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Rushmore D. Cervantes, General Manager

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June 11, 2015

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The 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 MULTIFAMILY CONDUIT TAXABLE BONDS IN THE FORM OF A REFUNDING NOTE FOR THE LA COLORADO TERRACE APARTMENTS

SUMMARY

The Los Angeles Housing + Community Investment Department (HCIDLA) respectfully requests authority to issue multifamily conduit taxable bonds in the form of a refunding note, whereby the proceeds of the refunding note will allow for the redemption of previously issued tax-exempt bonds for the LA Colorado Terrace Apartments (Project). The Project is located at 2455 Colorado Boulevard in Council District 14 and provides a total of 77 residential units comprised of 42 affordable units and 35 market-rate units. On behalf of the City, HCIDLA issued a combined total of \$11,892,500 in tax-exempt bonds, consisting of \$10,300,000 for the first issuance of tax-exempt bonds in 2002 (CF 02-0658) and \$1,592,500 in supplemental tax-exempt bonds in 2007 (CF 07-3463). A Certificate of Occupancy for the Project was issued in April 2011.

RECOMMENDATIONS

The General Manager of HCIDLA respectfully requests that:

- 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. Adopt the Resolution in Attachment A authorizing the issuance of multi-family conduit taxable bonds (Bonds) and negotiate the sale of the refunding note the proceeds of which would effect the redemption of the Bonds for the LA Colorado Terrace Apartments;
- B. Authorize the HCIDLA General Manager, or designee, to enter into a Note Purchase Agreement, Pledge and Custody Agreement and related documents for the Bonds for the LA Colorado Terrace Apartments, subject to the approval of the City Attorney as to form; and
- C. Authorize the HCIDLA General Manager, or designee, to negotiate and execute relevant refunding note documents, subject to the approval of the City Attorney as to form.

BACKGROUND

Through the 1998 Notice of Funding Availability, the Project was initially awarded gap financing in the amount of \$906,577 (CF 98-1824). The Project initially applied for 9% Low Income Housing Tax Credits (LIHTC) but was unsuccessful in receiving the 9% tax credit allocation. Subsequently the financing for the Project was converted to utilize tax-exempt bonds and 4% LIHTC. In order to cover the funding gap as a result of the conversion of the Project financing at that time, HCIDLA, formerly the Los Angeles Housing Department, was authorized in 2002 to increase the award by \$2,215,000, from \$906,577 to \$3,121,577 (CF 02-0658).

Also in 2002, HCIDLA applied to the California Debt Limit Allocation Committee (CDLAC) for an allocation of up to \$10,300,000 in tax-exempt bond authority, and the Project received an allocation of 4% Low Income Housing Tax Credits in the amount of \$3,212,233. In addition to the tax-exempt bonds, 4% tax credit equity and gap financing, the Project received \$1,365,000 in site acquisition funds from the former Community Redevelopment Agency of Los Angeles and a Section 108 loan in the amount of \$700,000 from the former Community Development Department for the commercial component of the Project. Later in 2007, the project was awarded a supplemental allocation of \$1,592,500 in Private Activity bonds from CDLAC to address an increase in construction costs due to rising cost of materials and significant heavy rainfall during 2004-2005 that impacted the construction site.

Approval of the recommendations in this report will allow for HCIDLA to issue multifamily conduit taxable bonds in the form of a refunding note for the redemption of the previously issued tax-exempt bonds for the Project. The bonds will be sold by HCIDLA as the conduit issuer.

Unit Conversion and Affordability Restrictions

The project was initially approved for the new construction of 70 residential units. Subsequently, the Developer applied for a building permit to increase the number of units from 70 to 77. HCIDLA approved the unit increase through the execution of Rental Covenant Agreement on January 8, 2010 (City contract C-103698). The conversion of units also resulted in an increase in the total number of affordable units by two, from 14 to 16.

There are two separate City bond regulatory agreements that were executed and recorded for each previous bond issuance. The 2002 bond regulatory agreement has a 50-year term from December 2002 to December 2052. The 2007 bond regulatory agreement has a 55-year term from December 2007 to

December 2062. Even though the previously issued tax-exempt bonds will be redeemed, both City bond regulatory agreements will remain on title until December 2052 and December 2062. The regulatory agreements will be amended to require any past due and future issuer fee amounts will remain payable to the City. The table below provides a summary of the unit mix for the Project.

UNIT TYPE	50% AMI	60% AMI	Fair Mkt. Rate	TOTAL
1-Bdr	13	25	32	70
2-Bdr	1	3	2	6
3-Bdr			1 (mgr. unit)	1
Total	14	28	35	77

Development Team

The Borrower/Owner is L.A. Colorado Terrace, L.P., a California limited partnership. The limited partnership includes DDCM, Incorporated, a California corporation, as the Operating General Partner, and Coalition for Better Living, a California 501(c)(3) non-profit corporation, as the Managing General Partner.

Developer: DDCM, Incorporated
2455 Colorado Blvd. (Ste. 400)
Los Angeles, CA 90041
Phone: 323-256-6060
Contact: Kurken Alyanakian, President

The Borrower/Owner is in compliance with the HCIDLA Business Policy.

Financial Structure

The City previously issued a total of \$11,892,500 in tax-exempt bonds consisting of \$10,300,000 that was issued in December 2002 and \$1,592,500 in supplemental bonds in December 2007. The Bonds were issued pursuant to an Indenture of Trust (Indenture) between the City and the Bank of New York Trust Company (Trustee). The Bond proceeds were provided to the Borrower/Owner in the form of a loan (Mortgage Loan) from Capmark Bank, as the Mortgage Lender, to help finance the development of the Project. The Mortgage Loan is insured by the Federal Housing Administration (FHA). The Trustee holds, as security for the Bonds, a fully modified mortgage-backed security issued by the Government National Mortgage Association (GNMA Security). The revenues of which are designed to pay the principal and interest on the Bonds when due. To evidence the loan of the proceeds of the Bonds, the Borrower executed and delivered a Deed of Trust Note (Mortgage Note) secured by a Construction and Permanent Deed of Trust with Assignment of Rents (Deed of Trust). Both FHA and GNMA are organizations within HUD. Capmark Bank has been renamed Berkadia Commercial Mortgage, LLC.

The Borrower now wishes to lower the interest rate on the Mortgage Note (from 5.50% to an estimated 3.25%) in order to increase cash flow to the project, a portion of which is pledged to the payment of subordinate loans. Since the GNMA Security passes through payments on the Mortgage Note to the Trustee as debt service on the Bonds, a change in interest rate on the Mortgage Note requires either consent of all Bond owners or redemption of the Bonds in full. Since the Bonds are widely held as a

result of the public sale and consent of all Bond owners is not feasible, the Borrower has elected to pursue a redemption of the Bonds under the terms of the Indenture. The Indenture permits optional redemption of the Bonds at par from either proceeds of a prepayment of the Mortgage Note passed through the GNMA Security, which would terminate the GNMA Security, or proceeds of refunding bonds. Since the goal of the Borrower is to modify the Mortgage Note and GNMA Security without terminating them, the Borrower has determined to redeem the Bonds with the proceeds of refunding bonds.

Structure of the Refunding Note

Berkadia Commercial Mortgage, LLC (Purchaser) will purchase the Taxable Multifamily Housing Revenue Refunding Note (Refunding Note) from the City pursuant to a Note Purchase Agreement (NPA) between the Purchaser and the City for a price equal to the sum required, when combined with available funds under the Indenture, to pay the outstanding principal, redemption premium and accrued interest on the Bonds outstanding to the redemption date. The Refunding Note will be secured by the City's pledge of the GNMA Security, which is to be modified or re-issued in connection with the Mortgage Loan modification and which will mature on the same date and bear interest at a rate consistent with the maturity date and mortgage interest rate of the Mortgage Loan, as modified. The ultimate goal of the Purchaser is to acquire the GNMA Security, as modified or re-issued, in exchange for delivery to the City of the Refunding Note for cancellation. This will be accomplished through the following series of steps:

1. The City will direct the Trustee to issue a conditional notice of redemption to the current holders of the Bonds. Redemption will be conditioned on the receipt by the Trustee of sufficient funds to redeem the Bonds in whole on or about a date 30 days following delivery of such notice.
2. The City and Purchaser will enter into the NPA whereby the Purchaser agrees to purchase the Refunding Note, issued as a single instrument.
3. On the Redemption Date, the City will issue and deliver to the Purchaser the Refunding Note in exchange for payment to the Trustee of the amount necessary, taking into account funds then held by the Trustee, to redeem all Bonds outstanding in full. The Purchaser will deliver an investor letter, in form acceptable to the City, stating that it is a sophisticated institutional investor, able to bear the risk of its investment in the Refunding Note. The Refunding Note will be payable solely from payments received under the GNMA Security.
4. The Borrower or Purchaser will pay the City its issuance fee of 0.25% of the principal amount of the Refunding Note along with all accrued fees due in connection with the Bonds.
5. The Trustee will use the purchase price of the Refunding Note, together with funds held under the Indenture, to retire all Bonds and deliver the GNMA Security to the Purchaser or third party fiduciary, acting as custodian (Custodian) under a Pledge and Custody Agreement between the City and the Custodian.
6. Upon receipt of the Refunding Note from the City, the Purchaser will return the Refunding Note to the Custodian for cancellation in exchange for the Custodian's delivery to the Purchaser of the

GNMA Security for the Purchaser's and Mortgage Loan holder's request to GNMA for modification or re-issuance consistent with the modification of the Mortgage Loan.

7. All excess moneys held under the Indenture will be returned to the Borrower.

The above series of steps replace the Bonds with the Refunding Note. The Mortgage Loan with the Borrower as evidenced by the Mortgage Note and secured by the Deed of Trust will be modified in a transaction occurring simultaneously with the redemption of the Bonds. Following such modification, the Borrower will continue to make its monthly payments on the Mortgage Note, as modified, to the Mortgage Note servicer. Payments under the GNMA Security, as modified or re-issued, will now flow to the Purchaser, as owner of the modified or re-issued GNMA Security.

Additionally, the bond structure adheres to both the Bond Policies and City's Financial Policies and has been reviewed by the City Attorney's Office, Bond Counsel, and the Bond Issuer Financial Advisor. 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, requiring the borrower to provide annual statements, and providing additional information as may be reasonably requested.

Public Hearing and Bond Team

HCIDLA conducts public hearings for tax-exempt bond issuances to meet the requirements of the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA). Since the Refunding Note is taxable, a TEFRA public hearing is not required for this transaction.

The HCIDLA Bond Team for the financing of the LA Colorado 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

Timeline

The closing date for the issuance of the bonds is scheduled to occur by July 31, 2015 and an extension will be requested if needed.

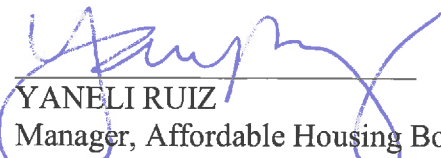
FISCAL IMPACT STATEMENT

There is no impact to the General Fund. The City is a conduit bond issuer and will not incur liability for repayment of the Refunding Note. The Refunding Note is a limited obligation payable strictly from revenue from the GNMA Security. The City will not be obligated to make payments on the Refunding Note.


Prepared By:


APOLINAR ABRAJAN
Finance Development Officer I


Reviewed By:


YANELI RUIZ
Manager, 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 LA Colorado Terrace Apartments
Attachment B – Note Purchase Agreement
Attachment C – Pledge and Custody Agreement

Resolution for LA Colorado Terrace Apartments on next page.

RESOLUTION

CITY OF LOS ANGELES

A RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF A NOTE BY THE CITY OF LOS ANGELES DESIGNATED AS ITS TAXABLE MULTIFAMILY HOUSING REVENUE REFUNDING NOTE (COLORADO TERRACE APARTMENTS PROJECT) SERIES 2015B IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$9,500,000 TO PROVIDE FUNDS TO REFUND BONDS ISSUED BY THE CITY OF LOS ANGELES, WHICH PROVIDED PERMANENT FINANCING FOR THE ACQUISITION, CONSTRUCTION AND EQUIPPING OF THE MULTIFAMILY HOUSING PROJECT SPECIFIED IN PARAGRAPH 15 HEREOF AND APPROVING AND AUTHORIZING THE EXECUTION AND DELIVERY OF A NOTE PURCHASE AGREEMENT, PLEDGE AND CUSTODY AGREEMENT AND RELATED DOCUMENTS AND AGREEMENTS AND THE TAKING OF RELATED ACTIONS, INCLUDING THE EXECUTION OF AMENDATORY DOCUMENTS THERETO.

WHEREAS, the City of Los Angeles (the “City”) is authorized, pursuant to 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 or refinancing 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 taxable revenue refunding note to refund the outstanding principal amount of the City’s Multifamily Housing Revenue Bonds (GNMA Mortgage-Backed Securities Program—Colorado Terrace Apartments Project) Series 2002H and Multifamily Housing Revenue Bonds (GNMA Mortgage Backed Securities Program—Colorado Terrace Apartments Project) Series 2007H (together, the “Bonds”) which provided permanent financing for the acquisition, rehabilitation and equipping of that scattered-site multifamily rental housing project described in paragraph 15 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 issue its taxable revenue refunding note to refund the Bonds, and it is within the powers of the City to provide for such a financing and the issuance of such note; and

WHEREAS, at the request of L.A. Colorado Terrace, a California Limited Partnership (the “Borrower”) the City proposes to issue, pursuant to the Law and in accordance with the Act, its Taxable Multifamily Housing Revenue Refunding Note (Colorado Terrace Apartments

Project) Series 2015B in an aggregate principal amount not to exceed \$9,500,000 (the “Note”); and

WHEREAS, the City proposes to use the proceeds of the Note to prepay the principal and applicable redemption premium of and interest on the Bonds and, if applicable, to pay certain costs of issuance in connection with the issuance of the Note; and

WHEREAS, Berkadia Commercial Mortgage, LLC or an affiliate or designee thereof (the “Purchaser”), has expressed the intention of the Purchaser to purchase the Note authorized hereby in whole and this Council (the “City Council”) finds that the public interest and necessity require that the City at this time make arrangements for the sale of such Note;

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, a revenue refunding note of the City, to be designated as “City of Los Angeles Taxable Multifamily Housing Revenue Refunding Note (Colorado Terrace Apartments Project) Series 2015B” in an aggregate principal amount not to exceed \$9,500,000 is hereby authorized to be issued. The principal amount of the Note to be issued shall be determined by a Designated Officer (as defined below) in accordance with this Resolution.

3. The proposed form of the Note, substantially in the form attached hereto, 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 the Note in substantially such form, and to sell and deliver such Note to the Purchaser in accordance with the Purchase 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 Note shall be as provided in the Note as finally executed; provided, however, that the principal amount of the Note shall not exceed \$9,500,000, the interest rate on the Note shall not exceed 12% per annum and the final maturity of the Note shall be no later than November 20, 2044. The purchase price of the Note shall be 100% of the par amount thereof. Such Note may be delivered in temporary form if, in the judgment of the City Attorney, delivery in such form is necessary or appropriate until the Note in definitive form can be prepared.

4. The proposed form of Pledge and Custody Agreement (the “Pledge Agreement”) to be entered into by and among the City, the Purchaser and Berkadia Commercial Mortgage, LLC, or such other custodian appearing in the final version thereof, as Custodian, 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 Pledge 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 Pledge Agreement with such additions, changes or corrections.

5. The proposed form of Note Purchase Agreement (the "Purchase Agreement"), by and between the City and the Purchaser, 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 Purchase 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 Purchase Agreement with such additions, changes or corrections.

6. All actions heretofore taken by the officers and agents of the City with respect to the sale and issuance of the Note 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 Note, the Pledge Agreement, the Purchase 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 Note and the implementation of the Program in accordance with the Act and the Law and this Resolution and resolutions heretofore adopted by the City.

7. 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.

8. 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 Note, authorized by this Resolution.

9. 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 Note be delivered directly to the Bond trustee, instead of the City Treasurer, to effect a prepayment in whole of the Bonds.

10. [Reserved].

11. 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.

12. 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 Note or the agreements relating thereto subsequent to its issuance.

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

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

15. The “Project” and “Borrower”, as used herein, shall have the following meanings

Project Name	Number of Units	Address	Borrower
Colorado Terrace Apartments	77	2455 Colorado Boulevard, Los Angeles, CA 90041	L.A. Colorado Terrace, a California Limited Partnership

[remainder of page intentionally left blank]

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

By _____
Name _____
Title _____

NOTE PURCHASE AGREEMENT

by and between

CITY OF LOS ANGELES

and

BERKADIA COMMERCIAL MORTGAGE, LLC

Dated [_____], 2015

Relating to:

[\$9,500,000]

City of Los Angeles

**Taxable Multifamily Housing Revenue Refunding Note
(Colorado Terrace Apartments Project)
Series 2015B**

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NOTE PURCHASE AGREEMENT

BERKADIA COMMERCIAL MORTGAGE, LLC, solely in its capacity as purchaser of the Note described herein (together with its designees, successors and assigns, the “Purchaser”), hereby offers to enter into the following agreement with 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”). Upon your acceptance of this offer and your execution and delivery of this Note Purchase Agreement (this “Agreement”), this Agreement will be binding upon each of you and the Purchaser. This offer is made subject to your acceptance, evidenced by your execution and delivery of this Agreement to the Purchaser, at or prior to 9:00 a.m. New York, New York time on [_____], 2015 and will expire if not so accepted at or prior to such time (or such later time as the Purchaser may agree to in writing).

Section 1. Definitions. The capitalized terms used in this Agreement have the meanings assigned to them in the Glossary of Terms attached as Exhibit A hereto.

Section 2. Purchase and Sale.

2.1 Subject to the terms and conditions set forth in this Agreement, the Purchaser hereby agrees to purchase, the Note from the Issuer and the Issuer hereby agrees to sell to the Purchaser, when, as and if issued, the Note identified in Item 1 in Exhibit B attached hereto for a total purchase price equal to the purchase price set forth as Item 2 on Exhibit B attached hereto.

2.2 The Note will (i) be issued in accordance with the Issuer’s enabling legislation and all applicable procedural and substantive requirements and the Resolution of the Issuer’s City Council and (ii) have the payment related terms (that is, the dated date, maturity date, interest rate, interest payment dates and redemption provisions) set forth in Item 3 of Exhibit B attached hereto.

Section 3. Closing. The Closing will take place at the time and on the date set forth in Item 4 of Exhibit B attached hereto or at such other time or on such other date as may be mutually agreed upon by the parties hereto. At or prior to the Closing, the Issuer will deliver the Note to or upon the order of the Purchaser, in definitive form, duly executed by the Issuer. If the Purchaser receives the Note in advance of the Closing, the Purchaser will hold the Note in escrow pending Closing. If Closing does not occur, the Purchaser will return the Note to the Issuer, or as otherwise directed by the Issuer, for destruction. Subject to the terms and conditions hereof, the Issuer will deliver or cause to be delivered at the Place of Closing as set forth in Item 4 of Exhibit B attached hereto, the other documents and instruments to be delivered pursuant to this Agreement (the “Closing Documents”) and the Purchaser will accept delivery of the Note and Closing Documents and pay the purchase price for the Note as set forth in Section 2.1 above by wire transfer, to The Bank of New York Mellon Trust Company, National Association, as trustee for the Issuer’s Multifamily Housing Revenue Bonds (GNMA Mortgage Backed Securities Program—Colorado Terrace Apartments Project) Series 2002H (the “Series 2002 Bonds”) and the Issuer’s Multifamily Housing Revenue Bonds (GNMA Mortgage Backed Securities Program—Colorado Terrace Apartments Project) Series 2007H (together with the

Series 2002 Bonds, the “Bonds”) to effect a redemption in whole of the Bonds on the Closing Date. The Note will be delivered to the Purchaser in escrow at least one business day before the Closing for purposes of inspection.

Section 4. Representations and Warranties of Issuer.

4.1 The Issuer hereby makes the following representations and warranties to the Purchaser, all of which will continue in effect subsequent to the purchase of the Note:

(a) The Issuer is a municipal corporation and charter city, and is duly authorized to issue the Note and to perform its obligations under this Agreement.

(b) This Agreement, when duly accepted and executed by the Issuer and the Purchaser, will constitute the legal, valid and binding obligation of the Issuer enforceable in accordance with its terms, except as limited by bankruptcy, insolvency, reorganization, moratorium, or other similar laws or judicial decisions affecting the rights of creditors generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(c) The Issuer has, and as of the Closing Date will have, all necessary power and authority to (i) execute and deliver a certified copy of the Resolution and the Issuer Documents, (ii) issue the Note in the manner contemplated by the Resolution and this Agreement and (iii) otherwise consummate the transactions contemplated by the Issuer Documents.

4.2 Any certificate signed by any official of the Issuer and delivered to the Purchaser in connection with the delivery of the Note will be deemed to be a representation and warranty by the Issuer to the Purchaser, as appropriate, as to the statements made therein.

Section 5. Representations and Warranties of Purchaser.

5.1 The Purchaser makes the following representations and warranties to the Issuer as of the date hereof, all of which will continue in effect subsequent to the purchase of the Note:

(a) The Purchaser is, and at all times will be, a corporation, duly organized, validly existing and in good standing under the laws of the State of [_____] and duly qualified, authorized and licensed under the laws of the State of [_____] to transact business as a limited liability company and is permitted to purchase and own the Note.

(b) The Purchaser has, and on the Closing Date will have, full legal right, power and authority: (i) to execute and deliver this Agreement; and (ii) to consummate the transactions contemplated by this Agreement including performance of its obligations hereunder. Prior to the acceptance hereof, the

Purchaser has duly authorized the execution and delivery of this Agreement and the performance of its obligations contained herein.

(c) This Agreement, when executed and delivered by the Issuer, will be the legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms, except to the extent that enforcement thereof 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.

5.2 Each of the representations and warranties set forth in this Section will survive until the Maturity Date of the Note or earlier termination thereof.

5.3 Any certificate signed by the Purchaser and delivered to the Issuer shall be deemed a representation and warranty by the Purchaser to the Issuer as to the statements made therein.

Section 6. Covenants.

6.1 The Issuer hereby makes the following covenants with the Purchaser:

(a) Prior to the Closing, the Issuer will not amend, terminate or rescind, and will not agree to any amendment, termination or rescission of the Resolution or the Issuer Documents without prior written notice to the Purchaser.

(b) Prior to the Closing, the Issuer will not create, assume or guarantee any indebtedness payable from, or pledge or otherwise encumber, the revenues, assets, properties, funds or interests which will be pledged pursuant to the Pledge and Custody Agreement and the other Issuer Documents.

(c) The Issuer will cause the Note to be delivered to the address and at the time specified in writing by the Purchaser in conjunction with the Closing.

6.2 The Purchaser hereby makes the following covenants to the Issuer:

(a) The Purchaser shall, on the Closing Date, pay: (i) to the Issuer in immediately available funds the sum of \$[_____] as a fee for the Issuance of the Note and the Issuer's costs for redemption of the Bonds; (ii) to The Bank of New York Mellon Trust Company, N.A. (the "Bond Trustee"), such sum as shall be needed, taking into account available funds held under the Amended and Restated Indenture of Trust dated as of December 1, 2007, providing for issuance of the Bonds; (iii) all accrued fees due under such indenture of trust and related financing documents through the Closing Date and in connection with the redemption of the Bonds; and (iv) the sum of \$[_____] as a prepayment of the Issuer's fees for monitoring compliance with the terms of that Amended and Restated Regulatory Agreement and Declaration of Restrictive Covenants dated as of December 1, 2007, through the end of the term of such agreement.

(b) The Purchaser shall indemnify and hold harmless the Issuer as set forth in Section 11 hereof.

Section 7. Conditions of Closing.

7.1 The obligation of the Purchaser to purchase the Note at the Closing is subject to receipt by the Purchaser of the following items:

(a) An executed opinion of Bond Counsel, dated the Closing Date and addressed to the Purchaser;

(b) A certified copy of the Resolution and an executed original of each of the Issuer Documents; and

(c) Such additional certificates and other documents as the Purchaser or Bond Counsel may reasonably deem necessary to evidence the truth and accuracy as of the Closing Date of the respective representations and warranties herein contained and to evidence compliance by the Issuer with this Agreement and all applicable legal requirements, and the due performance and satisfaction by the Issuer at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Issuer.

7.2 If any of the conditions set forth in Section 7.1 have not been met on the Closing Date, the Purchaser may, at its sole option, terminate this Agreement or proceed to Closing upon waiving, in writing, any rights under this Agreement with respect to any such condition. If this Agreement is terminated pursuant to this Section, no party will have any rights or obligations to any other party, except as provided in Section 10.

Section 8. Actions and Events at the Closing. The following events will take place at the Closing:

(a) The Issuer will deliver the Note to the Purchaser or its designee, at the place set forth in Item 4 in Exhibit B. The Note so delivered will be duly executed on behalf of the Issuer in the name of the Purchaser.

(b) The Purchaser or its designee will deliver to: (i) the Bond Trustee, for the account of the Issuer an amount equal to the purchase price of the Note as set forth in Item 2 of Exhibit B by wire transfer to the Bond Trustee, in immediately available federal funds; and (ii) the Issuer an executed investor letter in the form attached to the Pledge and Custody Agreement.

Section 9. Termination of Agreement. The Purchaser may terminate this Agreement, without liability therefor, by notifying you at any time prior to the Closing if:

(a) Any litigation shall be instituted, pending or threatened to restrain or enjoin the issuance or sale of the Note or in any way contesting any authority or security for or the validity of the Note, or the existence or powers of the Issuer; or

(b) Legislation shall have been introduced in or enacted by the legislature of the State that would, in the reasonable judgment of the Purchaser, adversely affect the security for the Note; or

(c) The Issuer shall fail to execute and deliver or to obtain one or more filings, consents, approvals, authorizations, registrations or other action requested by the Purchaser to be obtained or taken by the Issuer and such failure is based upon the Issuer's conclusion that such action is unduly burdensome and the Purchaser shall reasonably conclude that, as a result of the Issuer's failure to so execute and deliver or to obtain what has been requested by the Purchaser, the purchase of the Note will be materially adversely affected.

Section 10. Fees and Expenses; Costs of Issuance. All costs, fees and expenses identified in Exhibit C incident to the performance of the Issuer's and Purchaser's obligations in connection with the issuance and purchase of the Note, including the expenses of counsel incidental to implementing this Agreement, shall be paid by the Purchaser to the parties entitled to hereunder by wire transfer of immediately available funds on the Closing Date.

Section 11. Indemnification by Purchaser.

(a) The Purchaser agrees to pay, defend, protect, indemnify, save and hold harmless the Issuer and its officers, members, supervisors, directors, officials and employees, counsel, attorneys and agents, past present and future 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 (referred to herein as an "Indemnified Party" and collectively as the "Indemnified Parties"), against any and 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), (collectively referred to herein as the "Liabilities") caused by or directly or indirectly arising from the Note, the redemption of the Bonds or this Agreement (the "Transaction Documents"); provided, however, that the Purchaser shall not be required to indemnify, save or hold harmless an Indemnified Party for losses caused by the, fraud, bad faith or willful misconduct of the Indemnified Party.

(b) Each Indemnified Party shall, in the event of any claim, suit, action or proceeding against it with respect to which indemnity may be sought on account of any indemnity agreement by the Purchaser contained herein, promptly give written notice thereof to the Purchaser. When such notice is given, the Purchaser shall be entitled to participate, at its own expense, in the defense of, or if it so elects, to assume the defense of, such claim, suit, action or proceeding, in which event such defense shall be conducted by counsel chosen by the Purchaser, provided that each Indemnified Party shall have the right to review and approve or disapprove any compromise or settlement which approval shall not be unreasonably withheld. If the Purchaser shall elect not to assume such defense, it shall assume the payment of all expenses related thereto. Notwithstanding the

above, each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and to participate in the investigation and defense thereof, provided that the Purchaser shall bear the reasonable fees, costs and expenses of such separate counsel if (i) the use of counsel chosen by the Purchaser to represent the Indemnified Party would present such counsel with a conflict of interest, (ii) the actual or potential defendants in, or targets of, any such action include both the Indemnified Party and the Purchaser and the Indemnified Party shall have reasonably concluded that there may be legal defenses available to it and/or other Indemnified Parties that are different from or additional to those available to the Purchaser, (iii) the Purchaser shall not have employed counsel satisfactory to the Indemnified Party to represent the Indemnified Party within a reasonable time after notice of the institution of such action, or (iv) the Purchaser shall authorize the Indemnified Party to employ separate counsel at the expense of the Purchaser. Each and every Indemnified Party shall have the right to compromise, settle or conclude any claim, action or proceeding against it with the written consent of the Purchaser, which consent shall not be unreasonably withheld. The foregoing notwithstanding, in the event that the Purchaser shall assume such defense and any Indemnified Party or Parties shall be advised by independent legal counsel that counsel selected by the Purchaser is not fully and adequately protecting such party or parties and representing the interests of such party or parties and the Purchaser has been given written notice thereof and a reasonable opportunity to cure or find other counsel acceptable to the Indemnified Parties, any such Indemnified Party or Parties shall have the right to conduct its own defense against any such claim, suit, action or proceeding in addition to or in lieu of any defense conducted by the Purchaser, and the Indemnifying Party shall indemnify and hold harmless such Indemnified Party or Parties against and from any and all suits, claims, damages, liabilities or expenses whatsoever, including reasonable fees and expenses of counsel selected by such Indemnified Party or Parties incurred by and arising out of or in connection with any such claim, suit, action or proceeding.

(c) 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 11 is for any reason held to be unavailable, the Purchaser and the Indemnified Party shall contribute proportionately to the aggregate Liabilities to which the Purchaser and the Indemnified Party may be subject, so that the Indemnified Party is responsible for that portion represented by the percentage that the fees paid by the Purchaser to the Indemnified Party in connection with the issuance and administration of the Note bear to the aggregate offering price of the Note, with the Purchaser responsible for the balance; provided, however, that in no case shall the Indemnified Party be responsible for any amount in excess of the fees paid by the Purchaser to the Indemnified Party in connection with the issuance and administration of the Note.

(d) The Indemnified Parties, other than the Issuer, shall be considered to be third party beneficiaries of this Agreement for purposes of this Section 11. The provisions of this Section 11 will be in addition to all liability which the

Purchaser may otherwise have and shall survive any termination of this Agreement, the offering and sale of the Note and the payment or provisions for payment of the Note. No person guilty of fraudulent misrepresentation (within the meaning of Section 10(b) of the Securities Exchange Act of 1934) shall be entitled to contribution from any person who was not guilty of such misrepresentation.

Section 12. Miscellaneous.

12.1 All notices, demands and formal actions hereunder will be writing and mailed, telecopied or delivered to the following address or such other address as any of the parties shall specify:

If to the Purchaser: Berkadia Commercial Mortgage, LLC
[Address]
Attention: [_____]
Telephone: () -
Facsimile: () -

If 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
Facsimile: (213) 808-8918

12.2 This Agreement will inure to the benefit of and be binding upon the parties hereto and their permitted successors and assigns and will not confer any rights upon any other person.

12.3 This Agreement may not be assigned by the Issuer without the prior written consent of the Purchaser. This Agreement may be assigned by the Purchaser upon written notice of such assignment from the Purchaser to the Issuer. The Purchaser may designate the entity in whose name the Note is to be registered at Closing by providing registration information to Bond Counsel on or prior to the Closing Date.

12.4 This Agreement may not be amended without the prior written consent of the Issuer and the Purchaser.

12.5 This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered will be an original, but all such counterparts will together constitute but one and the same instrument.

12.6 This Agreement will become effective and binding upon the respective parties hereto upon the execution and delivery hereof by the parties hereto and will be valid and enforceable as of the time of such execution and delivery.

12.7 If any provision of this Agreement is held or deemed to be or is, in fact, inoperative, invalid or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provision of any constitution, statute, rule of public policy, or any other reason, such circumstances will not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance or of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatever.

12.8 This Agreement will be governed by and construed in accordance with the laws of the State of California applicable to agreements to be performed wholly therein.

12.9 Except as provided in Section 11, the obligations of the Purchaser hereunder shall be without recourse to any shareholder, member, manager, officer, employee or agent of the Purchaser and no shareholder, member, manager, officer, employee or agent of the Purchaser shall be personally liable for the payment of any obligation of the Purchaser, as applicable, hereunder. In the event any legal actions or proceedings are brought in respect of such obligations, any judgment against the Purchaser shall be enforced only against the assets of the Purchaser and not against any property of any member or manager of the Purchaser.

[Signature pages start on next page]

[Counterpart Signature Page to the *Colorado Terrace* Note Purchase Agreement]

If the foregoing accurately sets forth our mutual understanding concerning the subject matter hereof, kindly indicate your acceptance by executing this Agreement.

**BERKADIA COMMERCIAL MORTGAGE,
LLC,**
as Purchaser

By: _____
Authorized Signatory

[Signatures continue on next page]

[Counterpart Signature Page to the *Colorado Terrace* Note Purchase Agreement]

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

EXHIBIT A

GLOSSARY OF TERMS

“Agreement” means this Note Purchase Agreement, as amended from time to time.

“Bond Counsel” means Kutak Rock LLP.

“Borrower” means L.A. Colorado Terrace, a California Limited Partnership, its successors and assigns.

“Closing” means the proceeding on the Closing Date at which the Note is delivered to the Purchaser.

“Closing Date” means [_____, 2015], the date on which the Closing takes place.

“Closing Documents” has the meaning ascribed to such term in Section 3 hereof.

“Indemnified Parties” means the Issuer, its officers, members, supervisors, directors, officials and employees, counsel, attorneys and agents, past present and future of each of them 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.

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

“Issuer Documents” means, collectively, the Note, the Pledge and Custody Agreement, this Agreement and all other agreements, documents and certificates as may be required to be executed and delivered by the Issuer to carry out, give effect to, and consummate the transactions contemplated by this Agreement or by the other Issuer Documents.

“Note” means the Issuer’s Taxable Multifamily Housing Revenue Refunding Note (Colorado Terrace Apartments Project) Series 2015B.

“Pledge and Custody Agreement” means that Pledge and Custody Agreement between the Issuer and Berkadia Commercial Mortgage, LLC, as Custodian.

“Purchaser” means Berkadia Commercial Mortgage, LLC, or its designee or nominee, together with their respective permitted successors and assigns hereunder.

“Resolution” means the resolution or resolutions of the Issuer, authorizing, among other things, the execution and delivery by the Issuer of the Issuer Documents and the performance of its obligations thereunder.

“State” means the State of California.

EXHIBIT C

COSTS, FEES AND EXPENSES

The Bank of New York Mellon Trust Company, N.A.: Trustee Fee (\$_____), Rebate Analysts Fee (\$_____)

City of Los Angeles: Issuer Fee (\$_____) and compliance monitoring fee (\$_____)

Kutak Rock LLP: Bond Counsel and Bankruptcy Opinion Fee (\$_____)

PLEDGE AND CUSTODY AGREEMENT

THIS PLEDGE AND CUSTODY AGREEMENT (this “Pledge Agreement”), dated as of [_____] 1, 2015, is between the **CITY OF LOS ANGELES** (the “Issuer”), a charter city and municipal corporation of the State of California and **BERKADIA COMMERCIAL MORTGAGE, LLC** (in its capacity as the “Custodian”) and consented to and acknowledged by **BERKADIA COMMERCIAL MORTGAGE, LLC** (in its capacity as the “Holder”).

BASIS FOR THIS AGREEMENT

A. The Issuer has issued its Taxable Multifamily Housing Revenue Refunding Note (Colorado Terrace Apartments Project) Series 2015B, in the principal amount of \$[9,500,000] (the “Note”) payable initially to the Holder.

B. It is a condition precedent to the Holder’s purchaser of the Note that the Issuer shall have delivered to the Custodian that fully modified mortgage-backed security (Security Pool [_____] issued by GMAC Commercial Mortgage Corp. which is guaranteed as to timely payment of principal and interest by the Government National Mortgage Association, GNMA Pool # [____], CUSIP # [_____] (the “GNMA Security”) currently outstanding in the principal amount of \$[_____] and shall have made the pledge and granted the security interest to the Custodian as contemplated and effected by this Pledge Agreement, as security for the Issuer’s obligations to the Holder under the Note.

C. The Custodian has agreed to act as collateral agent for the Holder and to register the ownership of the Note upon the terms and subject to the conditions set forth in this Pledge Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and undertakings set forth in this Pledge Agreement and other good and valuable consideration, the receipt and sufficiency of which are acknowledged by the Issuer and the Custodian, the Issuer and the Custodian, as custodian hereunder, agree as follows:

1. *Incorporation of Recitals; Definitions; Interpretation; Reference Materials.*

1.1 *Incorporation of Recitals.* The recitals set forth in “Basis for this Agreement” are, by this reference, incorporated into and deemed a part of this Pledge Agreement.

1.2 *Interpretation.* Words importing any gender include all genders. The singular form of any word used in this Pledge Agreement shall include the plural, and vice versa, unless the context otherwise requires. Words importing persons include natural persons, associations, partnerships and corporations.

1.3. *Reference Materials.* Sections mentioned by number only are the respective sections of this Pledge Agreement so numbered. Reference to “this section” or “this subsection” shall refer to the particular section or subsection in which such reference appears. Any captions, titles or headings preceding the text of any section and any table of contents or index attached to this Pledge Agreement are solely for convenience of reference and shall not constitute part of this Pledge Agreement or affect its meaning, construction or effect.

2. *Pledge of Collateral.*

2.1 *Pledge.* The Issuer hereby assigns and pledges to the Custodian and grants to the Custodian, for the benefit of the Holder, a continuing security interest in, and a lien on, all of the Issuer’s right, title and interest, if any, in and to the following property (collectively, the “Collateral”):

- (i) the GNMA Security; and
- (ii) all interest paid and other proceeds of the foregoing.

2.2 *Security for Obligations.* This Pledge Agreement secures the payment in full of all obligations of the Issuer to the Holder under the Note (the “Obligations”).

2.3 *Delivery of Collateral.* At the execution and delivery of this Pledge Agreement, The Bank of New York Mellon Trust Company, N.A., the Bond Trustee, on behalf of the Issuer shall deliver the GNMA Security to: (i) the Custodian; or (ii) such subcustodian or agent as designated to the Issuer in writing by the Custodian, to be held hereunder as security for the Note until such time as the Note shall terminate.

2.4 *Instructions of Holder; Exchange of Note for Collateral.* The Custodian, as agent for the Holder, shall follow only the instructions of the Holder with respect to the Collateral. The Custodian hereby agrees to convey to the Holder the Collateral free and clear of the security interest created by this Pledge Agreement in exchange for delivery of the Note tendered for cancellation. Upon receipt of the Note so tendered for cancellation, the Custodian shall mark it “cancelled” and terminate all records thereof in its registration books maintained under this Pledge Agreement.

2.5 *Loss to Collateral.* The Custodian shall not be liable for any loss to any Collateral in its possession except for any loss resulting from the Custodian’s willful misconduct or negligence, nor shall such loss diminish the Obligations.

3. *Registration and Transfer of Note.* The Custodian hereby agrees to establish and maintain a record of the owner of the Note and to pay said owner from the Collateral the principal of and interest on the Note when due thereunder and received by the Custodian. The Custodian also agrees to transfer the Note upon its registration books and deliver a new Note payable to the transferee upon: (i) receipt of the documentation described in the Note, including written consent of the Issuer and an investor letter in the form attached hereto as Exhibit A; and (ii) the Issuer’s receipt of such executed investor letter.

4. *Appointment and Powers of the Custodian.*

(i) The Issuer hereby appoints the Custodian as custodian hereunder and the Custodian acknowledges and accepts such appointment. The Issuer acknowledges the appointment of the Custodian and authorizes the Custodian to take such action on behalf of the Holder and to exercise such rights, remedies, powers and privileges under this Pledge Agreement as are specifically authorized to be exercised by the Custodian by the terms of this Pledge Agreement. The Custodian may execute any of its duties under this Pledge Agreement by or through agents or employees and shall be entitled to retain experts (including counsel) and to act in reliance upon the advice of such experts concerning all matters pertaining to the agencies created by this Pledge Agreement and its duties under this Pledge Agreement, and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel selected by it. The Custodian agrees to perform only those duties specifically set forth in this Pledge Agreement and no implied duties or obligations shall be read into this Pledge Agreement.

(ii) The Custodian shall have no duty to exercise any discretionary right, remedy, power or privilege granted to it by this Pledge Agreement, or to take any affirmative action under this Pledge Agreement, unless directed to do so by the Holder in writing, and shall not, without the prior written approval of the Holder, consent to any departure by the Issuer from the terms of this Pledge Agreement, waive any uncured default on the part of the Issuer under this Pledge Agreement or amend, modify, supplement or terminate, or agree to any surrender of, this Pledge Agreement or the Collateral except as expressly provided herein; provided, that the Custodian shall not be required to take any action which exposes the Custodian to personal liability or which is contrary to this Pledge Agreement, or any other agreement or instrument relating to the Collateral or applicable law.

(iii) Neither the Custodian nor any of its directors, officers, employees or agents, shall be liable for any action taken or omitted to be taken by it or them under this Pledge Agreement, or in connection with this Pledge Agreement, except for its or their own gross negligence or willful misconduct; nor shall the Custodian be responsible for the validity, effectiveness, value, sufficiency or enforceability against the Issuer of this Pledge Agreement or any other document furnished pursuant to this Pledge Agreement or in connection with this Pledge Agreement, or of the Collateral (or any part thereof), or for the perfection or priority of any security interest purported to be granted under this Pledge Agreement.

(iv) The Custodian shall be entitled to rely on any communication, instrument, paper or other document believed by it in good faith to be genuine and correct and to have been signed or sent by the proper person or persons.

(v) None of the provisions contained in this Pledge Agreement shall require the Custodian to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers under this

Pledge Agreement except for any liability of the Custodian arising from its own gross negligence or willful misconduct.

5. *Miscellaneous Provisions.*

5.1 *Cooperation.* At any time and from time to time after the date of this Pledge Agreement, either party shall, at the request of the other party, execute and deliver any instruments or documents, including Uniform Commercial Code (“UCC”) financing and continuation statements in favor of the Custodian, and other documents reflecting the Custodian’s security interest in the Collateral, and take all such further actions as such party may reasonably request in order to consummate and make effective the transactions contemplated by this Pledge Agreement.

5.2 *Fees; Costs and Expenses.* The Custodian hereby acknowledges receipt of compensation for its services as Custodian for the entire term of this Pledge Agreement. The Holder agrees to reimburse the Custodian, on demand, for all reasonable out-of-pocket costs and expenses incurred by the Custodian in connection with the administration and enforcement of this Pledge Agreement.

5.3 *Indemnification.* The Custodian agrees to indemnify and hold harmless the Issuer and each of its officers, members, supervisors, directors, officials and employees, counsel, attorneys and agents, past present and future of each of them 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 together, the “Indemnified Parties”), from and against any and all losses, costs, claims, damages, penalties, causes of action, suits, judgments, liabilities and expenses (including, without limitation, reasonable attorneys’ fees and expenses) incurred by the Issuer or any other Indemnified Party under this Pledge Agreement or in connection with this Pledge Agreement, unless such liability shall be due to willful misconduct of such Indemnified Party. The obligations of the Custodian and the Holder under this Section 5.3 shall survive the termination of this Pledge Agreement, the resignation of the Custodian, and the discharge of the other obligations of the Borrower under this Pledge Agreement.

5.4 *Termination.* This Pledge Agreement and the assignments, pledges and security interests created or granted by this Pledge Agreement shall terminate when the Obligations of the Issuer under the Note have been paid, cancelled or performed in full and the Note has terminated, at which time the Custodian shall reassign, without recourse to, or any warranty whatsoever by, the Custodian (except only that the Custodian shall represent and warrant that it has not created any liens on the Collateral, except liens granted pursuant to this Pledge Agreement), and deliver to the Holder all Collateral and documents then in the custody or possession of the Custodian and, if requested by the Issuer, shall execute and deliver to the Issuer for recording or filing in each office in which any assignment or financing statement relative to the Collateral or the agreements relating thereto or any part thereof, shall have been filed or recorded, a termination statement or release under applicable law (including, if relevant, the UCC) releasing the Custodian’s interest therein, and such other documents and instruments as the Issuer may reasonably request, all without recourse to or any warranty whatsoever by the Custodian, and at

the cost and expense of the Holder. The Holder shall notify the Custodian in writing of any such termination and the Custodian shall be entitled to rely upon such notice.

5.5. *Entire Agreement.* This Pledge Agreement constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, between the parties to this Pledge Agreement with respect to the subject matter of this Pledge Agreement. This Pledge Agreement may not be amended, changed, waived or modified except by a writing executed by both parties and consented to by the Holder.

5.6 *Successors and Assigns.* This Pledge Agreement shall inure to the benefit of, and be enforceable by, the Issuer, the Custodian and the Holder and their respective successors and permitted assigns, and nothing herein expressed or implied shall be construed to give any other Person any legal or equitable rights under this Pledge Agreement. Neither this Pledge Agreement nor any of the rights, interests or obligations under this Pledge Agreement shall be assigned by any party to this Pledge Agreement without the prior written consent of the other party and the Holder.

5.7. *Notices.* All written notices, certificates or other communications shall be sufficiently given and shall be deemed to be given on the date on which the same shall have been mailed by certified first class mail, postage prepaid, return receipt requested, hand-delivered, with signed receipt, or sent by nationally-recognized overnight courier, addressed as follows:

To the Holder: Berkadia Commercial Mortgage, LLC
[ADDRESS]

Attention: [_____]

Telephone: (____) -

Facsimile: (____) -

To the Custodian: Berkadia Commercial Mortgage, LLC
[ADDRESS]

Attention: [_____]

Telephone: (____) -

Facsimile: (____)

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

Any of such addresses may be changed at any time upon written notice of such change sent, as provided above in this Section 5.7, to the other party.

The Custodian agrees to accept and act upon facsimile transmission of written instructions and/or directions pursuant to this Pledge Agreement.

6.8. *Governing Law.* This Pledge Agreement shall be construed, and the rights and obligations of the Holder, the Issuer and the Custodian hereunder determined, in accordance with the internal law of the State of California.

The invalidity or enforceability of any provision of this Pledge Agreement shall not affect the validity of any other provision and all other provisions shall remain in full force and effect.

6.9. *Severability.* If any term or other provision of this Pledge Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Pledge Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Pledge Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the greatest extent possible.

6.10. *Multiple Counterparts.* This Pledge Agreement may be simultaneously executed in multiple counterparts, all of which shall constitute one and the same instrument and each of which shall be, and shall be deemed to be, an original.

6.11. *Effectiveness.* This Pledge Agreement shall be effective as of the date of execution and delivery by the parties hereto.

[Signatures Commence on Following Page]

The Issuer and the Custodian have caused this Pledge Agreement to be signed, on the date first written above, by their respective officers duly authorized and the Holder has evidenced its consent to the terms hereof by the signature of a duly authorized officer below.

**BERKADIA COMMERCIAL MORTGAGE,
LLC, as Custodian**

By: _____

Name: _____

Title: _____

[Custodian's Signature Page *Colorado Terrace* Pledge and Custody Agreement]

CITY OF LOS ANGELES, as Issuer

By: _____
Name: _____
Title: _____

Approved as to form:

City of Los Angeles
MICHAEL N. FEUER, City Attorney

By: _____
Deputy/ Assistant City Attorney

[Issuer's Signature Page *Colorado Terrace* Pledge and Custody Agreement]

**ACKNOWLEDGED AND CONSENTED
TO:**

**BERKADIA COMMERCIAL MORTGAGE,
LLC, as Holder**

By: _____
Name: _____
Title: _____

[Holder's Acknowledgment and Consent to *Colorado Terrace* Pledge and Custody Agreement]

EXHIBIT A

INVESTOR LETTER

[Date]

City of Los Angeles
Los Angeles, California

Re: Taxable Multifamily Housing Revenue Refunding Note (Colorado Terrace Apartments Project)
Series 2015B (the “Note”)

The undersigned, as purchaser (the “Purchaser”) of the above-referenced Note issued by the City of Los Angeles (the “Issuer”), hereby represents that:

1. The Purchaser understands that the Note is not rated by any securities rating agency and is secured only by the GNMA Security and the revenues therefrom, and will only be sold to the Purchaser with the above-addressed party relying upon the representations and warranties of the Purchaser set forth herein. The Purchaser acknowledges that no offering document has been prepared in connection with the issuance and sale of the Note. The Purchaser has requested and received all materials which the Purchaser has deemed relevant in connection with its purchase of the Note (the “Offering Information”). The Purchaser has reviewed the documents executed in conjunction with the issuance of the Note, including, without limitation, the Pledge Agreement. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Note or that Note Purchase Agreement between the Purchaser and the City of Los Angeles (the “Issuer”) relating to the issuance and purchase of the Note.

2. The Purchaser hereby waives the requirement of any “due diligence investigation or inquiry” by the Issuer, by each official of the Issuer, by each employee of the Issuer, by each member of the governing board of the Issuer, and by counsel to the Issuer and Bond Counsel in connection with the authorization, execution and delivery of the Note and Purchaser’s purchase of the Note. The Purchaser recognizes and agrees that the Issuer, by each official of the Issuer, each employee of the Issuer, each member of the governing board of the Issuer, counsel to the Issuer 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 Purchaser in connection with the Purchaser’s purchase of the Note. In making an investment decision, the Purchaser is relying upon its own examination of the Issuer, the GNMA Security and the terms of the offering.

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

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

5. The Purchaser is purchasing the Note solely for its own account for investment purposes and has no present intention to resell or distribute the Note, other than to tender it in exchange for the GNMA Security, provided that the Purchaser reserves the right to transfer or dispose of the Note, 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 Purchaser hereby agrees that the Note may only be transferred in whole to a single Purchaser, which must execute and deliver to the parties addressed above a form of this Investor Letter.

6. The Purchaser agrees that it will only offer, sell, pledge, transfer or exchange the Note (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 Note and the Pledge Agreement. The Purchaser acknowledges that written consent of the Issuer is required in order to transfer the Note. The Purchaser further agrees that the Note will not be transferred to or held in a pool, trust or similar arrangement and that it will not sell any participating interest in the Note without the prior written consent of the Issuer.

7. The Purchaser is a “qualified institutional buyer” as defined in Rule 144A promulgated under the Securities Act of 1933 (“Rule 144A”); and it understands that the Note may be offered, resold, pledged or transferred only in whole and only to a person who is a “qualified institutional buyer”, in compliance with Rule 144A.

8. If the Purchaser sells the Note (or any legal or beneficial interest therein), the Purchaser or its agent will obtain for the benefit of the Issuer from any subsequent purchaser an Investor Letter in the form of this Letter or such other materials as are required by the Note and the Pledge Agreement to effect such sale and purchase. The Purchaser understands and agrees that the Custodian is not authorized to register any transfer of the Note prior to receipt of such Investor Letter and the written consent of the Issuer.

9. Neither Bond Counsel, counsel to the Issuer, the Issuer, its governing body, or any of its employees or agents will have any responsibility to the Purchaser for the accuracy or completeness of information obtained by the Purchaser from any source regarding the Project, the Issuer, GNMA or their financial conditions or regarding the Note, 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 Purchaser acknowledges that, as between Purchaser and all of such parties: (a) the Purchaser has assumed responsibility for obtaining such information and making such review as the Purchaser has deemed necessary or desirable in connection with its decision to purchase the Note and (b) the Offering Information and any additional information specifically requested from the Issuer or GNMA and provided to the Purchaser prior to closing constitute all the information and review, with the investigation made by Purchaser (including specifically the Purchaser’s investigation of the Issuer and GNMA) prior to its purchase of the Note, that Purchaser has deemed necessary or desirable in connection with its decision to purchase the Note.

10. The Purchaser understands that (a) the Note 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 Note, and the Purchaser acknowledges that the Note is a speculative investment and that there is a high degree of risk in such investment.

11. The Purchaser acknowledges that the Note is a limited obligation of the Issuer, payable solely from the revenues, funds and assets pledged under the Pledge Agreement and not from any other revenues, funds or assets of the Issuer, the State of California or any other political subdivision of the State of California. The Purchaser acknowledges that the Issuer is issuing the Note on a conduit, nonrecourse basis, and has no continuing obligations with respect thereto except as expressly set forth in the Note.

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

13. The Purchaser 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 Purchaser's sale, transfer or other disposition of its interests in the Note in violation of the provisions hereof or of the Note or any inaccuracy in any statement made by the Purchaser in this letter.

[PURCHASER] as Note Purchaser

By _____

[Remainder of page intentionally left blank]