII

MISCELLANEOUS PROVISIONS

Section 12.01. Consent of Holder. Any consent, request, direction, approval, objection or other instrument required by this Indenture to be signed and executed by the Holder may be in any number of concurrent writings of similar tenor and must be signed or executed by such Holder in person, the Bondowner Representative or by agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection or other instrument or of the writing appointing any such agent and of the ownership of the Bond, if made in the following manner, shall be sufficient for any of the purposes of this Indenture, and shall be conclusive in favor of the Trustee with regard to any action taken by it under such request or other instrument, namely:

(a) The fact and date of the execution by any person of any such writing may be proved by the 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 the execution thereof, or by an affidavit of any witness to such execution; and

(b) The fact of the ownership by any person of the Bond and the amount of the Bond, and the date of the holding of the same, may be proved only by reference to the Bond Register.

Section 12.02. Rights Under Indenture. Nothing expressed or mentioned in or to be implied from this Indenture or the Bond is intended or shall be construed to give any person or company other than the parties hereto, and the Bondholder, any legal or equitable right, remedy, or claim under or with respect to this Indenture or any covenants, conditions and provisions herein contained; this Indenture and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto and the Holder of the Bond hereby secured as herein provided.

Section 12.03. Severability. If any provision of this Indenture shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions or in all cases because it conflicts with any provisions of any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provisions herein contained invalid, inoperative or unenforceable to any extent whatever.

Section 12.04. Notices. All notices, certificates or other communications hereunder shall be given to all parties identified below, shall be in writing (except as otherwise expressly provided herein) and shall be sufficiently given and shall be deemed given when delivered by hand delivery, telegram or facsimile or served by

depositing the same with the United States Postal Service, or any official successor thereto, designated as Registered or Certified Mail, Return Receipt Requested, bearing adequate postage, or delivery by reputable private courier such as FedEx, Airborne, DHL or similar overnight delivery service, and addressed as hereinafter provided. Notices, except to the Trustee, shall be deemed given when mailed as provided herein. Notices to the Trustee shall be deemed given only when received by the Trustee. All parties identified below may, by written notice given by each to the others, designate any address or addresses to which notices, certificates or other communications to them shall be sent when required as contemplated by this Indenture. Any notice, certificate, report, financial statement or other communication properly provided by legal counsel on behalf of any party hereunder shall be deemed properly provided by the party represented by such counsel. Until otherwise provided by the respective parties, all notices, certificates and communications to each of them shall be addressed as follows:

To the Issuer: Los Angeles Housing and Community Investment
Department
8th Floor
1200 West 7th Street
Los Angeles, CA 90017
Attention: Supervisor, Affordable Housing Bond
Program

with a copy to: Los Angeles Housing and Community Investment
Department
Post Office Box 532729
Los Angeles, CA 90053-2729
Attention: Supervisor, Affordable Housing Bond
Program

If to Borrower: Pilgrim Tower Apartments, L.P.
[ADDRESS]
Telephone:
Facsimile:
Attention: [_____]

with a copy to: [BORROWER COUNSEL]:
[ADDRESS]
Telephone:
Facsimile:
Attention: [_____]

with a copy to: [Hunt Capital Entity]
[ADDRESS]
Attention: [_____]

with a copy to: Ballard Spahr LLP:
1735 Market Street, 51st Floor
Philadelphia, PA 19103-7599
Attention: Jere G. Thompson

If to the Trustee: [TRUSTEE]
[ADDRESS]
Los Angeles, CA 90071
Attention: Global Corporate Trust Services
Ref: LA MF (Pilgrim Tower) 2015H-2
Telephone: (213)
Facsimile: (213)

To the initial

Bondowner

Representative: [NAME]
[ADDRESS]

with a copy to: [COUNSEL]
[ADDRESS]
Attention: [_____]

Section 12.05. Required Approvals. Consents and approvals required by this Indenture to be obtained from the Borrower, the Issuer or the Trustee shall be in writing and shall not be unreasonably withheld or delayed.

Section 12.06. Counterparts. This Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 12.07. Limitation of Liability of Issuer and Its Officers. 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 Issuer's Mayor, its 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 or its governing body 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 Issuer's Mayor, its City Council or of any such member, officer, agent or employee, as such, past, present or future of the Issuer 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 Bondowner Representative or any Bondholder 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 recordkeeping or to provide any legal services, it being understood that such services shall be performed or caused to be performed by the Trustee, the Bondowner Representative or by any Bondholder 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 recourse for the payment of any part of the principal of, premium, if any, or interest on the Bond or for the satisfaction of any liability arising from, founded upon or existing by reason of the issuance, purchase or ownership of the Bond shall be had against the Issuer's Mayor, its City Council or any officer, member, agent or employee of the Issuer, as such, all such liability being expressly released and waived as a condition of and as a part of the consideration for the execution of this Indenture and the issuance of the Bond. 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 Issuer's Mayor or its 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.

Section 12.08. 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. Trustee shall not discriminate in its 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 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 CFR 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 City's 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 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 12.09. Business Tax Registration Certificate. Subject to any exemption available to it, the Trustee represents that it has obtained and presently holds 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 12.10. 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 the removal hereunder where such failure shall continue for more than ninety (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 ninety (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 7110.

Section 12.11. Americans with Disabilities Act. [the following is subject to further revision] 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 paragraph.

Section 12.12. Complete Agreement. The Issuer and the Trustee understand that oral agreements or commitments to loan money, extend credit or to forbear from enforcing repayment of a debt, including promises to extend or renew such debt, are not enforceable. To protect the Issuer and the Trustee from misunderstandings, any agreements the Issuer and the Trustee reach covering such matters are contained in this Indenture, which is the complete and exclusive statement of the agreement between the Issuer and the Trustee, except as the Issuer and the Trustee may later agree in writing to modify this Indenture as more particularly provided herein.

Section 12.13. FHA Federal Laws and Requirements Control. Notwithstanding anything in this Indenture or the Loan Agreement to the contrary:

Trustee and Issuer acknowledge that this Indenture, and any obligations of Borrower hereunder, are subject and subordinate to the following documents (collectively, the “Senior Loan Documents”): (i) \$7,900,000 Note (Multistate) dated as of [____], 2015 (the “Senior Note”) from Borrower to FHA Lender, initially endorsed for mortgage insurance by the Secretary of Housing and Urban Development (“HUD”) pursuant to Section 221(d)(4) of the National Housing Act, as amended (the “Senior Note”); (ii) Multifamily Deed of Trust, Assignment of Leases and Rents and Security Agreement dated as of [____], 2015 from Borrower for the benefit of FHA Lender to secure the Senior Note (the “Senior Mortgage”); (iii) Regulatory Agreement dated as of [____], 2015 between Borrower and HUD (the “HUD Regulatory Agreement”); and (iv) any and all other documents, agreements, or instruments which evidence or secure the indebtedness evidenced by the Senior Note. Notwithstanding any provision in this Indenture to the contrary, no obligations of the Borrower or hereunder shall be payable except from (A) Surplus Cash (as defined in the HUD Regulatory Agreement), or (B) funds that are not derived from revenues of the Project, any proceeds of the Senior Note, any reserve or deposit made with the FHA Lender or any other party as required by HUD in connection with the Senior Loan Documents (collectively, “Non-Project Sources”), which Non-Project Sources include proceeds of the Redemption Payments. No claims or actions shall be made (or payable) under this Indenture against the Project,

the FHA Lender, the proceeds of the Senior Note, or the assets of the Borrower, except for Surplus Cash of the Borrower and the Redemption Payments. In the event of any conflict between the provisions of (i) this Indenture or the other Bond Documents and (ii) the provisions of the Senior Loan Documents or the Program Obligations (as defined in the Senior Mortgage), the provisions of the Senior Loan Documents or the Program Obligations shall control. The provisions of this Section shall control over any inconsistent provisions in this Indenture or the other Bond Documents.

Any subsequent amendment to this Indenture or the Loan Agreement is subject to prior written approval of HUD (so long as the Project is subject to a mortgage insured or held by HUD). No amendment to this Indenture or the Loan Agreement shall conflict with the provisions of the Program Obligations.

The Bonds are not a debt of the United States of America, HUD, FHA, GNMA or any other agency or instrumentality of the federal government, and are not guaranteed by the full faith and credit of the United States or any agency or instrumentality thereof.

There is no pledge hereunder or under the Loan Agreement of the gross revenues or any of the assets of the Project.

Neither a default under this Indenture nor under the Loan Agreement shall constitute a default under the Senior Loan Documents related to the Project.

Nothing contained herein or in the Loan Agreement shall inhibit or impair the right of FHA to require or agree to any amendment, change or modification of any Senior Loan Documents related to the Project for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provision contained therein, or in regard to matters or questions arising under said Senior Loan Documents so long as any such amendment, change or modification shall not adversely affect the payment terms of the Bond.

None of the Issuer, the Trustee or the Holder has or shall be entitled to assert any claim against the Project, any reserves or deposits required by HUD in connection with the Project, or the rents or deposits or other income of the Project.

Proceeds from any condemnation award or from the payment of a claim under any hazard insurance policy relating to the Project will not be payable to the Trustee, but will be payable in accordance with the Senior Loan Documents.

[Remainder of Page Intentionally Left Blank]

The Issuer has caused this Indenture to be executed and attested in its name and on its behalf by its duly authorized officers, and the Trustee has caused this Indenture to be executed in its name by its duly authorized officer, all as of the date set forth above.

CITY OF LOS ANGELES, as Issuer

By: Los Angeles Housing and Community
Investment Department

By _____
Authorized Officer

Approved as to form:

MICHAEL N. FEUER,
City Attorney

Deputy/Assistant City Attorney

[Issuer Signature Page to *Pilgrim Tower H-2* Indenture]

[TRUSTEE],
as Trustee

By _____
Authorized Officer

[Trustee Signature Page to *Pilgrim Tower H-2* Indenture]

Acknowledged and Consented to:

PILGRIM TOWER APARTMENTS, L.P., a
California limited partnership

By: [____], its General Partner

By: _____

Name:

Title:

[Borrower Signature Page to *Pilgrim Tower H-2* Indenture]

EXHIBIT A
FORM OF BOND

EXCEPT AS EXPRESSLY PROVIDED IN THE INDENTURE
THE TRUSTEE IS PROHIBITED FROM REGISTERING THE OWNERSHIP OR
TRANSFER OF OWNERSHIP OF THIS BOND TO ANY PERSON WITHOUT RECEIPT OF
AN EXECUTED INVESTOR LETTER AS DEFINED IN AND ATTACHED TO THE
INDENTURE DESCRIBED HEREIN.

No. R-____

\$15,985,000

UNITED STATES OF AMERICA
STATE OF CALIFORNIA

CITY OF LOS ANGELES
MULTIFAMILY HOUSING REVENUE BOND
(PILGRIM TOWER APARTMENTS)
SERIES 2015H-2

**THIS BOND IS A RESTRICTED SECURITY AND MAY BE TRANSFERRED
ONLY AS PROVIDED HEREIN AND IN THE HEREIN DESCRIBED
INDENTURE.**

REGISTERED HOLDER: [_____]

MAXIMUM PRINCIPAL

AMOUNT: FIFTEEN MILLION NINE HUNDRED EIGHTY FIVE
 THOUSAND DOLLARS

Interest Rate
[_____]%

Maturity Date
[August 1, 2058]

Dated Date
[_____] 2015

City of Los Angeles (the “Issuer”), a municipal corporation and charter city of the State of California, for value received, promises to pay to the Registered Holder specified above, or registered assigns, but only from the Bond Fund established under the Indenture described below (the “Bond Fund”), and upon presentation and surrender hereof at the principal corporate trust office of the Trustee named below, the Principal Amount last appearing on the Principal Log attached hereto, on the Maturity Date specified above, or, if this Bond is redeemable as stated below, on a prior date on which it shall have been duly called for redemption, and to pay interest on said Principal Amount to the Record Date Holder hereof, as defined below, solely from the Bond Fund, until the Principal Amount is paid or discharged at the Interest Rate per annum specified above calculated on the basis of a 360-day year and the actual number of days elapsed; Interest hereon shall be payable on the principal amount outstanding hereunder on the first day of each [_____] 1, 2016, or as otherwise specified herein and in the below-defined Indenture (each, a “Payment Date”). This Bond shall bear interest from the Dated

Date specified above or (in the case of transfer or exchange) from the most recent Payment Date to which interest has been paid or provided for. The "Record Date Holder" is the person in whose name this Bond is registered (the "Holder" hereof) in the Bond Register maintained by [TRUSTEE], as Bond Registrar, or its successor either (a) on the fifteenth day of the month (whether or not a Business Day) next preceding each Payment Date (the "Record Date"), irrespective of any transfer or exchange of such Bond subsequent to such Record Date and prior to such Payment Date, or (b) if there shall be a default in payment of principal and interest due on such Payment Date, at the close of business on a date (the "Special Record Date") for the payment of such defaulted principal and interest established by notice mailed on behalf of the Issuer. Notice of the Special Record Date shall be mailed, not less than 15 days before the Special Record Date, to the Holder at the close of business on the fifth Business Day preceding the date of mailing. Principal and Interest shall be payable by check or draft mailed to the Holder at his, her or its address as it appears on the Bond Register on the Record Date or the Special Record Date, as the case may be, except as otherwise provided in the Indenture. The principal of and interest and premium, if any, on this Bond are payable in lawful money of the United States of America.

THIS BOND IS ISSUED PURSUANT TO THE LAW AND IN ACCORDANCE WITH THE ACT, AND IS A LIMITED OBLIGATION OF THE ISSUER. NEITHER THE CITY COUNCIL OF THE ISSUER NOR ANY OFFICIAL OR EMPLOYEE OF THE ISSUER NOR ANY PERSON EXECUTING THIS BOND SHALL BE LIABLE PERSONALLY ON THIS BOND OR SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THEIR ISSUANCE.

THIS BOND AND THE INTEREST THEREON ARE PAYABLE SOLELY FROM THE TRUST ESTATE AND ANY OTHER REVENUES, FUNDS AND ASSETS PLEDGED UNDER THE INDENTURE AND NOT FROM ANY OTHER REVENUES, FUNDS OR ASSETS OF THE ISSUER.

NO MEMBER, OFFICER, AGENT, EMPLOYEE OR ATTORNEY OF THE ISSUER, INCLUDING ANY PERSON EXECUTING THE INDENTURE OR THIS BOND, SHALL BE LIABLE PERSONALLY ON THIS BOND OR FOR ANY REASON RELATING TO THE ISSUANCE OF THIS BOND. NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THIS BOND, OR FOR ANY CLAIM BASED ON THIS BOND, OR OTHERWISE IN RESPECT OF THIS BOND, OR BASED ON OR IN RESPECT OF THE INDENTURE OR ANY SUPPLEMENTAL INDENTURE, AGAINST ANY MEMBER, OFFICER, EMPLOYEE OR AGENT, AS SUCH, OF THE ISSUER OR ANY SUCCESSOR, 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, BY THE ACCEPTANCE OF THIS BOND AND AS PART OF THE CONSIDERATION FOR THE ISSUE OF THIS BOND, EXPRESSLY WAIVED AND RELEASED.

This Bond is a duly authorized Bond of the Issuer, issued in the maximum aggregate principal amount of \$15,985,000, known as the Issuer's Multifamily Housing Revenue Bond (Pilgrim Tower Apartments) Series 2015H-2 (the "Bond"), issued in accordance with an Indenture of Trust dated as of [_____] 1, 2015 (the "Indenture") between the Issuer and

[TRUSTEE], as trustee (the "Trustee"). This Bond is issued pursuant to and in compliance with Section 248, as amended, of the City Charter of the Issuer 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 (the "Act") and a resolution of the City Council of the Issuer. This Bond is issued for the purpose of making a loan of the proceeds thereof (the "Loan") to Pilgrim Tower Apartments, L.P., a California limited partnership (the "Borrower"), under the provisions of a Loan Agreement dated as of [_____] 1, 2015 (the "Loan Agreement") between the Issuer and the Borrower to finance a portion of the acquisition, rehabilitation and equipping of the Pilgrim Tower Apartments consisting of a 108 unit (plus 3 manager units) residential rental housing facility located in the City of Los Angeles, California (the "Project"). The loan made pursuant to the Loan Agreement (the "Loan") is evidenced by a promissory note (the "Note") from the Borrower to the Issuer and endorsed without recourse by the Issuer to the Trustee. The Borrower has agreed to repay the Loan, together with interest thereon, in amounts and at times sufficient to pay the principal of, premium, if any, and interest on this Bond as the same shall become due and payable.

Pursuant to the Indenture, the Issuer has assigned and pledged to the Trustee, for the benefit of the Holder of this Bond, all of its right, title and interest (except Unassigned Issuer's Rights as defined in the Indenture) in and to the Loan Agreement and Note. Pursuant to a subordinate, surplus cash [Deed of Trust with Assignment of Rents, Security Agreement and Fixture Filing] filed with respect to the Project (the "Mortgage") dated as of [_____] 1, 2015 and executed by the Borrower for the benefit of the Trustee, the Borrower has granted to the Trustee, for the benefit of the Holder of this Bond, a mortgage lien on and a security interest in the Project and the rents and leases thereof. The Mortgage may be released or modified in any respect upon compliance with certain conditions in the Mortgage and the Indenture.

Exhibit A, attached hereto, shall be used by the Trustee to record the redemption or payment of principal of this Bond from time to time. The Trustee shall not pay to the Holder of this Bond any payment of the principal amount thereof, without making an appropriate notation on Exhibit A. The total amount outstanding under this Bond may not exceed \$15,985,000 at any time.

Reference is hereby also made to the Loan Agreement, the Indenture and the Mortgage, including all supplements thereto, for a description of the property encumbered and assigned, the provisions, among others, with respect to the nature and extent of the security, the rights of the Issuer, and the rights, duties and obligations of the Borrower, the Trustee and the Holder of this Bond, and the terms upon which this Bond is issued and secured.

This Bond is subject to redemption prior to maturity and mandatory tender as follows:

(a) ***Extraordinary Redemption.*** This Bond is subject to mandatory redemption, in whole or in part, on any Business Day, in the event and to the extent the Trustee receives funds from the Borrower representing a mandatory prepayment of principal under the Note, at a redemption price equal to the principal amount thereof plus accrued interest and plus any premium remitted therewith as required by such Note.

(b) ***Optional Redemption.*** This Bond is subject to redemption at the option of the Borrower, in whole or in part on any date, on or after the later to occur of (i) the date that the Project is placed in service (which shall mean the Completion Date as defined in the Loan Agreement), and (ii) [_____], in the event and to the extent the Trustee receives funds from the Borrower representing an optional prepayment of principal at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date and plus any premium remitted therewith as required by the Note.

(c) ***Mandatory Redemption Upon Loan Agreement or Other Loan Document Default.*** This Bond is subject to mandatory redemption in whole upon the occurrence of an event of default under the Loan Agreement or any other Loan Document at the direction of the Bondowner Representative at a redemption price equal to the principal amount of the Bond then Outstanding, plus accrued interest thereon to the date of redemption.

(d) ***Mandatory Tender at the Request of the Borrower.*** Upon delivery to the Issuer, Trustee and the Bondowner Representative of the written request of the Borrower at least 15 days prior to the tender date, this Bond shall, on any date upon which this Bond is subject to optional redemption, be subject to mandatory tender to the Trustee for cancellation in exchange for an assignment to the Bondowner Representative or its order of the Note, Mortgage and remainder of the Trust Estate following satisfaction of all requirements of Section 7.01 of the Indenture.

Notice of Redemption

No advance notice of redemption of this Bond shall be required. Notice of redemption shall be provided to the Bondholder immediately upon receipt by the Trustee of funds to be used for such redemption. No defect in or failure to give notice shall affect the validity of the proceedings for redemption of this Bond. Such notice, which shall be prepared by the Trustee at the expense of the Borrower, shall state the subsection under the Indenture pursuant to which this Bond is being called for redemption and shall specify the date on which and the place where it shall be presented for redemption. Except as specifically provided in the Indenture and provided sufficient funds are on deposit with the Trustee with respect to such redemption, the portion of this Bond thus called for redemption shall cease to bear interest from and after the specified redemption and the Bondholder shall have no further rights with respect to the redeemed portion of this Bond or under the Indenture except to receive the redemption price of such Bond.

Method of Redemption

(a) The Trustee shall redeem the Bond or a portion thereof under subsection (a) or (c) above only if it has received immediately available funds sufficient for such purpose on or prior to the redemption date.

(b) If this Bond is redeemed pursuant to subsection (a) or (c) above, payment of the redemption price shall be deemed made by the Trustee's and the Issuer's absolute assignment to the Bondowner of all right, title and interest of the Issuer and the Trustee in

and to the Loan Documents. Such assignment shall constitute full and complete satisfaction of all obligations of the Issuer to the Bondholder under the Indenture.

(c) If this Bond is redeemed only in part, it shall be surrendered to the Trustee and the Trustee shall make an appropriate notation on the principal log attached thereto indicating the portion of such Bond redeemed.

Business Day Payments

If the date for payment of the principal of, premium, if any, or interest on this Bond shall be a day which is not a Business Day, then the date for such payment shall be the next succeeding day which is a Business Day, and payment on such later date shall have the same force and effect as if made on the nominal date of payment.

Enforcement; Modification of Indenture and Loan Documents

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 default under the Indenture, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Loan Agreement. Modifications or alterations of the Indenture, of any indenture supplemental thereto or of Loan Documents may be made only to the extent and in the circumstances permitted by the Indenture but only with the prior consent of the Bondowner Representative.

Denomination; Exchange; Treatment of Registered Holder

This Bond is issued as a single fully registered bond without coupons. This Bond may be exchanged by the Holder for another Bond, upon surrender thereof by the Holder at the principal corporate trust office of the Bond Registrar, in the manner and subject to the limitations provided in the Indenture. The Issuer, the Trustee, the Bond Registrar and any Paying Agent may deem and treat the Holder of this Bond as the absolute owner of such Bond (whether or not this Bond shall be overdue) for the purpose of receiving payment on this Bond (except as otherwise hereinabove provided with respect to the Record Date and Special Record Date) and for all other purposes, and the Issuer, the Trustee, the Bond Registrar and the Paying Agent shall not be affected by any notice to the contrary.

Registration of Transfer

The transfer of this Bond is subject to certain restrictions as provided in the Indenture and described below and to registration by the Holder in person or by the Holder's attorney hereof upon surrender of this Bond at the principal corporate trust office of the Bond Registrar, duly endorsed or accompanied by a written instrument or instruments of transfer in the form printed on this Bond or in another form satisfactory to the Bond Registrar and executed and with guaranty of signature by the Holder hereof or his, her or its attorney duly authorized in writing, containing written instructions as to the details of the registration of the transfer of this Bond. Thereupon the Issuer shall execute (if necessary) and the Bond Registrar shall authenticate and

deliver in the name of the transferee or transferees (but not registered in blank or to “bearer” or a similar designation), a new Bond.

Except as otherwise provided in the Indenture, this Bond may be transferred, as a whole but not in part, to a new Bondholder only upon receipt by the Registrar, the Issuer and the Trustee of evidence that such Bond is being transferred to a “Sophisticated Investor (as defined in the Indenture). The Bond Registrar shall not register any transfer or exchange of this Bond unless such Bondholder’s prospective transferee delivers to the Trustee an investor’s letter substantially in the form set forth in Exhibit B to the Indenture and obtains the prior written consent of the Issuer.

Service Charges; Taxes

No service charge shall be made to the Holder for any registration, transfer or exchange, but the Bond Registrar and the Issuer may require payment of a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in connection with any transfer or exchange of this Bond, other than exchanges expressly provided in the Indenture to be made without charge to the Holder, and any legal or other unusual costs of transfers and lost bonds.

Acceleration; Default

No default by the Borrower under any of the Loan Documents shall constitute a default under the Indenture. This Bond is not subject to acceleration upon any Borrower default, although it may be redeemed as provided in the Indenture.

Governing Law

This Bond shall be governed by and construed in accordance with the laws of the State of California.

Indenture Controlling; Consent

The terms of this Bond are subject in all respects to the terms of the Indenture. If there is a conflict between the provisions of this Bond and the Indenture, the Indenture shall control. By acceptance of this Bond, the registered owner hereof hereby consents to the terms of the Indenture and the Loan Documents.

IT IS HEREBY CERTIFIED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution, delivery and issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, including the Law and the Act.

The Issuer has caused this Bond to be duly 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 above Dated Date.

(SEAL)

CITY OF LOS ANGELES

City Treasurer

By _____
Mayor

CERTIFICATE OF AUTHENTICATION

This Bond is the Bond described in the within mentioned Indenture.

Date of Authentication: _____

[TRUSTEE],
as Bond Registrar

By _____
Name _____
Title _____

(Form of Assignment)

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____ (Please Print or Typewrite Name and Address) (Please Insert Social Security or Other Identifying Number of Assignee: _____) the within Bond and all rights and title therein, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature guaranteed

(Registered Owner)

NOTICE: Signature(s) must be guaranteed by a qualified guarantor institution.

NOTICE: The signature(s) to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

The following abbreviations, when used in the inscription on the face of the within Bond, shall be construed as though they were written out in full according to the applicable laws or regulations.

TEN COM
TEN ENT
JT TEN

as tenants in common
as tenants by the entirety
as joint tenants with rights of survivorship and not as tenants in common

UNIF GIFT MIN ACT _____
(Minor)

Custodian _____
(Cust)

Under Uniform Gifts to Minors Act

(State)

Additional abbreviations may also be used though not in the above list.

EXHIBIT A

PRINCIPAL LOG

Purchase Amount	Purchase Date	Redemption or Payment Amount	Redemption Date	Outstanding Principal	Trustee Initials

EXHIBIT B
INVESTOR'S LETTER

[Date]

City of Los Angeles
Los Angeles, California

[TRUSTEE]
Los Angeles, California

Kutak Rock LLP
Los Angeles, CA

\$15,985,000
City of Los Angeles
Multifamily Housing Revenue Bond
(Pilgrim Tower Apartments)
Series 2015H-2

Ladies and Gentlemen:

The undersigned (the "Investor") hereby represents and warrants to you as follows:

1. The Investor proposes to purchase all of the aggregate principal amount of the above-referenced bond (the "Bond") issued pursuant to that certain Indenture of Trust, dated as of [] 1, 2015 (the "Indenture"), between the City of Los Angeles (the "Issuer") and [TRUSTEE], as trustee. The Investor understands that the Bond is not rated by any securities rating agency and is secured only by a subordinate lien on the Pilgrim Tower Apartments and the revenues therefrom, and will be sold to the Investor in reliance upon the representations and warranties of the Investor set forth herein. The Investor acknowledges that no offering document has been prepared in connection with the issuance and sale of the Bond. The Investor has requested and received all materials which the Investor has deemed relevant in connection with its purchase of the Bond (the "Offering Information"). The Investor has reviewed the documents executed in conjunction with the issuance of the Bond, including, without limitation, the Indenture and the Loan Documents. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Indenture.

2. The Investor hereby waives the requirement of any "due diligence investigation or inquiry" by the Issuer, by each employee of the Issuer, by each member of the City Council of the Issuer, and by counsel to the Issuer, the Trustee, counsel to the Trustee and Bond Counsel in connection with the authorization, execution and delivery of the Bond and the Investor's purchase of the Bond. The Investor recognizes and agrees that the Issuer, each employee of the Issuer, each member of the City Council of the Issuer, counsel to the Issuer, 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

Investor in connection with the Investor's purchase of the Bond. In making an investment decision, the Investor is relying upon its own examination of the Issuer, the Borrower, the Project and the terms of the Bond.

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

4. The Investor 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 Investor is able to bear the economic risk of, and an entire loss of, an investment in the Bond.

5. The Investor 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 Investor reserves the right to transfer or dispose of the Bond in whole (but not in part), at any time, and from time to time, in its complete and sole discretion, subject, however, to the restrictions described in paragraphs 6 through 8 of this Letter. The Investor hereby agrees that the Bond may only be transferred in whole.

6. The Investor 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 of 1933, as amended (the "1933 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 consent of the Issuer. The Investor further agrees that the Bond will not be transferred to or held in a pool, trust or similar arrangement.

7. The Investor is: (i) a qualified institutional buyer" as defined in Rule 144A promulgated under the Securities Act of 1933, as amended; or (ii) an institutional "accredited investor" as defined in Rule 501 promulgated under the Securities Act of 1933, as amended and it understands that the Bond may be offered, resold, pledged or transferred only to a person who qualifies under either clause (i) or (ii) above.

8. If the Investor sells the Bond (or any legal or beneficial interest therein), the Investor 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 Investor understands and agrees that the Trustee is not authorized to register any transfer of the Bond prior to receipt of such Investor Letter and the consent of the Issuer referenced in Section 6 above and the Indenture.

9. Neither the Trustee, the Bond Counsel to the Issuer, the Issuer, its governing body, or any of its employees or agents will have any responsibility to the Investor for the accuracy or completeness of information obtained by the Purchaser from any source regarding the Project, the Issuer, 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 Investor acknowledges that, as between Investor and all of such parties: (a) the Investor has assumed responsibility for obtaining such information and making such review as the Investor has deemed necessary or desirable in connection with its decision to purchase the Bond, (b) the Offering Information and any additional information specifically requested from the Issuer or the Borrower and provided to the Investor prior to closing constitute all the information and review, with the investigation made by Investor (including specifically the Investor's investigation of the Issuer, the Project and the Borrower) prior to its purchase of the Bond, that Investor has deemed necessary or desirable in connection with its decision to purchase the Bond.

10. The Investor 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 Investor acknowledges that the Bond is a speculative investment and that there is a high degree of risk in such investment.

11. The Investor acknowledges that the Bond is a limited obligation of the Issuer, payable solely from amounts provided by or at the direction of the Borrower, and are not obligations payable from the general revenues or other funds of the Issuer, the State of California or any other political subdivision of the State of California. The Investor acknowledges that the Issuer 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 undersigned is a duly appointed, qualified and acting officer of the Investor and authorized to make the certifications, representations and warranties contained herein.

13. The Investor has the authority to purchase the Bond and to execute this letter and other documents and instruments required to be executed by the Investor 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 Investor and authorized to cause the Investor to make the certifications, representations and warranties contained herein by the execution of this letter on behalf of the Investor.

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

15. The Investor agrees to indemnify and hold harmless the Issuer, the Issuer's officials, officers, directors, employees, agents, attorneys, accountants, advisors, consultants, servants and the members of the governing board of the Issuer past, present and future with respect to any claim asserted against any of them that is based upon the Investor'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 Investor in this letter.

Capitalized terms used herein and not otherwise defined have the meanings given such terms in the Indenture.

Very truly yours,

_____, as Purchaser

By _____
[Name]
[Title]

Dated: _____, 20__

EXHIBIT C
FORM OF RESPONSIBLE BANKING ORDINANCE CERTIFICATE

RESPONSIBLE BANKING ORDINANCE
REPRESENTATIONS AND COVENANTS OF BANK

[_____, 201_]

City of Los Angeles
Los Angeles, California

\$15,985,000
City of Los Angeles
Multifamily Housing Revenue Bond
(Pilgrim Tower Apartments)
Series 2015H-2

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 \$15,985,000 initial aggregate principal amount of Multifamily Housing Revenue Bond (Pilgrim Tower Apartments) Series 2015H-2 (the “Bond”):

(a) The Bank shall file with the City Treasurer of the City by July 1 of each year an annual statement of community reinvestment activities as required of a commercial 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 20[___].

[Remainder of this page intentionally left blank.]

Very truly yours,

[BANK]

By: _____

Name: _____

Title: _____

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

KUTAK ROCK LLP
1650 FARNAM STREET
OMAHA, NE 68102
ATTENTION: J. TOGER SWANSON, ESQ.

**REGULATORY AGREEMENT
AND DECLARATION OF RESTRICTIVE COVENANTS**

by and among

CITY OF LOS ANGELES,
as Issuer

and

[TRUSTEE],
as Trustee

and

PILGRIM TOWER APARTMENTS, L.P.
as Borrower

relating to

\$1,815,000
City of Los Angeles
Multifamily Housing Revenue Bonds
(Pilgrim Tower Apartments)
Series 2015H-1

\$15,985,000
City of Los Angeles
Multifamily Housing Revenue Bond
(Pilgrim Tower Apartments)
Series 2015H-2

Dated as of [_____] 1, 2015

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**REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS**

THIS REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS (this “Agreement” or this “Regulatory Agreement”) is made and entered into as of [_____] 1, 2015 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 “Issuer” or the “City”), **[TRUSTEE]**, a national banking association in its capacity as trustee (the “Trustee”) under the Trust Indenture dated as of [_____] 1, 2015 and the Indenture of Trust dated as of [_____] 1, 2015 (together, the “Indenture”) each by and between the Issuer and the Trustee, with an office in Los Angeles, California, and **PILGRIM TOWER APARTMENTS, L.P.**, a California limited partnership, (the “Borrower”).

WITNESSETH:

WHEREAS, pursuant to Section 248 of the City Charter of the Issuer 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 bonds and other evidence of indebtedness to finance the acquisition, rehabilitation and equipping of multifamily rental housing; and

WHEREAS, on March 17, 2015, the Issuer indicated its intent to provide for the issuance of revenue bonds to finance a portion of the acquisition, rehabilitation and equipping of Pilgrim Tower, a multifamily residential rental housing project for seniors located at 1207 South Vermont Avenue, Los Angeles, California, on the site more particularly described in Exhibit A hereto (the “Project”) and the Los Angeles City Council subsequently adopted a resolution (the “Resolution”) authorizing the issuance of 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 Issuer’s program of financing housing, the Issuer has issued pursuant to the Indenture \$1,815,000 maximum principal amount of its Multifamily Housing Revenue Bonds (Pilgrim Tower Apartments) Series 2015H-1 and \$15,985,000 maximum principal amount of its Multifamily Housing Revenue Bonds (Pilgrim Tower Apartments) Series 2015H-2 (together, the “Bonds”) the proceeds of which will be used to fund a loan (the “Loan”) to the Borrower to finance a portion of the acquisition, rehabilitation and equipping of the Project; and

WHEREAS, in order for interest on the Bonds to be excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986 (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 Issuer’s housing program, the use and operation of the Project must be restricted in certain respects; and

WHEREAS, the Issuer, 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 acquisition, rehabilitation 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 Issuer;

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 Issuer, 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 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:

“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 Issuer, apply to the Bonds 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 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 Issuer 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 Issuer) a written certificate identifying a different person or persons to act in such capacity.

“*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 Issuer and duly admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia 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, the Issuer, Trustee or Bondholders in connection with the Bonds.

“*Bondholders*” or “*Owners*” or “*Holders*” means the party or parties identified as the owner(s) of the Bonds on the registration books maintained by the Trustee on behalf of the Issuer.

“*Bonds*” means, the Issuer’s Multifamily Housing Revenue Bonds (Pilgrim Tower Apartments) Series 2015H-1 and Multifamily Housing Revenue Bond (Pilgrim Tower Apartments) Series 2015H-2 authorized, authenticated and delivered under the Indenture, as defined in the recitals hereto.

“*Borrower*” means Pilgrim Tower Apartments, L.P., 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 set forth in Section 7(d) hereof.

“*Certificate of Continuing Program Compliance*” means the Certificate of Continuing Program Compliance and Statistical Report to be filed by the Borrower with the Issuer 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 Issuer.

“*Closing Date*” or “*Bond Closing Date*” means the date upon which the Bonds are initially funded in an amount equal to at least \$50,001.

“*Code*” means the Internal Revenue Code of 1986; 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, rehabilitation and equipping of the Project, as that date shall be specified in the Rehabilitation Completion Certificate.

“*Costs of Issuance*” means costs of issuing the Bonds as set forth in the Indenture.

“*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 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, a Verification of Income in the form attached hereto as Exhibit C or in such other form as may from time to time be provided by the Issuer to the Borrower and, with respect to recertifications, the Income Certification attached hereto as Exhibit D, or such other form as may, from time to time, be provided by the Issuer to the Borrower.

“*Indenture*” means collectively, the Trust Indenture dated as of [_____] 1, 2015 by and between the Issuer and the Trustee and the Indenture of Trust dated as of [_____] 1, 2015 by and between the Issuer and the Trustee, relating to the issuance of the Bonds as amended, modified, supplemented or restated from time to time.

“*Inducement Date*” means March 17, 2015.

“*Issuer*” means the City of Los Angeles, a charter city and municipal corporation of the State of California.

“*Loan*” means the loan of the sale proceeds of the Bonds by the Issuer to the Borrower pursuant to the Loan Agreement for the purpose of providing funds for the acquisition, rehabilitation and equipping of the Project.

“Loan Agreement” means the Loan Agreement, dated as of [_____] 1, 2015, between the Issuer and the Borrower, as 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 Bonds, representing the total purchase price of the Bonds, including any premium paid as part of the purchase price of the Bonds, but excluding the accrued interest, if any, on the Bonds paid by the initial purchasers of the Bonds.

“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 and rehabilitation 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 or rehabilitation 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, rehabilitated, constructed 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 1207 South Vermont Avenue, 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 Bonds during the rehabilitation of the Project shall constitute Qualified Project Costs as bears 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 rehabilitated 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 rehabilitating 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 rehabilitation 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 latest of (a) the date which is 15 years after the date on which 50% of the dwelling units in the Project are first occupied, (b) 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 (c) the date on which any assistance provided with respect to the Project under Section 8 of the Housing Act terminates. The CDLAC Conditions apply for a period which, in some cases, exceeds the Qualified Project Period.

“Qualified Rehabilitation Expenditures” means any amount properly chargeable to the Project’s capital account which is incurred no earlier than 60 days prior to the Inducement Date

by the person acquiring the building or property (or additions or improvements to property) or by the seller of the property under a sales contract between the Borrower and the seller of the Project to the Borrower in connection with the rehabilitation of a building. In the case of an integrated operation contained in a building before its acquisition, such term includes rehabilitating existing equipment in such building or replacing it with equipment having substantially the same function. “Qualified Rehabilitation Expenditures” do not include any amount which is incurred after the date that is two years after the later of the date on which the building was acquired by the Borrower or the date on which the Bonds were issued. “Qualified Rehabilitation Expenditures” do not include any expenditure described in Section 47(c)(2)(B) of the Code. All amounts constituting Qualified Rehabilitation Expenditures must be depreciated on a straight line basis over 27.5 years (unless otherwise provided in the Code).

“*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.

“*Rehabilitation Completion Certificate*” means a written certification signed by an Authorized Borrower Representative confirming that prior to the date which is 24 months after the Closing Date, and that the Borrower has incurred Qualified Rehabilitation Expenditures with respect to the Project in an amount equal to or greater than 15% of the portion of the cost of acquiring the Project (exclusive of any acquisition costs attributable to land) financed with the Net Proceeds of the Bonds.

“*Taxability Event*” means for the purposes of this Regulatory Agreement, either (a) refusal by the Borrower to consent to any amendment or supplement hereto or to the Indenture which, in the opinion of Bond Counsel, is necessary or advisable to maintain the exclusion of interest on the Bonds 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 Bonds (other than interest on a Bond for any period during which such Bond is held by a “substantial user” of any facility financed with the proceeds of the Bonds 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.

“*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 Closing Date, executed and delivered by the Issuer 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 Bonds, that such interest is excluded from gross income for federal income tax purposes (other than interest on any Bond for any period during which such Bond is

held by a “substantial user” of any facility financed with the proceeds of the Bonds 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 [TRUSTEE] 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 I, 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.

Section 2. Acquisition, Rehabilitation and Equipping of the Project. The Borrower hereby represents as of the date hereof, covenants and agrees with the Issuer and the Trustee as follows:

(a) The Borrower has incurred, or will incur within six months after the Closing Date, a substantial binding obligation to commence the acquisition and rehabilitation 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 Bonds.

(b) The Borrower’s reasonable expectations respecting the total cost of the acquisition and rehabilitation of the Project are accurately set forth in the Borrower Cost Certificate (the “Borrower Cost Certificate”) submitted to the Issuer on the Closing Date.

(c) The Borrower has acquired the Project Site, and will, within six months following the Bond Closing Date, commence the rehabilitation 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 rehabilitation of the Project and to expend the full

amount of the proceeds of the Loan for Project Costs prior to the date which is 18 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 Bonds 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 Bonds 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 Bonds will be used to pay or reimburse any cost (i) incurred more than sixty 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, rehabilitation 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, rehabilitation or equipping of the Project, (B) no on-site work has been commenced by the Borrower or any related person in connection with the rehabilitation 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 has or shall, prior to the date which is 24 months (unless extended pursuant to subsection "(j)" below) after the Closing Date, expend proceeds of the Bonds equal to not less than 15% of the amount of Bond proceeds expended to acquire the Project (exclusive of any acquisition costs attributable to land) on Qualified Rehabilitation Expenditures which expenditures shall be confirmed in writing through a Rehabilitation Completion Certificate delivered to the Issuer and the Trustee not later than 25 months (unless extended pursuant to subsection "(j)" below) after the Closing Date.

(h) 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 Bonds to be applied in a manner contrary to the Indenture, the Loan Agreement, the Law, the Act or the Code.

(i) The Borrower shall, on the Completion Date, evidence the Completion Date by providing a Rehabilitation Completion Certificate to the Trustee and the Issuer, signed by the Authorized Borrower Representative, stating the total cost of the Project and identifying the total acquisition cost (which shall specify the costs attributable to land and the costs attributable to buildings) and the total Qualified Project Costs and Qualified Rehabilitation Expenditures, and further stating that (A) rehabilitation of the Project has been completed substantially in accordance with the plans, specifications and work orders therefor, and all labor, services, materials and supplies used in rehabilitation or construction have been paid for and (B) all other facilities necessary in connection with the Project have been acquired, rehabilitated, constructed and installed substantially in accordance with the plans, specifications, work write-up and work orders therefor and all costs and expenses incurred in connection therewith have been paid. 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.

(j) The foregoing certificate evidencing the Completion Date shall be delivered to the Trustee no later than the date 24 months from the Closing Date unless the Borrower delivers to the Trustee a certificate of the Issuer 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 Bonds being included in gross income for federal income tax purposes. 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 are 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 Issuer of an approving opinion of Bond Counsel, the percentage of such amounts so used may be 95%.

(k) 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 Subsection 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. 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) 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 that for the following: (1) any dwelling units are required to be leased or rented to Low Income Tenants and persons [62] years of age and older, (2) the requirements of any regulatory agreement executed between the Borrower and HUD or between the Borrower and a subordinate lender (including the Issuer), (3) the requirements of any Section 8 Housing Assistance Payments Contract with respect to the Project, and (4) any preference Borrower gives to a class of persons permitted to be given preference pursuant to the Code, State law and other applicable federal law.

(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 three dwelling units by one or more resident managers or maintenance personnel any of whom may be the Borrower. The Project shall be maintained in conformity with the habitability and fire codes of the City of Los Angeles.

(h) 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.

(i) 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 Issuer 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 Issuer, 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. [Borrower hereby certifies that on the Closing Date 50% of dwelling units in the Project are occupied by tenants providing an Income Certification or other certification delivered in connection with a governmental housing subsidy program.

Based on the foregoing, the beginning date of the Qualified Project Period is the Closing Date and the earliest ending date of the Qualified Project Period is fifteen years after the Closing Date].

(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 up to three units occupied by a property manager) 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 up to three units occupied by a property manager) shall at all times be rented to and occupied by Low Income Tenants. For the purposes of this paragraph (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 paragraph (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 in the Project of such Low Income Tenant and, in the case of tenants residing in the Project as of the date of acquisition thereof (if applicable), dated no later than the day prior to the disbursement of Bond proceeds to fund acquisition and rehabilitation of 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 Issuer 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 Issuer) shall be attached to the Certificate

of Continuing Program Compliance which is to be filed with the Issuer no later than the fifteenth day of each month until such report indicates compliance with Section 4(b) and thereafter the fifteenth of each [] and [] 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 Issuer shall deem relevant, such as the two most recent years' tax returns or other forms of independent verification satisfactory to the Issuer.

(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 Issuer, 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 Issuer and the Trustee, no later than the fifteenth day of each month following the receipt by the Trustee of the Rehabilitation Completion Certificate to and including the month in which such report indicates that 40% of the occupied units (excluding up to three units occupied by a property manager) are occupied by Low Income Tenants, and thereafter no later than the fifteenth day of each [] and [], 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 paragraph (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 Taxability Event has occurred, or if a Taxability Event 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 Issuer 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 Issuer 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.

Section 5. Tax-exempt Status of the Bonds. The Borrower and the Issuer make the following representations, warranties and agreements for the benefit of the holders of the Bonds from time to time:

(a) The Borrower and the Issuer 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 Bonds 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 Bonds 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 Issuer will take such action or actions as may be necessary, in the written opinion of Bond Counsel filed with the Issuer 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 Issuer will file or record such documents and take such other steps as are necessary, in the written opinion of Bond Counsel filed with the Issuer 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 Bonds 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 Bonds 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 Issuer hereby agree to comply with each of the requirements of the Act, 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 up to three units occupied by a property manager) 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, assuming a family of one person in the case of a studio unit, two persons in the case of a one-bedroom unit, three persons in the case of a two-bedroom unit, four persons in the case of a three-bedroom unit, and five persons in the case of a four-bedroom unit.

(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 Issuer to file any annual report required by the Act or pursuant to California Government Code Section 8855.5.

(d) No portion of the Bonds shall be used to finance the acquisition, construction, 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 United States Housing Act of 1937, as amended, 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

Bonds, 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 development, or the purposes or special programs of the development;

(iii) Thirty (30) 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 CDLAC and the Issuer. 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 CDLAC and the Issuer, 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 Issuer such information with respect to the Project or the Bonds as the Issuer shall from time to time request. If available, the Borrower shall provide written notice to the Issuer 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 (except restrictions upon occupancy of units to tenants aged [62] years of age and older or disabled persons), sexual orientation, gender identity/expression, transgender status, disability, 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 Issuer, the provisions of which are hereby incorporated by reference.

(d) The Borrower shall comply with the conditions set forth in Exhibit A to CDLAC Resolution No. 15-43 adopted on May 20, 2015 (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. Following completion of the rehabilitation of the Project, the Borrower will prepare and submit to the Issuer on or before each February 1, until the end of the term of the CDLAC Conditions, a Certificate of CDLAC Program Compliance, in substantially the form attached hereto as Exhibit E, executed by an Authorized Borrower Representative. Notwithstanding anything to the contrary herein, the provisions of this Section 7(d) shall remain effective for the period specified in the CDLAC Conditions, unless this Regulatory Agreement shall terminate as otherwise provided in Section 14 hereof.

(e) For the Qualified Project Period, the Borrower will comply with the provisions of the Unruh Civil Rights Act, including, without limitation, Section 51.2 and, as applicable, Section 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 Issuer; 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 Issuer, 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, or its successor. 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 Issuer (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 Issuer, 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 Issuer to file any periodic report, or any other information concerning the Project as the Issuer may reasonably request.

(j) All workers performing construction 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 HCIDLA-approved program. The fee for the LCP Tracker, or comparable HCIDLA-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 Issuer 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 Issuer to deliver to such administrator, in addition to or instead of the Issuer, 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 Issuer.

(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 Low Income Tenants at the following four points in time:

(i) Upon initial move-in/lease execution, Borrower shall give written notice to all tenants of Low Income Units of the duration of the rent restrictions under this Regulatory Agreement. 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 for a term equal to the later of the expiration of: (a) the Qualified Project Period; or (b) the CDLAC Conditions. Upon termination of the rent restriction period under this Regulatory Agreement, rents may be set at a market rates unless otherwise restricted by some other legal, regulatory, or contractual requirement.

(ii) Twelve months prior to the termination of the rent restriction period under this Regulatory Agreement, 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 give written notice, pursuant to California Government Code Section 65863.10, to the Mayor of the City of Los Angeles, the Housing Authority of the City of Los Angeles, and the Los Angeles Department of Housing and Community Development.

(iii) Six months prior to the termination of the rent restriction period under this Regulatory Agreement, 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. Borrower must also give written notice, pursuant to California Government Code Section 65863.10, to the Mayor of the City of Los Angeles, the Housing Authority of the City of Los Angeles, and the Los Angeles Department of Housing and Community Development.

(iv) Ninety days prior to the termination of the rent restriction period under this Regulatory Agreement, 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.

(n) The Borrower shall, on the Closing Date, pay to the Issuer its initial fee and thereafter pay to the Issuer its ongoing fees with respect to the issuance of the Bonds. The Borrower shall pay the Issuer an initial fee immediately upon issuance of the Bonds equal to \$[] (.25% of the aggregate maximum principal amount of the Bonds (\$[]) issuable under the Indenture). In addition, the Borrower shall, as compensation for the Issuer's monitoring of the provisions of this Regulatory Agreement,

pay to the Issuer, semiannually in arrears prorated for the initial payment (on the first day of each [March] and [September] commencing [September 1, 2016], for the period from the date of issuance of the Bonds through the later of: (i) the end of the Qualified Project Period; or (ii) termination of the CDLAC Conditions, prorated for the initial and any subsequent partial or over length period, a semiannual amount equal to: (A) during the period from the Closing Date to the date of payment in full of the Bonds, one half of 0.125% of the outstanding principal amount of the Bonds (\$[____]) with a minimum semiannual fee of \$1,250 and (B) following the payment in full of the Bonds, \$1,250, or such lesser amount as shall be necessary in the opinion of Bond Counsel to preserve the exemption of interest on the Bonds from gross income for federal income tax purposes. Throughout the term of this Agreement, the Trustee, or the Issuer, as applicable, shall provide an invoice to the Borrower at least 30 days prior to the due date of each such payment (and if applicable, a copy of which shall be provided to the Issuer) and shall collect such payments from the Borrower and immediately remit such funds to the Issuer. Upon the prepayment of the Bonds in whole, prior to the later of: (i) the end of the Qualified Project Period; or (ii) termination of the CDLAC Conditions, the Borrower shall, at its election, either: (A) pay to the Issuer, on or before such payment, an amount equal to the present value of the remaining Issuer fees payable hereunder, as calculated by the Issuer, 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 later of: (1) the Qualified Project Period; or (2) the termination of the CDLAC Conditions, or such lesser amount as shall be necessary in the opinion of Bond Counsel to preserve the exemption of interest on the Bonds from gross income for federal income tax purposes; or (B) pay directly to the Issuer on an annual basis, in arrears on each [____] 1, the annual fee described above. The Borrower shall not be required to pay the fee described in the preceding sentence if the Bonds are prepaid in whole under circumstances which permit termination of this Regulatory Agreement pursuant to Section 14 hereof.

(o) The Borrower shall pay to the Issuer a processing fee equal to: (A) prior to the payment of the Bonds in full, the greater of: (i) \$5,000; or (ii) 0.125% of the outstanding principal amount of the Bonds under the Indenture; and (B) following the payment of the Bonds in full, \$5,000, plus any expenses incurred by the Issuer, including, without limitation, Bond Counsel, City attorney, Issuer attorney and financial advisor fees, as a condition to the consideration and receipt of any consent, approval, amendment, transfer or waiver requested of the Issuer with respect to the Project, the Project Site or the Bonds. The Issuer shall provide an invoice directly to the Borrower for such amounts.

(p) The Borrower shall pay the Issuer its then-current fees in connection with any consent, approval, transfer, amendment or waiver requested of the Issuer, together with any expenses incurred by the Issuer in connection therewith.

(q) The Trustee shall report to the Issuer and the Borrower in writing semiannually, within 10 days of each [____] 1 and [____] 1, the principal amount of the Bonds outstanding as of such [____] 1 or [____] 1, as appropriate.

(r) The Borrower shall promptly provide the Issuer such information with respect to the Project or the Bonds as the Issuer shall from time to time request.

(s) The Borrower shall include the Issuer 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 Bonds or other loan in support of the Project, unless such person otherwise qualifies for tenancy under this Agreement and such tenancy is approved in writing by the Issuer.

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 Bonds 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 Issuer as the source of the financing provided for the Project, without the prior written approval of the Issuer (provided that nothing herein shall prevent the Borrower or any general partner thereof from identifying the Issuer 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 Issuer (except (d) above, which may be expressly waived by CDLAC) may be expressly waived by the Issuer in writing in the Issuer's sole discretion, but (i) no waiver by the Issuer 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 Issuer 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 Bonds for federal income tax purposes; and (ii) any requirement of this Section 7 shall be void and of no force and effect if the Issuer and the Borrower receive a written opinion of Bond Counsel to the effect that compliance with any such requirement would cause interest on the Bonds 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 Issuer 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 Issuer, 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 Bonds, 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 Issuer, 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 Issuer, 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 Bonds. The Issuer 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 Issuer, whether or not required by California or federal law.

(c) The Borrower, the Issuer 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 Issuer 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 Issuer, as is applicable, any such document or instrument (in such form as may be approved in writing by Bond Counsel) if the Issuer defaults in the performance of its obligations under this subsection (c); provided, however, that unless directed in writing by the Issuer, the Trustee shall take no action under this subsection (c) without first notifying the Issuer and without first providing the Issuer 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 Issuer.

Section 9. Indemnification. The Borrower shall defend, indemnify and hold harmless the Issuer 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, rehabilitation, 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 Bonds made or given to the Issuer or the Trustee, or any underwriters or purchaser of the Bonds 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 Bonds or the Tax-exempt status of interest on the Bonds or (d) the failure or alleged failure of any person or entity (including 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 or rehabilitation 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 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 the fraud or willful misconduct or, in the case of the Trustee, the negligence of the Indemnified Parties. The Borrower also shall pay and discharge and shall indemnify and hold harmless the Issuer and the Trustee from (i) any lien or charge upon payments by the Borrower to the Issuer 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 Issuer 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 Issuer 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 Issuer in enforcing the provisions hereof against the Borrower. The Borrower shall also pay the Issuer its standard fees and reimburse the Issuer 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 Bonds, or any other document or agreement relating thereto. In the event of any audit or inquiry regarding the Bonds or the Project from any governmental entity, the Borrower shall, at the election of the Issuer, 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, or (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 Issuer has issued the Bonds to provide funds to finance the acquisition, rehabilitation and equipping of the Project, all for the purpose, among others, of inducing the Borrower to acquire, equip and rehabilitate the Project. In consideration of the issuance of the Bonds by the Issuer, 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 Issuer 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 Bonds and in the exemption from federal income taxation and California personal income taxation of the interest on the Bonds. In performing their duties and obligations hereunder, the Issuer 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 Issuer 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 Issuer 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 Issuer 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 of Los Angeles. The Borrower hereby represents and warrants that the Project is located entirely within the City of Los Angeles.

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 Issuer, which consent shall not be unreasonably withheld by the Issuer and shall be given by the Issuer 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 Issuer and is not the subject of any legal or enforcement actions by the Issuer, 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 Issuer is presented to establish that the purchaser or assignee is willing to comply and is capable of complying with the terms and conditions of this Regulatory Agreement; (d) either (i) evidence satisfactory to the Issuer 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 Issuer determines has the experience and record described in subclause (i) above, or (iii) the Issuer 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 Issuer and the Trustee shall have received (i) with respect to any transfer of the Project, reasonable evidence satisfactory to the Issuer 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 Issuer, an opinion of Bond Counsel that such transfer will not adversely affect the Tax-exempt nature of the interest on the Bonds, (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 Issuer 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 the Issuer, 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 Issuer 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 Issuer 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.

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.

Notwithstanding anything to the contrary contained herein, the respective interests of Borrower's limited partners shall, with prior written notice to the Issuer, be transferable under this Regulatory Agreement to any affiliate of the limited partners of Borrower, without the consent of the Issuer and/or Trustee but with prior written notice thereto. In addition to the above requirements, the Borrower shall obtain the consent of CDLAC to any transfer of the Project in the manner and to the extent as may at the time be required by CDLAC.

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 in the case of Section 7(d) hereof at the times set forth in CDLAC Resolution No. 15-43), it being expressly agreed and understood that the provisions hereof are intended to survive the retirement of the Bonds, 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 Issuer, 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 Issuer 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 Bonds 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 Issuer) is delivered to the Trustee to the effect that the exclusion from gross income for federal income tax purposes of interest on the Bonds 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) 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 the Project (including the Project Site) to the covenants, reservations and restrictions set forth in this Regulatory Agreement. The Issuer 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 Issuer 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 Issuer 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 Issuer 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 Bonds were 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 Issuer to the Borrower, then the Issuer 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 Bonds. The Trustee hereby consents to any correction of the default by the Issuer on behalf of the Borrower. The Issuer 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 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 Issuer and subject to the provisions of the Indenture relative to the Trustee’s duty to exercise remedies generally, or the Issuer 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 Issuer or the Trustee hereunder;
- (b) 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; 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 Issuer 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 Issuer 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 Issuer under this provision shall terminate with respect to each default upon the achievement, by the Borrower, the Trustee or the Issuer, of compliance with the requirements of Section 2 through 7 hereof, and any subleases entered into pursuant to the Issuer’s option shall be deemed to be

leases from the Borrower. The Issuer 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 Issuer 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 Issuer, in accordance with this Section 18 and the provisions of the Indenture, to exercise any or all of the rights or remedies of the Issuer hereunder, provided that prior to taking any such action the Trustee shall give the Issuer written notice of its intended action. All reasonable fees, costs and expenses of the Issuer 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 Issuer 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 Issuer 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 Taxability Event 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 Issuer 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 Issuer, or unless it has actual knowledge of noncompliance.

After the date on which no principal of the Bonds 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 Issuer.

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 Issuer 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 Issuer 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. 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 Issuer of an opinion from Bond Counsel that such amendment will not adversely affect the Tax-exempt status of interest on the Bonds and is not contrary to the provisions of the Law or the Act and with the written consent of the Trustee.

The Issuer, 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 Issuer), in order that interest on the Bonds 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 Issuer and a request that such Bond Counsel render to the Issuer an opinion as to the effect of such proposed amendment upon the Tax-exempt status of interest on the Bonds.

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 Issuer: City of Los Angeles
Los Angeles Housing and Community Investment Department
8th Floor
1200 West 7th Street
Los Angeles, CA 90017
Attention: Supervisor, Affordable Housing Bond Program
Facsimile: (213) 808-8918

with a copy to: Los Angeles Housing and Community Investment Department
P.O. Box 532729
Los Angeles, CA 90053-2729
Attention: Supervisor, Affordable Housing Bond Program

If to Borrower: Pilgrim Tower Apartments, L.P.
[ADDRESS]

Attention: [_____]

with a copy to: Bocarsly, Emden, Cowan, Esmail & Arndt LLP
633 West Fifth Street, 64th Floor

Los Angeles, CA 90071
Attention: Nicole Deddens

with a copy to: [Hunt Capital Entity]
[ADDRESS]
Attention: [_____]

with a copy to: Ballard Spahr LLP
1735 Market Street, 51st Floor
Philadelphia, PA 19103-7599
Attention: Jere Thompson

If to the Trustee: [TRUSTEE]
[ADDRESS]
Los Angeles, CA 90071
Attention: Global Corporate Trust Services
Ref: LA MF (Pilgrim Tower) 2015H
Telephone: (213)
Facsimile: (213)

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 Issuer. Trustee and the Borrower shall not discriminate in its 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 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 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) defines 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 Borrower each represent 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 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 Issuer acknowledges that the Project shall be encumbered by this Regulatory Agreement. 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 Issuer 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. Third-party Beneficiaries. The CDLAC is intended to be and is a third-party beneficiary of this Regulatory Agreement, and the CDLAC shall have the right (but not the obligation) to enforce, separately or jointly with the Issuer and/or the Trustee or to cause the Issuer or the Trustee to enforce, the provisions of Section 7(d) 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.

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 it will (a) fully comply with all State and Federal employment reporting requirements applicable to Child Support Assignment Orders; (b) that 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) 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) 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 ninety (90) days after notice of such failure to the Borrower or the Trustee by the Issuer. 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 ninety (90) days after notice of such failure to the Borrower or the Trustee by the Issuer.

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 following is subject to further revision] The Borrower and the Trustee each hereby certifies that it will comply with the Americans with Disabilities Act 42 U.S.C. Section 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”). The Borrower and the Trustee each 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 provisions of the ADA. The Borrower and the Trustee each will not discriminate against persons with disabilities or against persons due to their relationship to or association with a person with a disability. 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.

Section 32. Slavery Disclosure Ordinance. This Regulatory Agreement is subject to the Slavery Disclosure Ordinance, Section 10.41 of the Los Angeles Administrative Code, as it may be amended from time to time. The Borrower hereby agrees to execute and deliver a certificate in the form attached hereto as Exhibit H (or such other form as is required by the Issuer) certifying that it has complied with the applicable provisions of this Ordinance. The Borrower acknowledges that failure to fully and accurately complete the affidavit may result in a default under this Regulatory Agreement.

Section 33. HUD Rider to Restrictive Covenants. The provisions of the HUD Rider to Restrictive Covenants attached to this Regulatory Agreement as Exhibit I are incorporated into this Regulatory Agreement by this reference as if fully set forth in this Section 33.

IN WITNESS WHEREOF, the Issuer, 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 Issuer

By Los Angeles Housing and Community
Investment Department

By _____
Name: Helmi A. Hisserich
Authorized Officer

Approved as to form:

CITY OF LOS ANGELES
MICHAEL N. FEUER, City Attorney

Deputy/Assistant City Attorney

[Signature Page to *Pilgrim Tower* Regulatory Agreement]

[TRUSTEE],
as Trustee

By _____
Name:
Title: Vice President

[Signature Page to *Pilgrim Tower* Regulatory Agreement]

PILGRIM TOWER APARTMENTS, L.P., a
California limited partnership

By: Pilgrim Tower Apartments, LLC, a
California limited liability company, its
general partner

By: Brookmore Apartment Corporation,
a California nonprofit corporation,
its sole member

By: _____
Howard Hudson, President

[Signature Page to *Pilgrim Tower* 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]

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

Real property in the City of Los Angeles, County of Los Angeles, State of California, described as follows:

[INSERT LEGAL DESCRIPTION]

Assessor's Parcel Number: [_____]

EXHIBIT B

FORM OF CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

FOR THE [MONTH/QUARTER] ENDING _____

\$1,815,000
City of Los Angeles
Multifamily Housing Revenue Bonds
(Pilgrim Tower Apartments)
Series 2015H-1

\$15,985,000
City of Los Angeles
Multifamily Housing Revenue Bond
(Pilgrim Tower Apartments)
Series 2015H-2

The undersigned, being the Authorized Borrower Representative of Pilgrim Tower Apartments, L.P., 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 “Issuer”), including, without limitation, the Regulatory Agreement and Declaration of Restrictive Covenants, dated as of [_____] 1, 2015 (the “Regulatory Agreement”), among the Borrower, the Issuer and [TRUSTEE], as Trustee relative to the property located at 1207 South Vermont Avenue, Los Angeles, CA.

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 Taxability Event (as such term is defined in the Regulatory Agreement) has occurred [OR, IF A TAXABILITY EVENT HAS OCCURRED, SET FORTH ALL MATERIAL FACTS RELATING THERETO].

PILGRIM TOWER APARTMENTS, L.P., a
California limited partnership

By: Pilgrim Tower Apartments, LLC, a
California limited liability company, its
general partner

By: Brookmore Apartment Corporation,
a California nonprofit corporation,
its sole member

By: _____
Howard Hudson, President

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: Pilgrim Tower, 1207 South Vermont Avenue, Los Angeles, CA.

The undersigned hereby (certify) (certifies) that:

1. This Certification of Tenant Eligibility is being delivered in connection with the undersigned's application for occupancy of Apartment #_____ in the Pilgrim Tower Apartments located at 1207 South Vermont Avenue, in 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 charges for the allotments; and payments to volunteers under the Domestic Volunteer Service Act of 1973; is as follows:

Occupant	Anticipated Annual Income	Source of Income or Employer
(a) _____ _____	\$ _____	_____
(b) _____ _____	\$ _____	_____
(c) _____ _____	\$ _____	_____
(d) _____ _____	\$ _____	_____
(e) _____ _____	\$ _____	_____
(f) _____ _____	\$ _____	_____
TOTAL	\$ _____	

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 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:

[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 bonds 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 bonds 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

Project Name: Pilgrim Tower Apartments

Name of Bond Issuer: City of Los Angeles

CDLAC Application No.: 15-346

Pursuant to Section 13 of Resolution No. 15-43 (the "Resolution"), adopted by the California Debt Limit Allocation Committee (the "Committee") on May 20, 2015, I, [_____, an Officer of the Project Sponsor, hereby certify under penalty of perjury that, as of the date of this Certification, the above-mentioned Project is in compliance with all of the terms and conditions set forth in the Resolution.

I further certify that I have read and understand the 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 allocations or any other available remedy.

Please check or write N/A to the items listed below:

_____ The project is currently in the Construction or Rehabilitation phase.

_____ The project has incorporated the minimum specification into the project design for all new construction and rehabilitation projects as evidenced by the attached third party certification (HERS Rater, Green Point Rater or US Green Building Council). For project under construction or rehabilitation, the information is due following receipt of the verification but in no event shall the documentation be submitted more than two years after the issuance of bonds.

_____ For projects that received points for exceeding the minimum requirements please attach the appropriate California Energy Commission compliance form for the project which shows the necessary percentage improvement better than the appropriate standards. The compliance form must be signed by a California Association of Building Consultants, Certified Energy Plans Examiner or HERS Rater as applicable.

Signature of Officer

Date

Printed Name of Officer

Title of Officer

Phone Number

EXHIBIT F

[RESERVED]

EXHIBIT G
CDLAC RESOLUTION

EXHIBIT H

FORM OF SLAVERY DISCLOSURE ORDINANCE CERTIFICATE

EXHIBIT I

HUD RIDER TO RESTRICTIVE COVENANTS

This HUD RIDER TO RESTRICTIVE COVENANTS is attached to and made an integral part of the Regulatory Agreement and Declaration of Restrictive Covenants dated as of [____], 1 2015, by and among Pilgrim Tower Apartments, L.P. ("Borrower"), [TRUSTEE] ("Trustee") and the City of Los Angeles ("City").

WHEREAS, Borrower has obtained financing from [LENDER] (the "Lender") for the benefit of the project known as Pilgrim Tower Apartments (the "Project"), which loan is secured by a Multifamily Deed of Trust, Assignment of Rents and Security Agreement ("Security Instrument") dated as of [____] 1, 2015 and recorded in the real property records of Los Angeles County, California (the "Records") and is insured by the United States Department of Housing and Urban Development ("HUD");

WHEREAS, Borrower has received a loan from the City of the proceeds of the City's Multifamily Housing Revenue Bonds (Pilgrim Tower Apartments) Series 2015H-1 and Multifamily Housing Revenue Bond (Pilgrim Tower Apartments) Series 2015H-2, which City is requiring certain restrictions be recorded against the Project; and

Whereas, Borrower entered into that Regulatory Agreement and Declaration of Restrictive Covenants dated as of [____] 1, 2015 by and among the Borrower, City and [TRUSTEE], as Trustee ("Restrictive Covenants") with respect to the Project, and recorded in the real property records of Los Angeles County, California.; and

WHEREAS, HUD requires as a condition of its insuring Lender's financing to the Project, that the lien and covenants of the Restrictive Covenants be subordinated to the lien, covenants, and enforcement of the Security Instrument; and

WHEREAS, the City has agreed to subordinate the Restrictive Covenants to the lien of the Mortgage Loan in accordance with the terms of this Rider.

NOW, THEREFORE, in consideration of the foregoing and for other consideration the receipt and sufficiency of which are hereby acknowledged, the City, Borrower and Trustee, by their execution of the Restrictive Covenants to which this Rider is attached as an integral part, hereby agree as follows:

(a) In the event of any conflict between any provision contained elsewhere in the Restrictive Covenants and any provision contained in this Rider, the provision contained in this Rider shall govern and be controlling in all respects as set forth more fully herein.

(b) The following terms shall have the following definitions:

"Code" means the Internal Revenue Code of 1986, as amended.

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

"HUD Regulatory Agreement" means the Regulatory Agreement between Borrower and HUD with respect to the Project, as the same may be supplemented, amended or modified from time to time.

"Lender" means Red Mortgage Capital, LLC, a Delaware limited liability company, its successors and assigns.

"Mortgage Loan" means the mortgage loan made by Lender to the Borrower pursuant to the Mortgage Loan Documents with respect to the Project.

"Mortgage Loan Documents" means the Security Instrument, the HUD Regulatory Agreement and all other documents required by HUD or Lender in connection with the Mortgage Loan.

"National Housing Act" means the National Housing Act of 1934, as amended.

"Program Obligations" has the meaning set forth in the Security Instrument.

"Security Instrument" means the mortgage or deed of trust from Borrower in favor of Lender, as the same may be supplemented, amended or modified.

"Surplus Cash" has the meaning specified in the HUD Regulatory Agreement.

(c) Notwithstanding anything in the Restrictive Covenants to the contrary, the provisions hereof are expressly subordinate to (i) the Mortgage Loan Documents, including, without limitation, the Security Instrument and (ii) Program Obligations (the Mortgage Loan Documents and Program Obligations are collectively referred to herein as the "HUD Requirements"). Borrower covenants that it will not take or permit any action that would result in a violation of the Code, HUD Requirements or Restrictive Covenants. In the event of any conflict between the provisions of the Restrictive Covenants and the provisions of the HUD Requirements, HUD shall be and remains entitled to enforce the HUD Requirements. Notwithstanding the foregoing, nothing herein limits the City's ability to enforce the terms of the Restrictive Covenants, provided such terms do not conflict with statutory provisions of the National Housing Act or the regulations related thereto. The Borrower represents and warrants that to the best of Borrower's knowledge the Restrictive Covenants impose no terms or requirements that conflict with the National Housing Act and related regulations

(d) In the event of foreclosure (or deed in lieu of foreclosure), the Restrictive Covenants (including without limitation, any and all land use covenants and/or restrictions contained herein) shall automatically terminate.

(e) Borrower, Trustee and the City acknowledge that Borrower's failure to comply with the covenants provided in the Restrictive Covenants does not and shall not serve as a basis for default under the HUD Requirements, unless a default also arises under the HUD Requirements.

(f) Except for the City's reporting requirement, in enforcing the Restrictive Covenants neither the City nor the Trustee will file any claim against the Project or the Mortgage Loan proceeds, any reserve or deposit required by HUD in connection with the Security Instrument or HUD Regulatory Agreement, or the rents or other income from the property other than a claim against:

- i. Available surplus cash, if the Borrower is a for-profit entity;
- ii. Available distributions and residual receipts authorized for release by HUD, if the Borrower is a limited distribution entity;
- iii. Available residual receipts authorized by HUD, if the Borrower is a nonprofit entity; or
- iv. A HUD-approved collateral assignment of any HAP contract.

(g) For so long as the Mortgage Loan is outstanding, Borrower and City shall not further amend the Restrictive Covenants, with the exception of clerical errors or administrative correction of non-substantive matters, without HUD's prior written consent.

(h) Subject to the HUD Regulatory Agreement, the City and Trustee may require the Borrower to indemnify and hold the City and Trustee harmless from all loss, cost, damage and expense arising from any claim or proceeding instituted against City or Trustee relating to the subordination and covenants set forth in the Restrictive Covenants, provided, however, that Borrower's obligation to indemnify and hold the City and Trustee harmless shall be limited to available surplus cash and/or residual receipts of the Borrower.

(i) No action shall be taken in accordance with the rights granted herein to preserve the tax exemption of the interest on the notes or bonds, or prohibiting the owner from taking any action that might jeopardize the tax-exemption, except in strict accord with Program Obligations.

BOND PLACEMENT AGREEMENT

\$15,985,000
City of Los Angeles
Multifamily Housing Revenue Bond
(Pilgrim Tower Apartments)
Series 2015H-2

August ____, 2015

City of Los Angeles
c/o Los Angeles Housing and Community Investment Department
1200 West 7th Street, 8th Floor
Los Angeles, CA 90017
Attention: Supervisor, Affordable Housing Bond Program

Pilgrim Tower Apartments, L.P.
303 North Glenoaks Boulevard, Suite 210
Burbank, CA 91502

Ladies and Gentlemen:

Red Capital Markets, LLC, on its own behalf and not as your fiduciary (the “Placement Agent”) and in its capacity as placement agent with respect to the above-captioned bond (the “Bond”), enters into the following agreement (the “Bond Placement Agreement”) with the City of Los Angeles (the “Issuer”) and Pilgrim Tower Apartments, L.P., a California limited partnership (the “Borrower”), which, upon acceptance of this offer by the Issuer and the Borrower, will be binding upon the Issuer, the Borrower and the Placement Agent. This offer is made subject to the Issuer’s and the Borrower’s acceptance on or before 1:00 p.m., Eastern time, today. If this offer is not timely accepted, it will thereafter be subject to withdrawal by the Placement Agent upon written notice delivered to the Issuer and the Borrower at any time prior to the acceptance hereof by the Issuer and the Borrower. Upon the execution by all parties hereto, this Bond Placement Agreement shall be deemed to be fully executed and effective as of 1:00 p.m., Eastern time, today. If and when accepted by the Issuer and the Borrower in writing, this Bond Placement Agreement shall constitute the agreement of the Placement Agent to purchase the Bond on the terms and subject to the conditions herein set forth.

The Bond is being issued by the Issuer pursuant to an Indenture of Trust, dated as of August 1, 2015 (the “Indenture”), between the Issuer and [TRUSTEE], as trustee (the “Trustee”) and the Bond Resolution, all pursuant to the Act. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

The Issuer will loan (the “Loan”) the proceeds of the sale of the Bond to the Borrower pursuant to the Loan Agreement, dated as of the date of the Indenture (the “Loan Agreement”), [between the Issuer and the Borrower] to finance a portion of the cost of acquisition, rehabilitation and equipping of Pilgrim Tower Apartments, a multifamily residential rental housing project for seniors located in Los Angeles, California (the “Project”). To evidence its repayment obligations under the Loan Agreement, the Borrower will execute a note, dated the Closing Date (the “Note”), payable to the Issuer, and assigned by the Issuer to the Trustee. The obligation of the Borrower to repay the Note will be secured by a subordinate lien on the Project evidenced by a _____, dated the Closing Date (the “Subordinate Deed of Trust”) from the Borrower for the benefit of the Trustee.

The Bond is a limited obligation of the Issuer, and the principal of and interest thereon will be payable solely from the revenues and other moneys assigned by the Indenture to secure such payment.

The Borrower will be required to operate the Project in compliance with the Regulatory Agreement and Declaration of Restrictive Covenants, dated as of the date of the Indenture (the “Regulatory Agreement”), among the Issuer, the Trustee and the Borrower. The Regulatory Agreement will restrict the operation of the Project, the occupancy of certain units in the Project and the rents chargeable with respect to certain units in the Project.

The initial purchaser of the Bond (the “Initial Purchaser”) will sign an Investor Letter in the form attached to the Indenture (the “Investor Letter”) as a condition to its purchase of the Bond.

Simultaneously with the issuance of the Bond, the Borrower will receive additional financing for the Project in the form of a loan (the “Senior Loan”) of the proceeds of the sale of approximately \$1,815,000 aggregate principal amount of the Issuer’s Multifamily Housing Revenue Bonds (Pilgrim Tower Apartments) Series 2015H-2 (the “Senior Bonds”). Red Capital Markets, LLC (the “Underwriter”) will agree to underwrite the Senior Bonds under and pursuant to a Bond Purchase Agreement, dated as of the date of this Bond Placement Agreement (the “Bond Purchase Agreement”), by and among the Underwriter, the Borrower and the Issuer.

On or prior to the Closing Date, the Placement Agent shall have received a copy of each of the following documents, duly executed by all parties thereto or certified to the satisfaction of the Placement Agent:

- (a) Indenture;
- (b) Bond,
- (c) Loan Agreement;
- (d) Note;
- (e) Subordinate Deed of Trust;
- (f) Regulatory Agreement;
- (g) Bond Placement Agreement.

The foregoing documents are hereinafter collectively referred to as the “Bond Documents.” The Bond Documents executed by the Issuer shall be referred to herein as the “Issuer Documents.” The Bond Documents executed by the Borrower shall be referred to herein as the “Borrower Documents.” The Bond Documents executed by the Trustee shall be referred to herein as the “Trustee Documents.”

SECTION 1. Placement of the Bond

Upon the terms and conditions and upon the basis of the representations and warranties herein set forth, the Placement Agent hereby agrees to use its best efforts to place with the Initial Purchaser, and the Issuer hereby agrees to sell directly to such Initial Purchaser, the Bond at a purchase price equal to 100% of the principal amount thereof on August ____, 2015 (the “Closing Date”). It shall be a condition (a) to the obligations of the Issuer to sell and deliver the Bond to the Initial Purchaser, and (b) to the obligations of the Placement Agent to use its best efforts to place the Bond with the Initial Purchaser, that the entire

aggregate principal amount of the Bond shall be issued and delivered by the Issuer to the Initial Purchaser.

The Bond shall bear interest at the rates and mature on the dates as provided in Schedule I hereto and have such other terms as provided in the Indenture. Upon the delivery of the Bond, the Borrower agrees to pay to the Placement Agent, as compensation for services hereunder, a fee (the "Gross Placement Agent's Fee") in an amount equal \$_____, which includes the amount listed under the heading "EXPENSES TO BE PAID BY PLACEMENT AGENT" in Schedule II hereto (the "Expense Reimbursement"), from which amount the Placement Agent will pay the expenses listed under the heading "EXPENSES TO BE PAID BY PLACEMENT AGENT" in Schedule II hereto. The Gross Placement Agent's Fee shall be due and payable in immediately available funds upon the delivery of the Bond, solely and exclusively from funds provided by the Borrower.

SECTION 2. Disclosure. No disclosure document shall be prepared with respect to the Bond.

SECTION 3. Representations and Warranties of the Issuer

The Issuer represents and warrants as of the date hereof to the Placement Agent and the Borrower as follows:

(a) The Issuer is a municipal corporation and charter city of the State, established by and acting pursuant to the Act, and has, and at the Closing Date will have, full legal right, power and authority under the Constitution and the laws of the State: (i) to enter into the Issuer Documents; (ii) to adopt the Bond Resolution; (iii) to issue, sell and deliver the Bond to the Placement Agent under the Indenture and as provided herein; (iv) to pledge and assign the revenue, other money, securities, funds, accounts, guarantees, insurance, and other items pledged under the terms of the Indenture, as provision of and security for the payment of the principal of and interest on the Bond, and to similarly pledge all money, securities and earnings held in the funds and accounts held under the Indenture, all in the manner described in the Bond Resolution, the Indenture and the Loan Agreement; and (v) to carry out, give effect to and consummate all the other transactions contemplated by the Issuer Documents and the Bond Resolution.

(b) The Issuer has duly and validly adopted the Bond Resolution, has duly authorized and approved the execution and delivery of the Bond and the Issuer Documents, and has duly authorized and approved the performance by the Issuer of its obligations contained in, and the taking of any and all action as may be necessary to carry out, give effect to and consummate the transactions contemplated by, each of those documents, and at the Closing Date, the Bond and assuming the valid authorization, execution and delivery of this Bond Placement Agreement and the other Issuer Documents by the other parties thereto and the authentication of the Bond by the Trustee, the Issuer Documents will constitute the valid, legal and binding obligations of the Issuer enforceable against the Issuer in accordance with their respective terms, except as enforceability may be limited by bankruptcy, insolvency, or other similar laws affecting creditors' rights generally, or by the exercise of judicial discretion in accordance with general principles of equity, and the Bond Resolution and will be in full force and effect.

(c) The Issuer's execution and delivery of the Bond and the Issuer Documents, the Issuer's consummation of the transactions contemplated by such documents, and the Issuer's fulfillment of or compliance with the terms, conditions or provisions thereof will not in any material way conflict with, violate or result in the breach of any of the terms, conditions or provisions of any constitutional provision or statute of the State or of any agreement, instrument, statute, governmental rule or regulation, law and order, judgment or decree to which the Issuer is

now a party or by which it is bound, and will not constitute a default under any of the foregoing which has not been waived or consented to in writing by the appropriate party or parties, and will not result in the creation or imposition of any lien, charge, security interest or encumbrance of any nature upon any property or assets of the Issuer prohibited under the terms of any such agreement, instrument, statute, governmental rule or regulation, court order, judgment or decree.

(d) To the Issuer's best knowledge, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending or, to the knowledge of the Issuer, threatened against or affecting the Issuer (or, to the knowledge of the Issuer, any meritorious basis therefor), wherein an unfavorable decision, ruling or finding would: (i) adversely affect the creation, existence or powers of the Issuer, or the title to office of the officers thereof, (ii) limit, enjoin or restrain the issuance, placement and delivery of the Bond, or the payment, collection or application of the revenues and limit, enjoin or restrain other moneys and securities pledged or to be pledged under the Indenture or the pledge thereof, (iii) adversely affect any of the rights, powers, duties or obligations of the Issuer with respect to the moneys and assets pledged or to be pledged to pay the principal of or redemption price, if any, or interest on the Bond, (iv) question or affect the authority for or validity of the Bond Resolution or the Issuer Documents, or (v) question or affect its obligations with respect to the Bond as contemplated by any other agreement or instrument to which the Issuer is a party.

(e) The issuance of the Bond and the use of Bond proceeds in the manner described in the Bond Resolution and the Issuer Documents do not constitute a loan of money in a manner prohibited by the Constitution of the State.

(f) To the best of the knowledge of the manager signing this Bond Purchase Agreement, there are no payment defaults on the Issuer's outstanding housing bonds.

(g) Upon delivery of the Bond, the Issuer will have good right, full power and lawful authority to pledge and assign the trust estate described in the Indenture to the Trustee as provided in the Indenture and the Bond Resolution.

(h) The Issuer has complied, and will at the Closing Date be in compliance, in all respects with the Bond Resolution and the Issuer Documents.

(i) All approvals, consents, authorization, elections and orders of or filings or registrations with any governmental authority, board, agency or issuer having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by the Issuer of its obligations hereunder or under the Bond or any of the Issuer Documents have been obtained and are in full force and effect.

(j) The Bond, when delivered in accordance with the Indenture and paid for by the Initial Purchaser on the Closing Date as provided herein, will be validly issued and outstanding limited obligations of the Issuer entitled to all the benefits and security of the Indenture.

(k) Any certificate signed by an Authorized Official of the Issuer shall be deemed a representation and warranty by the Issuer to the Placement Agent as to the statements made therein.

(l) The Issuer will apply the proceeds of the Bond in accordance with the Indenture.

(m) The Issuer has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that it is a bond issuer whose arbitrage certifications may not be relied upon.

(n) The Issuer has taken such actions as advised by its bond counsel which are necessary to preserve the exclusion from gross income for federal income tax purposes of the interest on the Bonds.

The execution and delivery of this Bond Placement Agreement by the Issuer shall constitute a representation to the Placement Agent that the representations and warranties contained in this Section are true as of the date hereof and as of the Closing Date.

SECTION 4. Representations, Warranties and Agreements of the Borrower

The Borrower represents, warranties and agrees with the Placement Agent and the Issuer as follows:

(a) The Borrower is duly formed and validly existing as a limited partnership under the laws of the State, has full legal right, power and authority to own its properties and to conduct its business as described in the Borrower Documents and to enter into and to carry out and consummate the transactions contemplated by the Borrower Documents, and is duly qualified to do such business and are in good standing wherever such qualification and/or standing are required, including the State.

(b) By all necessary action, the Borrower has duly authorized the Borrower Documents to which it is a party and approved the execution and delivery of the Borrower Documents to which it is a party, and the performance by the Borrower of its obligations in connection with the issuance of the Bond on its part contained in the Borrower Documents to which it is a party and the consummation by it of all other transactions contemplated by the Indenture and the Borrower Documents to which it is a party in connection with the issuance of the Bond.

(c) On the Closing Date, the Borrower Documents to which it is a party will constitute the valid, legal and binding obligations of the Borrower (assuming due authorization, execution and delivery by the respective other parties thereto, where necessary), enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws of general applicability affecting the enforcement of creditors' rights and to general principles of equity, regardless of whether such enforceability is considered in equity or in law.

(d) As of the date hereof, the Borrower is not in any material respect in violation of, breach of or default under any applicable law of the State or of any state in which the Borrower is authorized to do business or of the United States, or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Borrower or any of its activities, properties or assets, or any indenture, mortgage, deed of trust, resolution, note agreement (including, without limitation, the Borrower Documents to which it is a party) or other agreement or instrument to which the Borrower is a party or by which the Borrower or any of its property or assets is bound, which violation or breach of or default would have a material adverse effect upon the transactions contemplated by this Bond Placement Agreement, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instruments; and the execution and delivery of

the Borrower's Documents, and compliance with the provisions on the Borrower's part contained therein, do not and will not conflict with or constitute on the part of the Borrower a violation or breach of or default under any law of the State or of any state in which the Borrower is authorized to do business or of the United States, or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Borrower or any of its activities, properties or assets, or any indenture, mortgage, deed of trust, resolution, note agreement (including, without limitation, the Borrower Documents) or other agreement or instrument to which the Borrower is a party or by which the Borrower or any of its property or assets are bound which violation, breach or default would have a material adverse effect upon the transactions contemplated by this Bond Placement Agreement, nor will any such execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Borrower or under the terms of any such law, regulation or instrument, except as provided by the Bond or the Borrower Documents.

(e) To the best of the Borrower's knowledge after due inquiry, no consent, approval, authorization or order of any court or governmental body is required for the consummation by the Borrower of the transactions contemplated by this Purchase Agreement and the Borrower Documents to which it is a party except such as have already been obtained or will be obtained on or prior to Closing or may be required under the state securities or "Blue Sky" laws in connection with the purchase and distribution of the Bond by the Placement Agent.

(f) As of the date hereof, there is no action, suit, proceeding, inquiry or investigation of which the Borrower has been notified, at law or in equity, before or by any judicial or administrative court or governmental agency or body, state, federal or other, pending or, to the best knowledge of the Borrower, threatened against the Borrower, affecting the existence of the Borrower or the titles of its officers executing this Bond Placement Agreement to their respective offices, or contesting or affecting as to the Borrower the validity or enforceability of the Bond, any of the Borrower Documents to which it is a party or the execution and delivery or adoption by the Borrower of any of the Borrower Documents to which it is a party, or in any way contesting or challenging the powers of the Borrower or its authority with respect to the Borrower Documents to which it is a party or the consummation of the transactions contemplated hereby or thereby; nor, to the best knowledge of the Borrower, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the financial condition or operations of the Borrower or the validity of the authorization, execution, delivery or performance by the Borrower of any of the Borrower Document.

(g) The Borrower will furnish such information, execute such instruments and take such other action in cooperation with the Placement Agent as the Placement Agent may reasonably request in order (i) to qualify the Bond for placement under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Placement Agent may designate and (ii) to determine the eligibility of the Bond for investment under the laws of such states and other jurisdictions, and will use its best efforts upon the reasonable request of the Placement Agent to continue such qualifications in effect so long as required for the distribution of the Bond; provided, however, that the Borrower shall not be required to pay any amounts, register as a dealer or broker of securities or execute a general or special consent to service of process or qualify to do business in any jurisdiction where it is not now so subject.

(h) Any certificate signed by the Borrower and delivered to the Placement Agent or the Issuer pursuant to the Indenture or the Borrower Documents shall be deemed a representation and warranty by the Borrower to the Placement Agent and the Issuer as to the statements made therein as of the date thereof.

(i) The Borrower will not take or omit to take any action, which action or omission will adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bond under the Internal Revenue Code of 1986, as amended.

(j) The Borrower shall honor all other covenants contained in the Borrower Documents to which it is a party.

(k) All permits, licenses and other authorizations necessary for the ownership, acquisition, rehabilitating, and equipping of the Project in the manner contemplated by the Borrower Documents have been obtained or will be obtained by the time required, and said ownership, acquisition, rehabilitating, and equipping are not in conflict with any zoning or similar ordinance applicable to the Project.

The execution and delivery of this Bond Placement Agreement by the Borrower shall constitute a representation to the Placement Agent that the representations and warranties contained in this Section are true as of the date hereof and as of the Closing Date.

SECTION 5. Indemnification

(a) The Borrower agrees to pay, defend, protect, indemnify, save and hold harmless the Issuer, the Placement Agent and each affiliate, member, officer, director, official, employee and agent, past, present or future, of the Issuer and the Placement Agent, and each person, if any, who controls any of the foregoing within the meaning of Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Securities Exchange Act of 1934, as amended (each an “Indemnified Party” and all collectively referred to herein as the “Indemnified Parties”), against any and all liabilities, losses, damages, costs, expenses (including attorneys’ fees), causes of action (whether in contract, tort or otherwise), suits, claims, demands and judgments of any kind, character and nature (collectively referred to herein as the “Liabilities”) caused by or directly or indirectly arising from or in any way relating to the Bond, the Project, the Loan, the Loan Agreement, the FHA Mortgage, the Indenture, this Bond Placement Agreement or any document related to the Bond, the Project, the Loan or any transaction or agreement, written or oral, pertaining to the foregoing (collectively, the “Transaction Documents”).

(b) The Borrower also agrees to pay, defend, protect, indemnify, save and hold harmless the Placement Agent and each affiliate, member, officer, director, official, employee and agent of the Placement Agent from and against the Liabilities directly or indirectly arising from or relating to (i) any errors or omissions of any nature whatsoever contained in any legal proceedings or other official representation or inducement made by the Issuer pertaining to the Bond and (ii) any fraud or misrepresentations or omissions contained in the proceedings of the Issuer relating to the issuance of the Bond or pertaining to the financial condition of the Borrower.

(c) Any Indemnified Party shall notify the Borrower of the existence of any Liability to which this indemnification obligation would apply and shall give to the Borrower an opportunity to defend the same at the Borrower’s expense and with counsel satisfactory to the Indemnified Party, provided that the Indemnified Party shall at all times also have the right to fully participate in the defense and shall have the right to review and approve or disapprove any compromise or settlement, which approval shall not be unreasonably withheld. If there may be legal defenses available to the Indemnified

Party which are different from or in addition to those available to the Borrower or if the Borrower shall, after this notice and within a period of time necessary to preserve any and all defenses to any claim asserted, fail to assume the defense or to employ counsel for that purpose satisfactory to the Indemnified Party, the Indemnified Party shall have the right, but not the obligation, to undertake the defense of, and, with the approval of the Borrower, to compromise or settle the claim or other matter on behalf of, for the account of, and at the risk of, the Borrower.

(d) In order to provide for just and equitable contribution in circumstances in which the indemnity provided for in paragraph (a) or (b) of this Section is for any reason held to be unavailable, the Borrower and the Placement Agent and each affiliate, member, officer, director, official, employee and agent, past, present or future, of the Placement Agent, and each person, if any, who controls any of the foregoing within the meaning of Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Securities Exchange Act of 1934, as amended (each a "Placement Agent Indemnified Party" and all collectively referred to herein as the "Placement Agent Indemnified Parties") shall contribute proportionately to the aggregate Liabilities to which the Borrower and the Placement Agent Indemnified Party may be subject, so that the Placement Agent Indemnified Party is responsible for that portion represented by the percentage that the fees paid by the Borrower to the Placement Agent Indemnified Party in connection with the issuance and administration of the Bond bears to the aggregate offering price of the Bond, with the Borrower responsible for the balance; provided, however, that in no case shall the Placement Agent Indemnified Party be responsible for any amount in excess of the fees paid by the Borrower to the Placement Agent Indemnified Party in connection with the issuance and administration of the Bond. Notwithstanding anything in this Bond Placement Agreement to the contrary, contribution shall apply only with respect to such Placement Agent Indemnified Party for whom the indemnity provided for in paragraph (a) or (b) of this Section is unavailable and not to any other Indemnified Party for whom the indemnity provided for in paragraph (a) or (b) of this Section is available.

(e) The Indemnified Parties, other than the Issuer and the Placement Agent, shall be considered to be third party beneficiaries of this Bond Placement Agreement for purposes of this Section. The provisions of this Section will be in addition to all liability which the Borrower may otherwise have and shall survive any termination of this Bond Placement Agreement and the placement of the Bond.

(f) All indemnification obligations are subject to the limitations in Section 17 of this Bond Placement Agreement.

SECTION 6. Closing

At 10:00 a.m., Pacific time, on the Closing Date, or at such time on such earlier or later date as shall be agreed upon in writing by the Issuer, the Borrower and the Placement Agent, the Issuer shall direct the Trustee to deliver the Bond to the Initial Purchaser in definitive form, duly executed and authenticated by the Trustee. Subject to the terms and conditions hereof, the Issuer shall deliver at Bond Counsel's offices the other documents and instruments to be delivered pursuant to this Bond Placement Agreement (the "Closing Documents") and the Initial Purchaser shall accept delivery of the Bond and Closing Documents and delivery of a deed to the Project. As a condition precedent to such acceptance, the Placement Agent shall have received the Gross Placement Agent's Fee by wire transfer in immediately available federal funds to the order of the Placement Agent, in such manner as shall be agreed upon by the Borrower and the Placement Agent. This delivery and payment is herein called the "Closing." The Bond shall be prepared and delivered as a fully registered Bond without coupons.

SECTION 7. Closing Conditions

The Placement Agent has entered into this Bond Placement Agreement in reliance upon representations, warranties and agreements of the Issuer and the Borrower contained herein, in reliance upon the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Issuer and the Borrower of their obligations hereunder, both as of the date hereof and as of the Closing Date. Accordingly, the Placement Agent's obligations under this Bond Placement Agreement to use its best efforts to place the Bond shall be subject to the performance by the Issuer and the Borrower of their obligations to be performed by them hereunder at or prior to the Closing, and to the accuracy in all material respects of the representations and warranties of the Issuer and of the Borrower contained herein as of the date hereof and as of the Closing as if made on the Closing Date, and shall also be subject to the following additional conditions:

(a) At the time of the Closing, the Bond Resolution shall have been duly approved and adopted by the Issuer and shall be in full force and effect and the Issuer Documents shall have been duly authorized, executed and delivered, and shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Placement Agent and there shall have been taken in connection therewith and in connection with the issuance of the Bond all such actions as, in the opinion of Bond Counsel, and counsel for the Placement Agent, shall be necessary and appropriate in connection with the transactions contemplated hereby.

(b) The Placement Agent may terminate this Bond Placement Agreement by notification to the Issuer and the Borrower if at any time subsequent to the date hereof and at or prior to the Closing:

(i) (A) legislation shall be enacted by the Congress of the United States or adopted by the Senate or House of Representatives of the United States, or recommended to the Congress for passage by the President of the United States, or favorably reported for passage to the Senate or House of Representatives by any committee of either such body to which such legislation has been referred for consideration or by a conference committee of such bodies, (B) a decision shall be rendered by a court of the United States or by the Tax Court of the United States, (C) a ruling, regulation or official action shall be rendered by or on behalf of the United States, or (D) a ruling, regulation or official action shall be proposed or issued, in any manner, including by pronouncement, press release or any other form of notice, by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or another governmental agency of the United States or by or on behalf of any member of the Senate or House of Representatives of the United States in any such instance with respect to federal taxation of interest received on obligations of the general character of the Bond and which (1) in the opinion of counsel for the Placement Agent would have or proposes action which would have the effect of making such interest includable in gross income for federal income tax purposes or (2) which, in the opinion of the Placement Agent would materially adversely affect any intended utilization of Bond proceeds or other intended action described in the Borrower Documents;

(ii) between the date hereof and the Closing, payment for and delivery of the Bond is rendered impracticable or inadvisable because (A) trading in securities generally shall have been suspended on the New York Stock Exchange or a general banking moratorium shall have been established by Federal or New York authorities or (B) a war involving the United States shall have been declared or another national or international calamity shall have occurred, the effect of any of which, in the reasonable judgment of the Placement Agent materially adversely affects the marketability of the Bond (it being agreed by the parties hereto that there is no war or national calamity of such a nature as of the date hereof);

(iii) legislation shall be enacted, or any action shall be taken by the Securities and Exchange Commission, which, in the opinion of counsel for the Placement Agent has or may have the effect of requiring the contemplated distribution of the Bond to be registered under the Securities Act of 1933, as amended, or the Indenture to be qualified as an indenture under the Trust Indenture Act of 1939, as amended; or

(iv) an occurrence, in the judgment of Placement Agent, of a material adverse change in the capital markets which makes the placement or financing contemplated hereby impractical or which makes it inadvisable to proceed with the placement or financing contemplated hereby on the terms, manner and basis contemplated hereby.

(c) At or prior to the Closing, the Placement Agent shall receive the following documents:

(i) an approving opinion of Bond Counsel substantially in the form attached as Appendix B to the official statement prepared with respect to the Senior Bonds, but covering the Bond, and addressed to the Issuer and the Trustee and dated the Closing Date, and;

(ii) opinions or certificates, as the case may be, dated the Closing Date and addressed to the Placement Agent and to such other parties as may be appropriate, of:

(A) Bond Counsel and Issuer Counsel, substantially in the form attached hereto as Exhibit A;

(B) Borrower's Counsel, substantially in the form attached hereto as Exhibit B; and

(iii) a certificate, dated the Closing Date and signed on behalf of the Issuer, delivered to the Placement Agent and the Borrower, to the effect that:

(A) To the Issuer's best knowledge, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending or, to the knowledge of the Issuer, threatened against or affecting the Issuer (or, to the knowledge of the Issuer, any meritorious basis therefor), wherein an unfavorable decision, ruling or finding would: (a) adversely affect the creation, existence or powers of the Issuer, or the title to office of the officers thereof, (b) limit, enjoin or restrain the issuance, placement and delivery of the Bond, or the payment, collection or application of the revenues and limit, enjoin or restrain other moneys and securities pledged or to be pledged under the Indenture or the pledge thereof, (c) adversely affect any of the rights, powers, duties or obligations of the Issuer with respect to the moneys and assets pledged or to be pledged to pay the principal of or redemption price, if any, or interest on the Bond, (d) question or affect the authority for or validity of the Bond Resolution or the Issuer Documents, or (e) question or affect its obligations with respect to the Bond as contemplated by any other agreement or instrument to which the Issuer is a party;

(B) The Issuer has complied or will comply with all agreements, covenants and arrangements and has satisfied all conditions on its part to be complied with, performed or satisfied in connection with the issuance and delivery of the Bond at or prior to the Closing Date; and

(C) The representations and warranties of the Issuer contained in the Issuer Documents are true, complete and correct in all material respects as of the Closing Date;

(iv) a certificate of the Issuer and the Borrower as to arbitrage and other federal tax matters in form and substance acceptable to the Issuer, Bond Counsel and the Placement Agent;

(v) a certificate of the Borrower, dated the Closing Date, that (A) each of the representations and warranties set forth in the Borrower Documents to which it is a party (including this Bond Placement Agreement) is true and correct in all material respects on the Closing Date with the same effect as if made on the Closing Date, and (B) the Borrower has complied with all agreements and satisfied all the conditions on its part to be performed or satisfied under the Borrower Documents at or prior to the Closing Date;

(vi) a certificate of the Trustee, dated the Closing Date, that (i) he or she is an authorized officer of the Trustee; (ii) the Trustee Documents have been duly executed and delivered by the Trustee; (iii) the Trustee has all necessary corporate and trust powers required to carry out the trust created by the Indenture; (iv) to the best of his or her knowledge, the acceptance by the Trustee of the trusts, and the duties and obligations of the Trustee under the Trustee Documents and compliance with the provisions thereof will not conflict with or constitute a breach of or default under any law, administrative regulation, consent decree or any agreement or other instrument to which the Trustee is subject or by which the Trustee is bound; (v) the Trustee has duly authenticated the Bond, and the person signing the certificate of authentication on the Bond has been duly authorized to do so; and (vi) to the best of such officer's knowledge, no litigation is pending or threatened which would materially and adversely affect the Trustee's ability to perform its duties under the Trustee Documents;

(vii) counterpart originals or certified copies of each of the Issuer Documents, Borrower Documents and Trustee Documents;

(viii) such agreements, certificates and opinions as requested by the Placement Agent to evidence the closing of the Loan;

(ix) such additional legal opinions, certificates (including any certificates necessary or desirable in order to establish the exclusion of the interest on the Bond from gross income for federal income tax purposes), instruments and other documents as the Placement Agent may reasonably request to evidence the truth and accuracy, as of the Closing Date, of the Issuer's representations herein and the due performance or satisfaction by the Issuer at or prior to such date of all agreements then to be performed, and all conditions then to be satisfied by the Issuer.

If the obligations of the Placement Agent shall be terminated for any reason permitted by this Bond Placement Agreement, neither the Placement Agent, nor the Issuer shall be under further obligation hereunder.

SECTION 8. Expenses

The Placement Agent shall be under no obligation to pay, and the Borrower hereby agrees to pay from funds available at Closing other than proceeds of the Bond, all expenses incident to the performance of the Issuer's obligations hereunder, including, but not limited to, (a) the cost of preparing the definitive Bond; (b) the fees and disbursements of Bond Counsel in connection with the authorization and issuance of the Bond; the fees and expenses of the Trustee and its counsel; the fees and expenses of the Issuer, its counsel and its financial advisor; the fees and expenses of counsel to the Placement Agent; (c) all advertising expenses in connection with the placement of the Bond; (d) any other expenses of the Placement Agent (other than those required hereunder to be paid solely by the Placement Agent); and (e) all other expenses in connection with the issuance, delivery and placement of the Bond. The Issuer shall

not have any obligation to pay any fees, expenses or costs associated with or resulting from the issuance and delivery of the Bond.

SECTION 9. Notices

Any notice or other communication to be given to the Issuer or the Borrower under this Bond Placement Agreement may be given by delivering the same in writing to the Issuer or the Borrower at their respective address set forth on the first page hereof. Any notice or other communication to be given to the Placement Agent under this Bond Placement Agreement may be given by mailing the same to Red Capital Markets, LLC, Two Miranova Place, 12th Floor, Columbus, OH 43215, Attention: Chief Executive Officer.

SECTION 10. Parties in Interest

This Bond Placement Agreement is made solely for the benefit of the Issuer, the Borrower and the Placement Agent (including any successor or assignees of the Placement Agent), and, except as provided in Section 5 hereof, no other party or person shall acquire or have any right hereunder or by virtue hereof.

SECTION 11. Amendments

This Bond Placement Agreement may not be amended without the written consent of the Issuer, the Borrower and the Placement Agent.

SECTION 12. Survival of Representations and Warranties

The representations and warranties of the Issuer and the Borrower shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing and regardless of any investigations made by or on behalf of the Placement Agent (or statements as to the results of such investigations) concerning such representations and statements of the Issuer and the Borrower and regardless of delivery of and payment for the Bond.

SECTION 13. Execution in Counterparts

This Bond Placement Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

SECTION 14. No Prior Agreements

This Bond Placement Agreement supersedes and replaces all prior negotiations, agreements and understandings between the parties hereto in relation to the placement of Bond for the Issuer.

SECTION 15. Effective Date

This Bond Placement Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the Issuer and the Borrower and shall be valid and enforceable as of the time of such acceptance.

SECTION 16. Governing Law

This Bond Placement Agreement shall be governed by the internal laws of the State without giving effect to the conflict of law principles of the State.

SECTION 17. HUD Provisions

The Borrower, the Placement Agent and the Issuer acknowledge that this Bond Placement Agreement, and all Borrower's obligations hereunder, are subject and subordinate to the following documents (collectively, the "Senior Loan Documents"): (i) Note (Multistate) dated as of the date of the Indenture from the Borrower to the FHA Lender, initially endorsed for mortgage insurance by the Secretary of Housing and Urban Development ("HUD") pursuant to Section 221(d)(4) of the National Housing Act, as amended (the "FHA Note"); (ii) the Multifamily Deed of Trust, Assignment of Rents, and Security Agreement dated as of the date of the Indenture from the Borrower for the benefit of the FHA Lender to secure the FHA Note (the "FHA Mortgage"); (iii) the Regulatory Agreement for Multifamily Projects, dated as of the date of the Indenture between the Borrower and HUD (the "HUD Regulatory Agreement"); and (iv) any and all other documents, agreements, or instruments which evidence or secure the indebtedness evidenced by the Senior Note. Notwithstanding any provision in this Bond Placement Agreement to the contrary, no obligations of the Borrower hereunder shall be payable except from (A) Surplus Cash (as defined in the HUD Regulatory Agreement) or (B) Non-Project Sources (meaning funds that are not derived from revenues of the Project, any proceeds of the FHA Note, and/or any reserve or deposit made with the FHA Lender or any other party as required by HUD in connection with the Senior Loan Documents. No claims or actions shall be made (or payable) under this Bond Placement Agreement against the Project, the FHA Lender, the proceeds of the FHA Note, or the assets of the Borrower, except for Surplus Cash of the Borrower. In addition, the rights and obligations of the parties under this Bond Placement Agreement and all other documents evidencing, implementing, or securing this Bond Placement Agreement (collectively, the "Subordinate Bond Documents") are and shall be subordinated in all respects rights and obligations of the parties to and under the Senior Loan Documents. In the event of any conflict between the provisions of (i) this Bond Placement Agreement or the Subordinate Bond Documents and (ii) the provisions of the Senior Loan Documents or the Program Obligations (as defined in the Senior Security Instrument), the provisions of the Senior Loan Documents or the Program Obligations shall control. The provisions of this Section 17 shall control over any inconsistent provisions in this Bond Placement Agreement or the Subordinate Bond Documents. No amendment to this Bond Placement Agreement shall conflict with the Senior Loan Documents or the Program Obligations.

SECTION 18. Placement Agent Not Acting as Advisor or Fiduciary

The Issuer and the Borrower each acknowledge and agree that (i) the placement of the Bond pursuant to this Bond Placement Agreement is an arm's-length commercial transaction among the Issuer, the Borrower, and the Placement Agent, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Placement Agent is and has been acting solely as a principal and is not acting as the agent, advisor, or fiduciary of the Issuer or the Borrower, (iii) the Placement Agent has not assumed individually or collectively an advisory or fiduciary responsibility in favor of the Issuer or the Borrower with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Placement Agent has advised or provided other services or is currently advising or providing other services to the Issuer or the Borrower on other matters) and the Placement Agent has no obligation to the Issuer or the Borrower with respect to the offering contemplated hereby except the obligations expressly set forth in this Bond Placement Agreement and (iv) the Issuer and the Borrower have consulted their

own legal, financial and other advisors to the extent they deem appropriate in connection with the offering of the Bond.

[Remainder of Page Left Blank Intentionally]

Attachment F – HCIDLA Request for Issuance of Bonds for Pilgrim Tower Apartments

If the foregoing is in accordance with your understanding of the Bond Placement Agreement please sign and return to us the enclosed duplicate copies hereof, whereupon it will become a binding agreement among the Issuer, the Borrower, the Placement Agent in accordance with its terms.

Very truly yours,

RED CAPITAL MARKETS, LLC

By _____
Nicholas A. Hamilton, Managing Director

[Issuer's Signature Page to the Bond Placement Agreement]

CITY OF LOS ANGELES, as Issuer

By Los Angeles Housing and Community
Investment Department

By _____
Helmi A. Hisserich, Authorized Officer

Approved as to form:

CITY OF LOS ANGELES
MICHAEL N. FEUER, City Attorney

Deputy/Assistant City Attorney

[Borrower's Signature Page to the Bond Placement Agreement]

PILGRIM TOWER APARTMENTS, L.P., a California
limited partnership

By Pilgrim Tower Apartments, LLC, a California
limited liability company
Its general partner

By Brookmore Apartment Corporation, a
California nonprofit corporation
Its sole member

By _____
Howard Hudson, President

Attachment F – HCIDLA Request for Issuance of Bonds for Pilgrim Tower Apartments

SCHEDULE I

MATURITY SCHEDULE

<u>Maturity Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>
_____	\$15,985,000	_____%	100%

SCHEDULE II

GROSS PLACEMENT AGENT'S FEE

Gross Placement Agent's Fee to Placement Agent* \$ _____

*From such amount, the Placement Agent will be reimbursed for its payment of the following additional nonaccountable costs and expenses of placing the Bond (to the extent that such additional costs vary from the estimates thereof, the Placement Agent will be responsible to cover such variance from its Gross Placement Agent's Fee):

EXPENSES TO BE PAID BY PLACEMENT AGENT

Bond Clearance charges, MSRB, BMA and CUSIP \$ _____

EXHIBIT A

FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL

[Closing Date]

[PLACEMENT AGENT]

[BOND CAPTION]

[After appropriate introductory language, the opinion shall state substantially as follows:]

1. The Bond Placement Agreement has been duly authorized, executed and delivered by, and constitutes the legally valid and binding agreement of the Issuer, enforceable in accordance with its terms.

2. The Bond is not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from application of the Trust Indenture Act of 1939, as amended, and it is not necessary, in connection with the placement of the Bond, to register any securities under said Securities Act or to qualify any indenture under said Trust Indenture Act.

3. No action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency or public board or body, is pending or, to the best of our knowledge, threatened in any way affecting the existence of the Issuer or the titles of its officers to their respective offices, or seeking to restrain or to enjoin the placement or delivery of the Bond, the application of the proceeds thereof in accordance with the Indenture, the collection or application of the Revenues, other money, securities, funds, accounts, guarantees, insurance and other items pledged under the Indenture to pay the principal of and interest on the Bond, or the pledge thereof or of the proceeds of the Bond or in any way contesting or affecting the validity or enforceability of the Bond, the Issuer Documents or any action of the Issuer contemplated by those documents, or in any way contesting the powers of the Issuer or its authority with respect to the Bond, the Issuer Documents or any action on the part of the Issuer contemplated by those documents or which would adversely affect the exclusion of interest paid on the Bond from gross income for federal income tax purposes, nor to the best of our knowledge is there any basis therefor.

4. The Issuer is a municipal corporation and charter city of the State of California, established by and acting pursuant to the Act, with full legal right, power and authority to issue the Bond and to perform all of its obligations under the Bond and the Issuer Documents, and the same are now in full force and effect, and the Issuer has duly adopted the Bond Resolution and has duly authorized, executed and delivered the Bond, the Issuer Documents, and (assuming due authorization, execution and delivery by the other parties thereto, where necessary) the Bond and the Issuer Documents constitute legal, valid and binding agreements of the Issuer, enforceable in accordance with their terms.

5. The adoption of the Bond Resolution, the Plan and the Rules and the execution and delivery of the Bond, the Issuer Documents and the other instruments contemplated by any of such documents to which the Issuer is a party, and compliance with the provisions of each

thereof, will not conflict with or constitute a breach of or default by the Issuer under any applicable law or administrative rule or regulation of the State of California, or to the best of our knowledge, the United States, or any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order or any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the Issuer is a party or is otherwise subject or bound.

6. All approvals, consents, authorizations, elections and orders of or filings or registrations with any governmental authority, board, agency or issuer having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by the Issuer of its duties and obligations under the Bond and the Issuer Documents have been obtained and are in full force and effect.

Very truly yours,

EXHIBIT B

BORROWER'S COUNSEL OPINION

[Closing Date]

[PLACEMENT AGENT]

[TRUSTEE]

[ISSUER]

[BOND CAPTION]

[After appropriate introductory language, the opinion shall state substantially as follows:]

1. The Borrower is a limited partnership, duly organized, validly existing and in good standing under the laws of the State and has all requisite partnership power and all material government licenses, authorizations, consents and approvals necessary to own and operate its property and conduct its business. The Borrower is qualified to do business in the State.

2. The Borrower has full legal right, power and authority (a) to own its properties and conduct its business as described in the Borrower Documents and (b) to enter into and to carry out and consummate the transactions contemplated by the Borrower Documents.

3. The Managing General Partner of the Borrower is a limited liability company, duly organized, validly existing and in good standing under the laws of the State and has all requisite limited liability company power and all material government licenses, authorizations, consents and approvals necessary to own and operate its property and conduct its business. The Managing General Partner is qualified to do business in the State.

4. The Administrative General Partner of the Borrower is a limited liability company, duly organized, validly existing and in good standing under the laws of the State and has all requisite limited liability company power and all material government licenses, authorizations, consents and approvals necessary to own and operate its property and conduct its business. The Administrative General Partner is qualified to do business in the State.

5. By all necessary action, the Borrower has duly authorized and adopted the Borrower Documents, and approved the execution and delivery of, and the performance by the Borrower of the obligations in connection with the issuance of the Bond on its part contained in the Bond and the Borrower Documents and the consummation by it of all other transactions contemplated by the Indenture and the Borrower Documents in connection with the issuance of the Bond. The individual[s] who have executed the Borrower Documents on behalf of the Managing General Partner of the Borrower have the authority to bind the Managing General Partner and thereby the Borrower to the terms and conditions of the Borrower Documents. The individual[s] who have executed the Borrower Documents on behalf of the Administrative General Partner of the Borrower have the authority to bind the Administrative General Partner and thereby the Borrower to the terms and conditions of the Borrower Documents.

5. The Borrower Documents have been duly executed and delivered by the Borrower and, assuming the due authorization, execution and delivery of such agreements by the respective other parties thereto where necessary, if any, constitute legal, valid and binding obligations of the Borrower enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws of general applicability

affecting the enforcement of creditors' rights and to general principles of equity, regardless of whether such enforceability is considered in equity or in law.

6. The execution and delivery of the Borrower Documents, the performance by Borrower of its obligations thereunder and the consummation of the transactions contemplated therein are within the organizational powers of Borrower and will not (i) conflict with or constitute a breach of the Borrower's organizational documents; (ii) to our knowledge, constitute a default under any indenture, mortgage, deed of trust or other material lien, lease, contract, note, order, judgment, decree or other material agreement, instrument or restriction of any kind to which Borrower is a party or by which any of its properties are bound or affected; or (iii) result in a violation of any constitutional or statutory provision or any material order, rule, regulation, decree or ordinance of any court, government or governmental authority known to us to be applicable to over the Borrower or its property.

7. To the best of our knowledge after due and diligent inquiry, as of the Closing Date, the Borrower is not in any material respect in violation of, breach of or default under any applicable constitutional provision or law of any state or of the United States, or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Borrower or any of its activities, properties or assets, or any indenture, mortgage, deed of trust, resolution, note, agreement (including, without limitation, the Borrower Documents) or other agreement or instrument to which the Borrower is a party or by which the Borrower or any of its property or assets is bound, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instruments; and the execution and delivery of the Bond and the Borrower Documents, and compliance with the provisions on the Borrower's part contained therein, do not and will not conflict with, or constitute on the part of the Borrower a violation of, breach of or default under, any applicable constitutional provision or law of any state or of the United States, or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Borrower or any of its activities, properties or assets, or any indenture, mortgage, deed of trust, resolution, note, agreement or other agreement or instrument to which the Borrower is a party or by which the Borrower or any of its property or assets is bound, nor will any such execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Borrower or under the terms of any such law, regulation or instrument, except as provided by the Bond or the Borrower Documents.

8. As of the Closing Date, all consents, approvals, authorizations, and orders of or filings or registrations with any governmental authority, board, agency or commission of any state or of the United States having jurisdiction required in connection with, or the absence of which would materially adversely affect, the execution and delivery by the Borrower of the Borrower Documents or the performance by the Borrower of its obligations thereunder have been obtained or made and are in full force and effect.

9. To the best of our knowledge after due and diligent inquiry, as of the Closing Date, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any judicial or administrative court or governmental agency or body, state, federal or other, pending or, to the best of our knowledge, threatened against the Borrower, affecting the existence of the Borrower or the titles of its officers to their respective offices, or contesting or affecting as to the Borrower the validity or enforceability of the Act, the Bond, any Borrower Document or the execution and delivery or adoption by the Borrower of any Borrower Document, or in any way contesting or challenging the powers of the Borrower or its authority with respect to the Borrower Documents or the consummation of the transactions contemplated thereby; nor, to the best of our knowledge, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding

would materially adversely affect the financial condition or operations of the Borrower or the validity of the authorization, execution, delivery or performance by the Borrower of any Borrower Document.

10. Based solely on the results of a search of the records of the _____, as of the time of filing of the Financing Statements, there were no valid UCC financing statements on file which perfected a lien on any of the collateral covered by the Financing Statements, which would remain unsatisfied of record.

11. The Borrower may not plead the defense of usury or maintain an action for usury with respect to the loan(s) being made under the Transaction Documents.

Very truly yours,

This Preliminary Official Statement and certain of the information contained herein is in a form deemed final for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (except for the omission of certain information permitted to be omitted under Rule 15c2-12(b)(1)). The information herein is subject to revision, completion or amendment in a final Official Statement. The Bonds may not be sold, nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

Attachment G – HCIDLA Request for Issuance of Bonds for Pilgrim Tower Apartments

NEW ISSUE—BOOK ENTRY ONLY

RATING: Standard & Poor's: “_____”
(See “RATING” herein)

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming continuing compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes, except for interest on any Bond for any period during which such Bond is held by a “substantial user” of the facilities financed by the Bonds or a “related person” within the meaning of Section 147(a) of the Code and interest on the Bonds is not a specific preference item or included in adjusted current earnings of corporations for purposes of the federal alternative minimum tax. Bond Counsel is further of the opinion that interest on the Bonds is exempt from State of California taxation, excepting inheritance and gift taxes. For a more complete description, see “TAX MATTERS” herein.

\$1,815,000*
City of Los Angeles
Multifamily Housing Revenue Bonds
(Pilgrim Tower Apartments)
Series 2015H-1

Dated: Date of Delivery

Maturity: As shown below

The Bonds will be issued under the provisions of the Trust Indenture, dated as of August 1, 2015 (the “Indenture”), between the City of Los Angeles (the “Issuer”) and [TRUSTEE], as trustee (the “Trustee”). The Bonds will be issued for the purpose of making a loan to Pilgrim Tower Apartments, L.P., a California limited partnership (the “Borrower”) to finance a portion of the cost of acquisition, rehabilitation and equipping of Pilgrim Tower Apartments, a multifamily residential rental housing project for seniors located in Los Angeles, California (the “Project”), as more fully described under the heading “THE PROJECT AND THE BORROWER” herein.

The Bonds will be issued as fully registered bonds in book entry form and book entry interests in the Bonds will be available for purchase in principal amounts of \$5,000 or any integral multiple of \$5,000 in excess thereof. Interest on the Bonds is payable on March 1 and September 1 of each year, commencing March 1, 2016. Owners of book entry interests in the Bonds will not receive physical delivery of bond certificates. The Depository Trust Company, New York, New York (“DTC”) will act as a securities depository for the Bonds. DTC, or its nominee, will receive all payments with respect to the Bonds from the Trustee. DTC is required by its rules and procedures to remit such payments to participants in DTC for subsequent disbursement to the owners of book entry interests. See “THE BONDS—Book Entry System” herein.

The Bonds, when, as and if issued, will be limited obligations of the Issuer, payable solely from the revenues and other moneys assigned by the Indenture to secure their payment, which includes the payments required to be made by the Borrower under the Loan Agreement, dated as of the date of the Indenture (the “Loan Agreement”), between the Borrower and the Issuer.

At all times the Bonds will be secured by a pledge of Available Moneys and Eligible Investments sufficient, without need for reinvestment, to pay all of the interest on the Bonds when due and to pay the principal of the Bonds at maturity, as further described herein. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein.

THE BONDS ARE ISSUED PURSUANT TO THE LAW AND IN ACCORDANCE WITH THE ACT, AND ARE LIMITED OBLIGATIONS OF THE ISSUER. NEITHER THE CITY COUNCIL OF THE ISSUER NOR ANY OFFICIAL OR EMPLOYEE OF THE ISSUER NOR ANY PERSON EXECUTING THE BONDS SHALL BE LIABLE PERSONALLY ON THE BONDS OR SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THEIR ISSUANCE. THE BONDS AND THE INTEREST THEREON ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM THE TRUST ESTATE AND ANY OTHER REVENUES, FUNDS OR ASSETS PLEDGED UNDER THE INDENTURE AND NOT FROM ANY OTHER REVENUES, FUNDS OR ASSETS OF THE ISSUER. NEITHER THE ISSUER, THE STATE NOR ANY OTHER POLITICAL CORPORATION OR SUBDIVISION OR AGENCY THEREOF SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF THE BONDS OR THE INTEREST THEREON OR OTHER COSTS INCIDENT THERETO EXCEPT FROM THE MONEY PLEDGED THEREFOR. 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 ISSUER IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR OTHER COSTS INCIDENT THERETO. THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA.

The Bonds are subject to redemption prior to their stated maturity. See “THE BONDS—Redemption of Bonds” herein.

MATURITY SCHEDULE*

<u>Maturity Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP</u>
March 1, 2017	1,815,000		100%	

The Bonds are offered, subject to prior sale, when, as and if issued by the Issuer and accepted by the Underwriter, subject to, among other things, the approving opinion of Kutak Rock LLP, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by Eichner Norris & Neumann PLLC, Washington, D.C. and for the Borrower by Bocarsly Emden Cowan Esmail & Arndt LLP, Los Angeles, California. It is expected that the Bonds will be available for delivery in definitive form on or about August ____, 2015, through the services of DTC against payment therefor.

redcapital
group

RED Capital Markets, LLC
Member FINRA/SIPC

August ____, 2015

* Preliminary; subject to change.

REGARDING THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds identified on the cover hereof. No person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information and expression of opinions herein are subject to change without notice, and neither the delivery of this Official Statement nor the sale of any of the Bonds shall, under any circumstances, create any implication that the information herein is correct as of any time subsequent to the date hereof.

Information herein has been obtained from the Issuer, the Borrower and other sources believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriter.

The Issuer has not provided or approved any information in this Official Statement except the information under the headings “THE ISSUER” and “NO LITIGATION—The Issuer” and takes no responsibility for any other information contained in this Official Statement.

The Trustee has neither reviewed nor participated in the preparation of this Official Statement, except for the contents of the Section labeled “The Trustee.”

The Underwriter has provided the following sentence for inclusion in this Official Statement:

The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Upon issuance, the Bonds will not be registered by the Issuer under the Securities Act of 1933, as amended, or any state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency will have passed upon the accuracy or adequacy of this Official Statement or, other than the Issuer (to the extent described herein), approved the Bonds for sale.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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CITY OF LOS ANGELES

[TO BE UPDATED]

Eric Garcetti, Mayor

CITY COUNCIL OF THE CITY OF LOS ANGELES

Gilbert Cedillo	Bernard Parks
Paul Krekorian	Curren D. Price, Jr.
Bob Blumenfield	Herb J. Wesson, Jr.
David Ryu	Mike Bonin
Paul Koretz	Mitchell Englander
Nury Martinez	Mitch O'Farrell
Felipe Fuentes	Jose Huizar

Joe Buscaino

CITY OFFICIALS

Michael Feuer, *City Attorney*
Ron Galperin, *City Controller*
Miguel A. Santana, *City Administrative Officer*
Antoinette Christovale, *City Treasurer*
Holly Wolcott, *City Clerk*

LOS ANGELES HOUSING AND COMMUNITY INVESTMENT DEPARTMENT

Rushmore D. Cervantes, *General Manager*
Helmi A. Hisserich, *Assistant General Manager*

OFFICE OF THE CITY ATTORNEY

Craig Takenaka, *Assistant City Attorney*
Gayle Takahashi, *Deputy City Attorney*

OFFICIAL STATEMENT

\$1,815,000*
City of Los Angeles
Multifamily Housing Revenue Bonds
(Pilgrim Tower Apartments)
Series 2015H-1

INTRODUCTION

This Official Statement, including the Appendices, is furnished in connection with the original issuance and sale by the City of Los Angeles (the “Issuer”) of the above-captioned bonds (the “Bonds”). The Bonds are being issued by the Issuer pursuant to a Trust Indenture, dated as of August 1, 2015 (the “Indenture”), between the Issuer and [TRUSTEE], as trustee (the “Trustee”). Capitalized terms used but not otherwise defined herein are defined in Appendix A.

The Issuer will loan (the “Loan”) the proceeds of the sale of the Bonds to Pilgrim Tower Apartments, L.P., a California limited partnership (the “Borrower”), pursuant to the Loan Agreement, dated as of the date of the Indenture (the “Loan Agreement”), between the Issuer and the Borrower to finance a portion of the cost of acquisition, rehabilitation and equipping of Pilgrim Tower Apartments, a multifamily residential rental housing project for seniors located in Los Angeles, California (the “Project”), as more fully described under the heading “THE PROJECT AND THE BORROWER” herein. The Loan Agreement, except for Unassigned Issuer’s Rights, will be assigned without recourse by the Issuer to the Trustee. To evidence its repayment obligations under the Loan Agreement, the Borrower will execute a note, dated the Closing Date (the “Note”), payable to the Issuer, and assigned by the Issuer to the Trustee. Neither the Trustee nor the holders of the Bonds will have a lien on the Project.

The Bonds are limited obligations of the Issuer, and the principal of and interest thereon will be payable solely from the revenues and other moneys assigned by the Indenture to secure such payment. **At all times the Bonds will be secured by a pledge of Available Moneys and Eligible Investments sufficient, without need for reinvestment, to pay all of the interest on the Bonds when due and to pay the principal of the Bonds at maturity, as further described herein. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.**

The Borrower will be required to operate the Project in compliance with the Regulatory Agreement and Declaration of Restrictive Covenants, dated as of the date of the Indenture (the “Regulatory Agreement”), among the Issuer, the Trustee and the Borrower. The Regulatory Agreement will restrict the operation of the Project, the occupancy of certain units in the Project and the rents chargeable with respect to certain units in the Project. The restrictions contained in the Regulatory Agreement are imposed by Internal Revenue Code of 1986, as amended (the “Code”), the Act, the Issuer and the California Debt Limit Allocation Committee (“CDLAC”). See Appendix E hereto. Occupancy and rents are further restricted. See “THE PROJECT AND THE BORROWER—Regulatory Restrictions” herein.

The Project will utilize a mortgage loan (the “FHA Insured Mortgage Loan”) insured by the Federal Housing Administration (“FHA”) under Section 221(d)(4) of the National Housing Act of 1934, as amended, and applicable regulations promulgated thereunder. The FHA Insured Mortgage Loan will be originated by Red Mortgage Capital, LLC, a Delaware limited liability company (the “FHA Lender”).

* Preliminary; subject to change.

In connection with the FHA Insured Mortgage Loan, the Borrower will execute an FHA-Insured Note (Multistate) (the “FHA Note”). The Borrower’s repayment obligations under the FHA Note will be secured by a first lien Multifamily Deed of Trust, Assignment of Rents, and Security Agreement (the “FHA Mortgage”) on the Project. The Borrower will also execute Regulatory Agreements required by FHA (collectively, the “HUD Regulatory Agreement”) with respect to the Project in order to provide for, among other things, a reserve fund for replacements, which will be held by the FHA Lender. In the event of conflict between the provisions of the FHA Note, the FHA Mortgage, the HUD Regulatory Agreement and certain other documents required by FHA or the FHA Lender (collectively, the “FHA Loan Documents”) and the Indenture, the Loan Agreement, the Note or the Regulatory Agreement, the FHA Loan Documents will control. Neither the owners of the Bonds nor the Trustee will have rights under the FHA Loan Documents.

Brief descriptions of the Issuer, the Project, the Borrower, the use of proceeds of the Bonds and the Bonds together with summaries of the Indenture, the Loan Agreement and the Regulatory Agreement are provided below and in the Appendices hereto. All information with respect to the Borrower and the Project contained in this Official Statement has been furnished by the Borrower. The descriptions and summaries of the Indenture, the Loan Agreement, and the Regulatory Agreement and other documents contained herein do not purport to be comprehensive or definitive and are qualified in their entirety by reference to those documents. All references to the Bonds are qualified in their entirety by the definitive forms thereof included in the Indenture. See “MISCELLANEOUS” herein for the availability of those documents.

THE ISSUER

The following information has been provided by the Issuer for use herein. While the information is believed to be reliable, none of the Trustee, the Borrower, the Underwriter, the FHA Lender or any of their respective counsel, members, officers or employees makes any representations as to the accuracy or sufficiency of such information.

General Description

The Issuer is a municipal corporation and charter city originally incorporated in 1850. Under the Act, the Issuer is empowered to issue revenue bonds for the purpose, among others, of financing and refinancing multifamily residential rental developments.

The Issuer is governed by the Mayor and the City Council (the “Council”). The Mayor is elected at large for a four-year term. As executive officer of the Issuer, the Mayor supervises the administrative process of the Issuer and works with the Council in matters relating to legislation, budget and finance. The Mayor recommends and submits the annual budget to the Council and passes upon subsequent appropriations and transfers, approves or vetoes ordinances, and appoints certain city officials and commissioners. As prescribed by the Issuer’s Charter and City ordinances, the Mayor operates an executive department, of which he is the ex-officio head. The current Mayor, Eric Garcetti, was elected to his first term in the May, 2013 election.

The Council, the governing body of the Issuer, is a full time council and enacts ordinances subject to the approval or veto of the Mayor. The Council may override the veto of the Mayor by a two-thirds vote. The Council orders elections, levies taxes, authorizes public improvements, approves contracts, adopts zoning, and other land use controls and adopts traffic regulations. The Council adopts or modifies the budget proposed by the Mayor and provides the necessary funds, facilities, equipment and supplies for the budgetary departments and offices of the Issuer. The Council creates positions, fixes salaries and

authorizes the number of employees in budgetary departments. The Council consists of 15 members elected by district for four-year terms.

The other two elective offices of the Issuer are the Controller and the City Attorney, both elected for four-year terms. The Controller is the chief accounting officer for the Issuer. The current Controller, Ron Galperin, was elected in the May, 2013 election. The City Attorney is attorney and legal advisor to the Mayor, the Council and all officers, boards and departments of the Issuer, and prosecutes misdemeanors. The current City Attorney, Michael N. Feuer, was elected in the May, 2013 election.

The City Administrative Officer, appointed by the Mayor and confirmed by the Council, is the chief financial advisor to the Mayor and Council and reports directly to both. Miguel A. Santana is serving as the Acting City Administrative Officer.

The City Treasurer, appointed by the Mayor and confirmed by the Council, receives and is the custodian of funds of the Issuer and affiliated entities. Antoinette Christovale is serving as the City Treasurer.

The Issuer has 43 departments, bureaus, commissions and offices for which operating funds are annually budgeted by the Council. In addition, five departments (the Departments of Water and Power, Harbor, Airports and the two pension systems) and the Housing Authority are under the control of boards appointed by the Mayor and confirmed by the Council.

Los Angeles Housing and Community Investment Department

The Los Angeles Housing and Community Investment Department (the “HCIDLA”) includes the Housing Development Bureau, the Regulatory Compliance and Code Bureau, Finance and Development Bureau, the Administrative Services Bureau and the Program Operations Bureau. The HCIDLA is under the management and control of a General Manager appointed by the Mayor and approved by the Council.

The Housing Development Bureau designs, implements and administers a variety of programs to provide quality housing for very low-, low- and moderate-income residents within the Issuer’s jurisdiction. The Housing Development Bureau is funded mainly through the Housing and Community Development Act of 1992, as amended. The Housing Development Bureau concentrates its efforts on the rehabilitation, production and preservation of affordable housing units.

The goal of the Housing Development Bureau is to provide newly constructed and rehabilitated affordable housing units for rent or sale to very low-, low- or moderate-income households. This is accomplished through the coordination of public and private sector resources, including the use of the Affordable Housing Trust Fund, HUD-subsidized programs, land write-down assistance, tax-exempt bond financing and other available resources.

Affordable Housing Commission

Concurrently with the creation of the HCIDLA, the Issuer created an Affordable Housing Commission (the “Commission”) consisting of seven members appointed by the Mayor. The Commission advises the Mayor, the Council and the General Manager of the HCIDLA on housing matters, including rent stabilization. The Commission may conduct public meetings and hearings to obtain information and input on housing issues and, in turn, make recommendations on housing policies and goals to meet the Issuer’s affordable housing needs.

Prior Bond Issues of the Issuer

The Issuer has previously issued and may in the future issue bonds to finance multifamily housing projects unrelated to the Project. Such bonds may have been, currently are or may be in the future, in default. Such bonds are unrelated to the Bonds or the Project and revenues pledged to secure such bonds do not secure the Bonds and the revenues pledged to secure the Bonds do not secure the payment of any other bonds of the Issuer.

Limited Obligations

THE BONDS ARE ISSUED PURSUANT TO THE LAW AND IN ACCORDANCE WITH THE ACT, AND ARE LIMITED OBLIGATIONS OF THE ISSUER. NEITHER THE CITY COUNCIL OF THE ISSUER NOR ANY OFFICIAL OR EMPLOYEE OF THE ISSUER NOR ANY PERSON EXECUTING THE BONDS SHALL BE LIABLE PERSONALLY ON THE BONDS OR SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THEIR ISSUANCE. THE BONDS AND THE INTEREST THEREON ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM THE TRUST ESTATE AND ANY OTHER REVENUES, FUNDS OR ASSETS PLEDGED UNDER THE INDENTURE AND NOT FROM ANY OTHER REVENUES, FUNDS OR ASSETS OF THE ISSUER. NEITHER THE ISSUER, THE STATE NOR ANY OTHER POLITICAL CORPORATION OR SUBDIVISION OR AGENCY THEREOF SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF THE BONDS OR THE INTEREST THEREON OR OTHER COSTS INCIDENT THERETO EXCEPT FROM THE MONEY PLEDGED THEREFOR. 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 ISSUER IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR OTHER COSTS INCIDENT THERETO. THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA.

ESTIMATED SOURCES AND USES OF FUNDS*

The proceeds expected to be deposited under the Indenture upon closing are to be applied as follows:

Sources of Funds

Bond Proceeds
Subordinate Bond Proceeds
Subordinate Equity Bridge Loan Proceeds
Total

Uses of Funds

Project Fund
Bond Fund—Initial Deposit
Costs of Issuance Fund
Total

* Preliminary; subject to change.

THE PROJECT AND THE BORROWER

The following information has been provided by the Borrower. None of the Issuer, the FHA Lender, the Trustee or the Underwriter has made any independent investigation regarding the information presented under this heading, nor have such parties verified the accuracy or completeness thereof, and none of the Issuer, the FHA Lender, the Trustee or the Underwriter assumes any responsibility or liability therefor.

Plan of Financing*

The Borrower is acquiring, rehabilitating and equipping the Project with the proceeds of the FHA Insured Mortgage Loan, simultaneously with the issuance of the Bonds, as well as with funds available from the proceeds from the sale of the Bonds and other amounts as shown below.

The costs of the Project and the sources of funds to pay those costs are estimated by the Borrower as follows:

Sources of Funds

Bonds
FHA Insured Mortgage Loan
Tax Credit Equity
Subordinate Bond
Subordinate Equity Bridge Loan
General Partner Equity
Total

Uses of Funds

Acquisition Costs
Development Costs
Costs of Issuance
Repayment of Subordinate Equity Bridge Loan
Redemption of Bonds
Total

All costs of issuing the Bonds, including the underwriter's fee, will be paid by the Borrower.

The FHA Insured Mortgage Loan is expected to be in the original principal amount of \$7,900,000 and is to bear interest at the rate of _____% per annum. The FHA Insured Mortgage Loan proceeds will be disbursed by the FHA Lender to the Borrower based upon FHA-approved advances. Such advances will be evidenced by the FHA Note, secured by the FHA Mortgage on the Project, and the FHA Lender will issue, with respect to the FHA Note, fully amortized mortgage-backed securities ("GNMA Securities") guaranteed as to timely payment of principal and interest by the Government National Mortgage Association ("GNMA"). It is anticipated that proceeds of the FHA Insured Mortgage Loan will be deposited into the Collateral Fund (along with other Available Moneys), thereby permitting the Trustee to transfer a like amount from the Project Fund pursuant to the Indenture to reimburse the FHA Lender for such advances.

* Preliminary; subject to change.

Concurrently with the issuance of the Bonds, the Issuer will issue its Multifamily Housing Revenue Bond (Pilgrim Tower Apartments) Series 2015H-2 in the approximate principal amount of \$15,985,000 (the “Subordinate Bond”). The Subordinate Bond will be issued under and pursuant to an Indenture of Trust, dated as of the date of the Indenture (the “Subordinate Indenture”), by and between the Issuer and the Trustee, and will be placed with the seller of the Project. The proceeds of the Subordinate Bond will be loaned (the “Subordinate Loan”) to the Borrower under and pursuant to the Loan Agreement executed with respect to the Bonds described herein. The Subordinate Loan will bear interest at a rate equal to _____% per annum (which is also the rate on the Subordinate Bond), be repayable from Residual Receipts and mature _____. The repayment obligations of the Borrower with respect to the Subordinate Loan will be subordinate to the obligations of the Borrower arising with respect to the FHA Insured Mortgage Loan and will be secured by a subordinate lien on the Project.

Concurrently with the issuance of the Bonds, the Borrower will receive a subordinate loan (the “Subordinate Equity Bridge Loan”) from an affiliate of the Investor Limited Partner (the “Subordinate Equity Bridge Lender”), in the approximate principal amount of \$7,250,000, the proceeds of which will be advanced over time. The Subordinate Equity Bridge Loan will bear interest at a rate equal to 8.5% per annum, be repayable from Residual Receipts and matures _____. No payments are due on the Subordinate Equity Bridge Loan prior to maturity, but it is expected to be paid down during the course of construction from investor capital contributions. The repayment obligations of the Borrower with respect to the Subordinate Equity Bridge Loan will not be secured by a lien on the Project.

See “CERTAIN HOLDERS’ RISKS—Subordinate Loans” herein.

The Project

The Project, a senior residential development known as Pilgrim Tower Apartments, was constructed in 1968 and is located on approximately 1.2 acres of land located at 1207 South Vermont Avenue in Los Angeles, California. The Project contains 111-units which includes three staff units in a thirteen-story building. Rehabilitation of the Project is expected to commence in September, 2015, and be completed in September, 2016.

Rehabilitation is needed to improve the residents’ living environment, preserve affordability and extend the useful life of the Project. Anticipated repairs include complete rehabilitation of all 108 residential apartments including new kitchens, bathrooms, floor coverings, lighting, air conditioning and heating units and window coverings using energy efficient products. Overall building improvements include replacement of all exterior windows with dual glazed insulated window assemblies, the addition of an emergency generator, installation of an automated fire sprinkler system and fire alarm system, replacement of electrical distribution panels on all floors, installation of cameras in public areas inside and outside the building, replacement of the emergency notification system, and installation of television and computer cabling.

Project amenities include a resident garden, a common meeting room, an internet and TV room, a laundry room and on-site security. Unit amenities include kitchenettes, a full bathroom, carpet flooring, terrific views and TV and internet connections. Parking available at the Project includes 83 spaces, none of which are covered.

The unit mix (excluding the three staff units), as of June, 2015, the most recent month for which such information is available, is as follows:

<u>Unit Type</u>	<u>Number</u>	<u>Square Feet</u>	<u>Average Rent</u>
Studio – 1 Bath	24	400	\$588
Studio – 1 Bath	12	404	588
1 Bedroom – 1 Bath	24	466	837
1 Bedroom – 1 Bath	24	504	837
1 Bedroom – 1 Bath	<u>24</u>	528	837
Total	<u>108</u>		

Occupancy at the Project has averaged approximately 99.6% during the calendar year 2012, approximately 99.4% during the calendar year 2013 and approximately 99.9% during the calendar year 2014. Occupancy at the Project as of May, 2015, the most recent month for which such information is available, was approximately 100%.

The following chart shows the unaudited results of operations for the Project for the 12 months ended December 31 of 2012, 2013 and 2014:

	2012	2013	2014
Revenues	\$960,294	\$964,958	\$983,754
Operating Expenses	<u>(827,936)</u>	<u>(863,952)</u>	<u>(858,782)</u>
Net Cash Flow Available for Debt Service ¹	<u>\$132,358</u>	<u>\$111,106</u>	<u>\$124,972</u>

¹ Before depreciation, capital items and other noncash expense items.

Regulatory Restrictions

Bond Regulatory Agreement. The Regulatory Agreement imposes certain requirements on the Project with respect to the tax-exempt status of the Bonds under the Code, which include, among other requirements, a requirement that 40% of the completed residential units in the Project be occupied by individuals whose income does not exceed 60% of the median gross income for the area, adjusted for family size, in which the Project is located. In addition, the Regulatory Agreement restricts rents which may be charged for occupancy of these units during the Qualified Project Period. See Appendix E hereto for a description of the requirements affecting the operation of the Project in order to assure compliance with the Code and state law and restrictions imposed in connection with the allocation of private activity volume cap.

Tax Credit Regulatory Agreement. In connection with the Borrower's sale of low income housing tax credits with respect to the Project, the Borrower has executed a Regulatory Agreement (Extended Use Agreement) with the Issuer in accordance with Section 42 of the Code. Pursuant to such agreement, the Borrower is required to, among other things, rent 108 units in the Project to individuals or households earning 60% or less of area median gross income for the area in which the Project is located (the "60% Units"), adjusted for household size, as determined by the United States Department of Housing and Urban Development. Monthly rents on the 60% Units will be limited to 1/12 of 30% of 60% of the applicable area median gross income for the area in which the Project is located adjusted for an imputed household size. The tenant income limits and rental restrictions under Section 42 of the Code assume that studio apartments are occupied by an average of one person and that one-bedroom apartments are occupied by an average of 1.5 persons. Violation of the any tax credit covenants and restrictions could result in loss or recapture of tax credits and penalties against the partners of the Borrower, among other things.

HUD Regulatory Agreement. The Borrower will execute the HUD Regulatory Agreement with respect to the Project in order to provide for, among other things, a reserve fund for replacements, which will be held by the FHA Lender. The FHA Lender will hold a reserve for replacements as well as escrows for taxes, insurance and mortgage insurance premiums. In the event of conflict between the provisions of the FHA Note, the FHA Mortgage, the HUD Regulatory Agreement and certain other documents required by FHA or the FHA Lender (collectively, the “FHA Loan Documents”) and the Indenture, the Loan Agreement, the Note or the Regulatory Agreement, the FHA Loan Documents will control. Additional restrictions on rent and occupancy are imposed on the Project pursuant to the HUD Regulatory Agreement.

Section 202 Affordability Restrictions. In connection with a prior loan under HUD’s Section 202 Supportive Housing for the Elderly Program which will be paid off on the Closing Date (the “Section 202 Loan”), there has been recorded against the Project a use agreement with respect to the Project (the “Section 202 Affordability Restrictions”). Pursuant to the Section 202 Affordability Restrictions, for a period of not less than 50 years from the Closing Date, (a) _____ units in the Project will be made available to households restricted at _____% of Area Median Income (“AMI”), (b) _____ units in the Project will be made available to households restricted at _____% of AMI, and (c) _____ units will be made available to households restricted at _____% AMI.

The Borrower

The Borrower is Pilgrim Tower, L.P., a California limited partnership, formed for the sole purpose of acquiring, rehabilitating and equipping the Project.

The general partner of the Borrower is Pilgrim Tower Apartments, LLC, a California limited liability company (the “General Partner”). The sole member of the General Partner is Brookmore Apartment Corporation, a California nonprofit corporation (the “Sole Member”). The Sole Member and its affiliated entities have been involved in the development of more than eight senior residential developments containing approximately 567 units in the State of California.

The Borrower has not acquired and does not intend to acquire any substantial assets or engage in any substantial business activities other than those related to the Project. However, affiliates of the Borrower may engage in the acquisition, development, ownership and management of other similar types of projects that may be competitive with the Project.

Section 8 Housing Assistance Payments Contract

The Project is expected to receive the benefit of a Section 8 Housing Assistance Payments Contract covering 97 units at the Project. As used herein, “HAP” or “HAP Contract” means the Housing Assistance Payments Contract between the United States Department of Housing and Urban Development or its contract administrator (“HUD”) and the Borrower, providing for housing assistance payments to be made to the Borrower.

On the Closing Date, the Borrower will either (i) accept assignment of the existing HAP Contract for the Project pursuant to which the Borrower will receive rental subsidies under the HAP Contract for its remaining term after execution and delivery of the assignment of the HAP Contract or (ii) enter into a new HAP Contract with HUD pursuant to which the Borrower will receive rental subsidies for a 20 year term. Funding under the HAP Contract will be subject to annual Congressional appropriations, as more particularly described below. The Section 8 project-based housing assistance payment program (the “Section 8 Program”) is authorized by Section 8 of the United States Housing Act of 1937, as amended, and is administered by HUD. Renewals of Section 8 HAP contracts are governed by the Multifamily

Assisted Housing Reform and Affordability Act, as amended (“MAHRAA”). The Section 8 Program authorizes housing assistance payments to owners of qualified housing for the benefit of low-income families (defined generally as families whose incomes do not exceed 80% of the area median income (“AMI”) for the area as determined by HUD), and very low-income families (defined generally as families whose incomes do not exceed 50% of the AMI as determined by HUD). Section 8 housing assistance payments generally represent the difference between the “contract rent” for the unit approved by HUD and the eligible tenant’s contribution, which is generally 30% of income, as adjusted for family size and certain expenses, subject to a minimum rent contribution. The rents approved by HUD for the Project, as they may be adjusted from time to time with procedures set forth in MAHRAA and the HAP Contract, are the “contract rents” for the Project.

The HAP Contract will require the Borrower to maintain the Project in decent, safe and sanitary condition and to comply with other statutory and regulatory requirements governing the operation of the Project, use of project funds, and other matters. If the Borrower fails to comply with the terms of the HAP Contract, HUD or the contract administrator could seek to abate or terminate the payments under the HAP Contract, or impose other sanctions. MAHRAA requires that upon the request of the Borrower, HUD shall renew the HAP Contract under the Section 8 Program. However, because the HAP Contract is subject to receipt of annual appropriations by Congress, there is no assurance that the HAP Contract will be renewed or replaced upon its expiration. Funding for HAP contracts is appropriated by Congress on an annual basis, and there is no assurance that adequate funding will be appropriated each year during the term of the HAP Contract. Since payments received under the HAP Contract constitute a primary source of revenues for the Project, the expiration of the HAP Contract without renewal or replacement, or the failure of Congress to appropriate funds sufficient to fund the HAP Contract during each year of their terms, could have a material adverse effect on the ability of the Project to generate revenues sufficient to pay the principal of and interest of the Loan.

Federal Low Income Housing Tax Credits*

Simultaneously with the issuance of the Bonds, the Borrower will sell to Alden Torch Financial (the “Investor Limited Partner”) a 99.99% ownership interest in the Borrower. Pursuant to the sale, the funding of the Federal low income housing tax credit equity will total approximately \$11,113,826. The funding levels and the timing of the funding are subject to numerous adjustments and conditions which could result in the amounts funded and/or the timing or even occurrence of the funding varying significantly from the projections set forth above and neither the Issuer nor the Underwriter makes any representation as to the availability of such funds.

The Property Manager

The Project will be managed by CARING Housing Ministries, Inc. (the “Manager”). The Manager is not affiliated with the Borrower. The Manager possesses over 20 years of experience in developing and managing senior residential developments. As of June, 2015, the most recent month for which such information is available, the Manager manages over 25 senior and multifamily residential developments containing approximately _____ apartment units in the states of California and Arizona.

* Preliminary; subject to change.

Limited Recourse to Borrower

The Borrower and its partners will not be personally liable for payments on the Note, the payments on which are to be applied to pay the principal of and interest on the Bonds; nor will the Borrower be personally liable under the other documents executed in connection with the issuance of the Bonds and the making of the Loan. Furthermore, no representation is made that the Borrower will have substantial funds available for the Project. Accordingly, neither the Borrower's financial statements nor those of its members and managers are included in this Official Statement.

THE BONDS

General

The Bonds will be dated, will be payable in the amounts and on the dates, will bear interest (computed on the basis of a 360-day year) at the rates and payable on the dates, and will mature as described on the cover hereof. The Bonds will be issued as fully registered bonds in book entry form and book entry interests in the Bonds will be available for purchase in Authorized Denominations.

The Trustee, in its capacity as Registrar, will keep all books and records necessary for registration, exchange and transfer of the Bonds.

Discussion of the Bonds being issued only under the Book Entry System is provided below. Details regarding the procedures for and manner of payment, issuance, exchange and transfer of the Bonds if ever issued in certificated form as provided in the Bond proceedings are also stated below.

Book Entry System

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Borrower believes to be reliable, but neither the Issuer nor the Borrower take responsibility for the accuracy thereof.

The Bonds will be available in book entry form. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds purchased.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers,

banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Paying Agent (as defined in the Indenture), on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, security certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, security certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

Revision of Book Entry System; Replacement Bonds

The Bond proceedings provide for issuance of fully registered Bonds ("Replacement Bonds") directly to beneficial owners of Bonds other than a Depository, or its nominee, but only in the event that (i) the Depository determines not to continue to act as securities depository for the Bonds (which determination shall become effective no less than 90 days after written notice to such effect to the Issuer and the Trustee); or (ii) the Issuer has advised a Depository of its determination (which determination is conclusive as to the Depository and beneficial owners of the Bonds) that the Depository is incapable of discharging its duties as securities depository for the Bonds; or (iii) the Issuer has determined (which determination is conclusive as to the Depository and the beneficial owners of the Bonds) that the interests of the beneficial owners of the Bonds might be adversely affected if such book-entry only system of transfer is continued. Upon the occurrence of any of the foregoing events, the Issuer and the Borrower shall use commercially reasonable efforts to attempt to locate another qualified securities depository. If the Issuer and the Borrower fail to locate another qualified securities depository to replace the Depository, the Issuer and the Borrower, at the Borrower's expense, shall cause to be authenticated and delivered replacement Bonds, in certificate form, to the beneficial owners of the Bonds. In the event that the Issuer makes the determination described in (ii) or (iii) above (provided that the Issuer undertakes no obligation to make any investigation to determine the occurrence of any events that would permit the Issuer to make any such determination), and has made provisions to notify the beneficial owners of Bonds of such determination by mailing an appropriate notice to the Depository, it and the Borrower shall cause to be issued replacement Bonds in certificate form to beneficial owners of the Bonds as shown on the records of the Depository provided to the Issuer.

Upon the written consent of one hundred percent (100%) of the beneficial owners of the Bonds, the Trustee shall withdraw the Bonds from any Depository and authenticate and deliver Bonds fully

registered to the assignees of that Depository or its nominee. If the request for such withdrawal is not the result of any Issuer action or inaction, such withdrawal, authentication and delivery shall be at the cost and expense (including costs of printing, preparing and delivering such Bonds) of the persons requesting such withdrawal, authentication and delivery; otherwise such withdrawal, authentication and delivery shall be at the cost and expense of the Borrower.

Redemption of Bonds

In the event the Borrower exercises any option to prepay the Note and amounts are paid from the proceeds of refunding bonds or otherwise from Available Moneys upon the written direction of the Borrower delivered to the Issuer and the Trustee, the Bonds are subject to redemption prior to maturity as a whole on or after the later to occur of (i) the date that the Project is placed in service (which for purposes of the Indenture shall mean the Completion Date), and (ii) September 1, 2016*, at a price of par plus accrued interest to the redemption date.

The Bonds are subject to mandatory redemption in whole, on the earliest practicable day for which notice of redemption may be given upon receipt by the Trustee of written certification from the FHA Lender of an occurrence of an event of default by the Borrower under the FHA Insured Mortgage Loan and commencement of an assignment of the FHA Insured Mortgage Loan by the FHA Lender to HUD for payment of an FHA insurance claim. The Bonds shall be redeemed at a redemption price equal to 100% of the principal amount of such Bonds plus accrued interest to the applicable redemption date from funds on deposit in, or transferred from, the Bond Fund, the Collateral Fund and the Project Fund.

Notice of Redemption

Not less than 20 days prior to the redemption date, the Trustee shall give written notice of redemption to the Holders by first-class mail, postage prepaid (with a copy to the Borrower and the Investor Limited Partner via overnight delivery service) by first class mail, postage prepaid, at their respective addresses appearing on the Register.

Each notice of redemption will state, among other things, the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment, and that the interest on the Bonds designated for redemption will cease to accrue on and after such redemption date.

The Trustee shall provide one additional notice of redemption not later than 60 days after the redemption date to Holders of Bonds that are not presented for payment within 30 days of such date.

Failure to give any official or further notice or any defect therein shall not affect the validity of the proceedings for redemption of any Bond with respect to which no such failure or defect has occurred or exists.

Any notice of the redemption of Bonds may state that such notice is conditional and that if the conditions for redemption of such Bonds on the scheduled redemption date are not satisfied (including the availability of funds sufficient to redeem such Bonds), such Bonds will not be redeemed on such date and any Bonds tendered for payment on such date will be returned to the Holders thereof.

Notwithstanding the foregoing, as long as the Bonds are in book-entry form notice of redemption will be given in accordance with the requirements of DTC.

* Preliminary; subject to change.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

In General

To the extent provided in and except as otherwise permitted by the Indenture, (a) the Bonds will be special limited obligations of the Issuer, and the Bond Debt Service Charges thereon shall be payable equally and ratably solely from the Issuer Revenues, including but not limited to moneys and investments in the Special Funds, (b) the payment of Bond Debt Service Charges on the Bonds shall be secured by the assignment of Issuer Revenues under and by the Indenture, and (c) payments due on the Bonds also shall be secured by the Note. Issuer Revenues include the payments required to be made by the Borrower under the Loan Agreement and the Note.

For more information on security and sources of payment for the Bonds, see “Bond Fund,” “Investment of Special Funds” and “Collateral Fund” in Appendix C hereto.

The Mortgage Loan, Deposits to Collateral Fund and Disbursement of Bond Proceeds

On the Closing Date, the Bond proceeds will be deposited into the Project Fund. Simultaneously with the issuance of the Bonds, the Borrower will obtain (i) the FHA Insured Mortgage Loan and (ii) the Subordinate Equity Bridge Loan as described under the heading “THE PROJECT AND THE BORROWER—Plan of Financing” herein. At closing, a portion of the proceeds from advances on the FHA Insured Mortgage Loan or FHA Lender Funds will be deposited into the Collateral Fund as security for the Bonds in exchange for a like amount of Bond proceeds from the Project Fund, which shall be disbursed by the Trustee to in accordance with the Loan Agreement and the Indenture. Also at closing, a portion of the proceeds of the Subordinate Equity Bridge Loan will be deposited into the Initial Deposit Account of the Bond Fund. Over the rehabilitation period, as disbursements of the FHA Insured Mortgage Loan are approved, proceeds from advances on the FHA Insured Mortgage Loan, FHA Lender Funds or other Available Moneys (collectively, the “Collateral Payments”) are expected to be deposited into the Collateral Fund as security for the Bonds in exchange for a like amount of Bond proceeds from the Project Fund, which shall be disbursed by the Trustee to in accordance with the Loan Agreement and the Indenture. The maximum aggregate amount of Collateral Payments to be deposited into the Collateral Fund will equal the original principal amount of the Bonds.

Bond Service Charges will be payable as they become due, in the following order: (i) from money on deposit in the Initial Deposit Account of the Bond Fund (but only to pay the interest due on the Bonds), (ii) from money on deposit in the Collateral Fund and transferred as necessary to the Bond Fund (but only to pay the principal of the Bonds), (iii) from money on deposit in the Project Fund and transferred as necessary to the Bond Fund and (iv) from money on deposit in the Bond Fund.

Notwithstanding any provision of the Loan Agreement or the Indenture to the contrary, the Trustee will not disburse funds from the Project Fund, other than to pay Bond Service Charges on the Bonds, unless and until (i) an amount equal to or greater than the requested disbursement amount has been deposited in the Collateral Fund in accordance with the provisions of the Indenture and (ii) the Trustee has determined that the sum of the amount then held in the Collateral Fund and the amount then on deposit in the Project Fund, less the anticipated amount of the disbursement from the Project Fund, is at least equal to the then outstanding principal amount of the Bonds. Upon receipt of Available Moneys to be deposited into the Collateral Fund, subject to the foregoing provisions, the Trustee may disburse Bond proceeds to or at the direction of the FHA Lender for use by the Borrower to pay costs of the Project, in accordance with the terms of the Loan Agreement.

The amounts on deposit in the Project Fund, the Bond Fund and the Collateral Fund will be invested on the date of delivery of the Bonds in Eligible Investments. See "Investment of Special Funds" in Appendix C hereto. An amount equal to the aggregate interest payments on the Bonds from the date of delivery of the Bonds to the Maturity Date is required, pursuant to the Indenture, to be deposited on the date of delivery of the Bonds to the Initial Deposit Account of the Bond Fund by or on behalf of the Borrower.

Limited Obligations

THE BONDS ARE ISSUED PURSUANT TO THE LAW AND IN ACCORDANCE WITH THE ACT, AND ARE LIMITED OBLIGATIONS OF THE ISSUER. NEITHER THE CITY COUNCIL OF THE ISSUER NOR ANY OFFICIAL OR EMPLOYEE OF THE ISSUER NOR ANY PERSON EXECUTING THE BONDS SHALL BE LIABLE PERSONALLY ON THE BONDS OR SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THEIR ISSUANCE. THE BONDS AND THE INTEREST THEREON ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM THE TRUST ESTATE AND ANY OTHER REVENUES, FUNDS OR ASSETS PLEDGED UNDER THE INDENTURE AND NOT FROM ANY OTHER REVENUES, FUNDS OR ASSETS OF THE ISSUER. NEITHER THE ISSUER, THE STATE NOR ANY OTHER POLITICAL CORPORATION OR SUBDIVISION OR AGENCY THEREOF SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF THE BONDS OR THE INTEREST THEREON OR OTHER COSTS INCIDENT THERETO EXCEPT FROM THE MONEY PLEDGED THEREFOR. 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 ISSUER IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR OTHER COSTS INCIDENT THERETO. THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA.

THE TRUSTEE

The following information has been provided by the Trustee. None of the Issuer, the FHA Lender, the Borrower or the Underwriter have made any independent investigation regarding the information presented under this heading, nor have such parties verified the accuracy or completeness thereof, and none of the Issuer, the FHA Lender, the Borrower or the Underwriter assumes any responsibility or liability therefor.

[TRUSTEE] will act as Trustee pursuant to the Indenture. The obligations of the Trustee are described in the Indenture. The Trustee has undertaken only those duties and obligations that are expressly set forth in the Indenture. The Trustee has not independently passed upon the validity of the Bonds, the security of the payment therefor, the value or condition of any assets pledged to the payment thereof, the adequacy of the provisions for such payment, the status for federal or state income tax purposes of the interest on the Bonds, or the investment quality of the Bonds. Except for the contents in this section, the Trustee has not reviewed or participated in the preparation of this Official Statement and has assumed no responsibility for the nature, content, accuracy or completeness of the information included in this Official Statement.

CERTAIN HOLDERS' RISKS

The following is a summary of certain risks associated with a purchase of the Bonds. There are other possible risks not discussed below. The Bonds are payable from the payments to be made by the Borrower under the Loan Agreement and the Note and from amounts on deposit in the Special Funds, including the Collateral Fund.

Tax Exemption

In the event the Borrower does not maintain the Project as a “qualified residential rental project” for the Qualified Project Period, the interest on the Bonds may be or become taxable from the date of original issuance to the Holders for federal income tax purposes. Such an event will not constitute an immediate default under the Loan and will not give rise to an immediate redemption or acceleration of the Bonds and is not the basis for an increase in the rate of interest payable on the Bonds or give rise to the payment to the owners of the Bonds of any amount denoted as “supplemental interest,” “additional interest,” “penalty interest,” “liquidated damages” or otherwise, in addition to the amounts payable to the owners of the Bonds prior to the occurrence of the event which results in the interest payable on the Bonds being includable, for federal income tax purposes, in the gross income of the owners of the Bonds.

Secondary Markets and Prices

No representation is made concerning the existence of any secondary market for the Bonds. The Underwriter will not be obligated to repurchase any of the Bonds, nor can any assurance be given that any secondary market will develop following the completion of the offering of the Bonds. Further, there can be no assurance that the initial offering prices for the Bonds will continue for any period of time. Furthermore, the Bonds should be purchased for their projected returns only and not for any resale potential, which may or may not exist.

Subordinate Loans

The Borrower has obtained additional financing for the Project in the form of the Subordinate Bond (and the related Subordinate Loan) and the Subordinate Equity Bridge Loan as described under the heading “THE PROJECT AND THE BORROWER—Plan of Financing” herein. Although the Borrower’s repayment obligations with respect to these subordinate loans are subordinate to the Borrower’s repayment obligations with respect to the FHA Insured Mortgage Loan, the increased repayment obligations of the Borrower could increase the likelihood of an early redemption of the Bonds. Any such redemption would be at a price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption, without premium. See “THE BONDS—Redemption of Bonds” herein.

Additional Bonds and Additional Subordinate Financing

The Borrower may obtain additional financing for the Project at a future date. Such additional financing could be in the form of additional bonds issued by the Issuer. Additional Bonds could be issued on a parity basis with the Bonds pursuant to a supplemental trust indenture provided that the issuance thereof was not materially adverse to the interest of the Bondholders. Such additional financing could also be in the form of a conventional loan the payment obligations with respect to which would be subordinate to or in some cases could be on a parity with the Borrower’s payment obligations under the FHA Insured Mortgage Loan. In either case, the increased repayment obligations of the Borrower could increase the likelihood of an early redemption of the Bonds. Any such redemption would be at a price

equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption, without premium. See “THE BONDS—Redemption of Bonds” herein.

NO LITIGATION

The Issuer

To the best knowledge of the Issuer, there is no action, suit or proceeding known by the Issuer to be pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the Bonds, the Indenture, the Loan Agreement or the Regulatory Agreement, or in any way contesting or affecting the validity of the foregoing.

The Borrower

There is no controversy or litigation of any nature now pending for which the Borrower has received service of process or, for which it has knowledge, threatened (a) which contests or otherwise affects the Loan Agreement, the Note or the Regulatory Agreement (collectively, the “Bond Loan Documents”), or (b) wherein an unfavorable decision, ruling or finding would materially and adversely affect the Borrower’s financial condition or operations or the validity of the authorization, execution, delivery or performance by the Borrower under the Bond Loan Documents.

UNDERWRITING

Pursuant and subject to the terms and conditions set forth in a Bond Purchase Agreement (the “Purchase Agreement”), among Red Capital Markets, LLC (the “Underwriter”), the Issuer and the Borrower, the Underwriter has agreed to purchase the Bonds at a price equal to 100% of the original principal amount of the Bonds. For its services relating to the transaction, the Underwriter will receive a fee of \$ _____. From its fees, the Underwriter will be obligated to pay certain costs and expenses of the financing. Red Mortgage Capital, LLC (the “FHA Lender”), an affiliate of the Underwriter, will serve as lender with respect to the FHA-Insured Loan and issuer of the related GNMA Securities. The multiple roles of the Underwriter and the FHA Lender could be viewed as presenting a potential conflict of interest.

The Underwriter’s obligations are subject to certain conditions precedent, and the Underwriter will purchase all the Bonds, if any are purchased. Pursuant to the Purchase Agreement, the Borrower has agreed to indemnify the Underwriter and the Issuer against certain civil liabilities, including liabilities under federal securities laws. It is intended that the Bonds will be offered to the public initially at the offering prices set forth on the cover page of this Official Statement and that such offering prices subsequently may change without any requirement of prior notice. The Underwriter may offer the Bonds to other dealers at prices lower than those offered to the public.

TAX MATTERS

In General

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes, except for interest on any Bond for any period during which such Bond is held by a “substantial user” of the facilities financed by the Bonds or a “related person” within the meaning of Section 147(a) of the Code. The opinion described in the preceding sentence assumes compliance by the Issuer and the Borrower with covenants designed to satisfy the requirements of the Code that must be met subsequent to

the issuance of the Bonds. Failure to comply with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Issuer and the Borrower have covenanted to comply with such requirements.

Bond Counsel is further of the opinion that interest on the Bonds is not a specific preference item or included in adjusted current earnings of corporations for purposes of the federal alternative minimum tax.

Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Bonds. The accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the owners of the Bonds. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Bonds.

Back-Up Withholding

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. This reporting requirement does not in and of itself affect or alter the excludability of interest on the Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Changes in Federal Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel have expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

State of California Income Taxation

Bond Counsel is also of the opinion that interest on the Bonds is exempt from State of California taxation, excepting inheritance and gift taxes.

LEGAL MATTERS

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving opinion of Kutak Rock LLP, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Eichner Norris & Neumann PLLC, Washington, D.C., and for the Borrower by Bocarsly Emden Cowan Esmail & Arndt LLP, Los Angeles, California. Payment of the fees and expenses of certain of the foregoing counsel is contingent upon the issuance of the Bonds.

RATING

S&P has assigned a rating to the Bonds as set forth on the cover page hereof. An explanation of the significance of such rating may be obtained from S&P. The rating of the Bonds reflect only the views of S&P at the time such rating was given, and neither the Issuer, the Borrower nor the Underwriter makes any representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

SUBORDINATION TO FHA LOAN DOCUMENTS AND HUD REQUIREMENTS

The Indenture, the Loan Agreement, the Note and the Regulatory Agreement (the “Bond Financing Documents”) provide that, notwithstanding anything in such documents to the contrary, the Bond Financing Documents will be subordinate to the FHA Loan Documents. The provisions of the Bond Financing Documents are subject to the National Housing Act, all applicable FHA mortgage insurance regulations and related administrative requirements, the FHA Loan Documents, all applicable GNMA regulations and related administrative requirements and the GNMA documents (collectively the “HUD Requirements”). In the event of any conflict between the provisions of the Bond Financing Documents and the HUD Requirements, the HUD Requirements will control. Enforcement of the Bond Financing Documents will not result in any claim against the Project, the FHA Mortgage proceeds, any reserve or deposit required by HUD in connection with the FHA Mortgage, or the rents or other income from the Project (except “Surplus Cash,” as defined in the HUD Regulatory Agreement). No assurance can be made that such provision will not impair the excludability of interest on the Bonds from gross income for federal income tax purposes.

CONTINUING DISCLOSURE

The Borrower will enter into a Continuing Disclosure Agreement, dated as of the date of the Indenture (the “Continuing Disclosure Agreement”), with the Trustee, acting as the dissemination agent (the “Dissemination Agent”), obligating the Borrower to send, or cause to be sent, certain financial information with respect to the Project to certain information repositories annually and to provide notice, or cause notice to be provided, to the Municipal Securities Rulemaking Board, if any, of certain enumerated events for the benefit of the Beneficial Owners and Holders of any of the Bonds, in order to allow the Underwriter to meet the requirements of Section (b)(5)(i) of Securities Exchange Commission Rule 15c2-12 (the “Rule”). See Appendix F hereto.

A failure by the Borrower to comply with the provisions of the Disclosure Agreement will not constitute a default under the Indenture or the Loan Agreement (although Holders will have any available remedy at law or in equity for obtaining necessary disclosures). Nevertheless, such a failure to comply is required to be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds.

The Borrower has not entered into any prior continuing disclosure undertakings.

MISCELLANEOUS

The foregoing references to and summaries or descriptions of provisions of the Bonds, the Indenture, the Loan Agreement and the Regulatory Agreement, and all references to other materials not stated to be quoted in full are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof. After the Closing Date, copies of the Indenture, the Loan Agreement and the Regulatory Agreement may be obtained from the Trustee at its designated corporate trust office, [TRUSTEE], _____, Attention: Corporate Trust Services.

[Remainder of Page Left Blank Intentionally]

[Borrower's signature page to Official Statement]

PILGRIM TOWER APARTMENTS, L.P., a California
limited partnership

By Pilgrim Tower Apartments, LLC, a California
limited liability company
Its general partner

By Brookmore Apartment Corporation, a
California nonprofit corporation
Its sole member

By _____
Howard Hudson, President

APPENDIX A

DEFINITION OF CERTAIN TERMS

“Act” means Chapter 7 of Part 5 of Division 31 of the Health and Safety Code of the State.

“Additional Payments” means the amounts required to be paid by the Borrower pursuant to the provisions of the Loan Agreement.

“Affiliate” of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, “control” when used with respect to any specified Person means the power to direct the policies of such Person, directly or indirectly, whether through the power to appoint and remove its directors, the ownership of voting securities, by contract, or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Arbitrage Consultant” means any accountant, law firm or consultant experienced in the calculation of arbitrage rebate selected by the Borrower and approved by the Issuer.

“Authorized Borrower Representative” means the person or persons designated to act on behalf of the Borrower by written certificate furnished to the Issuer and the Trustee containing the specimen signature of such person and signed on behalf of the Borrower by the president or vice president of the general partner of the Borrower, which certificate may designate an alternate or alternates.

“Authorized Denomination” means \$5,000, or any integral multiple of \$5,000 in excess thereof.

“Available Moneys” means, as of any date of determination, any of the following, as applicable:

- (a) the proceeds of the Bonds;
- (b) proceeds from the sale of GNMA Securities;
- (c) proceeds from advances on the FHA Insured Mortgage Loan or FHA Lender Funds deposited directly with the Trustee by the FHA Lender;
- (d) proceeds from advances on the Subordinate Loan deposited directly by the Subordinate Lender with the Trustee;
- (e) any other amounts, including the proceeds of refunding bonds, for which the Trustee has received an opinion of counsel to the effect that the use of such amounts to make payments on the Bonds 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) or be avoidable as preferential payments under Section 547 of the Bankruptcy Code should the Issuer or the Borrower become a debtor in proceedings commenced under the Bankruptcy Code;
- (f) the proceeds of any letter of credit; or
- (g) investment earnings derived from the investment of moneys described in (a), (b), (c), (d), (e) or (f).

“Bankruptcy Code” means Title 11 of the United States Code entitled “Bankruptcy,” as in effect now and in the future, or any successor statute.

“Board” means the City Council of the Issuer.

“Bond Counsel” means, collectively, Kutak Rock LLP, or any other attorney or firm of attorneys designated by the Issuer and approved by a Majority of the Holders of the Bonds and who has a national reputation for skill in connection with the authorization and issuance of municipal obligations under Sections 103 and 141 through 150 (or any successor provisions) of the Code.

“Bond Debt Service Charges” means, for any period or payable at any time, the principal of and interest on the Bonds for that period or payable at that time whether due at maturity or upon redemption or acceleration.

“Bond Fund” means the Bond Fund created in the Indenture.

“Bond Payment Date” means each Interest Payment Date and any other date Bond Debt Service Charges on the Bonds are due, whether at maturity, upon acceleration or otherwise.

“Bond Resolution” means that certain Resolution relating to the Project, adopted by the Board on the date set forth in the Indenture.

“Book Entry Form” or *“Book Entry System”* means, with respect to the Bonds, a form or system, as applicable, under which (a) physical Bond certificates in fully registered form are issued only to a Depository or its nominee, with the physical Bond certificates “immobilized” in the custody of the Depository and (b) the ownership of book entry interests in Bonds and Bond Debt Service Charges thereon may be transferred only through a book entry made by Persons other than the Issuer or the Trustee. The records maintained by Persons other than the Issuer or the Trustee constitute the written record that identifies the owners, and records the transfer, of book entry interests in the Bonds and Bond Debt Service Charges thereon.

“Business Day” means a day of the week, other than a Saturday or a Sunday, on which commercial banks located in the city in which the designated corporate trust office of the Trustee are not required or authorized to remain closed.

“Closing Date” means the closing date specified on the cover hereof.

“Code” means the Internal Revenue Code of 1986, as amended, and all applicable regulations (whether proposed, temporary or final) under the Code and the statutory predecessor of the Code, and any official rulings and judicial determinations under the foregoing applicable to the Bonds.

“Collateral Fund” means the Collateral Fund created pursuant to the Indenture.

“Completion Date” means the date of substantial completion of the Project evidenced in accordance with the requirements of the Loan Agreement.

“Costs of Issuance Fund” means Costs of Issuance Fund created in the Indenture.

“Depository” means, with respect to the Bonds while in Book Entry Form, DTC, until a successor Depository shall have become such pursuant to the applicable provisions of the Indenture, and thereafter, Depository shall mean the successor Depository. Any Depository shall be a securities

depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a Book Entry System to record ownership of book entry interests in the Bonds or Bond Debt Service Charges thereon, and to effect transfers of book entry interests in the Bonds.

“Disbursement Request” means a written request of the Borrower signed by an Authorized Borrower Representative (which request shall be in the form attached as an exhibit to the Loan Agreement to the Trustee for disbursement from the Project Fund to pay Project Costs.

“DTC” means The Depository Trust Company (a limited purpose trust company), New York, New York, and its successors or assigns.

“Eligible Investments” mean, subject to the Indenture and only to the extent permitted by law for the investment of moneys of the Issuer, any of the following investments, which at the time are legal investments for moneys of the Issuer that are then proposed to be invested therein and each of which investments must mature or be guaranteed to be able to be tendered at a price equal to par prior to the optional redemption date or, after the optional redemption date, prior to the stated maturity of the Bonds:

(a) Direct obligations of the United States of America including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America.

(b) Money market mutual funds that are invested solely in the types of investments set forth under subparagraph (a) immediately above, and which have a rating in the highest investment category granted thereby from the Rating Agency, including, without limitation any mutual fund for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian..

“Event of Default” means any of the events described as an Event of Default in the Indenture.

“FHA Lender Funds” means funds of the FHA Lender, other than proceeds of the FHA Insured Mortgage Loan, delivered to the Trustee in exchange for a disbursement of a like amount from the Project Fund.

“Force Majeure” means any of the causes, circumstances or events described as constituting Force Majeure in the Loan Agreement.

“GAAP” means generally accepted accounting principles applied on a consistent basis.

“GNMA” means the Government National Mortgage Association, a corporate instrumentality of the United States within the United States Department of Housing and Urban Development organized and existing under the National Housing Act.

“GNMA Documents” means the GNMA Guaranty and the documents related to the GNMA Guaranty.

“GNMA Guaranty” means the guaranty made by GNMA pursuant to the provisions of Section 306(g) of Title III of the National Housing Act, as amended, and the regulations promulgated under the National Housing Act.

“GNMA Regulations” means the GNMA Regulations promulgated under the National Housing Act.

“GNMA Security” or *“GNMA Securities”* means a fully modified pass through security in the form of a CLC or a PLC issued by an approved FHA lender and guaranteed by GNMA as to timely payment of principal of and interest on a PLC and as to timely payment of interest only until maturity and timely payment of principal at maturity on a CLC, pursuant to Section 306(g) of the National Housing Act of 1934, as amended, and the regulations promulgated thereunder.

“Government” shall mean the government of the United States of America, the government of any other nation, any political subdivision of the United States of America or any other nation (including, without limitation, any state, territory, federal district, municipality or possession) and any department, agency or instrumentality thereof; and *“Governmental”* shall mean of, by, or pertaining to any Government.

“Holder,” “Holders” or *“Holder of a Bond”* means the Person in whose name a Bond is registered on the Register.

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

“Indebtedness” shall mean for any Person (a) all indebtedness or other obligations of such Person for borrowed money or for the deferred purchase price of property or services, (b) all indebtedness or other obligations of any other Person for borrowed money or for the deferred purchase price of property or services, the payment or collection of which such Person has guaranteed (except by reason of endorsement for deposit or collection in the ordinary course of business) or in respect of which such Person is liable, contingently or otherwise, including, without limitation, by way of agreement to purchase, to provide funds for payment, to supply funds to or otherwise to invest in such other Person, or otherwise to assure a creditor against loss, (c) all indebtedness or other obligations of any other Person for borrowed money or for the deferred purchase price of property or services secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien, upon or in property (including, without limitation, accounts and contract rights) owned by such Person, whether or not such Person has assumed or become liable for the payment of such indebtedness or other obligations, (d) all direct or contingent obligations of such Person in respect of letters of credit, (e) all lease obligations which have been or should be, in accordance with GAAP, capitalized on the books of such Person as lessee, and (f) guaranties of any of the foregoing; provided that Indebtedness does not include accounts payable and accrued expenses incurred in the ordinary course of business.

“Independent” when used with respect to a specified Person means such Person has no specific financial interest direct or indirect in the Borrower or any Affiliate of the Borrower and in the case of an individual is not a director, trustee, officer, partner or employee of the Borrower or any Affiliate of the Borrower and in the case of an entity, does not have a partner, director, trustee, officer, partner or employee who is a director, trustee, officer or employee of any partner of the Borrower or any Affiliate of the Borrower.

“Initial Deposit” means the deposit in the amount set forth herein under the heading *“ESTIMATED SOURCES AND USES OF FUNDS”* which the Borrower shall cause to be made from Available Moneys other than the proceeds of the Bonds to the Initial Deposit Account of the Bond Fund on the Closing Date.

“Initial Deposit Account” means the Initial Deposit Account within the Bond Fund created in the Indenture.

“Interest Payment Date” means each Interest Payment Date specified on the cover hereof, and on any date the Bonds are called for redemption prior to maturity.

“Interest Rate” means the interest rate on the Bonds specified on the cover hereof.

“Interest Rate for Advances” means the rate of 12% per annum or the rate per annum which is 2% plus that interest rate announced by the Trustee in its lending capacity as a bank as its “Prime Rate” or its “Base Rate,” whichever is greater and lawfully chargeable, in whole or in part.

“Investor Limited Partner” means the entity identified in the Indenture, and its permitted successors and assigns.

“Issuer’s Closing Fee” shall mean the Issuer’s issuance fee in the amount set forth in the Indenture payable by the Borrower to the Issuer on or before the Closing Date.

“Issuer’s Fee” means Issuer’s Closing Fee and Issuer’s Ongoing Fee.

“Issuer’s Ongoing Fee” shall mean the annual fee of the Issuer with respect to the Bonds in the amount as set forth in and in accordance with and pursuant to the provisions of the Regulatory Agreement.

“Issuer Revenues” means (a) the Loan Payments, (b) all other moneys received or to be received by the Issuer or the Trustee in respect of repayment of the Loan, including without limitation, all moneys and investments in the Bond Fund, (c) any moneys and investments in the Project Fund and the Collateral Fund, and (d) all income and profit from the investment of the foregoing moneys. The term “Issuer Revenues” does not include any moneys or investments in the Rebate Fund or the Costs of Issuance Fund.

“Law” means 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 supplemented and amended to the Closing Date.

“Lien” means any mortgage, deed of trust, lien, charge, security interest or encumbrance of any kind upon, or pledge of, any property, whether now owned or hereafter acquired, and includes the acquisition of, or agreement to acquire, any property subject to any conditional sale agreement or other title retention agreement, including a lease on terms tantamount thereto or on terms otherwise substantially equivalent to a purchase.

“Loan Payment Date” means the fifth Business Day preceding each Bond Payment Date.

“Loan Payments” means the amounts required to be paid by the Borrower in repayment of the Loan pursuant to the provisions of the Note and the Loan Agreement.

“Majority of the Holders of the Bonds” means the Holders of more than 50% of the principal amount of the then Outstanding Bonds.

“Maturity Date” means the maturity date for the Bonds specified on the cover hereof.

“Opinion of Bond Counsel” means an opinion of Bond Counsel.

“Outstanding Bonds”, “Bonds outstanding” or *“outstanding”* as applied to Bonds mean, as of the applicable date, all Bonds which have been authenticated and delivered, or which are being delivered by the Trustee under the Indenture, except:

- (a) Bonds canceled upon surrender, exchange or transfer, or canceled because of payment on or prior to that date;

(b) Bonds, or the portion thereof, for the payment or purchase for cancellation of which sufficient money has been deposited and credited with the Trustee or the Paying Agent on or prior to that date for that purpose (whether upon or prior to the maturity date of those Bonds);

(c) Bonds, or the portion thereof, which are deemed to have been paid and discharged or caused to have been paid and discharged pursuant to the provisions of the Indenture; and

(d) Bonds in lieu of which others have been authenticated under the Indenture.

“Paying Agent” means the Trustee acting as such, or any other bank or trust company designated as a Paying Agent by or in accordance with the Indenture.

“Person” or words importing persons mean firms, associations, partnerships (including without limitation, general and limited partnerships), joint ventures, societies, estates, trusts, corporations, limited liability companies, public or governmental bodies, other legal entities and natural persons.

“Project Costs” means the costs of the Project specified in the Loan Agreement.

“Project Fund” means the Project Fund created in the Indenture.

“Rating Agency” means S&P, Moody’s Investors Service, Inc. (“Moody’s”) or any other nationally recognized municipal securities rating agency acceptable to the Underwriter.

“Rebate Fund” means the Rebate Fund created in the Indenture.

“Register” means the books kept and maintained by the Registrar for registration and transfer of Bonds pursuant to the Indenture.

“Registrar” means the Trustee, until a successor Registrar shall have become such pursuant to applicable provisions of the Indenture; each Registrar shall be a transfer agent registered in accordance with Section 17A(c) of the Securities Exchange Act of 1934.

“Regular Record Date” means the fifteenth day of the calendar month next preceding an Interest Payment Date.

“S&P” means Standard & Poor’s Ratings Services.

“Special Funds” means, collectively, the Bond Fund, the Collateral Fund and the Project Fund and any accounts therein, all as created in the Indenture.

“State” means the State of California.

“Subordinate Lender” means the Subordinate Equity Bridge Lender.

“Subordinate Loan” means the Subordinate Equity Bridge Loan.

“Supplemental Indenture” means any indenture supplemental to the Indenture entered into between the Issuer and the Trustee in accordance with the Indenture.

“Tax Agreement” 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 Closing Date by the Issuer and the Borrower.

“Trust Estate” means the property rights, money, securities and other amounts pledged and assigned to the Trustee under the Indenture pursuant to the Granting Clauses of the Indenture.

“Unassigned Issuer’s Rights” means all of the rights of the Issuer, its members, officers, attorneys, accountants, employees, agents and consultants, past, present and future specifically reserved by the Issuer under the Indenture to receive Additional Payments under the Loan Agreement, to be held harmless and indemnified under the Loan Agreement, to be reimbursed for attorney’s fees and expenses under the Loan Agreement, to receive notices pursuant to the Loan Agreement and to give or withhold consent to amendments, changes, modifications, alterations and termination of the Loan Agreement under the Loan Agreement, its rights of access, and to the extent not included above the rights specifically reserved by the Issuer under the Indenture.

“Underwriter” means Red Capital Markets, LLC.

APPENDIX B
FORM OF BOND COUNSEL OPINION

KUTAK ROCK LLP
DRAFT 06/10/14

[____], 2015

City of Los Angeles
c/o Los Angeles Housing and Community
Investment Department
8th Floor
1200 West 7th Street
Los Angeles, CA 90017

Red Capital Markets, LLC
Two Miranova Place, 12th Floor
Columbus, OH 43215

[TRUSTEE]
[ADDRESS]
Los Angeles, CA 90071

\$1,815,000
City of Los Angeles
Multifamily Housing Revenue Bonds
(Pilgrim Tower Apartments)
Series 2015H-1

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance on the date hereof by the City of Los Angeles (the “Issuer”) of its Multifamily Housing Revenue Bonds (Pilgrim Tower Apartments) Series 2015H-1 (the “Bonds”) in the aggregate principal amount of \$1,815,000. The Bonds are being issued to fund a loan (the “Loan”) to Pilgrim Tower Apartments, L.P., a California limited partnership (the “Borrower”), to finance a portion of the acquisition, rehabilitation and equipping of a multifamily residential project for seniors known as Pilgrim Tower Apartments (the “Project”) located within the City of Los Angeles.

The Bonds are being issued pursuant to a Resolution adopted by the Council of the Issuer on [____], 2015 and concurred with by the Mayor of the Issuer (the “Resolution”) and the Trust Indenture dated as of [____] 1, 2015 (the “Indenture”) between the Issuer and [____] Bank National Association, as trustee (the “Trustee”).

In connection with the issuance of the Bond, we have examined (1) a certified copy of the Resolution, (2) a certified copy of Section 248 of the City Charter of the Issuer and Article 6.3 of Chapter 1 of Division 11 of the Los Angeles Administrative Code (the “Law”) and Chapter 7 of Part 5 of Division 31 of the Health and Safety Code of the State of California (the “Act”), (3) an executed counterpart of the Indenture, (4) the form of the Bond, (5) an executed counterpart of the Regulatory Agreement and Declaration of Restrictive Covenants dated as of [____] 1, 2015 among the Issuer, Trustee and Borrower (the “Regulatory Agreement”) imposing certain operating

restrictions on the Project, (6) an executed counterpart of the Loan Agreement dated as of [_____] 1, 2015 between the Issuer and Borrower (the “Loan Agreement”) setting forth the conditions pursuant to which the Issuer will fund the Loan, (7) the applicable provisions of the Constitution, laws and rules and regulations of the State of California and of the United States of America, (8) the transcript of proceedings relating to the issuance and sale of the Bond and the opinions, certifications and statements of facts and expectations contained in such transcript and (9) such other documents and materials as we have deemed relevant to the opinion expressed herein.

From an examination of the foregoing, we are of the opinion that:

(a) The Issuer is a municipal corporation and charter city duly organized and existing under the Constitution and laws of the State of California and has the power and authority, under the Constitution and laws of the State of California, including the Law and the Act, to carry out and consummate all transactions contemplated by the Indenture and to pledge the revenues and other amounts out of which the Bonds are payable.

(b) The Bonds have been validly authorized and issued in accordance with the laws of the State of California now in force and constitute the valid, legal and binding limited obligations of the Issuer payable solely from revenues and amounts pledged under the Indenture.

(c) The Indenture has been duly authorized, executed and delivered by the Issuer and, assuming due authorization, execution and delivery by the Trustee, represents the valid, legal and binding agreement of the Issuer enforceable in accordance with its terms.

(d) Under existing laws, regulations, rulings and judicial decisions, the interest on a Bond is excludable from gross income for federal income tax purposes, except (with respect to the hereinafter defined “substantial user”) during any period when such Bond is held by a “substantial user” of the facilities financed by the Bonds or a “related person” within the meaning of Section 147(a) of the Internal Revenue Code of 1986 (the “Code”). In rendering the opinion in this paragraph (d), we have assumed continuing compliance by the parties thereto with respect to certain covenants in the Loan Agreement, the Regulatory Agreement, the Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 and the Indenture concerning the continuing excludability of interest on the Bonds from gross income for federal income tax purposes.

(e) Interest on the Bonds is not a specific preference item or included in adjusted current earnings for purposes of the federal alternative minimum tax.

(f) Interest on the Bonds is exempt from State of California taxation, excepting inheritance and gift taxes.

(g) The Bonds constitute exempted securities within the meaning of the Securities Act of 1933, as amended, and the Indenture is exempt from application of the Trust Indenture Act of 1939, as amended, and it is not necessary, in connection with the public offering and sale of the Bonds, to register any securities under said Securities Act or to qualify any indenture under said Trust Indenture Act.

The accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend on the recipient's particular status or other items of income or deduction. We express no opinion regarding such consequences. The purchasers of the Bonds should consult their tax advisors as to the consequences of purchasing, holding or selling the Bonds.

The obligations of the parties, and the enforceability thereof, with respect to the documents described above are subject to the provisions of the bankruptcy laws of the United States of America and other applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect. Certain of the obligations, and the enforcement thereof, contained in the documents described above are also subject to general principles of equity, which may limit the specific enforcement of certain remedies but which do not affect the validity of such documents.

The opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of the initial draw of the Bonds. We express no opinion as of any date subsequent hereto or with respect to any pending legislation, regulatory initiatives or litigation.

Certain requirements and procedures contained or referred to in the Indenture, the Loan Agreement, the Regulatory Agreement and other relevant documents may be changed, and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of nationally recognized bond counsel. No opinion is expressed as to the Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

This opinion is delivered solely to the addressees hereof. No other party may rely upon this opinion without our express written consent.

We express no opinion as to title to, or the sufficiency of the description of, the Project (as defined in the Indenture) or any other document or instrument or the priority of any liens, charges or encumbrances on the Project.

Very truly yours,

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following, in addition to the information provided under “THE BONDS”, summarizes certain provisions of the Indenture, to which reference is made for the detailed provisions thereof.

Creation of Trust

To secure the payment of Bond Debt Service Charges on the Bonds according to their true intent and meaning, to secure the performance and observance of all of the covenants, agreements, obligations, and conditions contained therein and in the Indenture, and to declare the terms and conditions upon and subject to which the Bonds are and are intended to be issued, held, secured, and enforced, and in consideration of the premises and the acceptance by the Trustee of the trusts created in the Indenture and of the purchase and acceptance of the Bonds by the Holders, and for other good and valuable consideration, the receipt and sufficiency of which has been acknowledged, the Issuer has executed and delivered the Indenture and has absolutely assigned to the Trustee, and to its successors in trust, and its and their assigns, all right, title, and interest of the Issuer in and to (i) the Issuer Revenues, including, without limitation, all Loan Payments and other amounts receivable by or on behalf of the Issuer under the Loan Agreement in respect of repayment of the Loan, (ii) the Special Funds, including all accounts in those funds and all moneys deposited therein and the investment earnings on such moneys, (iii) all right, title, and interest of the Issuer in the proceeds derived from the sale of the Bonds, and any securities in which moneys in the Special Funds are invested, and (except for moneys in the Rebate Fund and otherwise required to be rebated to the United States of America under the Code) the proceeds derived therefrom, and any and all other real or personal property of every name and nature from time to time by delivery or by writing of any kind pledged, assigned, or transferred, as and for additional security under the Indenture by the Issuer or by anyone in its behalf, or with its written consent, to the Trustee, which has been authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Indenture, (iv) the Loan Agreement, except for the Unassigned Issuer's Rights, and (v) the Note (the foregoing collectively referred to as the “Trust Estate”).

Allocation of Bond Proceeds

The principal amount received upon the sale of the Bonds will be deposited to the Project Fund created by the Indenture and used in accordance with the Indenture to pay or provide for the payment of a portion of the costs of acquiring, rehabilitating and equipping the Project.

Notwithstanding any provision of the Loan Agreement or any other provision of the Indenture to the contrary, the Trustee shall not disburse to any person any funds from the Project Fund unless and until the Trustee confirms that Available Moneys in the Collateral Fund plus Available Moneys in the Project Fund, less the anticipated amount of the disbursement from the Project Fund, is at least equal to the then-outstanding principal amount of the Bonds.

Application of Loan Payments

So long as there are any Outstanding Bonds, any payments made by the Borrower pursuant to the Note and the Loan Agreement shall be paid on each Loan Payment Date directly to the Trustee, and deposited into the Bond Fund, to be used to pay the interest and principal (if any) on the Bonds on the next succeeding Interest Payment Date; provided that so long as there are amounts available therefor, for purposes of paying interest on the Loan when due the Trustee shall debit the Initial Deposit Account in the amount of interest due on the Bonds on each Interest Payment Date and transfer the same to the Bond

Fund to pay interest due on the Bonds on each Interest Payment Date; and provided further that so long as there are amounts available therefor, for purposes of making principal payments on the Loan when due the Trustee shall debit the Collateral Fund and transfer the same to the Bond Fund to pay the principal of the Bonds on the date set for redemption of the Bonds or payment of the Bonds on the Maturity Date.

Project Fund

Subject to the provisions of the Indenture, the Trustee shall make disbursements from the Project Fund to pay Project Costs only upon the receipt of a written request of the Borrower signed by an Authorized Borrower Representative and approved by the FHA Lender and the Issuer (a “Disbursement Request”).

When the Trustee receives a Disbursement Request in accordance with the provisions the Indenture and the Loan Agreement, subject to the Indenture, the Trustee shall confirm that Available Moneys equal to or greater than the sum of (i) the amount set forth in the Disbursement Request and (ii) all prior disbursements made, are on deposit in the Collateral Fund. Upon confirmation of the items above, the Trustee shall thereafter disburse the funds from the Project Fund to pay Project Costs in the amount pursuant to the Disbursement Request directly to the FHA Lender, or at the direction of the FHA Lender as provided in the Loan Agreement, to the extent the corresponding deposit of Available Moneys to the Collateral Fund was made by or at the direction of the FHA Lender (as confirmed in the Disbursement Request). Any investment earnings on the Project Fund shall be credited to the Bond Fund. Neither the Trustee nor the Issuer shall be responsible for the application by the Borrower of moneys disbursed to the Borrower or its designees (if any money is disbursed thereto) in accordance with the Indenture.

There shall be deposited from time to time in the Collateral Fund Available Moneys in such amounts and at such times as may be necessary to allow the Trustee to disburse funds from the Project Fund upon the Trustee’s receipt of a Disbursement Request from the Borrower to pay Project Costs.

The proceeds of the Bonds shall be used exclusively to pay costs that (i) are (A) capital expenditures (as defined in Section 1.150-1(a) of the Code’s regulations) and (B) not made for the acquisition of existing property, to the extent prohibited in Section 147(d) of the Code, and (ii) are made exclusively with respect to a “qualified residential rental project” within the meaning of Section 142(d) of the Code and that for the greatest number of buildings the proceeds of the Bonds shall be deemed allocated on a pro rata basis to the building in the Project and the land on which it is located so that the building and the land on which it is located will have been financed 50% or more by the proceeds of the Bonds for the purpose of complying with Section 42(h)(4)(B) of the Code; provided, however, the foregoing representation, covenant and warranty is made for the benefit of the Borrower and its partners and neither the Trustee nor the Issuer shall have any obligation to enforce this covenant nor shall they incur any liability to any person, including without limitation, the Borrower, the partners of the Borrower, any other affiliate of the Borrower or the holders of the Bonds for any failure to meet the intent expressed in the foregoing representation, covenant and warranty; and provided further, failure to comply with this representation, covenant and warranty shall not constitute a default or Event of Default under the Indenture.

Upon the occurrence and continuance of an Event of Default under the Indenture because of which the principal amount of the Bonds has been declared to be due and immediately payable pursuant to the Indenture, any moneys remaining in the Project Fund shall be promptly transferred by the Trustee to the Bond Fund.

Bond Fund

There shall be deposited in the Bond Fund (a) an amount of Available Moneys identified as the deposit to the Initial Deposit Account under the heading “ESTIMATED SOURCES AND USES OF FUNDS” herein, (b) investment earnings on the Project Fund and the Collateral Fund, and (c) amounts described below.

The Bond Fund and the moneys and Eligible Investments therein shall be used solely and exclusively for the payment of Bond Debt Service Charges as they become due and at stated maturity, or upon redemption or acceleration, all as provided in the Indenture and in the Loan Agreement.

The Trustee shall transmit to the Paying Agent, from moneys on deposit in the Bond Fund, amounts sufficient to make timely payments of Bond Debt Service Charges on the Bonds. To the extent that the amount needed by the Paying Agent is not sufficiently predictable, the Trustee may make any credit arrangements with the Paying Agent which will permit those payments to be made. The Issuer authorizes and directs the Trustee to cause withdrawal of moneys from the Bond Fund which are available for the purpose of paying, and are sufficient to pay, Bond Debt Service Charges on the Bonds as they become due and payable, for the purposes of paying or transferring moneys to the Paying Agent which are necessary to pay such Bond Debt Service Charges. Amounts credited to or on deposit in the Initial Deposit Account shall be transferred to the Bond Fund on each Loan Payment Date in order to provide for the payment of Bond Debt Service Charges on the next succeeding Bond Payment Date.

In the event that amounts on deposit in the Bond Fund on any Loan Payment Date are insufficient to make the payment of Bond Debt Service Charges due on the next succeeding Bond Payment Date, the Trustee shall transfer funds in the following order to the Bond Fund and use such funds, together with amounts then on deposit in the Bond Fund, to pay the Bond Debt Service Charges due on the next succeeding Bond Payment Date:

FIRST, from amounts on deposit in the Initial Deposit Account of the Bond Fund;

SECOND, from amounts on deposit in the Collateral Fund; and

THIRD, from amounts on deposit in the Project Fund.

Investment of Special Funds

On the Closing Date, subject to the provisions of the following paragraph, moneys on deposit in the Project Fund will be held by the Trustee uninvested until disbursed to the Borrower on the Closing Date in accordance with an approved Disbursement Request.

Any amounts deposited into the Special Funds (including amounts, if any, remaining on deposit in the Project Fund after the Closing Date) shall be invested initially in Blackrock MuniFund (Administrative Shares), to the extent that it is an Eligible Investment, and in any event, at all times in Eligible Investments except for de minimis periods of time necessary to effectuate disbursement of funds pursuant to an interest payment, disbursement from the Project Fund or redemption of the Bonds. For the time period between the Closing Date and the first date on which the Eligible Investments may be purchased, the Trustee shall hold such amounts uninvested.

The Trustee is directed to invest in Eligible Investments maturing no later than the dates set forth in the Indenture, with respect to the portion of the amounts on deposit in the Initial Deposit Account of the Bond Fund equal to interest due on the Bonds on each such date, respectively, and Eligible

Investments maturing no later than the first possible optional redemption date under the Indenture with respect to amounts on deposit in the Collateral Fund and the balance of amounts on deposit in the Initial Deposit Account of the Bond Fund.

The Trustee may not sell any investment at a loss; provided, however, that no redemption of any investments described in paragraph (b) of the definition of Eligible Investments shall be considered a sale for purposes of this sentence.

As long as no Event of Default (as defined in the Indenture) shall have occurred and be continuing, the Borrower shall have the right to designate the investments to be sold and to otherwise direct the Trustee in the sale or purchase of the investments or the conversion to cash of the investments made with the moneys in the Collateral Fund provided that the Trustee shall be entitled to conclusively assume the absence of any such Event of Default unless it has notice thereof; if there has been an Event of Default, the Holders shall have said right. In the absence of such directions from the Borrower, the Trustee shall invest the proceeds of maturing investments in the Collateral Fund in Eligible Investments having a maturity date not longer than 35 days from the date of purchase or the Maturity Date, as applicable.

The investments described above shall be made by the Trustee pursuant to the direction provided by the Indenture and in accordance with the written direction of the Borrower to be provided on the Closing Date, which shall remain in effect until further written direction is provided by the Borrower, with the consent of a Majority of the Holders of the Bonds.

Amounts, if any, on deposit in the Costs of Issuance Fund shall be invested at the direction of the Borrower in Eligible Investments until disbursed or returned to the Borrower pursuant to the Indenture.

Rebate Fund

The Trustee shall establish and maintain a fund separate from any other fund established and maintained under the Indenture, designated as the Rebate Fund. There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein at the direction of the Arbitrage Consultant. Subject to the transfer provisions described below, all amounts on deposit in the Rebate Fund shall be held by the Trustee in trust, to the extent required to pay rebatable arbitrage to the United States of America, and neither the Issuer, the Borrower nor any Holder of the Bonds shall have any rights in or claim to such money. All amounts held in the Rebate Fund shall be governed by the Indenture and by the Tax Agreement. The Trustee shall not be responsible for calculating rebate amounts or for the adequacy or correctness or any rebate report or rebate calculations. The Trustee shall be deemed conclusively to have complied with the provisions of the Indenture regarding calculation and payment of rebate if it follows the directions of the Borrower or the Arbitrage Consultant and it shall have no independent duty to review such calculations or enforce compliance with such rebate requirements.

The Trustee shall unconditionally be entitled to accept and rely upon the recommendations, advice, calculations and opinions of the Arbitrage Consultant as to actions required or not required to be taken by the Trustee to comply with the provisions of Section 148(f) of the Code. The Trustee has agreed to act in accordance with the recommendations, advice and opinions of the Arbitrage Consultant for the purpose of complying with any applicable provision of Section 148(f) of the Code.

Pursuant to the Tax Agreement and upon written direction of the Arbitrage Consultant, the Trustee shall remit all rebate installments and a final rebate payment to the United States of America pursuant to the final report of the Arbitrage Consultant. The Trustee shall have no obligation to pay any amounts required to be rebated pursuant to the Indenture and the Tax Agreement, other than from moneys

held in the Funds created under the Indenture or from other moneys provided to it by the Borrower. Any moneys remaining in the Rebate Fund after redemption and payment of the Bond and payment and satisfaction of any rebatable arbitrage shall be withdrawn and remitted to the Borrower.

Notwithstanding any other provision of the Indenture, the obligation to pay rebatable arbitrage to the United States of America and to comply with all other requirements of the Indenture described under this heading and the Tax Agreement shall survive the defeasance or payment in full of the Bond. Any provision of the Indenture to the contrary notwithstanding, amounts credited to the Rebate Fund shall be free and clear of any lien under the Indenture.

Collateral Fund

There shall be deposited from time to time in the Collateral Fund Available Moneys in such amounts and at such times as may be necessary to allow the Trustee to transfer funds from the Project Fund, pursuant to the Indenture, upon the Trustee's receipt of a disbursement request from the Borrower. Moneys in the Collateral Fund shall be invested in Eligible Investments.

The Collateral Fund shall only be used and applied for, and irrevocably committed to, the payment of (a) the Bond Debt Service Charges on the Bonds which are due and payable on any Interest Payment Date or Maturity Date and (b) the Bond Debt Service Charges on the Bonds as and when due at any other Bond Payment Date. Any investment earnings on the Collateral Fund shall be credited to the Bond Fund.

Costs of Issuance Fund

The Trustee shall use money on deposit to the credit of the Costs of Issuance Fund to pay the costs of issuance on the Closing Date as set forth in a certificate of the Issuer delivered to the Trustee on the Closing Date or as otherwise directed by the Issuer, upon delivery to the Trustee of appropriate invoices for such expenses. Investment earnings on amounts on deposit in the Costs of Issuance Fund shall be retained in such fund. Amounts remaining on deposit in the Costs of Issuance Fund 60 days after the Closing Date shall be remitted by the Trustee to the Borrower. Upon such final disbursement, the Trustee shall close the Costs of Issuance Fund.

Issuer's Fees

The Issuer shall be paid the fees described in the Regulatory Agreement. The Trustee shall collect the Issuer's fees from the Borrower when due and remit them to the Issuer at the times specified in the Regulatory Agreement. The Trustee may establish a fund or account in its records to deposit and remit the Issuer's fees to the Issuer.

Default Provisions and Remedies of Trustee and Holders

Defaults; Events of Default. The occurrence of any of the following events is defined as and declared to be and to constitute an Event of Default under the Indenture:

- (a) Payment of any interest on any Bond shall not be made when and as that interest shall become due and payable;
- (b) Payment of the principal of any Bond shall not be made when and as that principal shall become due and payable, whether at stated maturity, upon acceleration or otherwise;

(c) Failure by the Issuer to observe or perform any other covenant, agreement or obligation on its part to be observed or performed contained in the Indenture or in the Bonds, which failure shall have continued for a period of 30 days after written notice, by registered or certified mail, to the Issuer and the Borrower specifying the failure and requiring that it be remedied, which notice may be given by the Trustee in its discretion and shall be given by the Trustee at the written request of the Holders of not less than 25% in aggregate principal amount of Bonds then outstanding; provided, that if the failure is other than the payment of money and is of such nature that it can be corrected but not within the applicable period, that failure shall not constitute an Event of Default so long as the Issuer or the Borrower institutes curative action within the applicable period and diligently pursues that action to completion, which must be resolved within 180 days after the aforementioned notice; and

(d) The occurrence and continuance of an Event of Default as defined in the Loan Agreement.

The term “default” or “failure” as used under this heading means (i) a default or failure by the Issuer in the observance or performance of any of the covenants, agreements or obligations on its part to be observed or performed contained in the Indenture or in the Bonds, or (ii) a default or failure by the Borrower under the Loan Agreement, exclusive of any period of grace or notice required to constitute an Event of Default, as provided above or in the Loan Agreement.

Acceleration. Upon the occurrence of an Event of Default described (a) and (b) under the subheading “Defaults; Events of Default” above, the Trustee may declare, and upon the written request of the Holders of not less than 25% in aggregate principal amount of Bonds then outstanding the Trustee shall declare, by a notice in writing delivered to the Issuer and the Borrower, the principal of all Bonds then outstanding (if not then due and payable), and the interest accrued thereon, to be due and payable immediately. Upon the occurrence of any Event of Default other than those described (a) and (b) under the subheading “Defaults; Events of Default” above, the Trustee, with the written consent of all Holders of Bonds then outstanding, may declare by a notice in writing delivered to the Issuer and the Borrower, the principal of all Bonds then outstanding (if not then due and payable), and the interest thereon, to be due and payable immediately. Upon such declaration, the principal and interest on the Bonds shall become and be due and payable immediately. Interest on the Bonds shall accrue to the date determined by the Trustee for the tender of payment to the Holders pursuant to that declaration; provided, that interest on any unpaid principal of Bonds outstanding shall continue to accrue from the date determined by the Trustee for the tender of payment to the Holders of those Bonds.

The provisions of the Indenture described in the preceding paragraph are subject, however, to the condition that if, at any time after declaration of acceleration and prior to the entry of a judgment in a court for enforcement under the Indenture (after an opportunity for hearing by the Issuer and the Borrower),

(a) all sums payable under the Indenture (except the principal of and interest on Bonds which have not reached their stated maturity dates but which are due and payable solely by reason of that declaration of acceleration), plus interest to the extent permitted by law on any overdue installments of interest at the rate borne by the Bonds in respect of which the default shall have occurred, shall have been duly paid or provision shall have been duly made therefor by deposit with the Trustee or Paying Agents, and

(b) all existing Events of Default shall have been cured, then and in every case, the Trustee shall waive the Event of Default and its consequences and shall rescind and annul that declaration.

No waiver or rescission and annulment shall extend to or affect any subsequent Event of Default or shall impair any rights consequent thereon.

Other Remedies; Rights of Holders. With or without taking action described under the subheading “Acceleration” above, upon the occurrence and continuance of an Event of Default, the Trustee may pursue any available remedy, including without limitation actions at law or equity to enforce the payment of Bond Debt Service Charges or the observance and performance of any other covenant, agreement or obligation under the Indenture, the Loan Agreement, the Regulatory Agreement or the Note or any other instrument providing security, directly or indirectly, for the Bonds.

If, upon the occurrence and continuance of an Event of Default, the Trustee is requested so to do by the Holders of at least 25% in aggregate principal amount of Bonds outstanding, the Trustee (subject to the provisions of the Indenture), shall exercise any rights and powers conferred by the Indenture as described under this subheading and under the subheading “Acceleration” above.

No remedy conferred upon or reserved to the Trustee (or to the Holders) by the Indenture is intended to be exclusive of any other remedy. Each remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or otherwise to the Trustee or to the Holders.

No delay in exercising or omission to exercise any remedy, right or power accruing upon any default or Event of Default shall impair that remedy, right or power or shall be construed to be a waiver of any default or Event of Default or acquiescence therein. Every remedy, right and power may be exercised from time to time and as often as may be deemed to be expedient.

No waiver of any default or Event of Default under the Indenture, whether by the Trustee or by the Holders, shall extend to or shall affect any subsequent default or Event of Default or shall impair any remedy, right or power consequent thereon.

As the assignee of all right, title and interest of the Issuer in and to the Loan Agreement (except for the Unassigned Issuer’s Rights), the Trustee is empowered to enforce each remedy, right and power granted to the Issuer under the Loan Agreement. In exercising any remedy, right or power thereunder or under the Indenture, the Trustee shall take such action as may be directed by the requisite percentage of the Holders of the Bonds then outstanding, applying the standards described in the Indenture.

Rights of Holders to Direct Proceedings. Anything to the contrary in the Indenture notwithstanding, the Holders of a majority in aggregate principal amount of Bonds then outstanding shall have the right at any time to direct, by an instrument or document in writing executed and delivered to the Trustee, the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or any other proceedings under the Indenture; provided, that (i) any direction shall not be other than in accordance with the provisions of law and of the Indenture, and (ii) the Trustee shall be indemnified as provided in the Indenture.

Rights and Remedies of Holders. A Holder shall not have any right to institute any suit, action or proceeding for the enforcement of the Indenture, for the execution of any trust under the Indenture or for the exercise of any other remedy under the Indenture, unless:

- (a) there has occurred and is continuing an Event of Default of which the Trustee has been notified, as provided in the Indenture, or of which it is deemed to have notice as provided in the Indenture,

(b) the Holders of at least 25% in aggregate principal amount of Bonds then outstanding shall have made written request to the Trustee and shall have afforded the Trustee reasonable opportunity to proceed to exercise the remedies, rights and powers granted in the Indenture or to institute the suit, action or proceeding in its own name, and shall have offered indemnity to the Trustee as provided in the Indenture, and

(c) the Trustee thereafter shall have failed or refused to exercise the remedies, rights and powers granted in the Indenture or to institute the suit, action or proceeding in its own name.

At the option of the Trustee, that notification (or notice), request, opportunity and offer of indemnity are conditions precedent in every case, to the institution of any suit, action or proceeding described above.

No one or more Holders of the Bonds shall have any right to affect, disturb or prejudice in any manner whatsoever the security or benefit of the Indenture by its or their action, or to enforce, except in the manner provided in the Indenture, any remedy, right or power under the Indenture. Any suit, action or proceedings shall be instituted, had and maintained in the manner provided in the Indenture for the benefit of the Holders of all Bonds then outstanding. Nothing in the Indenture shall affect or impair, however, the right of any Holder to enforce the payment of the Bond Debt Service Charges on any Bond owned by that Holder at and after the maturity thereof, at the place, from the sources and in the manner expressed in that Bond.

Waivers of Events of Default. The Trustee shall waive any Event of Default under the Indenture and its consequences and may rescind and annul any declaration of maturity of principal of or interest on, the Bonds upon the written request of the Holders of

(a) at least a majority in aggregate principal amount of all Bonds then outstanding in respect of which an Event of Default in the payment of Bond Debt Service Charges exists, or

(b) at least 25% in aggregate principal amount of all Bonds then outstanding, in the case of any other Event of Default.

There shall not be so waived, however, any Event of Default described in (a) or (b) under the subheading “Defaults; Events of Defaults” above or any declaration of acceleration in connection therewith rescinded or annulled, unless at the time of that waiver or rescission and annulment payments of the amounts provided in the Indenture and described under the subheading “Acceleration” above for waiver and rescission and annulment in connection with acceleration of maturity have been made or provision has been made therefor. In the case of the waiver or rescission and annulment, or in case any suit, action or proceedings taken by the Trustee on account of any Event of Default shall have been discontinued, abandoned or determined adversely to it, the Issuer, the Trustee and the Holders shall be restored to their former positions and rights under the Indenture, respectively. No waiver or rescission shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

Supplemental Indentures

The Issuer and the Trustee may enter into indentures supplemental to the Indenture, as described below and pursuant to the other provisions therefor in the Indenture.

Supplemental Indentures Not Requiring Consent of Holders. Without the consent of, or notice to, any of the Holders, the Issuer and the Trustee may enter into indentures supplemental to the Indenture for any one or more of the following purposes:

- (a) to cure any ambiguity, inconsistency or formal defect or omission in the Indenture;
- (b) to grant to or confer upon the Trustee for the benefit of the Holders any additional rights, remedies, powers or authority that lawfully may be granted to or conferred upon the Holders or the Trustee;
- (c) to assign additional revenues under the Indenture;
- (d) [reserved];
- (e) to add to the covenants, agreements and obligations of the Issuer under the Indenture, other covenants, agreements and obligations to be observed for the protection of the Holders, or to surrender or limit any right, power or authority reserved to or conferred upon the Issuer in the Indenture;
- (f) to evidence any succession to the Issuer and the assumption by its successor of the covenants, agreements and obligations of the Issuer under the Indenture, the Loan Agreement and the Bonds;
- (g) to permit the Trustee to comply with any obligations imposed upon it by law;
- (h) to specify further the duties and responsibilities of, and to define further the relationship among, the Trustee, the Registrar and any Authenticating Agents or Paying Agents;
- (i) to achieve compliance of the Indenture with any applicable federal securities or tax law;
- (j) to make amendments to the provisions of the Indenture relating to arbitrage matters under Section 148 of the Code, if, in the Opinion of Bond Counsel, those amendments would not cause the interest on the Bonds outstanding to be included in gross income of the Holders for federal income tax purposes which amendments may, among other things, change the responsibility for making the relevant calculations, provided that in no event shall such amendment delegate to the Trustee, without its consent, in its sole discretion the obligation to make or perform the calculations required under Section 148 of the Code; and
- (k) to permit any other amendment which, in the judgment of the Trustee, is not materially adverse to the Trustee or the Holders.

The provisions described in (h) and (j) shall not be deemed to constitute a waiver by the Trustee, the Registrar, the Issuer or any Holder of any right which it may have in the absence of those provisions to contest the application of any change in law to the Indenture or the Bonds.

Supplemental Indentures Requiring Consent of Holders. Exclusive of Supplemental Indentures to which reference is made under the subheading “Supplemental Indentures Not Requiring Consent of Holders” above and subject to the terms, provisions and limitations of the Indenture, and not otherwise, with the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time outstanding, evidenced as provided in the Indenture, and with the consent of the Borrower if required by the Indenture, the Issuer and the Trustee may execute and deliver Supplemental Indentures adding any provisions to, changing in any manner or eliminating any of the provisions of the Indenture or any Supplemental Indenture or restricting in any manner the rights of the Holders. Nothing described

under this heading or under the subheading “Supplemental Indentures Not Requiring Consent of Holders” above shall permit, however, or be construed as permitting:

(a) without the consent of the Holder of each Bond so affected, (i) an extension of the maturity of the principal of or the interest on any Bond or (ii) a reduction in the principal amount of any Bond or the rate of interest thereon, or

(b) without the consent of the Holders of all Bonds then outstanding, (i) the creation of a privilege or priority of any Bond over any other Bond or Bonds, or (ii) a reduction in the aggregate principal amount of the Bonds required for consent to a Supplemental Indenture.

If the Issuer shall request that the Trustee execute and deliver any Supplemental Indenture for any of the purposes described under this subheading, upon (A) being satisfactorily indemnified with respect to its expenses in connection therewith, and (B) if required by the Indenture, receipt of the Borrower’s consent to the proposed execution and delivery of the Supplemental Indenture, the Trustee shall cause notice of the proposed execution and delivery of the Supplemental Indenture to be mailed by first-class mail, postage prepaid, to all Holders of Bonds then outstanding at their addresses as they appear on the Register at the close of business on the fifteenth day preceding that mailing.

The Trustee shall not be subject to any liability to any Holder by reason of the Trustee’s failure to mail, or the failure of any Holder to receive, the notice required by the Indenture. Any failure of that nature shall not affect the validity of the Supplemental Indenture when there has been consent thereto as provided in the Indenture. The notice shall set forth briefly the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the designated corporate trust office of the Trustee for inspection by all Holders.

If the Trustee shall receive, within a period prescribed by the Borrower, of not less than 60 days, but not exceeding one year, following the mailing of the notice, an instrument or document or instruments or documents, in form to which the Trustee does not reasonably object, purporting to be executed by the Holders of not less than a majority in aggregate principal amount of the Bonds then outstanding (which instrument or document or instruments or documents shall refer to the proposed Supplemental Indenture in the form described in the notice and specifically shall consent to the Supplemental Indenture in substantially that form), the Trustee shall, but shall not otherwise, execute and deliver the Supplemental Indenture in substantially the form to which reference is made in the notice as being on file with the Trustee, without liability or responsibility to any Holder, regardless of whether that Holder shall have consented thereto.

Any consent shall be binding upon the Holder of the Bond giving the consent and, anything in the Indenture to the contrary notwithstanding, upon any subsequent Holder of that Bond and of any Bond issued in exchange therefor (regardless of whether the subsequent Holder has notice of the consent to the Supplemental Indenture). At any time after the Holders of the required percentage of Bonds shall have filed their consents to the Supplemental Indenture, the Trustee shall make and file with the Issuer a written statement that the Holders of the required percentage of Bonds have filed those consents. That written statement shall be conclusive evidence that the consents have been so filed.

If the Holders of the required percentage in aggregate principal amount of Bonds outstanding shall have consented to the Supplemental Indenture, as provided in the Indenture, no Holder shall have any right (a) to object to (i) the execution or delivery of the Supplemental Indenture, (ii) any of the terms and provisions contained therein, or (iii) the operation thereof, (b) to question the propriety of the execution and delivery thereof, or (c) to enjoin or restrain the Trustee or the Issuer from that execution or delivery or from taking any action pursuant to the provisions thereof.

Amendments to Loan Agreement, Regulatory Agreement and Note

Amendments Not Requiring Consent of Holders. Without the consent of or notice to the Holders, the Issuer, the Borrower and the Trustee may consent to any amendment, change or modification of the Loan Agreement, the Regulatory Agreement, or the Note as may be required (i) by the provisions of the Loan Agreement, the Regulatory Agreement, or the Indenture, (ii) for the purpose of curing any ambiguity, inconsistency or formal defect or omission in the Loan Agreement, the Regulatory Agreement, or any of the Note, (iii) in connection with an amendment or to effect any purpose for which there could be an amendment of the Indenture as described under the heading “Supplemental Indentures—Supplemental Indentures Not Requiring Consent of Holders” above, or (iv) in connection with any other change therein which is not materially adverse to the Trustee or the Holders of the Bonds, in the judgment of the Trustee, applying the standards described in the Indenture.

Amendments Requiring Consent of Holders. Except for the amendments, changes or modifications described under the subheading “Amendments Not Requiring Consent of Holders” above, neither the Issuer nor the Trustee shall consent to

(a) any amendment, change or modification of the Loan Agreement or the Note which would change the amount or time as of which Loan Payments are required to be paid, without the giving of notice as provided in the Indenture of the proposed amendment, change or modification and receipt of the written consent thereto of the Holders of all of the then Outstanding Bonds affected by such amendment, change or modification, or

(b) any other amendment, change or modification of the Loan Agreement, the Regulatory Agreement or the Note without the giving of notice as provided in the Indenture of the proposed amendment, change or modification and receipt of the written consent thereto of the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding affected by such amendment, change or modification.

The consent of the Holders shall be obtained as provided in the Indenture with respect to Supplemental Indentures.

If the Issuer or the Authorized Borrower Representative shall request at any time the consent of the Trustee to any proposed amendment, change or modification of the Loan Agreement, the Regulatory Agreement or the Note described in paragraph (a) or (b) above, upon being indemnified satisfactorily with respect to expenses, the Trustee shall cause notice of the proposed amendment, change or modification to be provided in the manner which is required by the Indenture with respect to notice of Supplemental Indentures. The notice shall set forth briefly the nature of the proposed amendment, change or modification and shall state that copies of the instrument or document embodying it are on file at the designated corporate trust office of the Trustee for inspection by all Holders.

Defeasance

Release of Indenture. If (i) the Issuer shall pay all of the Outstanding Bonds, or shall cause them to be paid and discharged, or if there otherwise shall be paid to the Holders of the Outstanding Bonds, all Bond Debt Service Charges due or to become due thereon, and (ii) provision also shall be made for the payment of all other sums payable under the Indenture or under the Loan Agreement, the Regulatory Agreement, and the Note, then the Indenture shall cease, determine and become null and void (except for those provisions surviving by reason of the Indenture in the event the Bonds are deemed paid and discharged as described under the subheading “Payment and Discharge of Bonds” below), and the

covenants, agreements and obligations of the Issuer under the Indenture shall be released, discharged and satisfied.

Thereupon, and subject to the provisions of the Indenture, if applicable,

(i) the Trustee shall release the Indenture (except for those provisions surviving by reason of the Indenture in the event the Bonds are deemed paid and discharged as described under the subheading "Payment and Discharge of Bonds" below), and shall execute and deliver to the Issuer any instruments or documents in writing as shall be requisite to evidence that release and discharge or as reasonably may be requested by the Issuer, and

(ii) the Trustee and the Paying Agents shall assign and deliver to the Issuer any property subject at the time to the lien of the Indenture which then may be in their possession, except amounts in the Bond Fund required (A) to be paid to the Borrower under the Indenture, or (B) to be held by the Trustee and the Paying Agents under the Indenture or otherwise for the payment of Bond Debt Service Charges.

Payment and Discharge of Bonds. All or any part of the Bonds shall be deemed to have been paid and discharged within the meaning of the Indenture, if:

(a) the Trustee as paying agent and the Paying Agents shall have received, in trust for and irrevocably committed thereto, sufficient moneys, or

(b) the Trustee shall have received, in trust for and irrevocably committed thereto, noncallable direct obligations of or obligations guaranteed as to full and timely payment by the United States of America which are certified by an Independent public accounting firm or such other firm experienced with such certifications of national reputation to be of such maturities or redemption dates and interest payment dates, and to bear such interest, as will be sufficient together with any moneys to which reference is made in paragraph (a) above, without further investment or reinvestment of either the principal amount thereof or the investment earnings therefrom (which earnings are to be held likewise in trust and so irrevocably committed, except as provided in the Indenture), for the payment of all Bond Debt Service Charges on those Bonds at their maturity.

Any moneys held by the Trustee in accordance with the provisions of the Indenture described under this subheading may be invested by the Trustee only in noncallable direct obligations of or obligations guaranteed as to full and timely payment by the United States of America having maturity dates, or having redemption dates which, at the option of the Holder of those obligations, shall be not later than the date or dates at which moneys will be required for the purposes described above. To the extent that any income or interest earned by, or increment to, the investments held under the provisions of the Indenture described under this subheading is determined from time to time by the Trustee to be in excess of the amount required to be held by the Trustee for the purposes of the provisions of the Indenture described under this subheading, that income, interest or increment shall be transferred at the time of that determination in the manner provided in the Indenture for transfers of amounts remaining in the Bond Fund.

If any Bonds shall be deemed paid and discharged as described under this subheading, then within 15 days after such Bonds are so deemed paid and discharged the Trustee shall cause a written notice to be given to each Holder as shown on the Register on the date on which such Bonds are deemed paid and discharged. Such notice shall state the numbers of the Bonds deemed paid and discharged or

state that all Bonds are deemed paid and discharged and shall set forth a description of the obligations held pursuant to paragraph (b) of the first paragraph under this subheading.

Extent of Covenants; No Personal Liability

No recourse under or upon any obligation, covenant, warranty or agreement contained in the Indenture or in the Bonds, 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, 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 owners of the Bonds, or otherwise, of any sum that may be due and unpaid by the Issuer or its governing body upon the Bonds. 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 Issuer's Mayor, the City Council or of any such member, officer, agent or employee, as such, past, present or future of the Issuer by reason of any act or omission on his or her part or otherwise, for the payment for or to the owners of the Bonds or otherwise of any sum that may remain due and unpaid upon the Bonds secured by the Indenture or any of them is, by the acceptance of the Bonds, expressly waived and released as a condition of and in consideration for the execution of the Indenture and the issuance of the Bonds. Anything in the Indenture to the contrary notwithstanding, it is expressly understood by the parties to the 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 or any Bondholder as to the existence of any fact or state of affairs, (b) the Issuer shall not be under any obligation under the Indenture to perform any recordkeeping 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 any Bondholder and (c) none of the provisions of the 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 the 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 recourse for the payment of any part of the principal of, premium, if any, or interest on the Bonds or for the satisfaction of any liability arising from, founded upon or existing by reason of the issuance, purchase or ownership of the Bonds shall be had against the Mayor, the City Council or any officer, member, agent or employee of the Issuer, as such, all such liability being expressly released and waived as a condition of and as a part of the consideration for the execution of the Indenture and the issuance of the Bonds. No covenant, stipulation, obligation or agreement of the Issuer contained in the 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 of 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 Bonds or be subject to any personal liability or accountability by reason of the issuance of the Bonds.

All covenants, stipulations, obligations and agreements of the Issuer contained in the Indenture are and shall be deemed to be covenants, stipulations, obligations and agreements of the Issuer to the full extent authorized by the Law and the Act and permitted by the Constitution of the State..

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

The following summarizes certain provisions of the Loan Agreement, to which reference is made for the detailed provisions thereof.

Issuance of the Bonds; Application of Proceeds

To provide funds to make the Loan for purposes of assisting in paying the Project Costs, the Issuer will issue, sell and deliver the Bonds to the Underwriter. The Bonds will be issued pursuant to the Indenture in the aggregate principal amount, will bear interest and will mature as set forth therein. The Borrower has approved the terms and conditions of the Indenture and the Bonds, and of the terms and conditions under which the Bonds will be issued, sold and delivered.

The proceeds from the sale of the Bonds shall be loaned to the Borrower and paid over to the Trustee for the benefit of the Borrower and the Holders of the Bonds. The proceeds of the Bonds shall be deposited in the Project Fund. Pending disbursement pursuant to the Loan Agreement, the proceeds of the Bonds deposited in the Project Fund, together with any investment earnings thereon, shall constitute a part of the Issuer Revenues assigned by the Issuer to the Trustee as security for the payment of Bond Debt Service Charges as provided in the Indenture.

Borrower Required to Pay Costs in Event Project Fund Insufficient

If moneys in the Project Fund are not sufficient to pay all Project Costs, the Borrower, nonetheless, will complete the Project in substantial accordance with the scope of work for the Project and shall pay all such additional Project Costs from its own funds (or from other public or private financing sources available to the Borrower). The Borrower shall pay all costs of issuing the Bonds. The Borrower shall not be entitled to any reimbursement for any such additional Project Costs or payment of issuance costs from the Issuer, the Trustee, or any Holder; nor shall it be entitled to any abatement, diminution, or postponement of the Loan Payments.

Loan Repayment; Delivery of Note

Upon the terms and conditions of the Loan Agreement, the Issuer will make the Loan to the Borrower. In consideration of and in repayment of the Loan, the Borrower shall deliver or cause to be delivered to the Trustee on or before each Loan Payment Date and payment date with respect to the Subordinate Bond (each a "Subordinate Bond Payment Date"), Loan payments, equal to the amount necessary to pay Bond Debt Service Charges due on the next Bond Payment Date and the accrued but unpaid interest on the Subordinate Bond on the next Subordinate Bond Payment Date. All such Loan Payments shall be paid to the Trustee in accordance with the terms of the Note for the account of the Issuer and shall be held and disbursed in accordance with the provisions of the Indenture, the Subordinate Indenture and the Loan Agreement.

The Borrower shall be entitled to a credit against the Loan Payments required to be made under the Loan Agreement, on any date, equal to the amounts, if any, transferred by the Trustee from the Initial Deposit Account, the Project Fund or the Collateral Fund on such date for the payment of Bond Debt Service Charges.

To secure the Borrower's performance of its obligations under the Loan Agreement, the Borrower shall execute and deliver, concurrently with the issuance and delivery of the Bonds, the Note and the Regulatory Agreement.

Upon payment in full of the Bond Debt Service Charges on any or all of the Bonds or payment of the entire Outstanding principal amount of the Subordinate Bond, in accordance with the Indenture or the Subordinate Indenture, as applicable, whether at maturity, upon acceleration or otherwise, or upon provision for the payment of all other obligations in the Loan Agreement and in the Indenture or Subordinate Indenture, as applicable, having been made in accordance with the provisions of the Indenture or Subordinate Indenture, as applicable, (i) if with respect to less than all of the Bonds or Subordinate Bond, as applicable, then outstanding, an appropriate notation shall be endorsed on the Note or the Subordinate Note, as applicable, evidencing the date and amount of the principal payment (or prepayment) equal to the Bonds or Subordinate Bond, as applicable, so paid, or with respect to which provision for payment has been made, and (ii) with respect to all of the Bonds or Subordinate Bond, as applicable, then Outstanding, the Note or the Subordinate Note, as applicable, shall be deemed fully paid, the obligations of the Borrower shall be terminated, and the Note or the Subordinate Note, as applicable, shall be surrendered by the Trustee to the Borrower for cancellation. Unless the Borrower is entitled to a credit under express terms of the Loan Agreement or the Note, all payments on the Note shall be in the full amount required thereunder.

The Borrower and the Issuer have both acknowledged that neither the Borrower nor the Issuer has any interest in the Bond Fund or in the Collateral Fund and any moneys deposited therein shall be in the custody of and held by the Trustee in trust for the benefit of the Holders.

Additional Payments

The Borrower shall pay to the Issuer or the Trustee, as the case may be, as Additional Payments under the Loan Agreement the following:

(a) To the Issuer, on the Closing Date, the sum set forth in the Loan Agreement and on each date set forth in the Loan Agreement, thereafter an administrative fee as set forth in the Regulatory Agreement.

(b) To the Issuer or the Trustee, as the case may be, whether or not an Event of Default has occurred under the Loan Agreement, as payment for or reimbursement or prepayment of any and all costs, expenses, and liabilities (i) incurred or paid by the Issuer or the Trustee, as the case may be, in satisfaction of any obligations of the Borrower under the Loan Agreement not performed by the Borrower in accordance with the provisions of the Loan Agreement, or (ii) incurred as a result of a request by the Borrower or of a requirement of any Borrower Document or the Indenture and not otherwise required to be paid by the Borrower under the Loan Agreement, including the fee due to the Issuer in the Regulatory Agreement or (iii) incurred in the defense of any action or proceeding with respect to the Project or any Borrower Document, or in enforcing any Borrower Document, or arising out of or based upon any other document related to the issuance of the Bonds; and

(c) To the applicable party, as payment for or reimbursement or prepayment of: (i) any Ordinary Services and Ordinary Expenses, Ordinary Fees and Expenses and Extraordinary Services and Extraordinary Expenses and Extraordinary Fees and Expenses of the Trustee as trustee, registrar, authenticating agent and paying agent, and of any other paying agent, authenticating agent, and registrar on the Bonds under the Indenture, all as provided in the Indenture, as and when the same become due; provided that the Borrower may, without creating

an Event of Default under the Loan Agreement, contest in good faith the necessity for any Extraordinary Services, Extraordinary Expenses and the amount of any such Extraordinary Services, Extraordinary Expenses or Extraordinary Fees and Expenses; and (ii) the fees and expenses of the Arbitrage Consultant for services rendered pursuant to the Indenture.

Additional Indebtedness

So long as no Event of Default or Default under the Loan Agreement shall have occurred and be continuing, the Borrower shall be permitted to incur any Indebtedness for any Project Cost or other obligation or payment due under the Loan Agreement, the Indenture or the Regulatory Agreement.

Control of Borrower and FHA Lender

The Borrower has represented that the FHA Lender does not control, either directly or indirectly, through one or more intermediaries, the Borrower and that the Borrower does not control, either directly or indirectly, through one or more intermediaries, the FHA Lender. "Control" for this purpose has the meaning given to such term in Section 2(a)(9) of the Investment Company Act of 1940. The Borrower will give notice to the Trustee and the Underwriter of any transaction that would result in the Borrower controlling or being controlled by the FHA Lender at least 45 days prior to the date of consummation of such transaction. The Trustee will give such notice to the Bondholders within ten days of receipt thereof.

Events of Default

Each of the following shall be an "Event of Default":

(a) The Borrower shall fail to pay any Loan Payment on or prior to the date on which that Loan Payment is due and payable;

(b) The Borrower shall fail to observe and perform any other agreement, term or condition contained in the Loan Agreement and the continuation of such failure for a period of 30 days after written notice thereof shall have been given to the Borrower and the Investor Limited Partner by the Issuer or the Trustee, or for such longer period as the Issuer and the Trustee may agree to in writing; provided, that if the failure is other than the payment of money and is of such nature that it can be corrected but not within the applicable period, that failure shall not constitute an Event of Default so long as the Borrower institutes curative action within the applicable period and diligently pursues that action to completion, which must be resolved within 180 days after the aforementioned notice;

(c) The Borrower shall: (i) admit in writing its inability to pay its debts generally as they become due; (ii) have an order for relief entered in any case commenced by or against it under the federal bankruptcy laws, as now or hereafter in effect, which is not dismissed within 90 days; (iii) voluntarily commence a proceeding under any other federal or state bankruptcy, insolvency, reorganization or similar law, or have such a proceeding commenced against it and either have an order of insolvency or reorganization entered against it or have the proceeding remain undismissed and unstayed for 90 days; (iv) make an assignment for the benefit of creditors; or (v) have a receiver or trustee appointed for it or for the whole or any substantial part of its property which appointment is not vacated within a period of 90 days;

(d) Any representation or warranty made by the Borrower in the Loan Agreement or any statement in any report, certificate, financial statement or other instrument furnished in

connection with the Loan Agreement or with the purchase of the Bonds shall at any time prove to have been false or misleading in any adverse material respect when made or given;

(e) There shall occur an “Event of Default” as defined in the Indenture or the Regulatory Agreement; and

(f) The Borrower shall fail to make payment of accrued interest and principal on the Subordinate Bond from Surplus Cash on a Payment Date or the maturity date of the Subordinate Bond.

Notwithstanding the foregoing, if, by reason of Force Majeure, the Borrower is unable to perform or observe any agreement, term or condition of the Loan Agreement which would give rise to an Event of Default described under paragraph (b) above, the Borrower shall not be deemed in default during the continuance of such inability. However, the Borrower shall promptly give notice to the Trustee and the Issuer of the existence of an event of Force Majeure and shall use commercially reasonable efforts to remove the effects thereof; provided that the settlement of strikes or other industrial disturbances shall be entirely within its discretion.

The term “Force Majeure” shall mean, without limitation, the following:

(i) acts of God; strikes, lockouts or other industrial disturbances; acts of terrorism or of public enemies; orders or restraints of any kind of the government of the United States of America or of the State or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; civil disturbances; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornados; storms; droughts; floods; arrests; restraint of government and people; explosions; breakage, malfunction or accident to facilities, machinery, transmission pipes or canals; partial or entire failure of utilities; shortages of labor, materials, supplies or transportation; or

(ii) any cause, circumstance or event not reasonably within the control of the Borrower.

The declaration of an Event of Default described under paragraph (c) above, and the exercise of remedies upon any such declaration, shall be subject to any applicable limitations of federal bankruptcy law affecting or precluding that declaration or exercise during the pendency of or immediately following any bankruptcy, liquidation or reorganization proceedings.

Remedies on Default

Whenever an Event of Default shall have happened and be subsisting, any one or more of the following remedial steps may be taken:

(a) If acceleration of the principal amount of the Bonds has been declared pursuant to the Indenture, the Trustee shall declare all Loan Payments to be immediately due and payable together with any other amounts payable by the Borrower under the Loan Agreement and the Note whereupon the same shall become immediately due and payable;

(b) The Trustee may exercise any or all or any combination of the remedies specified in the Loan Agreement;

(c) The Issuer or the Trustee may have access to, inspect, examine and make copies of the books, records, accounts and financial data of the Borrower pertaining to the Project; or

(d) The Issuer or the Trustee may pursue all remedies existing at law or in equity to collect all amounts then due and thereafter to become due under the Loan Agreement, the Regulatory Agreement, and the Note or to enforce the performance and observance of any other obligation or agreement of the Borrower under those instruments.

Notwithstanding the foregoing, neither the Issuer nor the Trustee, as assignee of the Issuer, shall be obligated to take any step which in its respective opinion will or might cause it to expend time or money or otherwise incur liability unless and until a satisfactory indemnity bond has been furnished to the Issuer or the Trustee, as applicable, at no cost or expense to the Issuer or the Trustee. Any amounts collected as Loan Payments or applicable to Loan Payments and any other amounts which would be applicable to payment of Bond Debt Service Charges collected pursuant to action taken as described under this heading shall be paid: first into the Bond Fund of the Indenture and applied in accordance with the provisions of the Indenture until the Outstanding Bonds have been paid and discharged in accordance with the provisions of the Indenture; and second into the Bond Fund of the Subordinate Indenture and applied in accordance with provisions of the Subordinate Indenture; and third, any remaining funds, shall be paid as provided in the Indenture for transfers of remaining amounts in the Bond Fund of the Indenture.

The provisions of the Loan Agreement described under this heading are subject to the further limitation that the rescission by the Trustee of its declaration that all of the Bonds are immediately due and payable also shall constitute an annulment of any corresponding declaration made as described in paragraph (a) above and a waiver and rescission of the consequences of that declaration and of the Event of Default with respect to which that declaration has been made, provided that no such waiver or rescission shall extend to or affect any subsequent or other default or impair any right consequent thereon.

Amendments, Changes and Modifications of the Loan Agreement

The Loan Agreement and the Note may only be amended as permitted by the Indenture. See “Amendments to Loan Agreement, Regulatory Agreement and Note” in Appendix C hereto.

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APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT

The following is a brief summary of the Regulatory Agreement. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to such Regulatory Agreement, copies of which are on file with the Trustee.

Applicability

The Regulatory Agreement relates to the Bonds and the Subordinate Bond, together. References to the “Bonds” in this Appendix are references to the Bonds and the Subordinate Bond, as applicable. References to the “Indenture” are references to the Indenture and the Subordinate Indenture, as applicable.

Definitions

“*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.

“*Area*” means the Los Angeles Primary Metropolitan Statistical Area.

“*CDLAC*” means the California Debt Limit Allocation Committee or its successors.

“*CDLAC Conditions*” has the meaning set forth in the Regulatory Agreement.

“*Certificate of Continuing Program Compliance*” means the Certificate of Continuing Program Compliance and Statistical Report to be filed by the Borrower with the Issuer and the Trustee at the times specified in the Regulatory Agreement, such report to contain the information set forth in and to be in substantially the form attached to the Regulatory Agreement or such other form as may from time to time be prescribed by the Issuer.

“*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, a Verification of Income in the form attached to the Regulatory Agreement or in such other form as may from time to time be provided by the Issuer to the Borrower and, with respect to recertifications, the Income Certification attached to the Regulatory Agreement, or such other form as may, from time to time, be provided by the Issuer to the Borrower.

“*Inducement Date*” means March 17, 2015.

“*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 in the Regulatory Agreement, 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 the Regulatory Agreement.

"Net Proceeds" means the total proceeds derived from the issuance, sale and delivery of the Bonds, representing the total purchase price of the Bonds, including any premium paid as part of the purchase price of the Bonds, but excluding the accrued interest, if any, on the Bonds paid by the initial purchaser of the Bonds.

"Project Facilities" means the buildings, structures and other improvements on the Project Site to be acquired, rehabilitated, constructed 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 1207 South Vermont Avenue, in the City of Los Angeles, California and all rights and appurtenances thereunto appertaining, as more particularly described in the Regulatory Agreement.

"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 latest of (a) the date which is 15 years after the date on which 50% of the dwelling units in the Project are first occupied, (b) 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 (c) the date on which any assistance provided with respect to the Project under Section 8 of the Housing Act terminates. The CDLAC Conditions apply for a period which, in some cases, exceeds the Qualified Project Period.

"Qualified Rehabilitation Expenditures" means any amount properly chargeable to the Project's capital account which is incurred no earlier than 60 days prior to the Inducement Date by the person acquiring the building or property (or additions or improvements to property) or by the seller of the property under a sales contract between the Borrower and the seller of the Project to the Borrower in connection with the rehabilitation of a building. In the case of an integrated operation contained in a building before its acquisition, such term includes rehabilitating existing equipment in such building or replacing it with equipment having substantially the same function. "Qualified Rehabilitation Expenditures" do not include any amount which is incurred after the date that is two years after the later of the date on which the building was acquired by the Borrower or the date on which the Bonds were issued. "Qualified Rehabilitation Expenditures" do not include any expenditure described in Section 47(c)(2)(B) of the Code. All amounts constituting Qualified Rehabilitation Expenditures must be depreciated on a straight line basis over 27.5 years (unless otherwise provided in the Code).

“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.

“Rehabilitation Completion Certificate” means a written certification signed by an Authorized Borrower Representative confirming that prior to the date which is 24 months after the Closing Date, and that the Borrower has incurred Qualified Rehabilitation Expenditures with respect to the Project in an amount equal to or greater than 15% of the portion of the cost of acquiring the Project (exclusive of any acquisition costs attributable to land) financed with the Net Proceeds of the Bonds.

“Taxability Event” means for the purposes of the Regulatory Agreement, either (a) refusal by the Borrower to consent to any amendment or supplement to the Regulatory Agreement or to the Indenture which, in the opinion of Bond Counsel, is necessary or advisable to maintain the exclusion of interest on the Bonds 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 Bonds (other than interest on a Bond for any period during which such Bond is held by a “substantial user” of any facility financed with the proceeds of the Bonds 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.

“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 Closing Date, executed and delivered by the Issuer 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 Bonds, that such interest is excluded from gross income for federal income tax purposes (other than interest on any Bond for any period during which such Bond is held by a “substantial user” of any facility financed with the proceeds of the Bonds 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.

Qualified Residential Rental Project

The Borrower has acknowledged and agreed 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 has represented, covenanted, warranted and agreed 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

paragraph (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. 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) 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 that for the following: (1) any dwelling units are required to be leased or rented to Low Income Tenants and persons 62 years of age and older, (2) the requirements of any regulatory agreement executed between the Borrower and HUD or between the Borrower and a subordinate lender (including the Issuer), (3) the requirements of any Section 8 Housing Assistance Payments Contract with respect to the Project, and (4) any preference Borrower gives to a class of persons permitted to be given preference pursuant to the Code, State law and other applicable federal law.

(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, the provisions of the Regulatory Agreement under this heading shall not be construed to prohibit occupancy of not more than three dwelling units 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 Issuer 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.

Low Income Tenants; Reporting Requirements

Pursuant to the requirements of the Code, the Borrower has represented, warranted and covenanted 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. The Borrower has certified that on the Closing Date 50% of dwelling units in the Project are occupied by tenants providing an Income Certification or other certification delivered in connection with a governmental housing subsidy program. Based on the foregoing, the beginning date of the Qualified Project Period is the Closing Date and the earliest ending date of the Qualified Project Period is fifteen years after the Closing Date.

(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 up to three units occupied by a property manager) 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 up to three units occupied by a property manager) shall at all times be rented to and occupied by Low Income Tenants. For the purposes of this paragraph (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 paragraph (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 paragraph (b) above (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 in the Project of such Low Income Tenant and, in the case of tenants residing in the Project as of the date of acquisition thereof (if applicable), dated no later than the day prior to the disbursement of Bond proceeds to fund acquisition and rehabilitation of 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 Issuer 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 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 Issuer) shall be attached to the Certificate of Continuing Program Compliance which is to be filed with the Issuer no later than the fifteenth day of each month until such report indicates compliance with paragraph (b) and thereafter the fifteenth of date set forth in the Regulatory Agreement 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 Issuer shall deem relevant, such as the two most recent years' tax returns or other forms of independent verification satisfactory to the Issuer.

(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 Issuer, 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 Issuer and the Trustee, no later than the fifteenth day of each month following the receipt by the Trustee of the Rehabilitation Completion Certificate to and including the month in which such report indicates that 40% of the occupied units (excluding up to three units occupied by a property manager) are occupied by Low Income Tenants, and thereafter no later than the fifteenth day of date set forth in the Regulatory Agreement, 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 paragraph (b) above, by Low Income Tenants during such period; (ii) that either (A) no unremedied default has occurred under the 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 Taxability Event has occurred, or if a Taxability Event has occurred, setting forth all material facts relating thereto.

(g) On or before each date set forth in the Regulatory Agreement during the Qualified Project Period, the Borrower will submit to the Issuer 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 date set forth in the Regulatory Agreement during the Qualified Project Period the Borrower will submit such completed form to the Secretary of the Treasury, regardless of whether or not the Issuer 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 paragraph (c) above 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 paragraph (h) to the contrary, such tenant's rent may be increased only pursuant to the Regulatory Agreement.

Additional Requirements of the Act

In addition to the requirements of the Regulatory Agreement described above, and without limiting any additional requirements described under the heading "Additional Requirements of CDLAC and the Issuer" below, during the Qualified Project Period, the Borrower and the Issuer have agreed to comply with each of the requirements of the Act, and, without limiting the foregoing, the Borrower has specifically agreed to comply with each of the requirements described below:

(a) As provided in Section 52097.5 of the Act, not less than 40% of the total number of units in the Project (excluding up to three units occupied by a property manager) 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) under this heading (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, assuming a family of one person in the case of a studio unit, two persons in the case of a one bedroom unit, three persons in the case of a two bedroom unit, four persons in the case of a three bedroom unit, and five persons in the case of a four bedroom unit.

(c) During the Qualified Project Period the Borrower shall file Certificates of Continuing Program Compliance in the form and at the time required by the Regulatory Agreement that shall contain sufficient information to allow the Issuer to file any annual report required by the Act or pursuant to California Government Code Section 8855.5.

(d) No portion of the Bonds shall be used to finance the acquisition, construction, 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 United States Housing Act of 1937, as amended, 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 Bonds, deed in lieu of foreclosure, eminent domain or action of a federal agency preventing enforcement, units required to be reserved for occupancy pursuant to the Regulatory Agreement 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 described in paragraph (b) above, until the earliest of any of the following occur:

(i) The household's income exceeds 140% of the maximum eligible income specified in the Regulatory Agreement;

(ii) The household voluntarily moves or is evicted for "good cause." "Good cause" as used under this heading, 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 development, or the purposes or special programs of the development;

(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 of the Regulatory Agreement 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 the Regulatory Agreement.

Additional Requirements of CDLAC and the Issuer

In addition to, and not in derogation of, the requirements described above and below, each of which is incorporated into the provisions of the Regulatory Agreement described under this heading as a specific requirement of CDLAC and the Issuer, whether or not required by California or federal law, the Borrower has represented, warranted, covenanted and agreed as follows:

(a) The Borrower shall promptly provide to the Issuer such information with respect to the Project or the Bonds as the Issuer shall from time to time request. If available, the

Borrower shall provide written notice to the Issuer 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 has agreed 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 (except restrictions upon occupancy of units to tenants aged 62 years of age and older or disabled persons), sexual orientation, gender identity/expression, transgender status, disability, 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 the Administrative Code of the Issuer described in the Regulatory Agreement, the provisions of which have been incorporated by reference.

(d) The Borrower shall comply with the conditions set forth in Exhibit A to CDLAC Resolution No. 15-43 adopted on May 20, 2015 (the "CDLAC Conditions"), as they may be modified or amended from time to time, which conditions are incorporated into the Regulatory Agreement by reference and made a part of the Regulatory Agreement and are attached to the Regulatory Agreement. The CDLAC Conditions include, but are not limited to requirements that (a) 11 of the units in the Project be rented or held vacant for occupancy by persons or families whose income is at least 50% or below of the area median income and (b) 97 of the units in the Project be rented or held vacant for occupancy by persons or families whose income is at least 60% or below of the area median income, which conditions are effective for a period of 55 submit to the Issuer on or before each date set forth in the Regulatory Agreement, until the end of the term of the CDLAC Conditions, a Certificate of CDLAC Program Compliance, in substantially the form attached to the Regulatory Agreement, executed by an Authorized Borrower Representative. Notwithstanding anything to the contrary in the Regulatory Agreement, the provisions of this paragraph (d) shall remain effective for the period specified in the CDLAC Conditions, unless the Regulatory Agreement shall terminate as otherwise provided in the Regulatory Agreement.

(e) For the Qualified Project Period, the Borrower will comply with the provisions of the Unruh Civil Rights Act, including, without limitation, Section 51.2 and, as applicable, Section 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 Issuer; 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 the Regulatory Agreement.

(g) All Income Certifications will be maintained on file at the Project or, with the prior written consent of the Issuer, at the principal place of business of the Borrower or the property manager of the Project, so long as the 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, or its successor. 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 Issuer (i) at the times specified in the Regulatory Agreement, 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 Issuer, 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 Issuer to file any periodic report, or any other information concerning the Project as the Issuer may reasonably request.

(j) All workers performing construction 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 date and documents related to Prevailing Wages or Davis-Bacon Wages, if applicable, using the LCP Tracker or comparable HCIDLALA-approved program. The fee for the LCP Tracker, or comparable HCIDLALA-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 the Regulatory Agreement.

(k) The Issuer may, at its option and at its expense, at any time appoint an administrator to administer the Regulatory Agreement and to monitor performance by the Borrower of the terms, provisions and requirements of the Regulatory Agreement. Following any such appointment, the Borrower shall comply with any request by the Issuer to deliver to such administrator, in addition to or instead of the Issuer, any reports, notices or other documents required to be delivered pursuant to the Regulatory Agreement, 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 Issuer.

(l) If upon the annual certification or recertification required in the Regulatory Agreement 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 in the Regulatory Agreement 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 Low Income Tenants at the following four points in time:

(i) Upon initial move in/lease execution, Borrower shall give written notice to all tenants of Low Income Units of the duration of the rent restrictions under the Regulatory Agreement. The Borrower must maintain, in its files, a copy of each notice containing each tenant's signed acknowledgement of the notice required under the Regulatory Agreement. The notice shall, at the least, contain language that the rent restrictions the Regulatory Agreement shall be for a term equal to the later of the expiration of: (a) the Qualified Project Period; or (b) the CDLAC Conditions. Upon termination of the rent restriction period under the Regulatory Agreement, rents may be set at a market rates unless otherwise restricted by some other legal, regulatory, or contractual requirement.

(ii) Twelve months prior to the termination of the rent restriction period under the 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 give written notice, pursuant to California Government Code Section 65863.10, to the Mayor of the City of Los Angeles, the Housing Authority of the City of Los Angeles, and the Los Angeles Department of Housing and Community Development.

(iii) Six months prior to the termination of the rent restriction period under the 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 give written notice, pursuant to California Government Code Section 65863.10, to the Mayor of the City of Los Angeles, the Housing Authority of the City of Los Angeles, and the Los Angeles Department of Housing and Community Development.

(iv) Ninety days prior to the termination of the rent restriction period under the 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.

(n) The Borrower shall, on the Closing Date, pay to the Issuer its initial and thereafter pay to the Issuer its ongoing fees with respect to the issuance of the Bonds. The Borrower shall pay the Issuer an initial fee immediately upon issuance of the Bonds equal to the amount set forth in the Regulatory Agreement. In addition, the Borrower shall, as compensation for the Issuer's monitoring of the provisions of the Regulatory Agreement, pay to the Issuer, semiannually in arrears prorated for the initial payment (on the first day of each date set forth in the Regulatory Agreement, for the period from the date of issuance of the Bonds through the later of: (i) the end of the Qualified Project Period; or (ii) termination of the CDLAC Conditions, prorated for the initial and any subsequent partial or over length period, a semiannual amount equal to: (A) during the period from the Closing Date to the date of payment in full of the Bonds,

the amount set forth in the Regulatory Agreement; and (B) following the payment in full of the Bonds, the amount set forth in the Regulatory Agreement, or such lesser amount as shall be necessary in the opinion of Bond Counsel to preserve the exemption of interest on the Bonds from gross income for federal income tax purposes. Throughout the term of the Regulatory Agreement, the Trustee, or the Issuer, as applicable, shall provide an invoice to the Borrower at least 30 days prior to the due date of each such payment (and if applicable, a copy of which shall be provided to the Issuer) and shall collect such payments from the Borrower and immediately remit such funds to the Issuer. Upon the prepayment of the Bonds in whole, prior to the later of: (i) the end of the Qualified Project Period; or (ii) termination of the CDLAC Conditions, the Borrower shall, at its election, either: (A) pay to the Issuer, on or before such payment, an amount equal to the present value of the remaining Issuer fees payable under the Regulatory Agreement, as calculated by the Issuer, 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 later of: (1) the Qualified Project Period; or (2) the termination of the CDLAC Conditions, or such lesser amount as shall be necessary in the opinion of Bond Counsel to preserve the exemption of interest on the Bonds from gross income for federal income tax purposes; or (B) pay directly to the Issuer on an annual basis, in arrears on each date set forth in the Regulatory Agreement, the annual fee described above. The Borrower shall not be required to pay the fee described in the preceding sentence if the Bonds are prepaid in whole under circumstances which permit termination of the Regulatory Agreement pursuant to the Regulatory Agreement.

(o) The Borrower shall pay to the Issuer a processing fee equal to: (A) prior to the payment of the Bonds in full, the amount set forth in the Regulatory Agreement, plus any expenses incurred by the Issuer, including, without limitation, Bond Counsel, City attorney, Issuer attorney and financial advisor fees, as a condition to the consideration and receipt of any consent, approval, amendment, transfer or waiver requested of the Issuer with respect to the Project, the Project Site or the Bonds. The Issuer shall provide an invoice directly to the Borrower for such amounts.

(p) The Borrower shall pay the Issuer its then current fees in connection with any consent, approval, transfer, amendment or waiver requested of the Issuer, together with any expenses incurred by the Issuer in connection therewith.

(q) The Trustee shall report to the Issuer and the Borrower in writing semiannually, within 10 days of each date set forth in the Regulatory Agreement, the principal amount of the Bonds outstanding as of such date, as appropriate.

(r) The Borrower shall promptly provide the Issuer such information with respect to the Project or the Bonds as the Issuer shall from time to time request.

(s) The Borrower shall include the Issuer 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 Bonds or other loan in support of the Project, unless such person otherwise qualifies for tenancy under the Regulatory Agreement and such tenancy is approved in writing by the Issuer.

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 Bonds 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 Issuer as the source of the financing provided for the Project, without the prior written approval of the Issuer (provided that nothing in the Regulatory Agreement shall prevent the Borrower or any general partner thereof from identifying the Issuer 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 Issuer (except (d) above, which may be expressly waived by CDLAC) may be expressly waived by the Issuer in writing in the Issuer's sole discretion, but (i) no waiver by the Issuer of any requirements described under this heading, or shall be deemed to, extend to or affect any other provision of the Regulatory Agreement, except to the extent the Issuer 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 Bonds for federal income tax purposes; and (ii) any requirement of described under this heading shall be void and of no force and effect if the Issuer and the Borrower receive a written opinion of Bond Counsel to the effect that compliance with any such requirement would cause interest on the Bonds 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.

Modification of Covenants

The Borrower, the Trustee and the Issuer have agreed 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 Issuer, the Trustee and the Borrower, impose requirements upon the ownership or operation of the Project more restrictive than those imposed by the Regulatory Agreement in order to maintain the Tax exempt status of interest on the Bonds, the 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 to the Regulatory Agreement have agreed to execute such amendment to the Regulatory Agreement as shall be necessary to document such automatic amendment of the Regulatory Agreement.

(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 Issuer, the Trustee and the Borrower, impose requirements upon the ownership or operation of the Project less restrictive than imposed by the Regulatory Agreement, the Regulatory Agreement may be amended or modified to provide such less restrictive requirements but only by written amendment

signed by the Issuer, 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 Bonds. The Issuer shall be under no obligation to agree to any such amendment, it being understood that each of the requirements of the Regulatory Agreement is a specific requirement of the Issuer, whether or not required by California or federal law.

(c) The Borrower, the Issuer 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 the provisions of the Regulatory Agreement described under this heading, and the Issuer has appointed the Trustee as its true and lawful attorney in fact to execute, deliver and, if applicable, file or record on behalf of the Issuer, as is applicable, any such document or instrument (in such form as may be approved in writing by Bond Counsel) if the Issuer defaults in the performance of its obligations under described in this paragraph (c); provided, however, that unless directed in writing by the Issuer, the Trustee shall take no action described in this paragraph (c) without first notifying the Issuer and without first providing the Issuer an opportunity to comply with the requirements of the Regulatory Agreement described under this heading. Nothing described in this paragraph (c) shall be construed to allow the Trustee to execute an amendment to the Regulatory Agreement on behalf of the Issuer.

Sale or Transfer of the Project

The Borrower has covenanted and agreed 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 under the Regulatory Agreement), 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 Issuer, which consent shall not be unreasonably withheld by the Issuer and shall be given by the Issuer if (a) the Borrower is not in default under the Regulatory Agreement or under the Loan Agreement; (b) the purchaser or assignee is not in default under any obligations it may have to the Issuer and is not the subject of any legal or enforcement actions by the Issuer, and the purchaser or assignee certifies that the continued operation of the Project will comply with the provisions of the Regulatory Agreement; (c) evidence reasonably satisfactory to the Issuer is presented to establish that the purchaser or assignee is willing to comply and is capable of complying with the terms and conditions of the Regulatory Agreement; (d) either (i) evidence satisfactory to the Issuer 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 Issuer determines has the experience and record described in subclause (i) above, or (iii) the Issuer 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 Issuer and the Trustee shall have received (i) with respect to any transfer of the Project, reasonable evidence satisfactory to the Issuer that the Borrower's purchaser or transferee has assumed in writing and in full, the Borrower's duties and obligations under the 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 the Regulatory Agreement and that such obligations and the Regulatory Agreement are binding on the transferee, (iii) unless waived by the Issuer, an opinion of Bond Counsel that such transfer will not adversely affect the Tax exempt nature of the interest on the Bonds, (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 Issuer 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 the Issuer, 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 described under this heading; and (h) such other conditions are met as the Issuer may reasonably impose to assure compliance by the Project with the requirements of the Regulatory Agreement. It has been expressly stipulated and agreed that, except for any such sale, transfer or disposition agreed to by the Issuer in a separate writing, any sale, transfer or other disposition of the Project in violation of the provisions of the Regulatory Agreement described under this heading 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 the Regulatory Agreement. Upon any sale or other transfer which complies with the Regulatory Agreement, the Borrower shall be fully released from its obligations under the Regulatory Agreement, 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 the Regulatory Agreement described under this heading.

The Borrower has acknowledged and recognized 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.

Notwithstanding anything to the contrary contained in the Regulatory Agreement, the respective interests of Borrower’s limited partners shall, with prior written notice to the Issuer, be transferable under the Regulatory Agreement to any affiliate of the limited partners of Borrower, without the consent of the Issuer and/or Trustee but with prior written notice thereto. In addition to the above requirements, the Borrower shall obtain the consent of CDLAC to any transfer of the Project in the manner and to the extent as may at the time be required by CDLAC.

Term

The Regulatory Agreement and all and each of the provisions of the Regulatory Agreement shall become effective upon its execution and delivery, and shall remain in full force and effect for the periods provided in the Regulatory Agreement and, except as otherwise described under this heading shall terminate in its entirety at the end of the Qualified Project Period (or in the case of the provisions of the Regulatory Agreement described in paragraph (d) under the heading “Additional Requirements of CDLAC and the Issuer” above at the times set forth in CDLAC Resolution), it being expressly agreed and understood that the provisions of the Regulatory Agreement are intended to survive the retirement of the Bonds, discharge of the Loan and termination of the Indenture and the Loan Agreement.

The terms of the Regulatory Agreement to the contrary notwithstanding, the amount set forth in the Regulatory Agreement and all the requirements set forth in the Regulatory Agreement (except as provided in the Regulatory Agreement) shall terminate and be of no further force and effect in the event of (a) involuntary noncompliance with the provisions of the 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 Issuer or the Trustee from enforcing the provisions of the Regulatory Agreement, 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 Bonds 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 the Regulatory Agreement and provided that, in either

case, an opinion of Bond Counsel (unless waived by the Issuer) is delivered to the Trustee to the effect that the exclusion from gross income for federal income tax purposes of interest on the Bonds 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) obtains an ownership interest in the Project for tax purposes. The Borrower has agreed 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 the Regulatory Agreement, the parties to the Regulatory Agreement have agreed to execute, deliver and record appropriate instruments of release and discharge of the terms of the Regulatory Agreement; provided, however, that the execution and delivery of such instruments shall not be necessary or a prerequisite to the termination of the Regulatory Agreement in accordance with its terms.

Default; Enforcement

If the Borrower defaults in the performance or observance of any covenant, agreement or obligation of the Borrower set forth in the Regulatory Agreement, and if such default remains uncured for a period of 60 days after notice thereof shall have been given by the Issuer to the Borrower, then the Issuer shall declare an "Event of Default" to have occurred under the Regulatory Agreement; 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 under the Regulatory Agreement 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 Bonds. The Trustee has consented to any correction of the default by the Issuer on behalf of the Borrower. The Issuer has consented to any correction of a default on the part of the Borrower under the Regulatory Agreement made by the Borrower's limited partners on behalf of the Borrower within the time periods described under this heading. Copies of any notices sent to the Borrower under the Regulatory Agreement shall simultaneously be sent to Borrower's limited partners at the address set forth in the Regulatory Agreement.

Following the declaration of an Event of Default under the Regulatory Agreement, the Trustee, as directed by the Issuer and subject to the provisions of the Indenture relative to the Trustee's duty to exercise remedies generally, or the Issuer 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 under the Regulatory Agreement or enjoin any acts or things which may be unlawful or in violation of the rights of the Issuer or the Trustee under the Regulatory Agreement;
- (b) 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; 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 under the Regulatory Agreement.

During the Qualified Project Period, the Borrower has granted to the Issuer 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 under this heading of the Borrower's default under the Regulatory Agreement or (b) the vacancy of a Low Income Unit for more than six months and the submission by the Issuer 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 the 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 Issuer under this provision shall terminate with respect to each default upon the achievement, by the Borrower, the Trustee or the Issuer, of compliance with the requirements of the Regulatory Agreement, and any subleases entered into pursuant to the Issuer's option shall be deemed to be leases from the Borrower. The Issuer 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 the Regulatory Agreement. Any rental paid under any such sublease shall be paid to the Borrower after the Issuer 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 Issuer, in accordance with the provisions of the Regulatory Agreement described under this heading and the provisions of the Indenture, to exercise any or all of the rights or remedies of the Issuer under the Regulatory Agreement, provided that prior to taking any such action the Trustee shall give the Issuer written notice of its intended action. All reasonable fees, costs and expenses of the Issuer and the Trustee incurred in taking any action described under this heading shall be the sole responsibility of the Borrower.

After the Indenture has been discharged, the Issuer 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 described above to the same extent and with the same effect as if taken by the Trustee.

The obligations of the Borrower under the Regulatory Agreement are not secured by a lien on the Project and the Loan shall not be accelerated as a result of any default under the Regulatory Agreement. The Borrower has agreed that specific enforcement of the Borrower's agreements contained in the Regulatory Agreement is the only means by which the Issuer may obtain the benefits of such agreements made by the Borrower in the Regulatory Agreement and the Borrower therefore has agreed to the imposition of the remedy of specific performance against it in the case of any default by the Borrower under the Regulatory Agreement.

The occurrence of a Taxability Event shall not, in and of itself, constitute a default under the Regulatory Agreement.

Amendments

The Regulatory Agreement shall be amended only by a written instrument executed by the parties to the Regulatory Agreement 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 Issuer of an opinion from Bond Counsel that such amendment will not adversely affect the Tax exempt status of interest on the Bonds and is not contrary to the provisions of the Law or the Act and with the written consent of the Trustee.

The Issuer, the Trustee and the Borrower have agreed to amend the Regulatory Agreement to the extent required, in the opinion of Bond Counsel (subject to the approval of the City Attorney of the Issuer), in order that interest on the Bonds remains Tax exempt. The party or parties requesting such amendment shall notify the other parties to the Regulatory Agreement of the proposed amendment, with a copy of such requested amendment to Bond Counsel and the City Attorney of the Issuer and a request that such Bond Counsel render to the Issuer an opinion as to the effect of such proposed amendment upon the Tax exempt status of interest on the Bonds.

Third-Party Beneficiary

CDLAC is intended to be and is a third party beneficiary of the Regulatory Agreement, and CDLAC shall have the right (but not the obligation) to enforce, separately or jointly with the Issuer and/or the Trustee or to cause the Issuer or the Trustee to enforce, the provisions of the 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 the Regulatory Agreement, 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 the Regulatory Agreement.

HUD Rider

In the event of any conflict between any provision contained elsewhere in the Regulatory Agreement and any provision contained in the HUD Rider to Restrictive Covenants (the “HUD Rider”), the provision contained in the HUD Rider shall govern and be controlling in all respects as described more fully below.

The following terms shall have the following definitions:

“Code” means the Internal Revenue Code of 1986, as amended.

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

“HUD Regulatory Agreement” means the Regulatory Agreement between Borrower and HUD with respect to the Project, as the same may be supplemented, amended or modified from time to time.

“Lender” means Red Mortgage Capital, LLC, a Delaware limited liability company, its successors and assigns.

“Mortgage Loan Documents” means the Security Instrument, the HUD Regulatory Agreement and all other documents required by HUD or Lender in connection with the FHA Insured Mortgage Loan.

“National Housing Act” means the National Housing Act of 1934, as amended.

“Program Obligations” has the meaning set forth in the Security Instrument.

“Security Instrument” means the mortgage or deed of trust from Borrower in favor of Lender, as the same may be supplemented, amended or modified.

“Surplus Cash” has the meaning specified in the HUD Regulatory Agreement.

Notwithstanding anything in the Regulatory Agreement to the contrary, the provisions of the Regulatory Agreement are expressly subordinate to (i) the Mortgage Loan Documents, including, without limitation, the Security Instrument and (ii) Program Obligations (the Mortgage Loan Documents and Program Obligations are collectively referred to in the HUD Rider as the “HUD Requirements”). The Borrower has covenanted that it will not take or permit any action that would result in a violation of the Code, HUD Requirements or the Regulatory Agreement. In the event of any conflict between the provisions of the Regulatory Agreement and the provisions of the HUD Requirements, HUD shall be and remains entitled to enforce the HUD Requirements. Notwithstanding the foregoing, nothing in the HUD Rider limits the Issuer’s ability to enforce the terms of the Regulatory Agreement, provided such terms do not conflict with statutory provisions of the National Housing Act or the regulations related thereto. The Borrower has represented and warranted that to the best of Borrower’s knowledge the Regulatory Agreement imposes no terms or requirements that conflict with the National Housing Act and related regulations

In the event of foreclosure (or deed in lieu of foreclosure), the Regulatory Agreement (including without limitation, any and all land use covenants and/or restrictions contained in the Regulatory Agreement) shall automatically terminate.

The Borrower, the Trustee and the Issuer have acknowledged that the Borrower’s failure to comply with the covenants provided in the Regulatory Agreement does not and shall not serve as a basis for default under the HUD Requirements, unless a default also arises under the HUD Requirements.

Except for the Issuer’s reporting requirement, in enforcing the Regulatory Agreement neither the Issuer nor the Trustee will file any claim against the Project or the FHA Insured Mortgage Loan proceeds, any reserve or deposit required by HUD in connection with the Security Instrument or HUD Regulatory Agreement, or the rents or other income from the property other than a claim against:

- (a) Available surplus cash, if the Borrower is a for-profit entity;
- (b) Available distributions and residual receipts authorized for release by HUD, if the Borrower is a limited distribution entity;
- (c) Available residual receipts authorized by HUD, if the Borrower is a non-profit entity; or
- (d) A HUD-approved collateral assignment of any HAP contract.

For so long as the FHA Insured Mortgage Loan is outstanding, the Borrower and the Issuer shall not further amend the Regulatory Agreement, with the exception of clerical errors or administrative correction of non-substantive matters, without HUD’s prior written consent.

Subject to the HUD Regulatory Agreement, the Issuer and the Trustee may require the Borrower to indemnify and hold the Issuer and Trustee harmless from all loss, cost, damage and expense arising from any claim or proceeding instituted against Issuer or Trustee relating to the subordination and covenants set forth in the Regulatory Agreement, provided, however, that the Borrower’s obligation to indemnify and hold the Issuer and Trustee harmless shall be limited to available surplus cash and/or residual receipts of the Borrower.

No action shall be taken in accordance with the rights granted in the Regulatory Agreement to preserve the tax exemption of the interest on the notes or bonds, or prohibiting the owner from taking any action that might jeopardize the tax-exemption, except in strict accord with Program Obligations.

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

\$1,815,000
City of Los Angeles
Multifamily Housing Revenue Bonds
(Pilgrim Tower Apartments)
Series 2015H-1

This Continuing Disclosure Agreement, dated as of August 1, 2015 (this “Continuing Disclosure Agreement”), is executed and delivered by Pilgrim Tower Apartments, L.P., a California limited partnership (the “Borrower”) and [TRUSTEE], as dissemination agent (the “Dissemination Agent”) and trustee (the “Trustee”) for the above-captioned bonds (the “Bonds”). The Bonds are being issued pursuant to a Trust Indenture, dated as of August 1, 2015 (the “Indenture”), between the City of Los Angeles (the “Issuer”) and the Trustee. Pursuant to the Indenture and the Loan Agreement, dated as of the date of the Indenture (the “Agreement”), the Dissemination Agent and the Issuer covenant and agree as follows:

Section 1. Purpose of the Continuing Disclosure Agreement. This Continuing Disclosure Agreement is being executed and delivered by the Borrower and the Dissemination Agent for the benefit of the Bondholders and in order to assist the Participating Underwriter in complying with the Rule (defined below). The Borrower and the Dissemination Agent acknowledge that the Issuer has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Continuing Disclosure Agreement, and has no liability to any Person, including any holder of the Bonds or Beneficial Owner, with respect to any such reports, notices or disclosures.

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Continuing Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Borrower pursuant to, and as described in, Sections 3 and 4 of this Continuing Disclosure Agreement.

“Audited Financial Statements” means, in the case of the Borrower, the annual audited financial statements of the Borrower prepared in accordance with generally accepted accounting principles, if any.

“Beneficial Owner” shall mean any Person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including Persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Disclosure Representative” shall mean, with respect to the Borrower, the administrator of the Project or his or her designee, or such other Person as the Borrower shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean [TRUSTEE], acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Borrower and which has filed with the Trustee a written acceptance of such designation.

“Material Events” shall mean any of the events listed in Section 5(a) of this Continuing Disclosure Agreement.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934. All documents provided to the MSRB shall be in an electronic format and accompanied by identifying information, as prescribed by the MSRB. Initially, all document submissions to the MSRB pursuant to this Continuing Disclosure Agreement shall use the MSRB’s Electronic Municipal Market Access (EMMA) system at www.emma.msrb.org.

“Participating Underwriter” means Red Capital Markets, LLC, and its successors and assigns.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports. (a) The Borrower will, or will cause the Dissemination Agent to, not later than 180 days following the end of the Borrower’s fiscal year, commencing with the fiscal year ending in 2015, provide to the MSRB an Annual Report which is consistent with the requirements described below. No later than 15 Business Days prior to said date, the Borrower will provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). In each case, the Annual Report of the Borrower may be submitted as a single document or as separate documents comprising a package and may cross reference other information, provided that the audited financial statements for the prior calendar year of the Borrower may be submitted separately from the balance of its Annual Report.

(b) If by 15 Business Days prior to the date specified in subsection (a) for providing an Annual Report to the MSRB, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent will contact the Disclosure Representative to determine if the Borrower is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent will send a notice to the MSRB in substantially the form attached as Exhibit B to this Continuing Disclosure Agreement.

(d) The Dissemination Agent will file a report with the Borrower and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Continuing Disclosure Agreement, stating the date it was provided.

Section 4. Content of Annual Reports. The Borrower’s Annual Report will contain or incorporate by reference the financial information or operating data with respect to the Project, provided at least annually, of the type included in Exhibit A hereto, which Annual Report may, but is not required to, include Audited Financial Statements. If the Borrower’s audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report will contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements will be filed in the same manner as the Annual Report when they become available.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Borrower is an “Obligated Person” (as defined by the Rule), which have been filed with the MSRB. The Borrower will clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Material Events. (a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events (each, a “Material Event”):

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulty;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulty;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) Modifications to rights of Bondholders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution or sale of property securing repayment of the Bonds, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the Borrower. For purposes of this clause (xii), any such event shall be considered to have occurred when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Borrower in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Borrower, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Borrower;
- (xiii) The consummation of a merger, consolidation, or acquisition involving the Borrower or the sale of all or substantially all of the assets of the Borrower, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) Appointment of a successor or additional trustee or paying agent or the change of the name of a trustee or paying agent, if material.

(b) The Dissemination Agent shall, within three (3) Business Days of obtaining actual knowledge of the occurrence of any potential Material Event, pursuant to subsection (c) of this Section or

otherwise, provide the Disclosure Representative with notice (by facsimile transmission confirmed by telephone). While the Dissemination Agent is also the Trustee, the Dissemination Agent shall not be deemed to have actual knowledge of those items listed in clauses (ii), (vi), (vii), (x), and (xi) above without the Dissemination Agent having received written notice of such event. While the Dissemination Agent is not also the Trustee, the Dissemination Agent shall not be deemed to have actual knowledge of those items listed in clauses (i) - (xiv) above without the Dissemination Agent having received written notice of such event. For purposes of providing notice to the Disclosure Representative, the Dissemination Agent shall assume that the unscheduled draws described in clauses (iii) and (iv) reflect financial difficulty.

(c) Whenever the Borrower obtains knowledge of the occurrence of a potential Material Event, the Borrower shall, within five (5) Business Days of obtaining such knowledge and in any event no more than seven (7) Business Days after the occurrence of such event, determine if such event is in fact a Material Event that is required by the Rule to be disclosed and provide the Dissemination Agent with notice and instructions pursuant to subsections (d) or (e) below, as applicable.

(d) If the Borrower has determined that a Material Event is required to be disclosed, then the Borrower shall prepare a written notice describing the Material Event and provide the same to the Dissemination Agent along with instructions to file the same pursuant to subsection (f) below.

(e) If the Borrower determines that an event is not required to be disclosed as a Material Event then the Borrower shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been provided with a written notice describing a Material Event pursuant to subsection (c) of this Section or otherwise, and is instructed by the Borrower to report the occurrence of such Material Event, the Dissemination Agent shall, within two (2) Business Days of its receipt of such written notice and in any event no more than ten (10) Business Days after the occurrence of the Material Event, file the notice with the MSRB and send a copy to the Borrower. The foregoing notwithstanding, notice of a Material Event described in subsections (a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Indenture.

Section 6. Amendment; Waiver. Notwithstanding any other provision of this Continuing Disclosure Agreement, the Borrower and the Dissemination Agent may amend this Continuing Disclosure Agreement (and the Trustee will agree to any amendment so requested by the Borrower) and any provision of this Continuing Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions described under paragraph (a) under “Provision of Annual Reports,” “Contents of Annual Reports” or paragraph (a) under “Reporting of Material Events,” it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of an Obligated Person with respect to the Bonds or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Continuing Disclosure Agreement, the Borrower will describe such amendment in the next Annual Report and will include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Borrower. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change will be given in the same manner as for a Material Event under Section 5(f) hereof and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 7. Default. In the event of a failure of the Borrower or the Dissemination Agent to comply with any provision of this Continuing Disclosure Agreement, the Dissemination Agent may (and, at the request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding Bonds, will), or the Borrower or any Holder or Beneficial Borrower of the Bonds may, take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Borrower or the Dissemination Agent, as the case may be, to comply with its obligations under this Continuing Disclosure Agreement. A default under this Continuing Disclosure Agreement will not be deemed an Event of Default under the Indenture or the Loan Agreement, and the sole remedy under this Continuing Disclosure Agreement in the event of any failure of the Borrower or the Dissemination Agent to comply with this Continuing Disclosure Agreement will be an action to compel performance.

Section 8. Beneficiaries. This Continuing Disclosure Agreement will inure solely to the benefit of the Borrower, the Trustee, the Dissemination Agent, the Participating Underwriter and Holders from time to time of the Bonds and will create no rights in any other Person or entity.

Section 9. Additional Information. Nothing in this Continuing Disclosure Agreement shall be deemed to prevent the Borrower from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Continuing Disclosure Agreement. If the Borrower chooses to include any information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is specifically required by this Continuing Disclosure Agreement, the Borrower shall have no obligation under this Continuing Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 10. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VI of the Indenture is hereby made applicable to this Continuing Disclosure Agreement as if this Continuing Disclosure Agreement were (solely for this purpose) contained in the Indenture and the Dissemination Agent shall be entitled to the same protections, limitations from liability and indemnities afforded the Trustee thereunder. The Dissemination Agent and the Trustee shall have only such duties as are specifically set forth in this Continuing Disclosure Agreement, and the Borrower agrees to indemnify and save the Dissemination Agent, the Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their rights, obligations, powers and duties hereunder, including the costs and expenses

(including reasonable attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or Trustee's respective negligence or willful misconduct. The obligations of the Borrower under this Section shall survive the termination of this Continuing Disclosure Agreement, the resignation or removal of the Dissemination Agent or the Trustee and payment of the Bonds. The Dissemination Agent and the Trustee shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Borrower, the Bondholders, or any other party. Neither the Trustee or the Dissemination Agent shall have any liability to the Bondholders or any other party for any monetary damages or financial liability of any kind whatsoever related to or arising from the breach of this Continuing Disclosure Agreement.

The Dissemination Agent agrees to disseminate the information provided to it hereunder in the form delivered by the Borrower. The Dissemination Agent is acting hereunder solely in an agency capacity and as such is merely a conduit for the Borrower, and shall have no liability or responsibility for the form, content, accuracy or completeness of any information furnished hereunder. Any such information may contain a legend to that effect.

The Dissemination Agent shall have no obligation to make disclosure concerning the Bonds, the Project or any other matter except as expressly set out herein, provided that no provision of this Continuing Disclosure Agreement shall limit the duties, trusts, rights, powers or obligations of the Trustee under the Indenture. The fact that the Trustee has or may have any banking, fiduciary or other relationship with the Borrower or any other party in connection with the Project or otherwise, apart from the relationship created by the Indenture and this Continuing Disclosure Agreement, shall not be construed to mean that the Trustee has knowledge or notice of any event or condition relating to the Bonds or the Project except in its respective capacities under such agreements.

No provision of this Continuing Disclosure Agreement shall require or be construed to require the Borrower or the Dissemination Agent to interpret or provide an opinion concerning any information disclosed hereunder.

The Annual Report may contain such disclaimer language as the Borrower may deem appropriate. Any information disclosed hereunder by the Dissemination Agent may contain such disclaimer language as the Dissemination Agent may deem appropriate.

The Borrower hereby agrees to compensate the Dissemination Agent for the services provided and the expenses incurred pursuant to this Continuing Disclosure Agreement, in an amount to be agreed upon from time to time hereunder, and to reimburse the Dissemination Agent upon its request for all reasonable expenses, disbursements and advances incurred by the Dissemination Agent hereunder (including any reasonable compensation and expenses of counsel) except any such expense, disbursement or advance that may be attributable to its negligence or willful misconduct.

The Dissemination Agent may consult with counsel of its choice and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon, it being understood that for purposes of this provision, that such counsel may be counsel to the Borrower.

No provision of this Continuing Disclosure Agreement shall require the Dissemination Agent 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.

Section 11. Notices. Any notices or communications to or among any of the parties to this Continuing Disclosure Agreement may be given at the addresses set forth in the Indenture. Any person

may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices of communications should be sent, effective only upon receipt.

Section 12. Governing Law. This Continuing Disclosure Agreement shall be governed by the laws of the State.

Section 13. Termination of this Continuing Disclosure Agreement. The Borrower or the Dissemination Agent may terminate this Continuing Disclosure Agreement by giving written notice to the other party at least 30 days prior to such termination. The Dissemination Agent shall be fully discharged at the time any such termination is effective. Also, this Continuing Disclosure Agreement shall terminate automatically upon payment or provision for payment of the Bonds.

Section 14. Counterparts. This Continuing Disclosure Agreement 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.

Section 15. HUD Provision. The Borrower and the Dissemination Agent acknowledge that this Continuing Disclosure Agreement, and all of the Borrower's obligations hereunder, are subject and subordinate to the following documents (collectively, the "Senior Loan Documents"): (i) Note (Multistate), dated as of August 1, 2015, from the Borrower to the FHA Lender, initially endorsed for mortgage insurance by the Secretary of Housing and Urban Development ("HUD") pursuant to Section 221(d)(4) of the National Housing Act, as amended (the "Senior Note"); (ii) the Multifamily Deed of Trust, Assignment Rents, and Security Agreement, dated as of the date of the Senior Note, from the Borrower for the benefit of the FHA Lender to secure the Senior Note (the "Senior Security Instrument"); (iii) the Regulatory Agreement for Multifamily Projects, dated as of the date of the Senior Note, between the Borrower and HUD (the "HUD Regulatory Agreement"); and (iv) any and all other documents, agreements, or instruments which evidence or secure the indebtedness evidenced by the Senior Note. Notwithstanding any provision in this Continuing Disclosure Agreement to the contrary, the obligations of the parties under this Continuing Disclosure Agreement are and shall be subordinated in all respects to the obligations of the parties to and under the Senior Loan Documents. In the event of any conflict between the provisions of this Continuing Disclosure Agreement and the provisions of the Senior Loan Documents, the provisions of the Senior Loan Documents shall control. No amendment to this Continuing Disclosure Agreement shall conflict with the Senior Loan Documents.

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[Borrower's Signature Page to Continuing Disclosure Agreement]

PILGRIM TOWER APARTMENTS, L.P., a California
limited partnership

By Pilgrim Tower Apartments, LLC, a California
limited liability company
Its general partner

By Brookmore Apartment Corporation, a
California nonprofit corporation
Its sole member

By _____
Howard Hudson, President

[Trustee's Signature Page to Continuing Disclosure Agreement]

[TRUSTEE], as Dissemination Agent and Trustee

By _____
Its _____

EXHIBIT A
ANNUAL REPORT

\$1,815,000
City of Los Angeles
Multifamily Housing Revenue Bonds
(Pilgrim Tower Apartments)
Series 2015H-1
CUSIP: _____

Report for Period Ending _____

THE PROJECT

Name: Pilgrim Tower Apartments
Address: _____
Occupancy: _____
Number of Units: _____
Number of Units Occupied as of Report Date _____

OPERATING HISTORY OF THE PROJECT

The following table sets forth a summary of the operating results of the Project for fiscal year ended _____, as derived from the Borrower's [un]audited financial statements.

Revenues
Operating Expenses¹
Net Operating Income
Debt Service on the Loan
Net Operating Income/(Loss)
After Debt Service

The average occupancy of the Project for the fiscal year ended [____] was [____] %.

¹Excludes depreciation and other non-cash expenses, includes management fee.

EXHIBIT B

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD OF
FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: City of Los Angeles

Name of Bond Issue: \$1,815,000 City of Los Angeles
Multifamily Housing Revenue Bonds (Pilgrim Tower Apartments)
Series 2015H-1

Name of Borrower: Pilgrim Tower Apartments, L.P., a California limited partnership

Date of Issuance: August ____, 2015

NOTICE IS HEREBY GIVEN that the above-referenced borrower (the "Borrower") has not provided an Annual Report in connection with the above-named bonds (the "Bonds") as required by a Trust Indenture, dated as of August 1, 2015 (the "Indenture"), between the above-named Issuer (the "Issuer") and [TRUSTEE], as trustee (the "Trustee"). The undersigned has been informed by the Borrower that it anticipates that the Annual Report will be filed by _____.

Dated: _____

[TRUSTEE], as Dissemination Agent and Trustee

By _____
Its _____

cc: Borrower

Attachment H – HCIDLA Request for Issuance of Bonds for Pilgrim Tower Apartments

BOND PURCHASE AGREEMENT

\$1,815,000
City of Los Angeles
Multifamily Housing Revenue Bonds
(Pilgrim Tower Apartments)
Series 2015H-1

August ____, 2015

City of Los Angeles
c/o Los Angeles Housing and Community Investment Department
1200 West 7th Street, 8th Floor
Los Angeles, CA 90017
Attention: Supervisor, Affordable Housing Bond Program

Pilgrim Tower Apartments, L.P.
303 North Glenoaks Boulevard, Suite 210
Burbank, CA 91502

Ladies and Gentlemen:

Red Capital Markets, LLC, on its own behalf and not as your fiduciary (the “Underwriter”) and in its capacity as purchaser of the above-captioned bonds (the “Bonds”), enters into the following agreement (the “Bond Purchase Agreement”) with the City of Los Angeles (the “Issuer”) and Pilgrim Tower Apartments, L.P., a California limited partnership (the “Borrower”), which, upon acceptance of this offer by the Issuer and the Borrower, will be binding upon the Issuer, the Borrower and the Underwriter. This offer is made subject to the Issuer’s and the Borrower’s acceptance on or before 1:00 p.m., Eastern time, today. If this offer is not timely accepted, it will thereafter be subject to withdrawal by the Underwriter upon written notice delivered to the Issuer and the Borrower at any time prior to the acceptance hereof by the Issuer and the Borrower. Upon the execution by all parties hereto, this Bond Purchase Agreement shall be deemed to be fully executed and effective as of 1:00 p.m., Eastern time, today. If and when accepted by the Issuer and the Borrower in writing, this Bond Purchase Agreement shall constitute the agreement of the Underwriter to purchase the Bonds on the terms and subject to the conditions herein set forth.

The Bonds are being issued by the Issuer pursuant to a Trust Indenture, dated as of August 1, 2015 (the “Indenture”), between the Issuer and [TRUSTEE], as trustee (the “Trustee”) and the Bond Resolution, all pursuant to the Act. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

The Issuer will loan (the “Loan”) the proceeds of the sale of the Bonds to the Borrower pursuant to the Loan Agreement, dated as of the date of the Indenture (the “Loan Agreement”), between the Issuer and the Borrower to finance a portion of the cost of acquisition, rehabilitation and equipping of Pilgrim Tower Apartments, a multifamily residential rental housing project for seniors located in Los Angeles, California (the “Project”). To evidence its repayment obligations under the Loan Agreement, the Borrower will execute a note, dated the Closing Date (the “Note”), payable to the Issuer, and assigned by the Issuer to the Trustee. Neither the Trustee nor the holders of the Bonds will have a lien on the Project.

The Bonds are limited obligations of the Issuer, and the principal of and interest thereon will be payable solely from the revenues and other moneys assigned by the Indenture to secure such payment. At all times the Bonds will be secured by a pledge of Eligible Investments and Available Moneys sufficient, without need for reinvestment, to pay all of the interest on the Bonds when due and to pay the principal of the Bonds at maturity.

The Borrower will be required to operate the Project in compliance with the Regulatory Agreement and Declaration of Restrictive Covenants, dated as of the date of the Indenture (the “Regulatory Agreement”), among the Issuer, the Trustee and the Borrower. The Regulatory Agreement will restrict the operation of the Project, the occupancy of certain units in the Project and the rents chargeable with respect to certain units in the Project.

The Project will utilize a mortgage loan (the “FHA Insured Mortgage Loan”) insured by the Federal Housing Administration (“FHA”) under Section 221(d)(4) of the National Housing Act of 1934, as amended, and applicable regulations promulgated thereunder. The FHA Insured Mortgage Loan will be originated by Red Mortgage Capital, LLC, a Delaware limited liability company (the “FHA Lender”). In connection with the FHA Insured Mortgage Loan, the Borrower will execute an FHA-insured Note (Multistate) (the “FHA Note”). The Borrower’s repayment obligations under the FHA Note will be secured by a first lien Multifamily Deed of Trust, Assignment of Rents, and Security Agreement (the “FHA Mortgage”) on the Project. The Borrower will also execute Regulatory Agreements required by FHA (collectively, the “HUD Regulatory Agreement”) with respect to the Project in order to provide for, among other things, a reserve fund for replacements, which will be held by the FHA Lender. In the event of conflict between the provisions of the FHA Note, the FHA Mortgage, the HUD Regulatory Agreement and certain other documents required by FHA or the FHA Lender (collectively, the “FHA Loan Documents”) and the Indenture, the Loan Agreement, the Note or the Regulatory Agreement, the FHA Loan Documents will control. Neither the owners of the Bonds nor the Trustee will have rights under the FHA Loan Documents.

On or prior to the Closing Date, the Underwriter shall have received a copy of each of the following documents, duly executed by all parties thereto or certified to the satisfaction of the Underwriter:

- (a) Indenture;
- (b) Bonds,
- (c) Loan Agreement;
- (d) Note;
- (e) Regulatory Agreement;
- (f) Continuing Disclosure Agreement;
- (g) Official Statement prepared with respect to the Bonds (the “Official Statement”); and
- (h) Bond Purchase Agreement.

The foregoing documents are hereinafter collectively referred to as the “Bond Documents.” The Bond Documents executed by the Issuer shall be referred to herein as the “Issuer Documents.” The Bond

Documents executed by the Borrower shall be referred to herein as the “Borrower Documents.” The Bond Documents executed by the Trustee shall be referred to herein as the “Trustee Documents.”

SECTION 1. Purchase and Sale of the Bonds

Upon the terms and conditions and upon the basis of the representations and warranties herein set forth, the Underwriter hereby agrees to purchase from the Issuer, and the Issuer hereby agrees to sell to the Underwriter on August ____, 2015 (the “Closing Date”), all (but not less than all) of the Bonds, at a price equal to 100% of the original principal amount of the Bonds. It shall be a condition (a) to the obligations of the Issuer to sell and deliver the Bonds to the Underwriter, and (b) to the obligations of the Underwriter with respect to the Bonds, to purchase and accept delivery of and to pay for the Bonds, that the entire aggregate principal amount of the Bonds shall be sold and delivered simultaneously by the Issuer and be purchased, accepted and paid for simultaneously by the Underwriter as to the Bonds.

The Bonds shall bear interest at the rates and mature on the dates as provided in Schedule I hereto and have such other terms as provided in the Indenture and described in the Official Statement. Upon the delivery of the Bonds, the Borrower agrees to pay to the Underwriter, as compensation for services hereunder, a fee (the “Gross Underwriter’s Fee”) in an amount equal \$_____, which includes the amount listed under the heading “EXPENSES TO BE PAID BY UNDERWRITER” in Schedule II hereto (the “Expense Reimbursement”), from which amount the Underwriter will pay the expenses listed under the heading “EXPENSES TO BE PAID BY UNDERWRITER” in Schedule II hereto. The Gross Underwriter’s Fee shall be due and payable in immediately available funds upon the delivery of the Bonds, solely and exclusively from funds provided by the Borrower.

SECTION 2. Official Statement

(a) The Borrower has delivered or caused to be delivered to the Underwriter copies of the Preliminary Official Statement prepared with respect to the Bonds (the “Preliminary Official Statement”). The Borrower deems the Preliminary Official Statement final as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), except for any information which is permitted to be omitted therefrom in accordance with paragraph (b)(1) thereof. Within seven (7) business days from the date hereof, and in any event not later than two (2) business days before the date of Closing Date, the Borrower shall deliver to the Underwriter the final Official Statement, and such additional conformed copies thereof as the Underwriter may reasonably request in sufficient quantities to comply with Rule 15c2-12, rules of the Municipal Securities Rulemaking Board (the “MSRB”) and to meet potential customer requests for copies of the Official Statement. The Official Statement shall be in substantially the same form as the Preliminary Official Statement and, other than information previously permitted to have been omitted by Rule 15c2-12, the Borrower shall only make such other additions, deletions and revisions in the Official Statement which are approved by the Underwriter. The Borrower agrees to deliver to the Underwriter an electronic copy of the Official Statement in a form that permits the Underwriter to satisfy its obligations under the rules and regulations of the MSRB and the SEC.

(b) With its acceptance hereof, the Issuer will deliver, at the expense of the Borrower, to the Underwriter within seven (7) business days of the date hereof (or within such shorter period as may be requested by the Underwriter in order to accompany any confirmation that requests payment from any customer to comply with paragraph (b)(4) of the Rule and Rules G-32 and G-36 and all other applicable rules of the Municipal Securities Rulemaking Board), copies of the final Official Statement in an amount mutually agreed upon, dated the date hereof, together with all supplements and amendments thereto, as shall have been accepted by the Underwriter, signed on behalf of the Borrower.

The Issuer hereby consents to the use of the Official Statement by the Underwriter in conjunction with the public offering and pricing of the Bonds. Except for the information contained in the portions of the Official Statement under the captions “THE ISSUER” and “NO LITIGATION—The Issuer,” the Issuer has not confirmed, and assumes no responsibility for, the accuracy, completeness, sufficiency or fairness of any statements in the Official Statements or any amendments thereof or supplements thereto, or in any reports, financial information, offering or disclosure documents or other information relating to the Underwriter, the Project, the Borrower, or the history, businesses, properties, organization, management, financial condition, market area or any other matter relating to the Borrower or contained otherwise in the Official Statement.

(c) The Issuer agrees with the Underwriter that if between the date of this Bond Purchase Agreement and the date which is the earlier of (i) 90 days from the “end of the underwriting period,” as defined in Rule 15c2-12 or (ii) the time when the Official Statement is available to any person from a nationally recognized municipal securities information repository, but in no case less than 25 days following the end of the underwriting period, any event shall occur which would or might cause the information supplied by or concerning the Issuer, contained in the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of circumstances under which they were made, not misleading, the Issuer shall notify the Underwriter thereof, and if in the reasonable opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Issuer shall cooperate with the Underwriter in supplementing or amending the Official Statement, the printing of which will be at the expense of the Borrower, in such form and manner and at such time or times as may be reasonably called for by the Underwriter.

(d) Unless otherwise notified in writing by the Underwriter on or prior to the date of the Closing, the Issuer and the Borrower can assume that the “end of the underwriting period” for the Bonds for all purposes of the Rule is the date of the Closing. Any notice to the contrary shall be given in writing by the Underwriter and such notice shall state that it relates to the Bonds, shall specify the “end of the underwriting period” (as defined in the Rule) for the Bonds identified in such notice.

(e) At or prior to the Closing, the Underwriter shall file, or cause to be filed, the Official Statement with a nationally recognized municipal securities information repository.

(f) In order to assist the Underwriter in complying with Rule 15c2-12, the Borrower will undertake, pursuant to the Continuing Disclosure Agreement, to provide annual financial information and notices of the occurrence of specified events. A description of the Continuing Disclosure Agreement is set forth in, and a form of such agreement is contained in, the Preliminary Official Statement and the Official Statement.

SECTION 3. Representations and Warranties of the Issuer

The Issuer represents and warrants as of the date hereof to the Underwriter and the Borrower as follows:

(a) The Issuer is a municipal corporation and charter city of the State, established by and acting pursuant to the Act, and has, and at the Closing Date will have, full legal right, power and authority under the Constitution and the laws of the State: (i) to enter into the Issuer Documents; (ii) to adopt the Bond Resolution; (iii) to issue, sell and deliver the Bonds to the Underwriter under the Indenture and as provided herein; (iv) to pledge and assign the revenue, other money, securities, funds, accounts, guarantees, insurance, and other items pledged under the

terms of the Indenture, as provision of and security for the payment of the principal of and interest on the Bonds, and to similarly pledge all money, securities and earnings held in the funds and accounts held under the Indenture, all in the manner described in the Bond Resolution, the Indenture and the Loan Agreement; and (v) to carry out, give effect to and consummate all the other transactions contemplated by the Issuer Documents and the Bond Resolution.

(b) The Issuer has duly and validly adopted the Bond Resolution, has duly authorized and approved the execution and delivery of the Bonds and the Issuer Documents, and has duly authorized and approved the performance by the Issuer of its obligations contained in, and the taking of any and all action as may be necessary to carry out, give effect to and consummate the transactions contemplated by, each of those documents, and at the Closing Date, the Bonds and assuming the valid authorization, execution and delivery of this Bond Purchase Agreement and the other Issuer Documents by the other parties thereto and the authentication of the Bonds by the Trustee, the Issuer Documents will constitute the valid, legal and binding obligations of the Issuer enforceable against the Issuer in accordance with their respective terms, except as enforceability may be limited by bankruptcy, insolvency, or other similar laws affecting creditors' rights generally, or by the exercise of judicial discretion in accordance with general principles of equity, and the Bond Resolution and will be in full force and effect.

(c) The Issuer's execution and delivery of the Bonds and the Issuer Documents, the Issuer's consummation of the transactions contemplated by such documents, and the Issuer's fulfillment of or compliance with the terms, conditions or provisions thereof will not in any material way conflict with, violate or result in the breach of any of the terms, conditions or provisions of any constitutional provision or statute of the State or of any agreement, instrument, statute, governmental rule or regulation, law and order, judgment or decree to which the Issuer is now a party or by which it is bound, and will not constitute a default under any of the foregoing which has not been waived or consented to in writing by the appropriate party or parties, and will not result in the creation or imposition of any lien, charge, security interest or encumbrance of any nature upon any property or assets of the Issuer prohibited under the terms of any such agreement, instrument, statute, governmental rule or regulation, court order, judgment or decree.

(d) To the Issuer's best knowledge, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending or, to the knowledge of the Issuer, threatened against or affecting the Issuer (or, to the knowledge of the Issuer, any meritorious basis therefor), wherein an unfavorable decision, ruling or finding would: (i) adversely affect the creation, existence or powers of the Issuer, or the title to office of the officers thereof, (ii) limit, enjoin or restrain the issuance, placement and delivery of the Bond, or the payment, collection or application of the revenues and limit, enjoin or restrain other moneys and securities pledged or to be pledged under the Indenture or the pledge thereof, (iii) adversely affect any of the rights, powers, duties or obligations of the Issuer with respect to the moneys and assets pledged or to be pledged to pay the principal of or redemption price, if any, or interest on the Bond, (iv) question or affect the authority for or validity of the Bond Resolution or the Issuer Documents, or (v) question or affect its obligations with respect to the Bond as contemplated by any other agreement or instrument to which the Issuer is a party.

(e) The issuance of the Bonds and the use of Bond proceeds in the manner described in the Bond Resolution and the Issuer Documents do not constitute a loan of money in a manner prohibited by the Constitution of the State.

(f) To the best of the knowledge of the manager signing this Bond Purchase Agreement, there are no payment defaults on the Issuer's outstanding housing bonds.

(g) Upon delivery of the Bonds, the Issuer will have good right, full power and lawful authority to pledge and assign the trust estate described in the Indenture to the Trustee as provided in the Indenture and the Bond Resolution.

(h) The Issuer has complied, and will at the Closing Date be in compliance, in all respects with the Bond Resolution and the Issuer Documents.

(i) All approvals, consents, authorization, elections and orders of or filings or registrations with any governmental authority, board, agency or issuer having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by the Issuer of its obligations hereunder or under the Bonds or any of the Issuer Documents have been obtained and are in full force and effect.

(j) The Bonds, when delivered in accordance with the Indenture and paid for by the Underwriter on the Closing Date as provided herein, will be validly issued and outstanding limited obligations of the Issuer entitled to all the benefits and security of the Indenture.

(k) Any certificate signed by an Authorized Official of the Issuer shall be deemed a representation and warranty by the Issuer to the Underwriter as to the statements made therein.

(l) The Issuer will apply the proceeds of the Bonds in accordance with the Indenture.

(m) The Issuer has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that it is a bond issuer whose arbitrage certifications may not be relied upon.

(n) The Issuer has taken such actions as advised by its bond counsel which are necessary to preserve the exclusion from gross income for federal income tax purposes of the interest on the Bonds.

(o) The information under the captions “THE ISSUER” and “NO LITIGATION—The Issuer” does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

The execution and delivery of this Bond Purchase Agreement by the Issuer shall constitute a representation to the Underwriter that the representations and warranties contained in this Section are true as of the date hereof and as of the Closing Date.

SECTION 4. Representations, Warranties and Agreements of the Borrower

The Borrower represents, warranties and agrees with the Underwriter and the Issuer as follows:

(a) The Borrower is duly formed and validly existing as a limited partnership under the laws of the State, has full legal right, power and authority to own its properties and to conduct its business as described in the Official Statement and to enter into and to carry out and consummate the transactions contemplated by the Borrower Documents and the Official Statement, and is duly qualified to do such business and are in good standing wherever such qualification and/or standing are required, including the State.

(b) By all necessary action, the Borrower has duly authorized the Borrower Documents to which it is a party and approved the execution and delivery of the Borrower Documents to which it is a party, and the performance by the Borrower of its obligations in connection with the issuance of the Bonds on its part contained in the Borrower Documents to which it is a party and the consummation by it of all other transactions contemplated by the Indenture, the Official Statement and the Borrower Documents to which it is a party in connection with the issuance of the Bonds.

(c) On the Closing Date, the Borrower Documents to which it is a party will constitute the valid, legal and binding obligations of the Borrower (assuming due authorization, execution and delivery by the respective other parties thereto, where necessary), enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws of general applicability affecting the enforcement of creditors' rights and to general principles of equity, regardless of whether such enforceability is considered in equity or in law.

(d) As of the date hereof, the Borrower is not in any material respect in violation of, breach of or default under any applicable law of the State or of any state in which the Borrower is authorized to do business or of the United States, or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Borrower or any of its activities, properties or assets, or any indenture, mortgage, deed of trust, resolution, note agreement (including, without limitation, the Borrower Documents to which it is a party) or other agreement or instrument to which the Borrower is a party or by which the Borrower or any of its property or assets is bound, which violation or breach of or default would have a material adverse effect upon the transactions contemplated by this Bond Purchase Agreement, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instruments; and the execution and delivery of the Borrower's Documents, and compliance with the provisions on the Borrower's part contained therein, do not and will not conflict with or constitute on the part of the Borrower a violation or breach of or default under any law of the State or of any state in which the Borrower is authorized to do business or of the United States, or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Borrower or any of its activities, properties or assets, or any indenture, mortgage, deed of trust, resolution, note agreement (including, without limitation, the Borrower Documents) or other agreement or instrument to which the Borrower is a party or by which the Borrower or any of its property or assets are bound which violation, breach or default would have a material adverse effect upon the transactions contemplated by this Bond Purchase Agreement, nor will any such execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Borrower or

under the terms of any such law, regulation or instrument, except as provided by the Bonds or the Borrower Documents.

(e) To the best of the Borrower's knowledge after due inquiry, no consent, approval, authorization or order of any court or governmental body is required for the consummation by the Borrower of the transactions contemplated by this Purchase Agreement and the Borrower Documents to which it is a party except such as have already been obtained or will be obtained on or prior to Closing or may be required under the state securities or "Blue Sky" laws in connection with the purchase and distribution of the Bonds by the Underwriter.

(f) The information with respect to the Borrower and the Project contained in the Official Statement under the captions "THE PROJECT AND THE BORROWER" and "NO LITIGATION—The Borrower" does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. To the best of the Borrower's actual knowledge, nothing has come to the attention of the Borrower which would cause it to believe that any of the information contained in the Official Statement is untrue.

(g) As of the date hereof, there is no action, suit, proceeding, inquiry or investigation of which the Borrower has been notified, at law or in equity, before or by any judicial or administrative court or governmental agency or body, state, federal or other, pending or, to the best knowledge of the Borrower, threatened against the Borrower, affecting the existence of the Borrower or the titles of its officers executing this Bond Purchase Agreement to their respective offices, or contesting or affecting as to the Borrower the validity or enforceability of the Bonds, any of the Borrower Documents to which it is a party or the execution and delivery or adoption by the Borrower of any of the Borrower Documents to which it is a party, or in any way contesting or challenging the completeness or accuracy of the Official Statement or the powers of the Borrower or its authority with respect to the Borrower Documents to which it is a party or the consummation of the transactions contemplated hereby or thereby; nor, to the best knowledge of the Borrower, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the financial condition or operations of the Borrower or the validity of the authorization, execution, delivery or performance by the Borrower of any of the Borrower Document.

(h) The Borrower will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts upon the reasonable request of the Underwriter to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the Borrower shall not be required to pay any amounts, register as a dealer or broker of securities or execute a general or special consent to service of process or qualify to do business in any jurisdiction where it is not now so subject.

(i) Any certificate signed by the Borrower and delivered to the Underwriter or the Issuer pursuant to the Indenture or the Borrower Documents shall be deemed a representation and warranty by the Borrower to the Underwriter and the Issuer as to the statements made therein as of the date thereof.

(j) The Borrower will not take or omit to take any action, which action or omission will adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds under the Internal Revenue Code of 1986, as amended.

(k) The Borrower shall honor all other covenants contained in the Borrower Documents to which it is a party.

(l) All permits, licenses and other authorizations necessary for the ownership, acquisition, rehabilitating, and equipping of the Project in the manner contemplated by the Official Statement and the Borrower Documents have been obtained or will be obtained by the time required, and said ownership, acquisition, rehabilitating, and equipping are not in conflict with any zoning or similar ordinance applicable to the Project.

(m) The Borrower has not entered into any prior continuing disclosure undertakings under Rule 15c2-12.

The execution and delivery of this Bond Purchase Agreement by the Borrower shall constitute a representation to the Underwriter that the representations and warranties contained in this Section are true as of the date hereof and as of the Closing Date.

SECTION 5. Indemnification

(a) The Borrower agrees to pay, defend, protect, indemnify, save and hold harmless the Issuer, the Underwriter and each affiliate, member, officer, director, official, employee and agent, past, present and future, of the Issuer and the Underwriter, and each person, if any, who controls any of the foregoing within the meaning of Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Securities Exchange Act of 1934, as amended (each an “Indemnified Party” and all collectively referred to herein as the “Indemnified Parties”), against any and all liabilities, losses, damages, costs, expenses (including attorneys’ fees), causes of action (whether in contract, tort or otherwise), suits, claims, demands and judgments of any kind, character and nature (collectively referred to herein as the “Liabilities”) caused by or directly or indirectly arising from or in any way relating to (i) the Bonds, the Project, the Loan, the Loan Agreement, the FHA Mortgage, the Indenture, the Continuing Disclosure Agreement, this Bond Purchase Agreement or any document related to the Bonds, the Project, the Loan or any transaction or agreement, written or oral, pertaining to the foregoing (collectively, the “Transaction Documents”), or (ii) any untrue or misleading statement or alleged untrue or alleged misleading statement contained or alleged omission from the Preliminary Official Statement or the Official Statement pertaining to the Borrower, the Manager or the Project necessary to be stated therein in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(b) The Borrower also agrees to pay, defend, protect, indemnify, save and hold harmless the Underwriter and each affiliate, member, officer, director, official, employee and agent of the Underwriter from and against the Liabilities directly or indirectly arising from or relating to (i) any errors or omissions of any nature whatsoever contained in any legal proceedings or other official representation or inducement made by the Issuer pertaining to the Bonds and (ii) any fraud or misrepresentations or omissions contained in the proceedings of the Issuer relating to the issuance of the Bonds or pertaining to the financial condition of the Borrower.

(c) Any Indemnified Party shall notify the Borrower of the existence of any Liability to which this indemnification obligation would apply and shall give to the Borrower an opportunity to defend the same at the Borrower’s expense and with counsel satisfactory to the Indemnified Party, provided that the Indemnified Party shall at all times also have the right to fully participate in the defense

and shall have the right to review and approve or disapprove any compromise or settlement, which approval shall not be unreasonably withheld. If there may be legal defenses available to the Indemnified Party which are different from or in addition to those available to the Borrower or if the Borrower shall, after this notice and within a period of time necessary to preserve any and all defenses to any claim asserted, fail to assume the defense or to employ counsel for that purpose satisfactory to the Indemnified Party, the Indemnified Party shall have the right, but not the obligation, to undertake the defense of, and, with the approval of the Borrower, to compromise or settle the claim or other matter on behalf of, for the account of, and at the risk of, the Borrower.

(d) In order to provide for just and equitable contribution in circumstances in which the indemnity provided for in paragraph (a) or (b) of this Section is for any reason held to be unavailable, the Borrower and the Underwriter and each affiliate, member, officer, director, official, employee and agent, past, present and future, of the Underwriter, and each person, if any, who controls any of the foregoing within the meaning of Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Securities Exchange Act of 1934, as amended (each an “Underwriter Indemnified Party” and all collectively referred to herein as the “Underwriter Indemnified Parties”), shall contribute proportionately to the aggregate Liabilities to which the Borrower and the Underwriter Indemnified Party may be subject, so that the Underwriter Indemnified Party is responsible for that portion represented by the percentage that the fees paid by the Borrower to the Underwriter Indemnified Party in connection with the issuance and administration of the Bonds bears to the aggregate offering price of the Bonds, with the Borrower responsible for the balance; provided, however, that in no case shall the Underwriter Indemnified Party be responsible for any amount in excess of the fees paid by the Borrower to the Underwriter Indemnified Party in connection with the issuance and administration of the Bonds. Notwithstanding anything in this Bond Purchase Agreement to the contrary, contribution shall apply only with respect to such Underwriter Indemnified Party for whom the indemnity provided for in paragraph (a) or (b) of this Section is unavailable and not to any other Underwriter Indemnified Party for whom the indemnity provided for in paragraph (a) or (b) of this Section is available.

(e) The Indemnified Parties, other than the Issuer and the Underwriter, shall be considered to be third party beneficiaries of this Bond Purchase Agreement for purposes of this Section. The provisions of this Section will be in addition to all liability which the Borrower may otherwise have and shall survive any termination of this Bond Purchase Agreement, the offering and sale of the Bonds and the payment or provisions for payment of the Bonds.

(f) All indemnification obligations are subject to the limitations in Section 17 of this Bond Purchase Agreement.

SECTION 6. Closing

At 10:00 a.m., Pacific time, on the Closing Date, or at such time on such earlier or later date as shall be agreed upon in writing by the Issuer, the Borrower and the Underwriter, the Issuer shall direct the Trustee to deliver the Bonds to the Underwriter through the facilities of The Depository Trust Company (“DTC”), New York, New York, in definitive form, duly executed and authenticated by the Trustee. Subject to the terms and conditions hereof, the Issuer shall deliver at Bond Counsel’s offices the other documents and instruments to be delivered pursuant to this Bond Purchase Agreement (the “Closing Documents”) and the Underwriter shall accept delivery of the Bonds and Closing Documents and pay the purchase price for the Bonds by wire transfer, to the Trustee, in immediately available federal funds, for the account of the Issuer or as the Issuer shall direct. As a condition precedent to such acceptance, the Underwriter shall have received the Gross Underwriter’s Fee by wire transfer in immediately available federal funds to the order of the Underwriter, in such manner as shall be agreed upon by the Borrower and the Underwriter. This delivery and payment is herein called the “Closing.” If the Underwriter shall make

such request, the applicable Bonds shall be made available to the Underwriter one business day before the Closing at the offices of DTC for purposes of inspection and packaging. The Bonds shall be prepared and delivered as fully registered Bonds without coupons in the denominations set forth in the Official Statement or multiples thereof. The ownership of one fully registered Bond in the aggregate principal amount of the Bonds, bearing a proper, duly assigned CUSIP number will be issued initially in the name of Cede & Co., as nominee of DTC.

SECTION 7. Closing Conditions

The Underwriter has entered into this Bond Purchase Agreement in reliance upon representations, warranties and agreements of the Issuer and the Borrower contained herein, in reliance upon the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Issuer and the Borrower of their obligations hereunder, both as of the date hereof and as of the Closing Date. Accordingly, the Underwriter's obligations under this Bond Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds shall be subject to the performance by the Issuer and the Borrower of their obligations to be performed by them hereunder at or prior to the Closing, and to the accuracy in all material respects of the representations and warranties of the Issuer and of the Borrower contained herein as of the date hereof and as of the Closing as if made on the Closing Date, and shall also be subject to the following additional conditions:

(a) At the time of the Closing, the Bond Resolution shall have been duly approved and adopted by the Issuer and shall be in full force and effect and the Issuer Documents shall have been duly authorized, executed and delivered, and shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter and there shall have been taken in connection therewith and in connection with the issuance of the Bonds all such actions as, in the opinion of Bond Counsel, and counsel for the Underwriter, shall be necessary and appropriate in connection with the transactions contemplated hereby.

(b) The Underwriter may terminate this Bond Purchase Agreement by notification to the Issuer and the Borrower if at any time subsequent to the date hereof and at or prior to the Closing:

(i) (A) legislation shall be enacted by the Congress of the United States or adopted by the Senate or House of Representatives of the United States, or recommended to the Congress for passage by the President of the United States, or favorably reported for passage to the Senate or House of Representatives by any committee of either such body to which such legislation has been referred for consideration or by a conference committee of such bodies, (B) a decision shall be rendered by a court of the United States or by the Tax Court of the United States, (C) a ruling, regulation or official action shall be rendered by or on behalf of the United States, or (D) a ruling, regulation or official action shall be proposed or issued, in any manner, including by pronouncement, press release or any other form of notice, by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or another governmental agency of the United States or by or on behalf of any member of the Senate or House of Representatives of the United States in any such instance with respect to federal taxation of interest received on obligations of the general character of the Bonds and which (1) in the opinion of counsel for the Underwriter would have or proposes action which would have the effect of making such interest includable in gross income for federal income tax purposes or (2) which, in the opinion of the Underwriter would materially adversely affect any intended utilization of Bond proceeds or other intended action described in the Official Statement;

(ii) between the date hereof and the Closing, payment for and delivery of the Bonds is rendered impracticable or inadvisable because (A) trading in securities generally shall have been suspended on the New York Stock Exchange or a general banking moratorium shall have been established by Federal or New York authorities or (B) a war involving the United States shall have been declared or another national or international calamity shall have occurred, the effect of any of which, in the reasonable judgment of the Underwriter materially adversely affects the marketability of the Bonds (it being agreed by the parties hereto that there is no war or national calamity of such a nature as of the date hereof);

(iii) any event shall occur or exist which, in the reasonable judgment of the Underwriter either makes untrue or incorrect in any material respect any statement or information contained in the Official Statement, any statement or information is not reflected in the Official Statement but should be reflected therein for the purpose for which the Official Statement is to be used in order to make the statements or information contained therein not misleading in any material respect;

(iv) legislation shall be enacted, or any action shall be taken by the Securities and Exchange Commission, which, in the opinion of counsel for the Underwriter has or may have the effect of requiring the contemplated distribution of the Bonds to be registered under the Securities Act of 1933, as amended, or the Indenture to be qualified as an indenture under the Trust Indenture Act of 1939, as amended; or

(v) an occurrence, in the judgment of Underwriter, of a material adverse change in the capital markets which makes the syndication, sale or financing contemplated hereby impractical or which makes it inadvisable to proceed with the syndication, sale or financing contemplated hereby on the terms, manner and basis contemplated hereby.

(c) At or prior to the Closing, the Underwriter shall receive the following documents:

(i) an approving opinion of Bond Counsel substantially in the form attached as Appendix B to the Official Statement, addressed to the Issuer, the Underwriter and the Trustee and dated the Closing Date, and;

(ii) opinions or certificates, as the case may be, dated the Closing Date and addressed to the Underwriter and to such other parties as may be appropriate, of:

(A) Bond Counsel and Issuer Counsel, substantially in the form attached hereto as Exhibit A;

(B) Borrower's Counsel, substantially in the form attached hereto as Exhibit B; and

(C) Underwriter's Counsel, substantially in the form attached hereto as Exhibit C;

(iii) the Borrower's 15c2-12 Certificate duly executed by the Borrower and substantially in the form attached hereto as Exhibit D;

(iv) a certificate, dated the Closing Date and signed on behalf of the Issuer, delivered to the Underwriter and the Borrower, to the effect that:

(A) To the Issuer's best knowledge, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending or, to the knowledge of the Issuer, threatened against or affecting the Issuer (or, to the knowledge of the Issuer, any meritorious basis therefor), wherein an unfavorable decision, ruling or finding would: (a) adversely affect the creation, existence or powers of the Issuer, or the title to office of the officers thereof, (b) limit, enjoin or restrain the issuance, sale and delivery of the Bonds, or the payment, collection or application of the revenues and limit, enjoin or restrain other moneys and securities pledged or to be pledged under the Indenture or the pledge thereof, (c) adversely affect any of the rights, powers, duties or obligations of the Issuer with respect to the moneys and assets pledged or to be pledged to pay the principal of or redemption price, if any, or interest on the Bonds, (d) question or affect the authority for or validity of the Bond Resolution or the Issuer Documents, or (e) question or affect its obligations with respect to the Bonds as contemplated by any other agreement or instrument to which the Issuer is a party;

(B) The Issuer has complied or will comply with all agreements, covenants and arrangements and has satisfied all conditions on its part to be complied with, performed or satisfied in connection with the issuance and delivery of the Bonds at or prior to the Closing Date; and

(C) The representations and warranties of the Issuer contained in the Issuer Documents are true, complete and correct in all material respects as of the Closing Date;

(v) a certificate of the Issuer and the Borrower as to arbitrage and other federal tax matters in form and substance acceptable to the Issuer, Bond Counsel and the Underwriter;

(vi) a certificate of the Borrower, dated the Closing Date, that (A) each of the representations and warranties set forth in the Borrower Documents to which it is a party (including this Bond Purchase Agreement) is true and correct in all material respects on the Closing Date with the same effect as if made on the Closing Date, (B) to the knowledge of the Borrower, no event has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which is necessary to be disclosed therein in order to make the statements and information therein not misleading in any material respect, and (C) the Borrower has complied with all agreements and satisfied all the conditions on its part to be performed or satisfied under the Borrower Documents at or prior to the Closing Date;

(vii) a certificate of the Trustee, dated the Closing Date, that (i) he or she is an authorized officer of the Trustee; (ii) the Trustee Documents have been duly executed and delivered by the Trustee; (iii) the Trustee has all necessary corporate and trust powers required to carry out the trust created by the Indenture; (iv) to the best of his or her knowledge, the acceptance by the Trustee of the trusts, and the duties and obligations of the Trustee under the Trustee Documents and compliance with the provisions thereof will not conflict with or constitute a breach of or default under any law, administrative regulation, consent decree or any agreement or other instrument to which the Trustee is subject or by which the Trustee is bound; (v) the Trustee has duly authenticated the Bonds, and the person signing the certificate of authentication on each Bond has been duly authorized to do so; and (vi) to the best of such officer's knowledge, no litigation is pending or threatened which would materially and adversely affect the Trustee's ability to perform its duties under the Trustee Documents;

(viii) counterpart originals or certified copies of each of the Issuer Documents, Borrower Documents and Trustee Documents;

(ix) written evidence satisfactory to the Underwriter that Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business (the "Rating Agency") has issued a rating of "AA+" for the Bonds and such rating shall be in effect on the Closing Date;

(x) such agreements, certificates and opinions as requested by the Underwriter to evidence the closing of the Loan;

(xi) such additional legal opinions, certificates (including any certificates necessary or desirable in order to establish the exclusion of the interest on the Bonds from gross income for federal income tax purposes), instruments and other documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the Closing Date, of the Issuer's representations herein and in the Official Statement and the due performance or satisfaction by the Issuer at or prior to such date of all agreements then to be performed, and all conditions then to be satisfied by the Issuer.

If the obligations of the Underwriter shall be terminated for any reason permitted by this Bond Purchase Agreement, neither the Underwriter, nor the Issuer shall be under further obligation hereunder.

SECTION 8. Expenses

The Underwriter shall be under no obligation to pay, and the Borrower hereby agrees to pay from funds available at Closing other than proceeds of the Bonds, all expenses incident to the performance of the Issuer's obligations hereunder, including, but not limited to, (a) the costs of printing and preparation for printing or other reproduction for distribution and use in connection with the offering and placement of the Bonds, such number of copies as the Underwriter shall require of the Indenture, the Bond Resolution and the Official Statement, as well as any delivery costs incurred in connection with the distribution of the foregoing documents; (b) the cost of preparing the definitive Bonds; (c) the fees and disbursements of Bond Counsel in connection with the authorization and issuance of the Bonds; the fees and expenses of the Trustee and its counsel; the fees and expenses of the Issuer, its counsel and its financial advisor; the fees and expenses of counsel to the Underwriter; (d) the fees of rating agencies in connection with the rating of the Bonds; (e) all advertising expenses in connection with the public offering of the Bonds; (f) any other expenses of the Underwriter (other than those required hereunder to be paid solely by the Underwriter); and (g) all other expenses in connection with the offer, sale and placement of the Bonds. The Issuer shall not have any obligation to pay any fees, expenses or costs associated with or resulting from the issuance and delivery of the Bonds.

SECTION 9. Notices

Any notice or other communication to be given to the Issuer or the Borrower under this Bond Purchase Agreement may be given by delivering the same in writing to the Issuer or the Borrower at their respective address set forth on the first page hereof. Any notice or other communication to be given to the Underwriter under this Bond Purchase Agreement may be given by mailing the same to Red Capital Markets, LLC, Two Miranova Place, 12th Floor, Columbus, OH 43215, Attention: Chief Executive Officer.

SECTION 10. Parties in Interest

This Bond Purchase Agreement is made solely for the benefit of the Issuer, the Borrower and the Underwriter (including any successor or assignees of the Underwriter), and, except as provided in Section 5 hereof, no other party or person shall acquire or have any right hereunder or by virtue hereof.

SECTION 11. Amendments

This Bond Purchase Agreement may not be amended without the written consent of the Issuer, the Borrower and the Underwriter.

SECTION 12. Survival of Representations and Warranties

The representations and warranties of the Issuer and the Borrower shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing and regardless of any investigations made by or on behalf of the Underwriter (or statements as to the results of such investigations) concerning such representations and statements of the Issuer and the Borrower and regardless of delivery of and payment for the Bonds.

SECTION 13. Execution in Counterparts

This Bond Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

SECTION 14. No Prior Agreements

This Bond Purchase Agreement supersedes and replaces all prior negotiations, agreements and understandings between the parties hereto in relation to the sale of Bonds for the Issuer.

SECTION 15. Effective Date

This Bond Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the Issuer and the Borrower and shall be valid and enforceable as of the time of such acceptance.

SECTION 16. Governing Law

This Bond Purchase Agreement shall be governed by the internal laws of the State without giving effect to the conflict of law principles of the State.

SECTION 17. HUD Provisions

The Borrower, the Underwriter and the Issuer acknowledge that this Bond Purchase Agreement, and all Borrower's obligations hereunder, are subject and subordinate to the following documents (collectively, the "Senior Loan Documents"): (i) Note (Multistate) dated as of the date of the Indenture from the Borrower to the FHA Lender, initially endorsed for mortgage insurance by the Secretary of Housing and Urban Development ("HUD") pursuant to Section 221(d)(4) of the National Housing Act, as amended (the "FHA Note"); (ii) the Multifamily Deed of Trust, Assignment of Rents, and Security Agreement dated as of the date of the Indenture from the Borrower for the benefit of the FHA Lender to secure the FHA Note (the "FHA Mortgage"); (iii) the Regulatory Agreement for Multifamily Projects,

dated as of the date of the Indenture between the Borrower and HUD (the “HUD Regulatory Agreement”); and (iv) any and all other documents, agreements, or instruments which evidence or secure the indebtedness evidenced by the Senior Note. Notwithstanding any provision in this Bond Purchase Agreement to the contrary, no obligations of the Borrower hereunder shall be payable except from (A) Surplus Cash (as defined in the HUD Regulatory Agreement) or (B) Non-Project Sources (meaning funds that are not derived from revenues of the Project, any proceeds of the FHA Note, and/or any reserve or deposit made with the FHA Lender or any other party as required by HUD in connection with the Senior Loan Documents. No claims or actions shall be made (or payable) under this Bond Purchase Agreement against the Project, the FHA Lender, the proceeds of the FHA Note, or the assets of the Borrower, except for Surplus Cash of the Borrower. In addition, the rights and obligations of the parties under this Bond Purchase Agreement and all other documents evidencing, implementing, or securing this Bond Purchase Agreement (collectively, the “Subordinate Bond Documents”) are and shall be subordinated in all respects rights and obligations of the parties to and under the Senior Loan Documents. In the event of any conflict between the provisions of (i) this Bond Purchase Agreement or the Subordinate Bond Documents and (ii) the provisions of the Senior Loan Documents or the Program Obligations (as defined in the Senior Security Instrument), the provisions of the Senior Loan Documents or the Program Obligations shall control. The provisions of this Section 17 shall control over any inconsistent provisions in this Bond Purchase Agreement or the Subordinate Bond Documents. No amendment to this Bond Purchase Agreement shall conflict with the Senior Loan Documents or the Program Obligations.

SECTION 18. Underwriter Not Acting as Advisor or Fiduciary

The Issuer and the Borrower each acknowledge and agree that (i) the purchase and sale of the Bonds pursuant to this Bond Purchase Agreement is an arm’s-length commercial transaction among the Issuer, the Borrower, and the Underwriter, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as a principal and is not acting as the agent, advisor, or fiduciary of the Issuer or the Borrower, (iii) the Underwriter has not assumed individually or collectively an advisory or fiduciary responsibility in favor of the Issuer or the Borrower with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has advised or provided other services or is currently advising or providing other services to the Issuer or the Borrower on other matters) and the Underwriter has no obligation to the Issuer or the Borrower with respect to the offering contemplated hereby except the obligations expressly set forth in this Bond Purchase Agreement and (iv) the Issuer and the Borrower have consulted their own legal, financial and other advisors to the extent they deem appropriate in connection with the offering of the Bonds.

[Remainder of Page Left Blank Intentionally]

If the foregoing is in accordance with your understanding of the Bond Purchase Agreement please sign and return to us the enclosed duplicate copies hereof, whereupon it will become a binding agreement among the Issuer, the Borrower, the Underwriter in accordance with its terms.

Very truly yours,

RED CAPITAL MARKETS, LLC

By _____
Nicholas A. Hamilton, Managing Director

[Issuer's Signature Page to the Bond Purchase Agreement]

CITY OF LOS ANGELES, as Issuer

By Los Angeles Housing and Community
Investment Department

By _____
Helmi A. Hisserich, Authorized Officer

Approved as to form:

CITY OF LOS ANGELES
MICHAEL N. FEUER, City Attorney

Deputy/Assistant City Attorney

[Borrower's Signature Page to the Bond Purchase Agreement]

PILGRIM TOWER APARTMENTS, L.P., a California
limited partnership

By Pilgrim Tower Apartments, LLC, a California
limited liability company
Its general partner

By Brookmore Apartment Corporation, a
California nonprofit corporation
Its sole member

By _____
Howard Hudson, President

SCHEDULE I

MATURITY SCHEDULE

<u>Maturity Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>
March 1, 2017	\$1,815,000	_____ %	100%

SCHEDULE II

GROSS UNDERWRITER'S FEE

Gross Underwriter's Fee to Underwriter* \$ _____

*From such amount, the Underwriter will be reimbursed for its payment of the following additional nonaccountable costs and expenses of issuing and selling the Bonds (to the extent that such additional costs vary from the estimates thereof, the Underwriter will be responsible to cover such variance from its Gross Underwriter's Fee):

EXPENSES TO BE PAID BY UNDERWRITER

Bond Clearance charges, MSRB, BMA and CUSIP \$ _____

EXHIBIT A

FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL OR ISSUER COUNSEL

[Closing Date]

[UNDERWRITER]

[BOND CAPTION]

[After appropriate introductory language, the opinion shall state substantially as follows:]

1. The Bond Purchase Agreement has been duly authorized, executed and delivered by, and constitutes the legally valid and binding agreement of the Issuer, enforceable in accordance with its terms.

2. The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from application of the Trust Indenture Act of 1939, as amended.

3. No action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency or public board or body, is pending or, to the best of our knowledge, threatened in any way affecting the existence of the Issuer or the titles of its officers to their respective offices, or seeking to restrain or to enjoin the issuance, sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Indenture, the collection or application of the Revenues, other money, securities, funds, accounts, guarantees, insurance and other items pledged under the Indenture to pay the principal of and interest on the Bonds, or the pledge thereof or of the proceeds of the Bonds or in any way contesting or affecting the validity or enforceability of the Bonds, the Issuer Documents or any action of the Issuer contemplated by those documents, or in any way contesting the powers of the Issuer or its authority with respect to the Bonds, the Issuer Documents or any action on the part of the Issuer contemplated by those documents or which would adversely affect the exclusion of interest paid on the Bonds from gross income for federal income tax purposes, nor to the best of our knowledge is there any basis therefor.

4. The Issuer is a municipal corporation and charter city of the State of California, established by and acting pursuant to the Act, with full legal right, power and authority to issue the Bonds and to perform all of its obligations under the Bonds and the Issuer Documents, and the same are now in full force and effect, and the Issuer has duly adopted the Bond Resolution and has duly authorized, executed and delivered the Bonds, the Issuer Documents, and (assuming due authorization, execution and delivery by the other parties thereto, where necessary) the Bonds and the Issuer Documents constitute legal, valid and binding agreements of the Issuer, enforceable in accordance with their terms.

5. The adoption of the Bond Resolution, the Plan and the Rules and the execution and delivery of the Bonds, the Issuer Documents and the other instruments contemplated by any of such documents to which the Issuer is a party, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default by the Issuer under any applicable law or administrative rule or regulation of the State of California, or to the best of our

knowledge, the United States, or any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order or any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the Issuer is a party or is otherwise subject or bound.

6. All approvals, consents, authorizations, elections and orders of or filings or registrations with any governmental authority, board, agency or issuer having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by the Issuer of its duties and obligations under the Bonds and the Issuer Documents have been obtained and are in full force and effect.

7. The statements contained in the Official Statement under the captions “THE BONDS” (other than under the subcaption “Book Entry System” with respect to which we express no opinion), “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” and “TAX MATTERS,” and in APPENDIX A – “DEFINITIONS OF CERTAIN TERMS,” APPENDIX B – “FORM OF BOND COUNSEL OPINION,” APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE,” APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT,” and APPENDIX E – “SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT,” insofar as such statements expressly summarize certain provisions of the Indenture, the Loan Agreement, the Regulatory Agreement and the form and content of our Opinion, are fair and accurate in all material respects.

Very truly yours,

EXHIBIT B

BORROWER'S COUNSEL OPINION

[Closing Date]

[UNDERWRITER]

[TRUSTEE]

[ISSUER]

[BOND CAPTION]

[After appropriate introductory language, the opinion shall state substantially as follows:]

1. The Borrower is a limited partnership, duly organized, validly existing and in good standing under the laws of the State and has all requisite partnership power and all material government licenses, authorizations, consents and approvals necessary to own and operate its property and conduct its business. The Borrower is qualified to do business in the State.

2. The Borrower has full legal right, power and authority (a) to own its properties and conduct its business as described in the Official Statement and (b) to enter into and to carry out and consummate the transactions contemplated by the Borrower Documents.

3. The Managing General Partner of the Borrower is a limited liability company, duly organized, validly existing and in good standing under the laws of the State and has all requisite limited liability company power and all material government licenses, authorizations, consents and approvals necessary to own and operate its property and conduct its business. The Managing General Partner is qualified to do business in the State.

4. The Administrative General Partner of the Borrower is a limited liability company, duly organized, validly existing and in good standing under the laws of the State and has all requisite limited liability company power and all material government licenses, authorizations, consents and approvals necessary to own and operate its property and conduct its business. The Administrative General Partner is qualified to do business in the State.

5. By all necessary action, the Borrower has duly authorized and adopted the Borrower Documents, and approved the execution and delivery of, and the performance by the Borrower of the obligations in connection with the issuance of the Bonds on its part contained in the Bonds and the Borrower Documents and the consummation by it of all other transactions contemplated by the Indenture and the Borrower Documents in connection with the issuance of the Bonds. The individual[s] who have executed the Borrower Documents on behalf of the Managing General Partner of the Borrower have the authority to bind the Managing General Partner and thereby the Borrower to the terms and conditions of the Borrower Documents. The individual[s] who have executed the Borrower Documents on behalf of the Administrative General Partner of the Borrower have the authority to bind the Administrative General Partner and thereby the Borrower to the terms and conditions of the Borrower Documents.

5. The Borrower Documents have been duly executed and delivered by the Borrower and, assuming the due authorization, execution and delivery of such agreements by the respective other parties thereto where necessary, if any, constitute legal, valid and binding obligations of the Borrower enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws of general applicability

affecting the enforcement of creditors' rights and to general principles of equity, regardless of whether such enforceability is considered in equity or in law.

6. The execution and delivery of the Borrower Documents, the performance by Borrower of its obligations thereunder and the consummation of the transactions contemplated therein are within the organizational powers of Borrower and will not (i) conflict with or constitute a breach of the Borrower's organizational documents; (ii) to our knowledge, constitute a default under any indenture, mortgage, deed of trust or other material lien, lease, contract, note, order, judgment, decree or other material agreement, instrument or restriction of any kind to which Borrower is a party or by which any of its properties are bound or affected; or (iii) result in a violation of any constitutional or statutory provision or any material order, rule, regulation, decree or ordinance of any court, government or governmental authority known to us to be applicable to over the Borrower or its property.

7. To the best of our knowledge after due and diligent inquiry, as of the Closing Date, the Borrower is not in any material respect in violation of, breach of or default under any applicable constitutional provision or law of any state or of the United States, or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Borrower or any of its activities, properties or assets, or any indenture, mortgage, deed of trust, resolution, note, agreement (including, without limitation, the Borrower Documents) or other agreement or instrument to which the Borrower is a party or by which the Borrower or any of its property or assets is bound, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instruments; and the execution and delivery of the Bonds and the Borrower Documents, and compliance with the provisions on the Borrower's part contained therein, do not and will not conflict with, or constitute on the part of the Borrower a violation of, breach of or default under, any applicable constitutional provision or law of any state or of the United States, or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Borrower or any of its activities, properties or assets, or any indenture, mortgage, deed of trust, resolution, note, agreement or other agreement or instrument to which the Borrower is a party or by which the Borrower or any of its property or assets is bound, nor will any such execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Borrower or under the terms of any such law, regulation or instrument, except as provided by the Bonds or the Borrower Documents.

8. As of the Closing Date, all consents, approvals, authorizations, and orders of or filings or registrations with any governmental authority, board, agency or commission of any state or of the United States having jurisdiction required in connection with, or the absence of which would materially adversely affect, the execution and delivery by the Borrower of the Borrower Documents or the performance by the Borrower of its obligations thereunder have been obtained or made and are in full force and effect.

9. To the best of our knowledge after due and diligent inquiry, as of the Closing Date, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any judicial or administrative court or governmental agency or body, state, federal or other, pending or, to the best of our knowledge, threatened against the Borrower, affecting the existence of the Borrower or the titles of its officers to their respective offices, or contesting or affecting as to the Borrower the validity or enforceability of the Act, the Bonds, any Borrower Document or the execution and delivery or adoption by the Borrower of any Borrower Document, or in any way contesting or challenging the completeness or accuracy of the Official Statement or the powers of the Borrower or its authority with respect to the Borrower Documents or the consummation of the transactions contemplated thereby; nor, to the best of our knowledge, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the financial condition or

operations of the Borrower or the validity of the authorization, execution, delivery or performance by the Borrower of any Borrower Document.

10. Based solely on the results of a search of the records of the _____, as of the time of filing of the Financing Statements, there were no valid UCC financing statements on file which perfected a lien on any of the collateral covered by the Financing Statements, which would remain unsatisfied of record.

11. Nothing has come to our attention that would lead us to believe that the statements and information with respect to the Borrower, the Manager and the Project contained in the Official Statement under the captions “ESTIMATED SOURCES AND USES OF FUNDS,” “THE PROJECT AND THE BORROWER” and “NO LITIGATION—The Borrower” contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

12. The Borrower may not plead the defense of usury or maintain an action for usury with respect to the loan(s) being made under the Transaction Documents.

Very truly yours,

EXHIBIT C

OPINION OF UNDERWRITER'S COUNSEL

[Closing Date]

[UNDERWRITER]

[BOND CAPTION]

Ladies and Gentlemen:

We have acted as your counsel in connection with the issuance of the above-captioned bonds (the "Bonds") by the City of Los Angeles (the "Issuer"). The Bonds will be issued by the Issuer pursuant to the provisions of Chapter 7 of Part 5 of Division 31 of the Health and Safety Code of the State of California, as amended (the "Act") and pursuant to the Trust Indenture, dated as of August 1, 2015 (the "Indenture"), between the Issuer and [TRUSTEE], as trustee (the "Trustee").

We have examined originals, or copies certified or otherwise identified to our satisfaction, of (i) the Indenture; (ii) the Loan Agreement, dated as of the date of the Indenture, between the Issuer and Pilgrim Tower Apartments, L.P., a California limited partnership (the "Borrower"); (iii) the Regulatory Agreement and Declaration of Restrictive Covenants, dated as of the date of the Indenture, by and among the Issuer, the Trustee and the Borrower; (iv) the Official Statement relating to the Bonds (the "Official Statement"); and (v) such other documents, certificates, instruments and records as we have considered necessary or appropriate for purposes of this opinion.

Based on the foregoing, we are of the opinion that it is not necessary, in connection with the issuance and sale of the Bonds, to register the Bonds under the Securities Act of 1933, as amended, or to qualify the Indenture under the Trust Indenture Act of 1939, as amended.

We have not undertaken to check the accuracy or completeness of, or verified the information contained in, the Official Statement. Nevertheless, we have had discussions with the Issuer and Kutak Rock LLP, Bond Counsel, the Borrower and its counsel, Bocarsly Emden Cowan Esmail & Arndt LLP, Los Angeles, California, and certain other parties and counsel with respect to the preparation of the Official Statement. Our participation in such discussions and our review of the Official Statement did not disclose to us any information which gives us reason to believe that the Official Statement (except for any financial or statistical data or forecasts, numbers, charts, estimates, projections, assumptions or expressions of opinion, and any information regarding book-entry or DTC included therein, as to which we express no opinion or view), as of its date, contained any untrue statement of a material fact or omitted 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.

In rendering this opinion, as to matters of California law, we reviewed and assumed the correctness of the authorizing opinion of Bond Counsel, and of the opinion of counsel to the Borrower, each dated the date hereof, and we have relied upon the other opinions and certificates delivered in connection with the purchase of the Bonds. No opinion is expressed herein with respect to the status of the offer or sale of the Bonds under the Blue Sky laws of any jurisdiction.

This letter, and the legal opinions and other statements herein, are intended for the information solely of the addressees hereof and solely for the purposes of the transactions contemplated by the Indenture and are not to be relied upon by any other person or entity, or for any other purpose, or quoted in whole or in part, or otherwise referred to, in any document, or to be filed with any governmental or other administrative agency or other person or entity for any purpose without our prior written consent.

We bring to your attention the fact that our legal opinions and conclusions are an expression of professional judgment and are not a guarantee of a result.

We do not undertake to advise you of matters which may come to our attention subsequent to the date hereof which may affect our legal opinions and conclusions expressed herein.

Very truly yours,

EICHNER NORRIS & NEUMANN PLLC

By _____

EXHIBIT D

BORROWER'S RULE 15c2-12 CERTIFICATE

[BOND CAPTION]

The undersigned hereby certifies and represents to Red Capital Markets, LLC (the "Underwriter"), that he/she is authorized to execute and deliver this certificate on behalf of Pilgrim Tower Apartments, L.P., a California limited partnership (the "Borrower"), and hereby further certify to the Underwriter as follows:

(a) This Certificate is delivered to enable the Underwriter to comply with Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule") in connection with the issuance and sale of the above-captioned bonds (the "Bonds").

(b) In connection with the issuance and sale of the Bonds, there has been prepared a substantially final draft of the Official Statement, dated the date of this certificate, setting forth information concerning the Bonds and the Borrower (the "Official Statement").

(c) The Official Statement is, as of the date thereof, deemed final within the meaning of the Rule.

(e) The sections of the Official Statement entitled "CONTINUING DISCLOSURE" and "APPENDIX F—FORM OF CONTINUING DISCLOSURE AGREEMENT" describe the agreement the Borrower expects to make for the benefit of the Bondholders in the Continuing Disclosure Agreement, dated as of August 1, 2015, by and between the Borrower and [TRUSTEE], in its capacity as trustee and dissemination agent, by which the Borrower will undertake to provide continuing disclosure in accordance with the Rule.

(f) The Borrower has not entered into any prior continuing disclosure undertakings.

Dated: _____

[Remainder of Page Intentionally Left Blank]

[Signature Page to Borrower's Rule 15c2-12 Certificate]

IN WITNESS WHEREOF, I have hereunto set my hand this as of the date set forth above.

PILGRIM TOWER APARTMENTS, L.P., a California
limited partnership

By Pilgrim Tower Apartments, LLC, a California
limited liability company
Its general partner

By Brookmore Apartment Corporation, a
California nonprofit corporation
Its sole member

By _____
Howard Hudson, President