

# TRANSMITTAL

To:

**THE COUNCIL**

Date: 07/07/2016

From:

**THE MAYOR**

**TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.**



(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 5, 2016

Council File: 15-1299-S3  
Council District: 4  
Contact Persons: Apolinar Abrajan (213) 808-8947  
Tim Elliott (213) 808-8596  
Edwin C. Gipson II (213) 808-8597  
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 A TOTAL OF \$1,500,000 IN SUPPLEMENT MULTIFAMILY HOUSING REVENUE BONDS FOR THE HANCOCK GARDENS SENIOR APARTMENTS**

**SUMMARY**

The Los Angeles Housing and Community Investment Department (HCIDLA or City) respectfully requests authority to issue up to \$1,500,000 in supplement multifamily housing revenue bonds to help finance the acquisition and rehabilitation of the 66 unit Hancock Gardens Senior Apartments (Project). On May 18, 2016, the California Debt Limit Allocation Committee (CDLAC) awarded a \$1,500,000 supplement bond allocation with the designation of November 14, 2016 as the supplement bond issuance deadline.

**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. Adopt the Resolution (Attachment A) authorizing the issuance of supplement multifamily housing revenue bonds in the amount of up to \$1,500,000 for the acquisition and rehabilitation of the Hancock Gardens Senior Apartments;

- B. Authorize the HCIDLA General Manager or designee, to negotiate and execute the relevant bond documents for the development, subject to the approval of the City Attorney as to form.

## **BACKGROUND**

### Project Summary

The proposed development is an occupied 66 unit senior apartment located at 303 South Van Ness Avenue, Los Angeles, CA 90020, in Council District Four. The development entails the acquisition and rehabilitation of the building in order to continue to provide affordable housing for seniors. The amenities will include: a laundry room, a community room with kitchen, elevator service, courtyard space, and a community garden. Temporary relocation will be required as part of the rehabilitation work. A Project Based Section 8 Housing Assistance Payments (HAP) contract is currently in place.

### Financing History

On April 8, 2016, the City issued \$12,725,000 in bonds to help finance the development of the project (C.F. 15-1299-S3). The sponsor now requests that the City issue \$1,500,000 in supplement bonds in order to help facilitate additional improvements to the project.

On April 20, 2005, the Mayor and City Council provided inducement authority to HCIDLA to issue bonds for the benefit of qualified affordable multifamily residential projects seeking bond financing from the City (C.F. 04-2646). On September 30, 2015, HCIDLA provided an Inducement letter which helped enable the sponsor to apply for bonds. On February 25, 2016, HCIDLA conducted a public hearing in accordance with the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA). On April 4, 2016 HCIDLA submitted the bond application to CDLAC for an allocation of supplement bonds. On March 29, 2016, the TEFRA Resolution and Minutes were adopted by the City Council (C.F.16-0339). On May 18, 2016, the development was awarded an allocation of \$1,500,000 in supplement bonds. Per CDLAC, the supplement bonds must be issued by November 14, 2016.

### Affordability Restrictions

Pursuant to HCIDLA's Bond Policies, the development must provide a public benefit, therefore, a bond Regulatory Agreement will be executed in connection with the issuance of the supplement bonds. The Regulatory Agreement's affordability restrictions will have a term of no less than the longer of: 1) 15 years after 50% of the units are first occupied; 2) the date such bonds are paid in full; or, 3) the date on which any Section 8 assistance terminates, if applicable. In addition, the CDLAC Resolution and rental income restrictions will be in place for at least 55 years. Because the project received 4% Low Income Housing Tax Credits (LIHTCs), the subject units will also be restricted under separate agreement for a minimum term of 55 years.

Table 1 provides a summary of the units and respective affordability requirements that will apply to the HCIDLA bond regulatory agreement.

**Table 1**

<b>Unit Type</b>	<b>50% AMI</b>	<b>60% AMI</b>	<b>Manager (Unrestricted)</b>	<b>Total</b>
1 Bedroom	13	52	1	66
<b>Total</b>	<b>13</b>	<b>52</b>	<b>1</b>	<b>66</b>

Development Team

The Borrower/Sponsor is Hancock Gardens Senior Housing, LP, a California limited partnership which includes Hancock Gardens Senior Housing, LLC, a California limited liability company, as its administrative general partner; Housing Corporation of America (HCA), a Utah 501(c)3 non-profit corporation, as its managing general partner; and, Wells Fargo Affordable Housing Community Development Corporation, as its investor limited partner. The Trustees and Officers of HCA include: Scott L. Bringham, Jr., Chairman of the Board, Ronald H. Olson, President/Trustee, Carol Cromar, Chairman of the Board/Vice President, Mark Maltzman, Trustee, Kevin Gardner, Trustee, Sandra Greenway, Trustee, and Mark B. Cohen, Trustee. Thomas L. Safran is the manager of the administrative general partner.

The Sponsor has at least 25 years of experience in the development of multifamily rental housing and has developed 87 projects which resulted in 8,730 units.

Developer: Thomas Safran & Associates, Inc.  
11812 San Vicente Boulevard, Suite 600  
Los Angeles, CA 90049  
Phone: (310) 820-4888  
Contact: Andrew Gross, President

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

The additional development team members are:

Architect: Relativity Architects  
6824 Lexington Avenue  
Los Angeles, CA 90038  
Phone: (310) 570-4300  
Contact: Scott Sullivan

Attorney: Kantor Taylor  
901 Fifth Avenue, Suite 4000  
Seattle, WA 98164  
Phone: (206) 812-2486  
Contact: Patrick Evatt

General Contractor: KPRS Construction Services, Inc.  
2850 Saturn Street  
Brea, CA 92821  
Phone: (714) 924-7000  
Contact: Joel Stensby - President

Property Manager: Thomas Safran & Associates, Inc.  
11812 San Vicente Blvd., Suite 600  
Los Angeles, CA 90049  
Phone: (310) 820-4888  
Contact: Jordan Pynes

Tax Credit Investor: Wells Fargo Affordable Housing Community Development Corporation  
2030 Main Street, Suite 800  
Irvine, CA 92614  
Phone: (949) 251-6065  
Contact: Paul Buckland – Sr. VP

#### Financial Structure

On April 8, 2016, the City previously issued \$12,725,000 in bonds to help finance the development (CF 15-1299-S3). Citigroup Global Markets, Inc. (Citi), as Underwriter, will purchase the \$1,500,000 supplement bonds and sell them to the public via an Official Statement. The total bonds will be \$14,225,000 comprised of the previous \$12,725,000 bonds and \$1,500,000 in supplement bonds. Proceeds from the sale of the bonds will provide construction financing for the development. The construction loan will have a term of 24 months and an interest rate of approximately 1%. The total bonds will be rated AA+ by Standard and Poor's. PNC Bank, N.A. (PNC) has executed a \$15,350,000 Federal Housing Administration (FHA) 221(d)4 loan. During the interim financing stage, the PNC loan will cash collateralize the bonds and will provide an additional \$1,125,000 in loan funds for the development.

At the permanent financing stage, the 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 3.75% interest rate. The permanent financing will also include 4% tax credit equity from Wells Fargo Affordable Housing Community Development Corporation, and \$1 million from seller financing.

Additionally, the bond structure adheres to both the HCIDLA's Bond Policies and the City's Financial Policies and has been reviewed by the City's Financial Advisor, City Attorney and Bond Counsel. HCIDLA will require Citi to adhere to the reporting requirements of the City's Responsible Banking Ordinance #182138. 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, requiring the Borrower to provide annual statements and additional information as may be reasonably requested by HCIDLA.

Sources and Uses

The tables below (Tables 2-4) provide a summary of the sources and uses for the project, including cost per unit and cost category percentages.

**Table 2**

<b>Interim /Construction</b>	<b>Total Sources</b>	<b>Per Unit</b>	<b>% Total</b>
Tax Exempt Bond Proceeds- Previous (Citi)	\$12,725,000	\$192,803	48%
Tax Exempt Bond Proceeds – Supplement (Citi)	\$1,500,000	\$22,727	6%
PNC loan	\$1,125,000	\$17,046	4%
Developer Equity	\$1,225,030	\$18,561	4%
Tax Credit Equity 4%	\$8,825,441	\$133,719	33%
Net Operating Income	\$319,137	\$4,835	1%
Seller loan	\$1,000,000	\$15,152	4%
<b>TOTAL</b>	<b>\$26,719,608</b>	<b>\$404,843</b>	<b>100%</b>

**Table 3**

<b>Permanent</b>	<b>Total Sources</b>	<b>Per Unit</b>	<b>% Total</b>
PNC loan	\$15,350,000	\$232,576	57%
Developer Equity	\$1,225,030	\$18,561	5%
Tax Credit Equity 4%	\$8,825,441	\$133,719	33%
Net Operating Income	\$319,137	\$4,835	1%
Seller loan	\$1,000,000	\$15,152	4%
<b>Total</b>	<b>\$26,719,608</b>	<b>\$404,843</b>	<b>100%</b>

**Table 4**

<b>Uses of Funds</b>	<b>Total Uses</b>	<b>Cost/Unit</b>
Acquisition	\$14,700,000	\$222,727
Construction Costs	\$5,110,304	\$77,429
Architecture & Engineering	\$230,000	\$3,485
Overhead & Profit	\$408,824	\$6,194
Developer Fee	\$2,500,000	\$37,879
Other Soft Costs	\$3,770,480	\$57,129
<b>TOTALS</b>	<b>\$26,719,608</b>	<b>\$404,843</b>

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

*Bond Issuer Financial Advisor*

CSG Advisors, Inc.  
315 W. 5<sup>th</sup> Street, Suite 302  
Los Angeles, CA 90013

*Bond Counsel*

Kutak Rock LLP  
777 S. Figueroa Street, Suite 4550  
Los Angeles, CA 90071

*Bond Issuer Counsel*

Los Angeles City Attorney  
200 N. Main Street, 9<sup>th</sup> Floor  
Los Angeles, CA 90012

Labor Costs

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

Timeline

CDLAC has designated November 14, 2016 as the bond issuance deadline.

**FISCAL IMPACT STATEMENT**

There is no fiscal impact on the General Fund as a result of the issuance of the bonds. The City is a conduit issuer and will 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 ABRAJAN  
Finance Development Officer I

Reviewed By:

  
TIMOTHY ELLIOTT  
Manager, Multifamily Finance and Development

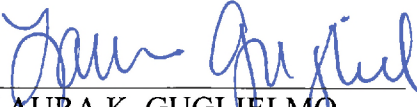
Reviewed By:

  
EDWIN C. GIPSON II  
Director of Finance and Development


Reviewed By:

  
HELMİ HISSERICH  
Assistant General Manager

Reviewed By:

  
LAURA K. GUGLIELMO  
Executive Officer

Approved By:

  
RUSHMORE D. CERVANTES  
General Manager

- Attachment A – Resolution
- Attachment B - Trust Indenture
- Attachment C – Regulatory Agreement
- Attachment D – Loan Agreement
- Attachment E - Bond Purchase Agreement
- Attachment F - Official Statement



ATTACHMENT A –  
HANCOCK GARDENS SENIOR APARTMENTS (SUPPLEMENT BONDS)

Resolution on next page

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

A RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF BONDS BY THE CITY OF LOS ANGELES DESIGNATED AS ITS MULTIFAMILY HOUSING REVENUE BONDS (HANCOCK GARDENS SENIOR APARTMENTS) SERIES 2016G IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$1,500,000 TO PROVIDE FINANCING FOR THE ACQUISITION, REHABILITATION AND EQUIPPING OF THE MULTIFAMILY SENIOR HOUSING PROJECT SPECIFIED IN PARAGRAPH 18 HEREOF AND APPROVING AND AUTHORIZING THE EXECUTION AND DELIVERY OF A TRUST INDENTURE, A REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS, A LOAN AGREEMENT, A BOND PURCHASE 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 (Hancock Gardens Senior Apartments) Series 2016G in an aggregate principal amount not to exceed \$1,500,000 (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, Citigroup Global Markets Inc. (the “Underwriter”), has expressed the intention of the Underwriter to purchase the 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, 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 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 February 11, 2016 to the effect that a public hearing would be held on February 25, 2016 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 (Hancock Gardens Senior Apartments) Series 2016G,” in an aggregate principal amount not to exceed \$1,500,000 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 “Indenture”) by and between the City and U.S. Bank National Association, as trustee (the “Trustee”), substantially in the form attached hereto, is hereby approved along with any additions or supplements which may, in the determination of a Designated Officer, be necessary to document the issuance of the 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 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 rates (which may be either fixed or variable), interest payment dates, denomination, form of registration privileges, manner of execution, place of payment, terms of redemption, use of proceeds, and other terms of the Bonds shall be as provided in the Indenture as finally executed; provided, however, that the principal amount of the Bonds shall not exceed \$1,500,000, the interest rate on the Bonds shall not exceed 12% per annum and the final maturity of the Bonds shall be no later than June 1, 2056. 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. 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 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 Bond 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 Bond Purchase Agreement with such additions, changes or corrections.

8. The proposed form of Official Statement, attached hereto (the "Official Statement") 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 they are 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:

<b>Project Name</b>	<b>Address</b>	<b>Number of Units</b>	<b>Owner</b>
Hancock Gardens Senior Apartments	303 S. Van Ness Avenue, Los Angeles, CA 90020	66 (including 1 manager unit)	Hancock Gardens Senior Housing LP

I certify that the foregoing Resolution was adopted by the Council of the City of Los Angeles at its meeting on \_\_\_\_\_, 2016.

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



ATTACHMENT B – TRUST INDENTURE

---

---

**TRUST INDENTURE**

between

**CITY OF LOS ANGELES**, as Issuer

and

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

[\$1,500,000]  
City of Los Angeles  
Multifamily Housing Revenue Bonds  
(Hancock Gardens Senior Apartments)  
Series 2016G

**Dated as of [\_\_\_\_] 1, 2016**

---

---

# INDEX

(This Index is not a part of the Indenture  
but rather is for convenience of reference only)

	<u>Page</u>
<b>ARTICLE I</b>	
<b>DEFINITIONS</b>	
Section 1.01	Definitions..... 4
Section 1.02	Interpretation..... 16
Section 1.03	Captions and Headings ..... 17
<b>ARTICLE II</b>	
<b>AUTHORIZATION AND TERMS OF BONDS</b>	
Section 2.01	Authorized Amount of Bonds ..... 18
Section 2.02	Issuance of Bonds ..... 18
Section 2.03	Authorization of Bonds; Sale and Delivery of the Bonds..... 18
Section 2.04	Special Obligations ..... 19
<b>ARTICLE III</b>	
<b>TERMS OF BONDS GENERALLY</b>	
Section 3.01	Form of Bonds ..... 22
Section 3.02	Execution and Authentication of Bonds ..... 22
Section 3.03	Source of Payment of Bonds..... 22
Section 3.04	Payment and Ownership of Bonds..... 23
Section 3.05	Registration, Transfer and Exchange of Bonds ..... 23
Section 3.06	Mutilated, Lost, Wrongfully Taken or Destroyed Bonds ..... 24
Section 3.07	Cancellation of Bonds..... 25
Section 3.08	Special Agreement with Holders ..... 25
Section 3.09	Book-Entry Only System ..... 26
<b>ARTICLE IV</b>	
<b>REDEMPTION OF BONDS</b>	
Section 4.01	Redemption of Bonds ..... 28
Section 4.02	Notice of Redemption..... 28
<b>ARTICLE V</b>	
<b>PROVISIONS AS TO FUNDS, PAYMENTS, PROJECT AND AGREEMENT</b>	
Section 5.01	Creation of Funds; Allocation of Bond Proceeds ..... 31
Section 5.02	Application of Loan Payments..... 31
Section 5.03	Disbursements from the Project Fund..... 32
Section 5.04	Bond Fund..... 33
Section 5.05	Investment of Special Funds..... 34
Section 5.06	Moneys to be Held in Trust ..... 35
Section 5.07	Nonpresentment of Bonds..... 35
Section 5.08	Repayment to the Borrower from the Bond Fund ..... 35

Section 5.09	Rebate Fund .....	36
Section 5.10	Valuation.....	36
Section 5.11	Completion of the Project.....	37
Section 5.12	Collateral Fund.....	37
Section 5.13	Costs of Issuance Fund .....	37
Section 5.14	Issuer’s Fees.....	37

## ARTICLE VI

### THE TRUSTEE, REGISTRAR, PAYING AGENTS AND AUTHENTICATING AGENTS

Section 6.01	Trustee’s Acceptance and Responsibilities.....	38
Section 6.02	Certain Rights and Obligations of the Trustee.....	39
Section 6.03	Fees, Charges and Expenses of Trustee, Registrar, Paying Agents and Authenticating Agents .....	43
Section 6.04	Intervention by Trustee.....	44
Section 6.05	Successor Trustee.....	44
Section 6.06	Appointment of Co-Trustee .....	44
Section 6.07	Resignation by the Trustee.....	45
Section 6.08	Removal of the Trustee.....	45
Section 6.09	Appointment of Successor Trustee .....	46
Section 6.10	Adoption of Authentication .....	47
Section 6.11	Registrars .....	47
Section 6.12	Designation and Succession of Paying Agents.....	48
Section 6.13	Designation and Succession of Authenticating Agents .....	49
Section 6.14	Dealing in Bonds.....	50
Section 6.15	Representations, Agreement and Covenants of Trustee.....	50
Section 6.16	Right of Trustee to Pay Taxes and Other Charges.....	50
Section 6.17	Interpleader .....	51
Section 6.18	Survival of Certain Provisions.....	51

## ARTICLE VII

### DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND HOLDERS

Section 7.01	Defaults; Events of Default.....	52
Section 7.02	Notice of Default.....	52
Section 7.03	Acceleration .....	53
Section 7.04	Other Remedies; Rights of Holders .....	53
Section 7.05	Right of Holders to Direct Proceedings.....	54
Section 7.06	Application of Moneys .....	54
Section 7.07	Remedies Vested in Trustee.....	56
Section 7.08	Rights and Remedies of Holders.....	56
Section 7.09	Termination of Proceedings.....	57
Section 7.10	Waivers of Events of Default.....	57

## ARTICLE VIII

### SUPPLEMENTAL INDENTURES

Section 8.01	Supplemental Indentures Generally.....	58
Section 8.02	Supplemental Indentures Not Requiring Consent of Holders.....	58
Section 8.03	Supplemental Indentures Requiring Consent of Holders.....	59

Section 8.04	Consent of Borrower.....	60
Section 8.05	Authorization to Trustee; Effect of Supplement.....	61
Section 8.06	Opinion of Counsel.....	61
Section 8.07	Modification by Unanimous Consent.....	62

ARTICLE IX  
DEFEASANCE

Section 9.01	Release of Indenture.....	63
Section 9.02	Payment and Discharge of Bonds.....	63
Section 9.03	Survival of Certain Provisions.....	64

ARTICLE X  
COVENANTS AND AGREEMENTS OF THE ISSUER

Section 10.01	Covenants and Agreements of the Issuer.....	65
Section 10.02	Observance and Performance of Covenants, Agreements, Authority and Actions.....	65
Section 10.03	Trustee May Enforce Issuer’s Rights.....	66

ARTICLE XI  
AMENDMENTS TO AGREEMENT, REGULATORY AGREEMENT AND NOTE

Section 11.01	Amendments Not Requiring Consent of Holders.....	67
Section 11.02	Amendments Requiring Consent of Holders.....	67

ARTICLE XII  
MEETINGS OF HOLDERS

Section 12.01	Purposes of Meetings.....	69
Section 12.02	Call of Meetings.....	69
Section 12.03	Voting.....	69
Section 12.04	Meetings.....	70
Section 12.05	Miscellaneous.....	70

ARTICLE XIII  
MISCELLANEOUS

Section 13.01	Limitation of Rights.....	71
Section 13.02	Severability.....	71
Section 13.03	Notices.....	71
Section 13.04	Suspension of Mail and Courier Service.....	72
Section 13.05	Payments Due on Saturdays, Sundays and Holidays.....	72
Section 13.06	Instruments of Holders.....	73
Section 13.07	Priority of this Indenture.....	73
Section 13.08	Extent of Covenants; No Personal Liability.....	73
Section 13.09	Binding Effect.....	74
Section 13.10	Counterparts.....	75
Section 13.11	Governing Law.....	75
Section 13.12	Security Advice Waiver.....	75
Section 13.13	Patriot Act.....	75
Section 13.14	FHA Federal Laws and Requirements Control.....	75

Section 13.15 Nondiscrimination and Affirmative Action ..... 76  
Section 13.16 Business Tax Registration Certificate..... 77  
Section 13.17 Child Support Assignment Orders ..... 77  
Section 13.18 Americans with Disabilities Act ..... 78

EXHIBIT A – BOND FORM

EXHIBIT B – DESCRIPTION OF PROJECT

EXHIBIT C – RESPONSIBLE BANKING ORDINANCE CERTIFICATE

## TRUST INDENTURE

THIS TRUST INDENTURE dated as of [\_\_\_\_\_] 1, 2016, is made by and between the CITY OF LOS ANGELES, a charter city and municipal corporation in the State of California (the “Issuer”) and U.S. BANK NATIONAL ASSOCIATION, 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 previously issued and sold its Multifamily Housing Revenue Bonds (Hancock Gardens Apartments), Series 2016E pursuant to a Trust Indenture dated as of April 1, 2016 between the Issuer and the Trustee in the aggregate principal amount of \$12,725,000 and loaned the proceeds derived from the sale thereof to the Borrower (as defined below) to assist in the financing of the Project (as defined below) undertaken by the Borrower;

C. The Borrower has applied to the Issuer for additional financial assistance to pay the cost of the acquisition, rehabilitation and equipping of the Project through the issuance of its Multifamily Housing Revenue Bonds (Hancock Gardens Apartments), Series 2016G (the “Series 2016G Bonds” or the “Bonds”) in the principal amount of \$[1,500,000];

D. 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 in order to secure the payment of the principal or redemption price of and interest on such bonds;

E. On September 30, 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 a 65-unit (plus one manager unit) multifamily residential rental housing project located at 303 S. Van Ness Avenue, Los Angeles, California (the “Project”) and the Issuer’s City Council subsequently adopted a supplemental resolution (the “Bond Resolution”) authorizing the issuance of bonds for such purpose;

F. 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;

G. Pursuant to its lawful authority under the Act, the Issuer and Hancock Gardens Senior Housing LP (the "Borrower"), have executed a certain Loan Agreement, dated as of [ ] 1, 2016 (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, construction and equipping of the Project known as Hancock Gardens Senior Apartments as more fully described in the Loan Agreement, to be occupied to the extent required by federal tax law and state law, by persons or families of low, moderate or middle income.

H. The Loan will be evidenced by a promissory note (the "Note") executed by the Borrower in the form attached as Exhibit A to the Loan Agreement and delivered to the Issuer, and assigned by the Issuer to the Trustee.

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 4.2 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 an officer of the manager of the general partner of the Borrower, which certificate may designate an alternate or alternates.

“*Authorized Denomination*” means (a) so long as the Bonds are rated “A,” without regard to a modifier (or the equivalent) or higher by a Rating Agency, \$5,000 or any integral multiple of \$5,000 in excess thereof, or (b) at any other time, \$100,000, or any integral multiple of \$0.01 in excess thereof, except that in each case one Bond may be in a principal amount equal to the then Outstanding principal amount of the Bonds of such series.

“*Authorized Lender Representative*” means a representative of the FHA Lender identified in a certificate of the FHA Lender delivered to the Issuer and Trustee.

“*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 Housing Development Bureau 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 Housing Development Bureau 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) 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 and within it an Initial Deposit Account.

“*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, redemption or otherwise.

“*Bond Purchase Agreement*” shall mean that Bond Purchase Agreement dated [\_\_\_\_], 2016, among the Issuer, Borrower and the Underwriter.

“*Bond Resolution*” means that certain Resolution relating to the Project, adopted by the Board on [\_\_\_\_], 2016.

“*Bond Year*” means each annual period of twelve months the first of which commences on the date of the original issuance and delivery of the Bonds and ends on March 31, 2017 and the last of which ends on the maturity of the Bonds, except that the first and last Bond Year may be less than twelve months.

“*Bonds*” means the Issuer’s Multifamily Housing Revenue Bonds (Hancock Gardens Senior Apartments) Series 2016G authorized in the Bond Resolution and Section 2.02 hereof in an amount of \$[1,500,000].

“*Book-Entry Form*” or “*Book-Entry System*” means, with respect to the Bonds, a form or system, as applicable, under which (i) 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 (ii) 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 Hancock Gardens Senior Housing LP, 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 2.2(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 [\_\_\_\_], 2016.

“*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 3.7 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, 2016, between the Borrower and U.S. Bank National Association, 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 the Costs of Issuance Fund created pursuant to 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.

“*Dissemination Agent*” means the Dissemination Agent appointed under the Continuing Disclosure Agreement.

“*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 any of the following investments which at the time are legal investments for moneys of the Issuer which 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 of par prior to March 1, 2017 or, after March 1, 2017, prior to the Maturity Date 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 (“Government Obligations”);

(b) Bonds (including tax-exempt bonds), bills, notes or other obligations of or secured by Fannie Mae, Freddie Mac, the Federal Home Loan Bank or the Federal Farm Credit Bank; or

(c) Money market funds rated AAAM by S&P which are registered with the Securities and Exchange Commission and which meet the requirements of Rule 2(a)(7) of the Investment Company Act of 1940, as amended, which may be administered by the Trustee or its affiliates.

“*Event of Default*” means any of the events described as an Event of Default in Section 7.01 hereof or Section 7.1 of the Loan Agreement.

“*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 December 17, 2015.

“*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 \$15,350,000 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 PNC Bank, N.A., a national banking association, its successors and assigns.

“*FHA Lender Funds*” means, collectively, funds of the FHA Lender, whether from the FHA Lender’s warehouse line of credit, internal sources or proceeds, if any, received from the sale by the FHA Lender of GNMA Securities with respect to the FHA Insured Mortgage Loan.

“*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 Leases and Rents and Security Agreement dated as of April 1, 2016 from Borrower for the benefit of FHA Lender to secure the repayment of the FHA Note.

“*FHA Note*” means the \$15,350,000 FHA-Insured Note (Multistate) dated as of April 1, 2016 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 7.1 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*,” “*Holder*,” 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 for Multifamily Projects dated as of April 1, 2016 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, 2016, 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 of Available Moneys to the Initial Deposit Account in the amount of \$[\_\_\_\_\_] on [\_\_\_\_\_] , 2016 which the Borrower shall cause to be made from Available Moneys other than the proceeds of the Bonds 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 [May] 1 and [November] 1, commencing [November] 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 twelve percent per annum (12%) or the rate per annum which is two percent 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 Wells Fargo Affordable Housing Community Development Corporation, a North Carolina corporation, 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 4.1 of the Loan Agreement.

“*Majority of the Holders of the Bonds*” means the Holders of more than fifty percent (50%) of the principal amount of the then Outstanding Bonds.

“*Maturity Date*” means [November 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 as of the Closing Date, in the form attached to the Loan Agreement as Exhibit A, in the original principal amount of \$[1,500,000], 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 7<sup>th</sup> 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  
Facsimile: (213) 808-8606  
Attention: Supervisor, Affordable Housing Bond Program

To the Trustee:

U.S. Bank National Association  
633 West Fifth Street, 24<sup>th</sup> Floor  
Los Angeles, CA 90071  
Attention: Global Corporate Trust Services  
Ref: LA MF (Hancock Gardens) 2016G  
Telephone: (213) 615-6024  
Facsimile: (213) 615-6199

To the Borrower:

Hancock Gardens Senior Housing LP  
c/o Thomas Safran & Associates  
11812 San Vicente Boulevard, Suite 600  
Los Angeles, CA 90049  
Attention: Anthony Yannatta

with a copy to:

Kantor Taylor Nelson Evatt & Decina PC  
901 5<sup>th</sup> Avenue, Suite 4000  
Seattle, WA 98164  
Attention: Patrick Evatt

with a copy to:

Bocarsly, Emden, Cowan, Esmail & Arndt LLP  
633 W. Fifth Street, 64<sup>th</sup> Floor  
Los Angeles, CA 90071  
Attention: Nicole Deddens  
Fax No.: 213-239-0410

To the Rating Agency:

S&P Global Ratings  
55 Water Street, 38<sup>th</sup> Floor  
New York, NY 10041  
Attention: Public Finance Surveillance Group  
Email: [pubfin\\_housing@spglobal.com](mailto:pubfin_housing@spglobal.com)

If to Investor Limited  
Partner:

Wells Fargo Affordable Housing Community  
Development Corporation  
MAC D1053 170  
301 South College Street, 17<sup>th</sup> Floor  
Charlotte, NC 28202-6000  
Attention: Director of Asset Management

with a copy to:

Cannon, Heyman & Weiss, LLP  
726 Exchange Street, Suite 500  
Buffalo, NY 14210  
Attention: Steven J. Weiss, Esq.

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 65 unit (plus one manager unit) apartment complex for seniors known as Hancock Gardens Senior Apartments, and located at 303 S. Van Ness Avenue in Los Angeles, California.

“*Project Costs*” means the costs of the Project specified in Section 3.4 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 Global Ratings (“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 applicable to that Bond.

“*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, Fax (516) 227-4039 or 4191 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 S&P Global Ratings.

“*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 Limited Partner*” means any Special Limited Partner appointed pursuant to the Borrower’s Amended and Restated Agreement of Limited Partnership.

“*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.

“*Subordinate Lender*” means Wells Fargo Bank, N.A. or any of its Affiliates.

“*Subordinate Loan*” means the loan by the Subordinate Lender to the Borrower.

“*State*” means the State of California.

“*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, executed and delivered by the Issuer and the Borrower.

“*Trustee*” means U.S. Bank National Association, 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 4.2 of the Loan Agreement, to be held harmless and indemnified under Section 5.3 of the Loan Agreement, to be reimbursed for attorney’s fees and expenses under Section 7.4 of the Loan Agreement, to receive notices pursuant to Section 8.3 of the Loan Agreement and to give or withhold consent to amendments, changes, modifications, alterations and termination of the Loan Agreement under Section 8.6 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 Citigroup Global Markets Inc.

## **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.

(End of Article I)

## 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 [\$1,500,000].

#### **Section 2.02 Issuance of Bonds**

It is determined to be necessary to, and the Issuer shall, issue, sell and deliver \$[1,500,000] 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 (Hancock Gardens Senior Apartments) Series 2016G”; 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 the Closing Date.

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 the Closing 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) written instructions or 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 \$[1,500,000];
- (i) payment to the Trustee, for the account of the Issuer, of the Initial Deposit;
- (j) receipt by the Trustee of the sum of \$[4,000] 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 C hereof; and
- (m) a certificate of Underwriter acknowledging 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.

(End of Article II)

## 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 respective forms thereof set forth in Exhibit A to this Indenture.

All Bonds, unless a Supplemental Indenture shall have been executed and delivered pursuant to Section 8.02 hereof, 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 manually 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, (i) 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, (ii) 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 (iii) 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, (i) 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 (ii) 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. Notwithstanding anything to the contrary herein or in any of the Borrower Documents, the Trustee is authorized, subject to Section 3.03 above, to use funds on deposit in the Special Funds, as and when provided, to pay principal and interest on the Bonds when due.

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, (x) 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 (y) 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 3.06 hereof, (i) the Holder of any Bond shall be deemed and regarded as the absolute owner thereof for all purposes of this Indenture, (ii) 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 (iii) none of the Issuer, the Trustee, the Registrar nor 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 Bond 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 or Bonds 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 in an Authorized Denomination or Denominations and for the amount of such Bond or Bonds so surrendered.

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

In all cases in which the registration of Bonds shall be transferred or Bonds 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, series 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**

All Bonds issued hereunder shall be initially issued in a Book-Entry System, registered 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 (i) 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 (ii) any notice with respect to the Bonds or (iii) 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 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.

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 (if required by a Depository) and the Issuer shall enter into any letter of representation with a Depository to implement the Book-Entry System of bond registration described above.

(End of Article III)



## 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.

The Bonds shall be redeemed, in whole or in part, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption, on any Business Day on and after March 1, 2017 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.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Bonds shall relate, in the case of any Bond redeemed or to be redeemed only in part, to the portion of the principal of such Bond that has been or is to be redeemed, provided, however, that Bonds shall be redeemed in part only in such amounts that the Bonds remaining outstanding after a redemption shall in all events be in Authorized Denominations.

On each redemption date the Trustee shall transfer to the Paying Agent, 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.

#### **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 (with a copy to the Borrower and the Investor Limited Partner) by first class mail, postage prepaid, at their respective addresses appearing on the Bond Register. The notice shall state:

(1) the redemption date;

(2) the redemption price;

(3) 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;

(4) 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;

(5) 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

(6) 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 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) If the Bonds are not then being held under a book-entry system, each further notice of redemption shall be sent at least 30 days before the redemption date by first class mail or overnight delivery service to the Securities Depositories and to the Information Services. This further notice of redemption sent to the Securities Depositories pursuant to the preceding sentence shall be sent at such time as shall insure that such notice is received at least two Business Days before official notice of such redemption is received.

(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 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.

(End of Article IV)

## 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 account. The funds and accounts are:

- (1) the Bond Fund designated “Bond Fund,” and the “Initial Deposit Account” therein;
  - (2) the Project Fund designated “Project Fund”;
  - (3) the Collateral Fund designated “Collateral Fund”;
  - (4) the Costs of Issuance Fund designated “Costs of Issuance Fund”;
- and
- (5) 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.

(c) On the Closing Date, the Trustee shall deposit \$[4,000] received by 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 to be deposited by the provider thereof 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 and Bonds when due the Trustee shall withdraw from 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 and Bonds when due the Trustee shall withdraw from 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 Issuer, which request shall be in the form attached as Exhibit B to the Loan Agreement, a “Disbursement Request.” To the extent that such Requisition requests amounts corresponding to an advance of FHA Lender Funds, the Trustee shall also receive a written request from the Lender for the disbursement of amounts on deposit in the Project Fund accompanied by a copy of the executed FHA Form 92403 and FHA Lender Funds in the amount requested. 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 by the Issuer with a copy to the Trustee 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, and the Trustee is provided written notice from the FHA Lender of such failure to agree, 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 3.4 and 3.5 of the Loan Agreement, subject to the following paragraph, the Trustee shall confirm that Available Moneys equal to or greater than the sum of (a) the amount set forth in the Disbursement Request and (b) all prior disbursements made from the Project Fund, 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 3.5(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. Upon receipt of such deposit from the Lender, the Trustee shall be unconditionally and irrevocably obligated to disburse an equal amount from the Project Fund in accordance with the Requisition.

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 fifty percent (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 (1) the amounts set forth in Section 5.01, (2) interest earnings on the Project Fund and the Collateral Fund, (3) amounts set forth under this Section 5.04 and (4) amounts transferred pursuant to Section 5.03(a).

The Initial Deposit Account 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, from moneys on deposit in the accounts of 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 Bonds 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 Bonds 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 Bonds on the next succeeding Bond Payment Date:

- (1) first, from amounts on deposit in the Initial Deposit Account of the Bond Fund;
- (2) second, from amounts on deposit in the Collateral Fund; and
- (3) third, from amounts on deposit in the Project Fund.

#### **Section 5.05 Investment of Special Funds**

On the Closing Date, moneys on deposit in the Project Fund shall be invested by the Trustee in money market funds specified in subsection (c) of the definition of Eligible Investments until, subject to the provisions of the following paragraph, disbursed to the Borrower in accordance with an approved Disbursement Request

Any amounts deposited in the Special Funds shall be invested at all times in Eligible Investments except for *de minimis* periods of time necessary to effectuate disbursement of funds (which shall not exceed 5 Business Days) pursuant to an interest payment, disbursement from the Project Fund or redemption of the Bonds, unless a confirmation from the Rating Agency (a "Rating Confirmation") is obtained by the Borrower stating, in effect, that the amounts on deposit in the Special Funds may continue to be held uninvested.

The Trustee is hereby directed to invest all amounts on deposit in the Initial Deposit Account of the Bond Fund and the Collateral Fund in an Eligible Investment specified in subsection (c) of the definition thereof.

Any investment hereunder shall not bear a yield which is in excess of the yield on the Bonds. The Trustee may not sell any investment at a loss.

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 Trustee shall have said right to select investments, which shall be those Eligible Investments described in subsection (c) of the definition thereof. 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 (30) 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 unless and until further written direction is provided by the Borrower.

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 (i) after all of the Bonds related shall be deemed paid and discharged under the provisions of this



Indenture, and (ii) 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**

Any provision hereof to the contrary notwithstanding, amounts credited to the Rebate Fund shall be free and clear of any lien hereunder.

The Trustee shall furnish to the Borrower all information reasonably requested by the Borrower with respect to the Bonds and investments of the funds and accounts maintained by the Trustee hereunder. The Trustee shall make deposits to and disbursements from the Rebate Fund (including rebate payments to the United States required to be made by the Tax Agreement), as well as investments of the amounts therein, in accordance with written direction of the Borrower, 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 Bonds and payment and satisfaction of any rebatable arbitrage shall be withdrawn and remitted to the Borrower. 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. The Issuer will comply with all provisions of the Tax Agreement, which provisions are incorporated herein by reference.

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. 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 Bonds.

#### **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 3.7 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 deposited or applied in accordance with the written direction of the Borrower executed by an Authorized Borrower Representative pursuant to Section 3.4 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 (i) the Bond Debt Service Charges on the Bonds which are due and payable on any Interest Payment Date or Maturity Date and (ii) the Bond Debt Service Charges on the Bonds as and when due at any other Bond Payment Date. Any interest earnings on moneys held in 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: \$[4,000] to [the Trustee as its closing fee and expenses and fees of counsel]. 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 sixty (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.

(End of Article V)

## 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 re-filing of this Indenture or any Supplemental Indenture or the Regulatory Agreement,
- (iii) any instrument or document of further assurance or collateral assignment,
- (iv) any financing statements, amendments thereto or continuation statements,
- (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 or any other instrument or document collateral thereto, 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 a default or 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 7.1 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 25% 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, with no duty to do so, 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 or otherwise in respect of the premises.

(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 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 foreclosure or 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 4.2(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, the Registrar, the Paying Agents or the 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 thirty (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 a default or 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 fifteen days prior to the mailing. Notwithstanding the foregoing, if the Trustee no longer has a Minimum Trustee Rating, it shall resign within sixty (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 and the Borrower, and signed by or on behalf of the 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 (i) the Trustee shall resign, shall be removed, shall be dissolved, or shall become otherwise incapable of acting hereunder, (ii) the Trustee shall be taken under the control of any public officer or officers, or (iii) 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 thirty days after (a) 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 (b) 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 appointed pursuant to this Section (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, (v) shall be willing to accept the trusteeship under the terms and conditions of this Indenture, and (vi) shall have a Minimum Trustee Rating.

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 (i) 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 (ii) 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 ninety 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 ten 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 4.2 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 ten 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 4.2 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 Section 3.05, 3.07 and Subsection 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 ten 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 4.2 of the Loan Agreement, to any 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 Subsections 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 (i) to pay taxes, assessments and other governmental charges with respect to the Project, (ii) to make payments for the discharge of mechanics' and other liens relating to the Project, (iii) to obtain and maintain insurance for the Project and pay premiums therefor, and (iv) 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.

(End of Article VI)



## 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 one hundred eighty (180) days after the aforementioned notice; and

(d) The occurrence and continuance of an Event of Default as defined in Section 7.1 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, 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, within five days after the Trustee has notice of the Event of Default pursuant to Section 6.02(f) of this Indenture. If an Event of Default occurs of which the Trustee has notice pursuant to this Indenture, the Trustee shall give written notice thereof, within thirty 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 fifteen days prior to the mailing of that notice.

The Investor Limited Partner shall be entitled to cure any Event of Default hereunder, and under the Loan Agreement, within the time frame provided to the Borrower hereunder. 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 subparagraph 6.01(c)(iv) and Subsection 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 (i) any direction shall not be other than in accordance with the provisions of law and of this Indenture, and (ii) 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.

(End of Article VII)

## 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 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) To accept additional security and instruments and documents of further assurance with respect to the Project;
- (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 thereof 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, (which may be based on an Opinion of Bond Counsel or counsel pursuant to Section 8.06), is not materially adverse to the Trustee or the Holders.

The provisions of Subsections 8.02(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 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 or Bonds 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 (i) being satisfactorily indemnified with respect to its expenses in connection therewith, and (ii) 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, (i) 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 (ii) 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 furnished, and shall be fully protected in relying upon, the opinion of any counsel approved by it as conclusive evidence that (i) any proposed Supplemental Indenture complies with the provisions of this Indenture, and (ii) 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 or Bond Counsel.

**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 (i) the Issuer, (ii) the Holders of all of the Bonds then outstanding, (iii) the Borrower; and (iv) if such modification or alteration contains provisions adverse to the Trustee, the Trustee.

(End of Article VIII)

## ARTICLE IX

### DEFEASANCE

#### **Section 9.01 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 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,

(a) 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

(b) the Trustee and any other 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 interest 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, non-presentment 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.

(End of Article IX)

**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.

(End of Article X)

## 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 (i) by the provisions of the Loan Agreement, the Regulatory Agreement or this Indenture, (ii) for the purpose of curing any ambiguity, inconsistency or formal defect or omission in the Loan Agreement, the Regulatory Agreement or the Note, (iii) 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 (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 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 subparagraphs (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.

(End of Article XI)

## 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 (i) authorized to be taken by or on behalf of the Holders of any specified aggregate principal amount of the Bonds, (ii) under any provision of this Indenture or (iii) 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 or 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.

(End of Article XII)

## 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 mailed by registered or certified mail, postage prepaid, or 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 (i) the third (3rd) Business Day following deposit thereof in the mail when mailed by registered or certified mail, (ii) the Business Day immediately following deposit thereof with the overnight courier service when forwarded by an overnight courier service, and (iii) 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: (1) any change in the Trustee; (2) any amendment to the documents; (3) a payment of all principal and interest on all of the Bonds; or (4) 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 of registered or certified mail or delivery by overnight courier services, the Trustee shall be unable to mail by registered or certified mail or 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 mailing or 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 mailing of any notice by first class mail, postage prepaid, shall be deemed given on the third (3<sup>rd</sup>) Business Day after deposit of that notice in the mail and the giving of any notice by any other 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, Sunday or a day on which (i) 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 from and after that date, or (ii) 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 (i) the execution of any writing, including without limitation, any consent, request, direction, approval, objection or other instrument or document, (ii) the execution of any writing appointing any agent or attorney, and (iii) 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:

(a) 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

(b) 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 non-individual 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 or hereunder shall be payable except from (A) Surplus Cash (as defined in the HUD Regulatory Agreement), (B) funds that are not derived from (i) revenues of the Project (as defined in the FHA Mortgage), or (ii) any reserve or deposit made with the FHA Lender or any other party as required by HUD in connection with the FHA Loan Documents, or (C) 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 from Surplus Cash of the Borrower. In addition, the rights and obligations of the parties under this Indenture and all other documents evidencing, implementing, or securing this Indenture (collectively, the “Subordinate 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 (i) this Indenture or the Subordinate Bond 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. The provisions of this Section 13.14 shall control over any inconsistent provisions in this Indenture or the Subordinate 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**

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.

(End of Article XIII)

**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: \_\_\_\_\_  
Authorized Officer

Approved as to form:

CITY OF LOS ANGELES  
MICHAEL N. FEUER, City Attorney

By \_\_\_\_\_  
Deputy/Assistant City Attorney

[Issuer Signature Page to *Hancock Gardens 2016G* Trust Indenture]

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee, Paying Agent and Registrar of the  
Bonds

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

[Trustee Signature Page to *Hancock Gardens 2016G* Trust 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  
NO. [R-1]

REGISTERED  
\$[1,500,000]

[FORM OF FACE OF BOND]

United States of America  
State of California

City of Los Angeles  
Multifamily Housing Revenue Bonds  
(Hancock Gardens Senior Apartments)  
[Series 2016G]

INTEREST RATE:	MATURITY DATE:	DATED DATE:	CUSIP:
[ ]%	[November 1, 2017]	[ ], 2016]	[544582 ]]

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: [ONE MILLION FIVE HUNDRED 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 \$[1,500,000], and to pay from those sources interest thereon at the aforesaid Interest Rate on each May1 and November 1, commencing [November 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 U.S. Bank National Association (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 15<sup>th</sup> 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 ten 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 (Hancock Gardens Senior Apartments), [Series 2016G] (the “Bonds”), issuable under the Trust Indenture dated as of [\_\_\_\_\_] 1, 2016 (the “Indenture”), between the Issuer and the Trustee, aggregating in the principal amount \$[1,500,000], 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 or after [March 1, 2017], at par 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 up to \$[1,500.000]. 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 this Bond 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 issuable only 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, and authenticate and deliver Bond certificates in fully registered form (in denominations of \$5,000, or any integral multiple thereof) to the assignees of the Depository or its nominee, 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).

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 manual or facsimile signature of its City Treasurer all as of the above date of delivery.

[\_\_\_\_\_], 2016

[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: \_\_\_\_\_, \_\_\_\_\_.

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

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

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 65-unit (plus 1 manager unit) apartment complex for seniors known as Hancock Gardens Senior Apartments located at 303 S. Van Ness Avenue, Los Angeles, California

**EXHIBIT C**

**RESPONSIBLE BANKING ORDINANCE CERTIFICATE**

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

[\_\_\_\_\_, 201\_]

City of Los Angeles  
Los Angeles, California

[\$1,500,000]  
City of Los Angeles  
Multifamily Housing Revenue Bonds  
(Hancock Gardens Senior Apartments)  
Series 2016G

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 \$[\_\_\_\_\_] initial aggregate principal amount of Multifamily Housing Revenue Bonds (Hancock Gardens Senior Apartments) Series 2016G (the “Bonds”):

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

(b) The Bank represents that it has, prior to the date hereof, filed with the City Administrative Officer 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: \_\_\_\_\_



ATTACHMENT C- REGULATORY AGREEMENT

---

---

**REGULATORY AGREEMENT  
AND DECLARATION OF RESTRICTIVE COVENANTS**

by and among

**CITY OF LOS ANGELES,**  
as Issuer

and

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

and

**HANCOCK GARDENS SENIOR HOUSING LP**  
as Borrower

relating to

[\$1,500,000]  
City of Los Angeles  
Multifamily Housing Revenue Bonds  
(Hancock Gardens Senior Apartments)  
Series 2016G

Dated as of [\_\_\_\_\_] 1, 2016

---

---

## TABLE OF CONTENTS

	Page
Section 1. Definitions and Interpretation .....	2
Section 2. Acquisition, Rehabilitation and Equipping of the Project .....	8
Section 3. Residential Rental Property .....	11
Section 4. Low Income Tenants; Records and Reports .....	13
Section 5. Tax-exempt Status of the Bonds .....	15
Section 6. Additional Requirements of the Act .....	16
Section 7. Additional Requirements of CDLAC and the Issuer .....	18
Section 8. Modification of Covenants .....	23
Section 9. Indemnification .....	24
Section 10. Consideration .....	26
Section 11. Reliance .....	26
Section 12. Project in the City of Los Angeles .....	26
Section 13. Sale or Transfer of the Project; Equity Interests .....	26
Section 14. Term .....	27
Section 15. Covenants To Run With the Land .....	28
Section 16. Burden and Benefit .....	29
Section 17. Uniformity; Common Plan .....	29
Section 18. Default; Enforcement .....	29
Section 19. The Trustee .....	31
Section 20. Recording and Filing .....	31
Section 21. Governing Law .....	31
Section 22. Amendments .....	31
Section 23. Notices .....	32
Section 24. Severability .....	33
Section 25. Multiple Counterparts .....	33
Section 26. Nondiscrimination and Affirmative Action .....	33
Section 27. Business Tax Registration Certificate .....	34
Section 28. Financial Obligations Personal to Borrower .....	34
Section 29. Third-party Beneficiaries .....	34
Section 30. Child Support Assignment Orders .....	35

Section 31.	Americans with Disabilities Act .....	35
Section 32.	Slavery Disclosure Ordinance.....	36
Section 33.	HUD Rider .....	36
EXHIBIT A	DESCRIPTION OF PROJECT SITE	
EXHIBIT B	FORM OF CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE	
EXHIBIT C	FORM OF INCOME CERTIFICATION	
EXHIBIT D	FORM OF ANNUAL TENANT INCOME RECERTIFICATION	
EXHIBIT E	FORM OF CERTIFICATE OF CDLAC PROGRAM COMPLIANCE	
EXHIBIT F	[RESERVED]	
EXHIBIT G	CDLAC RESOLUTION	
EXHIBIT H	FORM OF SLAVERY DISCLOSURE ORDINANCE CERTIFICATE	
EXHIBIT I	HUD RIDER TO RESTRICTIVE COVENANTS	
EXHIBIT J	ADA COVENANTS	

**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, 2016, 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”), U.S. BANK NATIONAL ASSOCIATION, a national banking association in its capacity as trustee (the “Trustee”) under the Trust Indenture dated as of [\_\_\_\_\_] 1, 2016 (the “Indenture”) each by and between the Issuer and the Trustee, with an office in Los Angeles, California, and HANCOCK GARDENS SENIOR HOUSING LP, a California limited partnership (the “Borrower”).

W I T N E S S E T H :

WHEREAS, pursuant to Section 248 of the City Charter of the 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 September 30, 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 Hancock Gardens Senior Apartments, a multifamily residential rental housing project for seniors located at 303 South Van Ness 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 “2016E Resolution”) authorizing the issuance of bonds for such purpose; and

WHEREAS, in furtherance of the purposes of the Law, the Act and the 2016E Resolution, and as a part of the Issuer’s program of financing housing, the Issuer issued pursuant to the Trust Indenture dated as of April 1, 2016, \$12,725,000 maximum principal amount of its Multifamily Housing Revenue Bonds (Hancock Gardens Senior Apartments) Series 2016E (the “Series 2016E Bonds”) the proceeds of which were used to fund a loan to the Borrower to finance a portion of the acquisition, rehabilitation and equipping of the Project; and

WHEREAS, on [\_\_\_\_\_, 2016], the Issuer adopted a supplemental resolution (the “2016G Resolution” or the “Resolution”) to provide for the issuance of additional revenue bonds to finance a portion of the acquisition, rehabilitation and equipping of the Project; and

WHEREAS, subsequent to the issuance of the Series 2016E Bonds, in furtherance of the purposes of the Law, the Act, and the Resolution, and as part of the Issuer’s program of financing housing, the Issuer has issued pursuant to the Indenture \$[1,500,000] maximum principal amount of its Multifamily Housing Revenue Bonds (Hancock Gardens Senior Apartments) Series 2016G (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 (Hancock Gardens Senior Apartments) Series 2016G authorized, authenticated and delivered under the Indenture, as defined in the recitals hereto.

*“Borrower”* means Hancock Gardens Senior Housing LP, a California limited partnership, and its successors and assigns.

*“CDLAC”* means the California Debt Limit Allocation Committee or its successors.

*“CDLAC Conditions”* has the meaning 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, Income Certification attached hereto as Exhibit C, or in the alternative, the California Tax Credit Allocation Committee Tenant Income Certification Form, or HUD Form 50059, or such other form as may, from time to time, be provided by the Issuer to the Borrower.

“*Indenture*” means the Trust Indenture dated as of [\_\_\_\_\_] 1, 2016 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 September 30, 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, 2016, 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 purchaser 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 and the credit enhancement fees, if any, attributable to the period of the



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 303 South Van Ness 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 U.S. Bank National Association, in its capacity as Trustee under the Indenture, together with its successors and assigns.

Unless the context clearly requires otherwise, as used in this Regulatory Agreement, words of the masculine, feminine or neuter gender shall be construed to include each other gender and words of the singular number shall be construed to include the plural number, and vice versa. This Regulatory Agreement and all the terms and provisions hereof shall be construed to effectuate the purposes set forth herein and to sustain the validity hereof.

The defined terms used in the preamble and recitals of this Regulatory Agreement have been included for convenience of reference only, and the meaning, construction and interpretation of all defined terms shall be determined by reference to this Section 1, notwithstanding any contrary definition in the preamble or recitals hereof. The titles and headings of the sections of this Regulatory Agreement have been inserted for convenience of reference only, and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof or be considered or given any effect in construing this Regulatory Agreement or any provisions hereof or in ascertaining intent, if any question of intent shall arise.

**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. Each of the Accessible Housing Units (as defined in Exhibit J hereto) shall also comply with the requirements of Exhibit J. 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 of 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, (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; and (5) Accessible Housing Units shall be made available to persons with disabilities as provided in Exhibit J.

(f) The Project Site consists of a parcel or parcels that are contiguous except for the interposition of a road, street or stream, and all of the Project Facilities comprise a single geographically and functionally integrated project for residential rental property, as evidenced by the ownership, management, accounting and operation of the Project.

(g) No dwelling unit in the Project shall be occupied by the Borrower; provided, however, that if the Project contains five or more dwelling units, this subsection shall not be construed to prohibit occupancy of not more than one dwelling unit by one or more resident managers or maintenance personnel any of whom may be the Borrower.

(h) The Project shall be maintained in conformity with the habitability and fire codes of the City of Los Angeles.

(i) The Project shall be managed in a manner consistent with prudent property management standards and in compliance with all state and local laws, ordinances and regulations relating thereto.

(j) Should involuntary noncompliance with the provisions of Regulations Section 1.103-8(b) be caused by fire, seizure, requisition, foreclosure, transfer of title by deed in lieu of foreclosure, change in a federal law or an action of a federal agency after the Closing Date which prevents the 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 or other certification delivered in connection with a governmental housing subsidy program 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 or other certification delivered in connection with a governmental housing subsidy program. 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 [April] and [October] 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 [April] and [October], 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 (except to give priority to persons with disabilities for occupancy of Accessible Housing Units), marital status, domestic partner status or medical condition. All contracts entered into by the Borrower which relate to the Project shall contain a like provision. The Borrower shall comply with the provisions of Sections 10.8.2 and 10.8.4 of the Administrative Code of the 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. 16-38 adopted on May 18, 2016 (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 \$[3,750] (.25% of the aggregate maximum principal amount of the Bonds (\$[1,500,000]) 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 [April] 1 and [October] 1 commencing [October 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 maximum principal amount of the Bonds (\$[1,500,000]) issuable under the Indenture, 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 later of: (1) the end of 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 [April] 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 maximum principal amount of the Bonds issuable 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 [April 1] and [October 1], the principal amount of the Bonds outstanding as of such [April 1] or [October 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, (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 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. 16-38, which imposes restrictions for a term of at least 55 years), it being expressly agreed and understood that the provisions hereof are intended to survive the retirement of the 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: Hancock Gardens Senior Housing LP  
c/o Thomas Safran & Associates  
11812 San Vincente Boulevard, Suite 600  
Los Angeles, CA 90049  
Attention: Anthony Yannatta

with a copy to: Kantor Taylor Nelson Evatt & Decina PC  
901 5<sup>th</sup> Avenue, Suite 4000  
Seattle, WA 98164  
Attention: Patrick Evatt

with a copy to: Bocarsly, Emden, Cowan, Esmail & Arndt LLP  
633 W. Fifth Street, 64th Floor  
Los Angeles, CA 90071  
Attention: Nicole Deddens  
Fax No.: 213-239-0410

with a copy to: Law Office of Mark F. Nelson  
31423 South Coast Highway, Suite 71  
Laguna Beach, CA 92651  
Telephone No.: (949) 371-1086  
Facsimile: (949) 371-1087

with a copy to: Wells Fargo Affordable Housing Community Development  
Corporation  
MAC D1053 170  
301 South College Street, 17<sup>th</sup> Floor  
Charlotte, NC 28202-6000  
Attention: Director of Asset Management

with a copy to: Cannon, Heyman & Weiss, LLP  
726 Exchange Street, Suite 500  
Buffalo, NY 14210  
Attention: Steven J. Weiss, Esq.

If to the Trustee: U.S. Bank National Association  
633 West Fifth Street, 24th Floor  
Los Angeles, CA 90071  
Attention: Global Corporate Trust Services  
Ref: LA MF (Hancock Gardens) 2016G  
Telephone: (213) 615-6024  
Facsimile: (213) 615-6199

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 CFR 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 Borrower hereby certifies that it and any contractor and subcontractor will comply with the Accessibility Requirements (as defined in Exhibit J). The Borrower and any contractor and subcontractor will provide reasonable accommodations to allow qualified individuals with disabilities to have access to and to participate in its programs, services, and activities in accordance with the applicable provisions of the ADA, the ADAAG, Section 504, the UFAS, the FHA (each as defined in Exhibit J) and all subsequent amendments. The Borrower and any contractor and subcontractor will not discriminate against persons with disabilities or against persons due to their relationship to or

association with a person with a disability. Any contract and subcontract entered into by the Borrower, relating to this Regulatory Agreement and the Project, to the extent allowed hereunder, shall be subject to the provisions of this paragraph. The Borrower hereby agrees to observe all of the covenants contained in Exhibit J to this Regulatory Agreement as if contained herein.

**Section 32. Slavery Disclosure Ordinance.** This Regulatory Agreement is subject to the Slavery Disclosure Ordinance, Section 10.41 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.** The provisions of the HUD Rider to Regulatory Agreement and Declaration of 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.

[Remainder of Page Intentionally Left Blank]

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:  
Authorized Officer

Approved as to form:

CITY OF LOS ANGELES  
MICHAEL N. FEUER, City Attorney

\_\_\_\_\_  
Deputy/Assistant City Attorney

[Signature Page to *Hancock Gardens 2016G* Regulatory Agreement]



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

By \_\_\_\_\_

Name: Julia Hommel

Title: Vice President

[Signature Page to *Hancock Gardens 2016G* Regulatory Agreement]

**HANCOCK GARDENS SENIOR HOUSING LP, a**  
California limited partnership

By: Housing Corporation of America, a Utah nonprofit  
corporation, its managing general partner

By: \_\_\_\_\_  
Ronald H. Olson, President

By: Hancock Gardens Senior Housing LLC, a  
California limited liability company, its  
administrative general partner

By: \_\_\_\_\_  
Andrew Gross, President

[Signature Page to *Hancock Gardens 2016G* 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**

All that certain real property situated in the County of Los Angeles, State of California, described as follows:

Lots 9 through 16 inclusive in Block 3 of Van Ness Avenue Square, in the City of Los Angeles, County of Los Angeles, State of California, as per map recorded in Book 15, Pages 114 and 115 of Maps, in the Office of the County Recorder of said County.

Assessor's Parcel Number: 5504-022-026

**EXHIBIT B**

**FORM OF CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE**

FOR THE [MONTH/QUARTER] ENDING \_\_\_\_\_

\$[1,500,000]  
City of Los Angeles  
Multifamily Housing Revenue Bonds  
(Hancock Gardens Senior Apartments)  
Series 2016G

The undersigned, being the Authorized Borrower Representative of Hancock Gardens Senior Housing LP, a California limited partnership (the "Borrower"), has read and is thoroughly familiar with the provisions of the various loan documents associated with the Borrower's participation in the multifamily housing program of the City of Los Angeles (the "Issuer"), including, without limitation, the Regulatory Agreement and Declaration of Restrictive Covenants, dated as of [\_\_\_\_\_] 1, 2016 (the "Regulatory Agreement"), among the Borrower, the Issuer and U.S. Bank National Association, as Trustee relative to the property located at 303 South Van Ness 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].

**HANCOCK GARDENS SENIOR HOUSING LP, a  
California limited partnership**

By: Housing Corporation of America, a Utah nonprofit corporation, its managing general partner

By: \_\_\_\_\_  
Ronald H. Olson, President

By: Hancock Gardens Senior Housing LLC, a California limited liability company, its administrative general partner

By: \_\_\_\_\_  
Andrew Gross, 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: Hancock Gardens Senior Apartments, 303 South Van Ness 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 Hancock Gardens Senior Apartments located at 303 South Van Ness 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).

	<b>Occupant</b>	<b>Relationship</b>	<b>Age</b>	<b>Student (Yes or No)</b>	<b>Social Security Number</b>
(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



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.

	<b>NAME</b>	<b>SS#</b>	<b>AGE</b>	<b>ANTICIPATED ANNUAL INCOME*</b>	<b>OCCUPATION/STUDENT</b>
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: Hancock Gardens Senior Apartments

Name of Bond Issuer: City of Los Angeles

CDLAC Application No.: 16-007

Pursuant to Section 13 of Resolution No. 16-38, adopted by the California Debt Limit Allocation Committee (the "Committee") on May 18, 2016, (the "Resolution"), 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 REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS

This HUD RIDER TO REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS (“Rider”) is attached to and made an integral part of the Regulatory Agreement and Declaration of Restrictive Covenants dated as of [\_\_\_\_\_] 1, 2016, by and among Hancock Gardens Senior Housing LP (“Borrower”), U.S. Bank National Association (“Trustee”) and the City of Los Angeles (“City”).

WHEREAS, Borrower has obtained financing from PNC Bank, N.A. (the “Lender”) for the benefit of the project known as Hancock Gardens Senior Apartments (the “Project”), which loan is secured by a Multifamily Deed of Trust, Assignment of Leases and Rents and Security Agreement (“Security Instrument”) dated as of April 1, 2016 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 (Hancock Gardens Senior Apartments) Series 2016G, 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, 2016 by and among the Borrower, City and U.S. Bank National Association, 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 for Multifamily Projects between Borrower and HUD with respect to the Project, as the same may be supplemented, amended or modified from time to time.

“Lender” means PNC Bank, N.A., 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.

“Residual Receipts” has the meaning set forth in the Program Obligations.

“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.

## EXHIBIT J

### ADA COVENANTS

#### I. The following terms shall have the following definition:

“*Accessibility Requirements*” refers to the accessibility requirements that must be followed in the design, construction or alteration of the Project or an individual housing unit of the Project (including common use elements), based on all the applicable laws and regulations, including: (1) Title II of the Americans with Disabilities Act (“ADA”), 42 U.S.C. §12101, et seq. and the implementing standards (“2010 ADA Standards”) at 28 C.F.R. pt. 35 and the 2004 ADA Accessibility Guidelines (“ADAAG”), (2) Section 504 of the Rehabilitation Act of 1973 (“Section 504”), 29 U.S.C. §794, the implementing regulations at 24 C.F.R. Part 8, as well as the requirements of UFAS, (3) the Fair Housing Act (“FHA”), 42 U.S.C. §§3601-3620; 24 C.F.R. Parts 100, 103, and 104, and its implementing regulations, and the California Building Codes.

“*Accessible*” means when used with respect to a Housing Unit or Housing Development, full compliance with the Accessibility Requirements.

“*Accessible Housing Development*” means a Housing Development that is Accessible, including Accessible public and common use areas.

“*Accessible Housing Units*” means collectively Housing Units that are on an Accessible Route, are Accessible, and are located in an Accessible Housing Development. The term Accessible Units refers collectively to Housing Units with Mobility Features and Housing Units with Hearing/Vision Features.

“*Housing Development*” means the whole of one or more residential structures and appurtenant structures in the Project, including common walkways and parking lots that were or are designed, constructed, altered, rehabilitated, operated, administered or financed in whole or in part in connection with the issuance of Bonds.

“*Housing Unit*” means a single unit of residence in the Housing Development that provides spaces for living, bathing, and sleeping.

“*Housing Unit with Hearing/Vision Features*” means a Housing Unit that complies with 24 C.F.R. §8.22 and the applicable UFAS or 2010 ADA Standards.

“*Housing Unit with Mobility Features*” means a Housing Unit that complies with 24 C.F.R. §8.22 and the applicable UFAS or 2010 ADA Standards.

“*UFAS*” means the Uniform Federal Accessibility Standards for the design, construction or alteration of buildings and facilities to ensure that they are readily accessible to and usable by individuals with disabilities, 24 C.F.R §40, Appendix A.

## **II. Additional ADA requirements of the Issuer:**

**A. Accessible Housing Units.** The Housing Development shall be constructed in accordance with HUD's Alternative Accessibility Standard set forth in HUD's notice at 79 Fed. Reg. 29,671 (May 23, 2014) to ensure accessibility for persons with disabilities. The following types of Accessible Housing Units shall be prioritized for persons with disabilities who have a disability-related need for the accessibility features of the unit.

(a) At least ten percent (10%) of the total Housing Units in each Housing Development shall be constructed or rehabilitated and maintained by the Borrower as Housing Units with Mobility Features.

(b) At least four percent (4%) of the total Housing Units in each Housing Development shall be constructed or rehabilitated and maintained by the Borrower as Housing Units with Hearing/Vision Features.

(c) In determining the number of units any fractions of units shall be rounded up to the next whole number.

(d) The Accessible Housing Units shall, to the maximum extent feasible, be geographically distributed and dispersed in terms of location within the Housing Development, and shall be provided in a range of unit sizes and types.

(e) Within fifteen (15) working days of the temporary Certificate of Occupancy being issued, Borrower shall provide the City with a list of all Accessible Housing Units, specifying the unit number, bedroom size and type of impairment, i.e. mobility or hearing/vision.

(f) Following reasonable notice to Borrower, Borrower shall allow the City to conduct periodic onsite inspections of the Housing Developments in order to verify compliance with the Accessibility Standards.

**B. Occupancy of Accessible Units.** The Borrower and its property management agent shall take reasonable steps to ensure the utilization of the Accessible Housing Units by eligible individuals having a disability-related need requiring the mobility and vision/hearing features of the particular unit. To that end, any vacant, Accessible Unit will first be offered to a current occupant of the Housing Development who has requested and needs the features of an Accessible Unit; second, Borrower will offer the unit to a current occupant of the Housing Development under common control, if permitted by applicable federal and state laws, who has requested and needs the features of an Accessible Unit; third, Borrower will offer the unit to an eligible qualified applicant on the waiting list who needs the features of an Accessible Unit; and fourth, Borrower will make reasonable efforts to advertise the unit to qualified individuals who need the accessible features, including listing it as available to individuals who need the accessible features at <http://www.housingLACity.org>.

**C. Rental Policies.** The Borrower shall develop rental policies that meet the requirements of the ADA, Fair Housing Laws and other federal and state regulations as applicable, and housing management policies of the City. Rental applications will include a



section to be filled out by applicants requesting an accommodation stating the reasons why the applicant needs the accessible features of a unit or other accommodations. Applicants will not be required to disclose a disability under any circumstances unless requesting accommodation. Applicants will not be required to provide a request for reasonable accommodation in writing. If the applicant's disability and the need for the requested accommodation is obvious or readily apparent then the provider may not request additional information about the requester's disability or the disability-related need for the accommodation. If the requester's disability is known or readily apparent to the provider, but the need for the accommodation is not readily apparent or known, the provider may request only information that is necessary to evaluate the disability-related need for the accommodation. Outreach efforts to the disability community shall include, but are not limited to, notices and other communications describing the availability of such units, specific information regarding the features of accessible units, eligibility criteria, and application procedures.

ATTACHMENT D – LOAN AGREEMENT

---

---

**LOAN AGREEMENT**

between

**CITY OF LOS ANGELES**

and

**HANCOCK GARDENS SENIOR HOUSING LP**

[\$1,500,000]  
City of Los Angeles  
Multifamily Housing Revenue Bonds  
(Hancock Gardens Senior Apartments)  
Series 2016G

**Dated as of [\_\_\_\_\_] 1, 2016**

---

---

INDEX

(This Index is not a part of the Agreement  
but rather is for convenience of reference only.)

	Page
Preamble .....	1
<b>ARTICLE I DEFINITIONS</b>	
Section 1.1 Use of Defined Terms .....	3
Section 1.2 Interpretation .....	3
Section 1.3 Captions and Headings .....	3
<b>ARTICLE II REPRESENTATIONS AND COVENANTS</b>	
Section 2.1 Representations of the Issuer .....	4
Section 2.2 Representations and Covenants of the Borrower .....	4
<b>ARTICLE III COMPLETION OF THE PROJECT; ISSUANCE OF THE BONDS</b>	
Section 3.1 Acquisition, Rehabilitation, Construction, Installation, Equipping and Improvement .....	8
Section 3.2 Plans and Specifications .....	8
Section 3.3 Issuance of the Bonds; Application of Proceeds .....	8
Section 3.4 Disbursements from the Project Fund .....	9
Section 3.5 FHA Lender Funds .....	10
Section 3.6 Borrower Required to Pay Costs in Event Project Fund Insufficient .....	11
Section 3.7 Completion Date .....	11
Section 3.8 Investment of Fund Moneys .....	11
Section 3.9 Rebate Fund .....	12
Section 3.10 No Warranty by Issuer .....	12
<b>ARTICLE IV LOAN BY ISSUER; REPAYMENT OF THE LOAN; LOAN PAYMENTS AND ADDITIONAL PAYMENTS</b>	
Section 4.1 Loan Repayment; Delivery of Note .....	13
Section 4.2 Additional Payments .....	13
Section 4.3 Place of Payments .....	14
Section 4.4 Obligations Unconditional .....	14
Section 4.5 Assignment of Agreement and Issuer Revenues .....	15
<b>ARTICLE V ADDITIONAL AGREEMENTS AND COVENANTS</b>	
Section 5.1 Right of Inspection .....	16
Section 5.2 Borrower to Maintain its Existence; Sales of Assets or Mergers .....	16
Section 5.3 Indemnification .....	17

Section 5.4	Borrower Not to Adversely Affect Exclusion from Gross Income of Interest on Bonds .....	19
Section 5.5	Affirmative Covenants.....	20
Section 5.6	Additional Indebtedness.....	23
Section 5.7	Nature of Business .....	23
Section 5.8	Cooperation in Enforcement of Regulatory Agreement .....	23
Section 5.9	Tax Exempt Status of the Bonds.....	24
Section 5.10	Useful Life .....	24
Section 5.11	Federal Guarantee Prohibition .....	25
Section 5.12	Prohibited Facilities .....	25

**ARTICLE VI  
PREPAYMENT**

Section 6.1	Optional Prepayment .....	26
-------------	---------------------------	----

**ARTICLE VII  
EVENTS OF DEFAULT AND REMEDIES**

Section 7.1	Events of Default .....	27
Section 7.2	Remedies on Default.....	28
Section 7.3	No Remedy Exclusive.....	29
Section 7.4	Agreement to Pay Attorneys' Fees and Expenses .....	29
Section 7.5	No Waiver.....	29
Section 7.6	Notice of Default.....	30
Section 7.7	Investor Limited Partner's Cure Rights .....	30

**ARTICLE VIII  
MISCELLANEOUS**

Section 8.1	Term of Agreement.....	31
Section 8.2	Amounts Remaining in Funds .....	31
Section 8.3	Notices .....	31
Section 8.4	Extent of Covenants of the Issuer; No Personal Liability .....	31
Section 8.5	Binding Effect.....	32
Section 8.6	Amendments and Supplements.....	32
Section 8.7	Execution Counterparts.....	32
Section 8.8	Severability .....	32
Section 8.9	Governing Law .....	32
Section 8.10	Non-Recourse Obligations.....	32
Section 8.11	FHA Federal Laws and Requirements Control.....	33
Section 8.12	Limitation on Liability of the Issuer .....	34
Section 8.13	Americans with Disabilities Act .....	35
Section 8.14	Business Tax Registration Certificate.....	35
Section 8.15	Child Support Assignment Orders .....	36
Section 8.16	Delivery of Reports, Etc .....	36

EXHIBIT A - FORM OF NOTE  
EXHIBIT B - BORROWER'S CERTIFICATE TO FHA LENDER AND TRUSTEE  
EXHIBIT C - FORM OF COMPLETION CERTIFICATE  
EXHIBIT D - [RESERVED]  
EXHIBIT E - BORROWER'S CERTIFICATE TO TRUSTEE

## LOAN AGREEMENT

THIS LOAN AGREEMENT (this “Loan Agreement” or “Agreement”) made and entered into as of [\_\_\_\_\_] 1, 2016 between the CITY OF LOS ANGELES, a charter city and municipal corporation in the State of California (the “Issuer”) and HANCOCK GARDENS SENIOR HOUSING LP, 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. Issuer has heretofore issued the Multifamily Housing Revenue Bonds (Hancock Gardens Senior Apartments) Series 2016E (the “2016E Bond”), in the original principal amount of \$12,725,000, and made a loan (the “2016E Loan”) to finance, in part, the acquisition, rehabilitation and equipping of Hancock Gardens Senior Apartments, a multifamily residential rental housing project for seniors located at 303 S. Van Ness Avenue, Los Angeles, California (the “Project”) and the 2016E Bond was issued pursuant to a Trust Indenture dated as of April 1, 2016.

C. The 2016E Loan was evidenced by a promissory note in the principal amount of \$12,725,000 for the purposes described above and under the terms and conditions contained in the Loan Agreement dated April 1, 2016.

D. Borrower has requested the Issuer to issue an additional series of bonds known as its Multifamily Housing Revenue Bonds (Hancock Gardens Senior Apartments) Series 2016G (the “2016G Bonds” or the “Bonds”) in the original principal amount of \$[1,500,000] and the loan proceeds of the Bonds (the “2016G Loan” or the “Loan”) as evidenced by a promissory note in the principal amount of \$[1,500,000] (the “2016G Note” or the “Note”) to the Borrower for the purposes described above under the terms and conditions contained in this Agreement.

E. On September 30, 2015, the Issuer indicated its intent to provide for the issuance of additional revenue bonds to finance a portion of the acquisition, rehabilitation and equipping of the Project and the City Council of the Issuer subsequently adopted a resolution dated [\_\_\_\_\_] 2016 (the “Resolution”) authorizing the issuance of additional bonds for such purpose.

F. 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 1.1 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 “Indenture”), dated as of the date of this Agreement between the Issuer and U.S. Bank National Association, as Trustee. For purposes of this Agreement the term “Project” shall mean the Hancock Gardens Senior Apartments as more specifically described in the Regulatory Agreement.

#### **Section 1.2 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 1.3 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.

(End of Article I)



## ARTICLE II

### REPRESENTATIONS AND COVENANTS

#### **Section 2.1 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 Indenture and the Regulatory Agreement; (c) it has the legal right and is empowered to enter into the transactions contemplated by this Agreement, the Indenture and the Regulatory Agreement; (d) it has duly authorized the execution, delivery and performance of this Agreement, the 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 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 any financing for the Project other than the proceeds of the Loan or to provide sufficient moneys for all of the costs of the Project.

#### **Section 2.2 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 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, rehabilitation and equipping 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.

(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 request or authorize any disbursement from the Project Fund pursuant to Section 3.4 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 pursuant to Section 3.4 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 fifty percent (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. It is hereby acknowledged, however, that the Borrower's partnership agreement does provide for certain rights of one or more of its partners to acquire the Project, and for the possible acquisition of the Project following the fifteen year tax credit compliance period as identified in the Borrower's partnership agreement, and those provisions shall not result in a breach of this Section 2.2(l).

(m) The Borrower shall use its best efforts to cause there to be deposited from time to time in the Collateral Fund, 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 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 costs 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.

(End of Article II)

## ARTICLE III

### COMPLETION OF THE PROJECT; ISSUANCE OF THE BONDS

#### **Section 3.1 Acquisition, Rehabilitation, Construction, Installation, Equipping 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, improvement and equipping 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, construction and improvement of the Project as required by law.

#### **Section 3.2 Plans and Specifications**

The Borrower may revise the Plans and Specifications from time to time, provided that no revision shall be made which would change the Project Purposes to other than purposes permitted by the Act and the Regulatory Agreement. At or prior to the execution and delivery of this Agreement, the Borrower shall provide to the Underwriter evidence acceptable to the Underwriter, in its sole discretion, of the availability of all financing contemplated by the plan of financing for the Project including, without limitation (and without regard to whether the immediate availability of such financing is a condition to undertaking the Project), the equity portion of the financing and all other public and private financing and any interim or bridge financing to be provided in anticipation of the closing of any of the foregoing aspects of the financing therefor. Any material changes in the plan of financing shall be communicated promptly to the Underwriter. Copies of all documents evidencing that financing, and the security therefor, all in form reasonably acceptable to the Underwriter, shall have been provided to the Underwriter.

#### **Section 3.3 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 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 Bonds in the amount of \$1,500,000 shall be loaned to the Borrower and paid over to the Trustee for the benefit of the Borrower and the Holders of the Bonds and deposited as follows: (a) a sum equal to any accrued interest paid by the Holder shall be deposited in the Bond Fund, and (b) the balance of the proceeds shall be deposited in the Project Fund. Pending disbursement pursuant to Section 3.4 hereof, 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.

### **Section 3.4 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 Bonds has been declared to be immediately due and payable pursuant to Section 7.2 hereof and Section 7.03 of the Indenture, respectively, disbursements from the Project Fund 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 2.2(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 and rehabilitation of the Project.

(g) Payment of interest on the Bonds during the Construction Period.

(h) Payments to the Rebate Fund.

Any disbursements from the Project Fund shall be made by the Trustee only as permitted pursuant to Section 5.03 of the Indenture and upon the written request of the Borrower executed by an Authorized Borrower Representative substantially in the form attached hereto as Exhibit B, and, if required by Section 5.03 of the Indenture, approved by 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, related to the deposit of Available Moneys in to the Collateral Fund for the applicable disbursement request.

(ii) An executed Certificate of the Borrower substantially in the form attached hereto as Exhibit B accompanied by a disbursement schedule listing the items for which the disbursement is sought and the total cost of each such item, together with invoices or other appropriate documentation (which may be a copy of an escrow agreement if a disbursement is to be made to an escrow account) for each such item.

(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 transfer Eligible Investments from the Project Fund to the Collateral Fund in exchange for funds in such increments as are needed 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 for payment of Bond Debt Service Charges.

**Section 3.5 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 \$1,500,000 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 FHA 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 the FHA Lender for disbursement to the Borrower pursuant to the FHA Loan Documents and application to the payment of the Project Costs set forth in the approved requisition.

(e) The Borrower acknowledges that all FHA Lender Funds requested by the Borrower shall be wired from the FHA Lender directly to the Trustee, or through the title company, and disbursed and invested and applied by the Trustee in accordance with the provisions of Section 5.03 of the Indenture.

### **Section 3.6 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 Plans and Specifications 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 3.7 Completion Date**

The Borrower shall notify the Issuer and the Trustee of the Completion Date by the delivery of a Completion Certificate signed by the 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 3.8 Investment of Fund Moneys**

At the written request of the Borrower, any moneys held as part of the Bond Fund, the Project Fund, the Collateral Fund and the Rebate Fund shall be invested or reinvested by the Trustee in Eligible Investments as provided in Section 5.05 of the Indenture. 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 3.9 Rebate Fund**

The Borrower agrees to make such payments to the Trustee as are required of it under Section 5.09 of the Indenture as well as the expenses of any Independent certified public accounting firm or qualified rebate analyst engaged in accordance with that Section. 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 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.

(End of Article III)

## ARTICLE IV

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

#### **Section 4.1 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, Loan Payments, equal to the amount necessary to pay Bond Debt Service Charges due on the next 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 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 and the Regulatory Agreement.

Upon payment in full of the Bond Debt Service Charges on any or all of the Bonds, in accordance with the Indenture, 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 Indenture, (i) if with respect to less than all of the Bonds then outstanding, an appropriate notation shall be endorsed on the Note, evidencing the date and amount of the principal payment (or prepayment) equal to the Bonds so paid, or with respect to which provision for payment has been made, and (ii) with respect to all of the Bonds then outstanding, the Note shall be deemed fully paid, the obligations of the Borrower shall be terminated, and the 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 the Note, all payments on the Note 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 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.

#### **Section 4.2 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, and on each [April] 1 and [October] 1, thereafter as provided in Section 7(n) of the Regulatory Agreement, the Issuer's Fee.

(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 and Extraordinary Expenses and the amount of any such Ordinary Services, Ordinary Expenses, Extraordinary Services or Extraordinary Expenses; provided that fees for Ordinary Services provided for by the respective letter agreements agreed to by the Borrower and the Trustee, the Registrar, and any Paying Agents and Authenticating Agents, respectively, shall be considered to be customary; 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 within ten (10) days of the Borrower's receipt of such demand, such Additional Payments shall bear interest from such tenth (10<sup>th</sup>) date at the Interest Rate for Advances until the amount due shall have been fully paid.

#### **Section 4.3 Place of Payments**

The Borrower shall make all Loan Payments 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 4.4 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 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 4.5 Assignment of Agreement and Issuer Revenues**

To secure the payment of Bond Debt Service Charges, the Issuer shall assign to the Trustee, by the Indenture, its rights under and interest in this Agreement (except for the Unassigned Issuer's Rights) and the Note. 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 or this Agreement or create any pledge or Lien of any form or nature with respect to the Issuer Revenues or Loan Payments hereunder.

(End of Article IV)

## ARTICLE V

### ADDITIONAL AGREEMENTS AND COVENANTS

#### **Section 5.1 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 5.2 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 (i) any direct or indirect owners of interests in the Borrower to (a) 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 (b) make Transfers among and between themselves, or (ii) 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 other Subordinate Bond Document (as defined in Section 13.14 of the Indenture), 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 may be required by the terms of the Regulatory Agreement, require the prior written approval of Issuer, FHA Lender 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 general partner of Borrower in accordance with the Partnership Agreement and the replacement thereof with the Investor Limited Partner, or any of its affiliates; (c) the transfer of ownership interests in the Investor Limited Partner or the Special Limited Partner, if applicable; (d) the transfer of the interests of the Investor Limited Partner in Borrower to Borrower's 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 this section shall control to the extent of any conflict in any Subordinate Bond Documents.

### **Section 5.3 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 related 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 related 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 5.3 shall in any way limit the Borrower’s indemnification and other payment obligations set forth in the Regulatory Agreement.

**Section 5.4 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 5.5 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 (a) the amount, applicability or validity thereof shall currently be contested in good faith by appropriate proceedings, (b) the Borrower shall have set aside on its books adequate reserves with respect thereto and (c) 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 4.2 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, the Borrower guaranties 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 changes 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 Security Interests, Etc. The Borrower shall promptly perform such acts as may be necessary or advisable to perfect and maintain any Lien provided for in this Agreement or in any agreement or document contemplated herein or therein, or otherwise to carry out the intent of this Agreement. 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, including, without limitation, financing statements, continuation statements and mortgages as may be

necessary or advisable to perfect or maintain a lien on any and all assets or rights owned by the Borrower, or any interest of the Borrower therein and 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) Non-discrimination 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.F.R. Part 60). The Borrower shall comply with the provisions of the Los Angeles Administrative Code Sections 10.8 through 10.13, to the extent applicable hereto. The affirmative action program of the Borrower shall include the mandatory contract provisions set forth in the Los Angeles Administrative Code Section 10.8.4, and said provisions are incorporated herein by this reference. The Borrower shall also comply with all rules, regulations, and policies of the Issuer's Board of Public Works, Office of Contract Compliance relating to nondiscrimination and affirmative action, including the filing of all forms required by the Issuer. Any subcontract entered into by the Borrower relating to this Agreement, to the extent allowed hereunder, shall be subject to the provisions of this section. No person shall on the grounds of race, ancestry, color, citizenship, national origin, religion, sex, sexual orientation, gender identity/expression, transgender status, age (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 5.6 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 5.7 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 5.8 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 5.3 hereof.

## **Section 5.9 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 5.9 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, (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 5.9 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) 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.

(f) 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 \$1,500,000 principal amount of the Loan by the earlier of [March 1, 2017] or the day before the Maturity Date.

(g) The Borrower will take such action or actions as necessary to ensure compliance with Sections 2.2(e), (g), (h), (i), (l), (n), (o) and (p) hereof.

(h) The Borrower will comply with the terms of the Tax Agreement (as defined in the Indenture).

## **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 percent 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.

(End of Article V)

## ARTICLE VI

### PREPAYMENT

#### Section 6.1 Optional Prepayment

The Loan may be prepaid by the Borrower in whole or in part any Business Day occurring on or after [March 1, 2017], without penalty at a prepayment price equal to the outstanding principal amount plus any unpaid accrued interest on the Loan. In order to prepay the Loan, the Borrower shall give the Trustee written notice at least twenty-five (25) days prior to the prepayment date to effect an optional redemption of all or a portion of the Bonds pursuant to Section 4.01 of the Indenture.

(End of Article VI)

## ARTICLE VII

### EVENTS OF DEFAULT AND REMEDIES

#### Section 7.1 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 thirty (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 one hundred eighty (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 ninety (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 ninety (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 ninety (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; and

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

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 7.2 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 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 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 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 under this Section shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture or, if the Outstanding Bonds have been paid and discharged in accordance with the provisions of the Indenture, shall be paid as provided in Section 5.08 of the Indenture for transfers of remaining amounts in the Bond Fund.

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 7.3 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 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 7.4 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 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 7.5 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 7.6 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 7.7 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.

(End of Article VII)

## ARTICLE VIII

### MISCELLANEOUS

#### **Section 8.1 Term of Agreement**

This Agreement shall be and remain in full force and effect from the date of delivery of the Bonds to the Underwriter 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 3.9, 4.2 and 5.3 hereof, which shall survive any termination of this Agreement.

#### **Section 8.2 Amounts Remaining in Funds**

Any amounts in the Bond Fund remaining unclaimed by the Holders of 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. 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 Bond Fund, the 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, 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. Provided, however that in the event of a default under the FHA Loan and assignment of the FHA Loan to FHA for payment of mortgage insurance benefits, such amounts shall be paid to the FHA Lender.

#### **Section 8.3 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 Indenture.

#### **Section 8.4 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 8.5 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 5.2 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. This Agreement may be enforced only by the parties, their assignees and others who may, by law, stand in their respective places.

#### **Section 8.6 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 8.7 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 8.8 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 8.9 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 Non-Recourse 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 non-recourse. 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 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 member, partner, officer, director, member or stockholder of the Borrower, provided that nothing herein shall relieve any such Related Party (other than the Investor Limited Partner) from liability for any of the following:

- (a) rent collected for more than one month in advance and received by a Related Party and not applied to the reasonable operating requirements of the Project;
- (b) misappropriation or misapplication by a Related Party of insurance or eminent domain proceeds;
- (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 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), (ii) funds that are not derived from (A) revenues of the Project (as defined in the FHA Mortgage) or (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, or (iii) 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 Borrower hereby certifies that it and any contractor and subcontractor will comply with the Accessibility Requirements (as defined in Exhibit J of the Regulatory Agreement). The Borrower and any contractor and subcontractor will provide reasonable accommodations to allow qualified individuals with disabilities to have access to and to participate in its programs, services, and activities in accordance with the applicable provisions of: (i) the Americans with Disabilities Act, 42 U.S.C. 12101 et seq., and its implementing regulations and the American Disabilities Act Amendments Act (ADAAA) Pub. L.110 325 and all subsequent amendments; (ii) Section 504 of the Rehabilitation Act of 1973, 29 U.S.C. §794, the implementing regulations at 24 C.F.R. Part 8, as well as the requirements of Uniform Federal Accessibility Standards 24 C.F.R §40, Appendix A; (iii) the Fair Housing Act, 42 U.S.C. §§3601-3620; 24 C.F.R. Parts 100, 103, and 104, and its implementing regulations; and (iv) applicable California building codes. The Borrower and any contractor and subcontractor will not discriminate against persons with disabilities or against persons due to their relationship to or association with a person with a disability. Any contract and subcontract entered into by the Borrower, relating to this Agreement and the Project, to the extent allowed hereunder, shall be subject to the provisions of this Section.

#### **Section 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.

(End of Article VIII)

**HANCOCK GARDENS SENIOR HOUSING LP, a**  
California limited partnership

By: Housing Corporation of America, a Utah nonprofit  
corporation, its managing general partner

By: \_\_\_\_\_  
Ronald H. Olson, President

By: Hancock Gardens Senior Housing LLC, a  
California limited liability company, its  
administrative general partner

By: \_\_\_\_\_  
Andrew Gross, President

[Borrower Signature Page to *Hancock Gardens 2016G* Loan Agreement]

**ISSUER:**

CITY OF LOS ANGELES, as Issuer

By Los Angeles Housing and Community  
Investment Department

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

Approved as to form:

CITY OF LOS ANGELES  
MICHAEL N. FEUER, City Attorney

\_\_\_\_\_  
Deputy/Assistant City Attorney

[Issuer Signature Page to *Hancock Gardens 2016G* Loan Agreement]

**EXHIBIT A**  
**FORM OF 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.*

[\$1,500,000]

[\_\_\_\_\_] \_\_, 2016

Hancock Gardens Senior Housing LP, a California limited partnership (the “Borrower”), for value received, promises to pay in installments to the City of Los Angeles, a charter city and municipal corporation in the State of California, as Issuer (the “Issuer”) under the Indenture hereinafter referred to, the principal sum of

ONE MILLION FIVE HUNDRED THOUSAND DOLLARS.

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 immediately available funds on the fifth Business Day next preceding each May 1 and November 1, commencing [November 1, 2016] (the “Interest Payment Dates”).

This Note has been executed and delivered by the Borrower to the Issuer pursuant to a certain Loan Agreement (the “*Agreement*”) dated as of [\_\_\_\_\_] 1, 2016 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, as defined below.

Under the Agreement, the Issuer has loaned the Borrower the proceeds received from the sale of the Issuer’s \$1,500,000 Multifamily Housing Revenue Bonds (Hancock Gardens Senior Apartments), Series 2016G 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, 2016, between the Issuer and U.S. 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 immediately available funds on the 5th 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 immediately available 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 on the Bonds 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 immediately available 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 non-recourse 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.

**HANCOCK GARDENS SENIOR HOUSING LP, a  
California limited partnership**

By: Housing Corporation of America, a Utah nonprofit corporation, its managing general partner

By: \_\_\_\_\_  
Ronald H. Olson, President

By: Hancock Gardens Senior Housing LLC, a California limited liability company, its administrative general partner

By: \_\_\_\_\_  
Andrew Gross, President

## EXHIBIT B

### BORROWER'S CERTIFICATE TO FHA LENDER AND TRUSTEE

STATEMENT NO. \_\_\_\_\_ REQUESTING DISBURSEMENT OF FUNDS FROM  
PROJECT FUND PURSUANT TO SECTION 3.4 OF THE LOAN AGREEMENT  
DATED AS OF [\_\_\_\_\_] 1, 2016 BETWEEN THE  
CITY OF LOS ANGELES  
AND HANCOCK GARDENS SENIOR HOUSING LP

Pursuant to Section 3.4 of the Loan Agreement (the "Agreement") between the City of Los Angeles (the "Issuer") and Hancock Gardens Senior Housing LP, a California limited partnership (the "Borrower"), dated as of [\_\_\_\_\_] 1, 2016, the undersigned Authorized Borrower Representative hereby requests and authorizes U.S. 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 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.

This \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

By: Authorized Borrower Representative

\_\_\_\_\_  
[Name/Title]

Schedule 1 Approved by Authorized Lender  
Representative:

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 THE PROJECT FUND PURSUANT TO SECTION 3.4  
OF THE LOAN AGREEMENT DATED AS OF [\_\_\_\_\_] 1, 2016 BETWEEN THE CITY  
OF LOS ANGELES AND HANCOCK GARDENS SENIOR HOUSING LP

PAYEE

AMOUNT

PURPOSE

**EXHIBIT C**

\$[1,500,000]  
City of Los Angeles  
Multifamily Housing Revenue Bonds  
(Hancock Gardens Senior Apartments)  
Series 2016G

**COMPLETION CERTIFICATE**

To:

U.S. Bank National Association  
633 West Fifth Street, 24th Floor  
Los Angeles, CA 90071  
Attention: Global Corporate Trust Services

City of Los Angeles  
Los Angeles Housing and Community Investment Department  
8th Floor  
1200 West 7<sup>th</sup> Street  
Los Angeles, CA 90017

Pursuant to Section 3.7 of the Loan Agreement (the “Agreement”) between the City of Los Angeles (the “Issuer”) and Hancock Gardens Senior Housing LP, a California limited partnership (the “Borrower”), dated as of [\_\_\_\_\_] 1, 2016, and relating to the captioned Bonds, the undersigned Authorized Borrower Representative hereby certifies to that (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 Authorized Borrower Representative has set his or her hand as of the \_\_\_\_\_ day of 20\_\_.

Authorized Borrower Representative

By: \_\_\_\_\_  
[Name/Title]

**EXHIBIT D**  
**[RESERVED]**

**EXHIBIT E**

**BORROWER'S CERTIFICATE TO TRUSTEE**

Pursuant to Section 3.4 of the Loan Agreement (the "Agreement") between the City of Los Angeles (the "Issuer") and Hancock Gardens Senior Housing LP, a California limited partnership (the "Borrower"), dated as of [\_\_\_\_\_] 1, 2016, the undersigned Authorized Borrower Representative hereby certifies that the deposit of \$\_\_\_\_\_ into the Collateral Fund on \_\_\_\_\_, 20\_\_ was fully derived from Available Moneys.

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

This \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

By: Authorized Borrower Representative

\_\_\_\_\_  
[Name/Title]

**ATTACHMENT E - BOND PURCHASE AGREEMENT**

\$[1,500,000]  
City of Los Angeles  
Multifamily Housing Revenue Bonds  
(Hancock Gardens Senior Apartments)  
Series 2016G

\_\_\_\_\_, 2016

City of Los Angeles  
c/o Los Angeles Housing and Community  
Investment Department  
1200 West 7<sup>th</sup> Street, 8<sup>th</sup> Floor  
Los Angeles, CA 90017

Hancock Gardens Senior Housing LP  
c/o Thomas Safran & Associates  
11812 San Vicente Boulevard, Suite 600  
Los Angeles, CA 90049

Ladies and Gentlemen:

Citigroup Global Markets Inc. (the “Underwriter”), on its own behalf and not as your fiduciary, hereby offers to enter into this Bond Purchase Agreement (this “Bond Purchase Agreement”) with the City of Los Angeles (the “Issuer”) and Hancock Gardens Senior Housing LP, a California limited partnership (the “Borrower”). This offer is made subject to the Issuer’s and the Borrower’s acceptance on or before 10:00 a.m., Pacific time, on the date hereof, and, upon such acceptance, this Bond Purchase Agreement shall be in full force and effect in accordance with its terms and shall be binding upon the Issuer, the Borrower and the Underwriter, all as of 12:30 p.m., Pacific time, on the date hereof.

The Issuer is authorized to issue its \$[1,500,000] Multifamily Housing Revenue Bonds (Hancock Gardens Senior Apartments) Series 2016G (the “Bonds”) 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 of the Health and Safety Code of the State of California, as now in effect and as it may from time to time be amended and supplemented (the “Act”) and pursuant to the Bond Resolution. The Bonds shall be as described in and shall be issued pursuant to a Trust Indenture, dated as of [\_\_\_\_\_] 1, 2016 (the “Indenture”), by and between the Issuer and U.S. Bank National Association, as trustee (the “Trustee”). Capitalized terms used herein but not defined herein shall have the meanings assigned thereto in the Indenture.

Simultaneously with the issuance of the Bonds, there will be executed and delivered a Loan Agreement, dated as of the date of the Indenture (the “Loan Agreement”), between the Issuer and the Borrower, pursuant to which the Issuer will loan the proceeds of the Bonds to the Borrower (the “Loan”) for the purpose of financing the acquisition, rehabilitation and equipping of an existing apartment complex for seniors known as Hancock Gardens Senior Apartments and located in Los Angeles, California (the “Project”). To evidence its repayment obligations under the Loan Agreement, the Borrower will execute a promissory note in connection with Bonds (the “Note”), dated the Closing Date.

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 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, as further described herein.

The Project is required to be operated in compliance with a Regulatory Agreement and Declaration of Restrictive Covenants, dated as of the date of the Indenture (the “Regulatory Agreement”), among the Borrower, the Issuer and the Trustee.

The Project is utilizing 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. In connection with the FHA Insured Mortgage Loan, the Borrower executed an FHA-Insured Note (Multistate) (the “FHA Note”). The Borrower’s repayment obligations under the FHA Note are secured by a first-lien priority Multifamily Deed of Trust, Assignment of Rents and Security Agreement (the “FHA Mortgage”) on the Project. The Borrower has also executed a Regulatory Agreement required by FHA (the “HUD Regulatory Agreement”) with respect to the Project in order to provide for, among other things, a reserve fund for replacements as well as escrows for taxes, insurance and mortgage insurance premiums, which is held by PNC Bank, N.A. (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. Neither the owners of the Bonds nor the Trustee will have a lien on the real estate on which the Project is located.

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) Loan Agreement;
- (c) Regulatory Agreement;
- (d) Continuing Disclosure Agreement;
- (e) Note;
- (f) Bonds;
- (g) Official Statement (as defined below); 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**

On the basis of the representations, warranties and agreements contained herein, but subject to the terms and conditions herein, the Underwriter hereby agrees to purchase from the Issuer, and the Issuer hereby agrees to sell to the Underwriter, all, but not less than all, of the Bonds for a purchase price of 100% of the principal amount of the Bonds. The Bonds shall bear interest at the rate and mature on the date as provided in Schedule I hereto and have such other terms as provided in the Indenture and described in the Official Statement. The Borrower agrees to pay to the Underwriter, as compensation for its services, an underwriting fee equal to \$\_\_\_\_\_ (the "Underwriting Fee"), which fee includes an amount sufficient to reimburse the Underwriter for paying the fees and expenses of its counsel in the amount of \$\_\_\_\_\_. The Underwriting Fee shall be due and payable in immediately available funds on the Closing Date, solely and exclusively from funds provided by the Borrower.

The Issuer will deliver the Bonds to or for the account of the Underwriter against payment of the purchase price therefor by wire transfer of immediately available funds to the Trustee (the "Closing") at or prior to 10:00 a.m., Pacific time, on \_\_\_\_\_, 2016, or at such other time not later than seven days thereafter as the Underwriter, the Borrower and the Issuer shall mutually agree (the "Closing Date"). One Bond will be delivered, registered in the name of Cede & Co. to the Trustee as agent for The Depository Trust Company on or prior to the Closing Date. The Bonds may be in printed, engraved, typewritten or photocopied form, and each such form shall constitute a "definitive" form.

## **SECTION 2. Official Statement**

(a) The Borrower has delivered or will deliver to the Underwriter, without charge, in such quantities as the Underwriter has requested or may hereafter reasonably request, copies of the Preliminary Official Statement dated \_\_\_\_\_, 2016 prepared with respect to the Bonds (the "Preliminary Official Statement"), the final Official Statement dated or to be dated \_\_\_\_\_, 2016 prepared with respect to the Bonds (the "Official Statement") and any amendments or supplements thereto. The Borrower will be responsible for any costs associated with printing and mailing and the Preliminary Official Statement and the Official Statement.

(b) The Issuer and the Borrower acknowledge that the Underwriter is required to comply with the requirements of Rule 15c2-12 of the Securities Exchange Act of 1934 (the "Rule") in connection with the offer and sale of the Bonds and each agrees to cooperate (at the cost and expense of the Borrower) with the Underwriter so as to enable the Underwriter to comply with the Rule. To this end, the Borrower has delivered to the Underwriter the Preliminary Official Statement that the Borrower deemed final as of its date, except for the omission of no more than the following information: the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings, other terms of the Bonds depending on such matters and the identity of the Underwriter. To evidence this, the Borrower will execute and deliver a certificate in the form attached as Exhibit C hereto. The Issuer has complied with all of its previous continuing disclosure obligations under the Rule, if any (except to the extent described in the Preliminary Official Statement and the Official Statement). The Borrower, its partners and all entities affiliated with the Borrower and its partners have complied with all of their previous continuing disclosure obligations under the Rule, if any (except to the extent described in the Preliminary Official Statement and the Official Statement).

(c) The Issuer and the Borrower have authorized the delivery of the Preliminary Official Statement and the execution and delivery of the Official Statement. The Issuer and the Borrower each hereby approve the use by the Underwriter of the Preliminary Official Statement and the Official Statement in connection with the public offering of the Bonds by the Underwriter.

(d) The Borrower will supply sufficient quantities of the Official Statement to enable the Underwriter (i) to send a single copy of the Official Statement with any confirmation that requests payment for a Bond, and in any event within seven business days after the date hereof, and to any potential customer upon request until the earlier of (A) 90 days after the End of the Underwriting Period (as defined below) or (B) 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, and (ii) to comply with any applicable rules of the Municipal Securities Rulemaking Board. The Underwriter agrees to promptly file the Official Statement with a nationally recognized municipal securities information repository. The “End of the Underwriting Period” means the later of the delivery of the Bonds by the Issuer to the Underwriter or when the Underwriter no longer retains (directly or as a syndicate member) an unsold balance of the Bonds for sale to the public, provided that the “End of the Underwriting Period” will be deemed to be the Closing Date unless the Underwriter otherwise notifies the Issuer and the Borrower in writing prior to such date that there is an unsold balance of the Bonds.

(e) If, during the period from the date hereof and ending on the earlier of (i) 90 days after the End of the Underwriting Period 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 occurs as a result of which the Official Statement for the Bonds as then amended or supplemented might include an untrue statement of material fact, or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the Issuer, if such event relates to the information included in the Official Statement under the captions “THE ISSUER” and “NO LITIGATION—The Issuer” (insofar as the information under such caption pertains to the Issuer), or the Borrower shall promptly notify the Underwriter thereof and shall (in either case, at the expense of the Borrower), upon the request of the Underwriter, prepare and deliver to the Underwriter, as many copies of an amendment or supplement which will correct such statement or omission as the Underwriter may reasonably request.

(f) The Issuer and the Underwriter agree to cooperate with the Borrower to minimize any expenses incurred in connection with the preparation and distribution of any amendments or supplements to the Preliminary Official Statement, the Official Statement and/or any remarketing memoranda required by the foregoing provisions.

### **SECTION 3. Issuer’s Representations and Warranties and Agreements.**

The Issuer represents, warrants to, and covenants and agrees with, the Underwriter and the Borrower that:

(a) On the date hereof and on the Closing Date, the statements and information pertaining to the Issuer, including, without limitation, its functions, duties and responsibilities, contained in the Preliminary Official Statement and the Official Statement, are and will be true, correct and complete in all material respects, and the Preliminary Official Statement and the Official Statement do not and will not omit any statement or information which is necessary to make such statements and information pertaining to the Issuer contained under the captions “THE ISSUER” and “NO LITIGATION – The Issuer”, including without limitation, its functions, duties and responsibilities, in light of the circumstances under which they are made, not misleading in any material respect.

(b) The Issuer is a municipal corporation and charter city of the State of California (the “State”), acting pursuant to the Law, 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.

(c) The Issuer has duly and validly adopted the Bond Resolution, has duly authorized and approved the execution and delivery of the Bonds, the Issuer Documents, the Preliminary Official Statement and the Official Statement, 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 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.

(d) 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 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.

(e) To the best of the undersigned's knowledge, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or threatened against the Issuer in any way:

(i) Affecting the organization of the Issuer, or the legal or corporate existence of the Issuer, or the title of the officers of the Issuer to their respective offices, or any powers of the Issuer under the Constitution or the laws of the State pursuant to which the Issuer was created;

(ii) Seeking to prohibit, restrain or enjoin the issuance, sale or delivery of the Bonds or the collection of revenues from the Borrower derived from payments under the Loan Agreement, or the pledge thereof;

(iii) Contesting or affecting the validity or enforceability of the Bonds or the Issuer Documents;

(iv) Contesting the power of the Issuer to enter into, execute and deliver the Issuer Documents or to consummate the transactions contemplated by such documents and the Preliminary Official Statement and the Official Statement;

(v) Contesting in any way the completeness or accuracy of the Preliminary Official Statement and the Official Statement or any amendment or supplement thereto (nor to the actual knowledge of the Issuer, is there any basis therefor); or

(vi) Wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Issuer Documents, the financial position or condition of the Issuer or the exclusion from gross income for federal income tax purposes of the interest on the Bonds.

(f) 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.

(g) To the best knowledge of the manager signing this Bond Purchase Agreement, there are no payment defaults on the outstanding housing bonds issued by the City of Los Angeles.

(h) 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.

(i) The Issuer has complied, and will at the Closing Date be in compliance, in all respects with the Bond Resolution and the Issuer Documents.

(j) All approvals, consents, authorization, elections and orders of or filings or registrations with any governmental authority, board, agency or commission (except state securities commissions) 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.

(k) 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.

(l) 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.

(m) The Issuer will apply the proceeds of the Bonds in accordance with the Indenture.

(n) 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.

(o) The Issuer has taken on or before the date hereof such actions advised by 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 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.

#### **SECTION 4. Representations, Warranties and Agreements of the Borrower.**

The Borrower represents and covenants with the Issuer and the Underwriter as follows:

(a) The Borrower is duly organized and 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 Preliminary Official Statement and the Official Statement 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 is in good standing wherever such qualification and/or standing are required, including the State.

(b) The information in the Preliminary Official Statement and the Official Statement under the headings “PLAN OF FINANCING,” “THE PROJECT AND THE PRIVATE PARTICIPANTS” and “NO LITIGATION—The Borrower” was, on the date thereof, and is, on the date hereof, true and correct and did not, on the date thereof, and does not, on the date hereof, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

(c) By all necessary action, the Borrower has duly authorized the Borrower Documents and approved the execution and delivery of the Borrower Documents, 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 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.

(d) On the Closing Date, the Borrower Documents 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.

(e) As of the date hereof, 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, 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 Documents, and compliance with the provisions on the Borrower’s part contained therein, to the best of Borrower’s knowledge, do not and will not conflict with or constitute on the part of the Borrower a violation or breach of or default under any 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 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.

(f) All consents, approvals, authorizations, and orders of or filings or registrations with any governmental authority, board, agency or issuer 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.

(g) As of the date hereof, 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 Borrower's actual knowledge, 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 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 Preliminary Official Statement or 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 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 Borrower's financial condition or operations, the validity of the authorization, execution, delivery or performance by the Borrower of any Borrower Document or the exclusion from gross income for federal income tax purposes of the interest on the Bonds.

(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 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 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, within its direct or indirect control, which action or omission will adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds.

(k) The Borrower shall honor all other Borrower covenants contained in the Borrower Documents, which agreements are incorporated herein and made a part of this Bond Purchase Agreement.

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 and correct in all material respects as of the date hereof.

## **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, supervisor, counsel, employee, attorney 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 reasonable 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”) except any Liability arising from the gross negligence or willful misconduct of the Underwriter or the willful misconduct of the Issuer 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 (the “Transaction Documents”) or (ii) any untrue or misleading statement or alleged untrue or alleged misleading statement of a material fact contained in or omission from, the Preliminary Official Statement or the Official Statement pertaining to the Borrower or the Project necessary to be stated therein in order to make the statements made therein, in 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 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.

(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 that are different from or in addition to those available to the Borrower, if conflicts of interest exist or arise between the Borrower and the Indemnified Party 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 to compromise or settle the claim or other matter on behalf of, for the account of, and at the risk and expense 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 shall contribute proportionately to the aggregate Liabilities to which the Borrower and the Indemnified Parties may be subject, so that the Underwriter is responsible for that portion represented by the percentage that the fees paid by the Borrower to the Underwriter in connection with the issuance and administration of the Bonds bear to the aggregate offering price of the Bonds, with the Borrower responsible for the balance; provided, however, that in no case shall the Underwriter be responsible for any amount in excess of the fees paid by the Borrower to the Underwriter in connection with the issuance and administration of the Bonds and provided further that the Borrower shall not be required to contribute for Liabilities arising from the gross negligence or willful misconduct of the Underwriter. No person guilty of fraudulent misrepresentation (within the meaning of Section 10(b) of

the Securities Act of 1933) shall be entitled to contribution from any person who was not guilty of such misrepresentation.

(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 that 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) The indemnification hereunder shall be in addition to, and shall not limit, any indemnity granted by the Borrower pursuant to the Loan Agreement, the Regulatory Agreement or any other document.

All obligations under this Section are subject to the limitations in Section 18 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 Bond Documents and the Underwriter shall accept delivery of the Bonds and the Bond 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 Underwriting 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. 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 ownership of one fully registered Bond in the aggregate principal amount of the Bonds, each 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 of the Underwriter**

The obligation of the Underwriter to purchase the Bonds and the obligation of the Issuer to sell the Bonds to the Underwriter shall be subject to the following conditions precedent:

(a) The representations of the Issuer and the Borrower in this Bond Purchase Agreement and the representations and warranties made in each of the Bond Documents by the respective parties shall be true and correct on this date and on the Closing Date, as if made on the Closing Date, and each such party to the Bond Documents shall deliver a certificate to such effect. The Issuer and the Borrower shall have performed all of their obligations under this Bond Purchase Agreement, and the Issuer and the Borrower shall deliver certificates to such effect. The Preliminary Official Statement and the Official Statement (as the same may be amended or supplemented with the written approval of the Underwriter) shall be true and correct in all material respects and shall not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading.



(b) Except as may have been agreed to by Underwriter, as of the Closing Date, each of the Bond Documents and all other official action of the Issuer relating thereto shall be in full force and effect and shall not have been amended, modified or supplemented, and the Preliminary Official Statement and the Official Statement shall not have been amended or supplemented.

(c) The Issuer and the Underwriter shall have received the legal opinion of Bond Counsel, in substantially the form set forth in Appendix B to the Preliminary Official Statement and the Official Statement, and the Underwriter shall have received a supplemental opinion of Bond Counsel and Issuer's counsel dated the Closing Date and addressed to the Underwriter covering the matters set forth in Exhibit A hereto.

(d) No default or event of default (as defined in any of the Bond Documents) shall have occurred and be continuing, and no event shall have occurred and be continuing which, with the lapse of time or the giving of notice or both, would constitute such a default or event of default.

(e) No material adverse change shall have occurred, nor shall any development involving a prospective material and adverse change in, or affecting the affairs, business, financial condition, results of operations, prospects or properties (including the Project) of, the Issuer or the Borrower have occurred between the date hereof and the Closing Date.

(f) On or prior to the Closing Date, all actions required to be taken as of the Closing Date in connection with the Bonds and the Bond Documents by the Issuer and the Borrower shall have been taken, and the Issuer and the Borrower shall each have performed and complied with all agreements, covenants and conditions required to be performed or complied with by the Bond Documents, and the Issuer and the Borrower shall deliver a certificate to such effect insofar as the foregoing actions, agreements, covenants and conditions apply to each such party, and each of such agreements shall be in full force and effect and shall not have been amended, modified or supplemented, except as has been agreed to by the Underwriter.

(g) Each of the Bond Documents shall have been executed and delivered by each of the respective parties thereto, all such documents shall be in forms exhibited to Underwriter on this date with only such changes as the Underwriter may approve, and each of the Bond Documents shall be in full force and effect.

(h) None of the events referred to in Section 8 of this Bond Purchase Agreement shall have occurred.

(i) The Underwriter shall have received the opinion of counsel to the Borrower covering the points identified in Exhibit B hereto. Borrower hereby authorizes and directs its counsel to render such opinion to and for the benefit of the Underwriter.

(j) The Underwriter shall have received written evidence that S&P Global Ratings ("S&P") has issued its rating of "AA+" with respect to the Bonds, and as of the Closing Date, the rating shall not have been withdrawn or lowered.

(k) The Underwriter shall have received a certificate of the Borrower to the effect that: (A) each of the representations and warranties set forth in the Borrower Documents is true and correct in all material respects on the Closing Date with the same effect as if made on the Closing Date, (B) 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) 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.

(l) The Underwriter shall have received an opinion of its counsel in substantially the form attached as Exhibit D hereto.

(m) The Underwriter shall have received certificates, dated the Closing Date, and signed by an Authorized Official of the Issuer, to the effect that the representations and warranties of the Issuer contained in this Bond Purchase Agreement are true and correct in all material respects on the date thereof with the same effect as if made on the date of such certificates; and that the Issuer has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied under the Bonds and the Issuer Documents at or prior to the date thereof.

(n) The Underwriter shall have received a tax certificate of the Issuer and the Borrower, dated the Closing Date, with respect to the facts, estimates and circumstances and reasonable expectations pertaining to Section 148 of the Code to support the conclusion that, among other things, none of the Bonds will be an “arbitrage bond.”

(o) The Underwriter shall have received a closing certificate from the Trustee in a form acceptable to the Underwriter.

(p) The Underwriter shall have received such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter or Bond Counsel may reasonably request.

If any conditions to the obligations of the Underwriter or Issuer contained in this Bond Purchase Agreement are not satisfied and the satisfaction of such conditions shall not be waived by the Underwriter and the Issuer, then, at the option of the Underwriter and the Issuer, (i) the Closing Date shall be postponed for such period, not to exceed seven (7) days, as may be necessary for such conditions to be satisfied or (ii) without limiting the generality of Section 8 of this Bond Purchase Agreement, the obligations of the Underwriter and Issuer under this Bond Purchase Agreement shall terminate, and neither the Underwriter nor Issuer shall have any further obligations or liabilities under this Bond Purchase Agreement.

All of the legal opinions, certificates, proceedings, instruments and other documents mentioned above or elsewhere in this Bond Purchase Agreement shall be deemed to be in compliance with the provisions of this Bond Purchase Agreement if, but only if, they are in form and substance reasonably satisfactory to the Underwriter, the Borrower and the Issuer.

## **SECTION 8. Termination**

The Underwriter shall have the right to terminate this Bond Purchase Agreement by notification to the Issuer and the Borrower if, after the execution hereof and prior to the Closing any of the following events shall occur in the sole and reasonable judgment of the Underwriter:

(i) an event shall occur which makes untrue or incorrect in any material respect, as of the time of such event, any statement or information contained in the Official Statement or which is not reflected in the Official Statement but should be reflected therein in order to make the statements contained therein in the light of the circumstances under which they were made not misleading in any material respect and, in either such event, (a) the Issuer refuses to permit the Official Statement to be supplemented to supply such statement or information in a manner satisfactory to the Underwriter or (b) the effect of the Official Statement as so supplemented is, in the judgment of the Underwriter, to materially adversely affect the market price or marketability of the Bonds or the ability of the Underwriter to enforce contracts for the sale, at the contemplated offering prices (or yields), of the Bonds; or

(ii) legislation shall be introduced in, enacted by, reported out of committee, or recommended for passage by the State, either House of the Congress, or recommended to the Congress or otherwise endorsed for passage (by press release, other form of notice or otherwise) by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or legislation is proposed for consideration by either such committee by any member thereof or presented as an option for consideration by either such committee by the staff or such committee or by the staff of the Joint Committee on Taxation of the Congress of the United States, or a bill to amend the Code (which, if enacted, would be effective as of a date prior to the Closing) shall be filed in either House, or a decision by a court of competent jurisdiction shall be rendered, or a regulation or filing shall be issued or proposed by or on behalf of the Department of the Treasury or the Internal Revenue Service of the United States, or other agency of the federal government, or a release or official statement shall be issued by the President, the Department of the Treasury or the Internal Revenue Service of the United States, in any such case with respect to or affecting (directly or indirectly) the federal or state taxation of interest received on obligations of the general character of the Bonds which, in the judgment of the Underwriter, materially adversely affects the market price or marketability of the Bonds or the ability of the Underwriter to enforce contracts for the sale, at the contemplated offering prices (or yields), of the Bonds; or

(iii) a stop order, ruling, regulation, proposed regulation or statement by or on behalf of the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, offering, sale or distribution of obligations of the general character of the Bonds (including any related underlying obligations) is in violation or would be in violation of any provisions of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended or the Trust Indenture Act of 1939, as amended; or

(iv) legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree, or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary, or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds, including any or all underlying arrangements, are not exempt from registration under or other requirements of the Securities Act of 1933, as amended, or that the Indenture is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, as amended, or that the issuance, offering, or sale of obligations of the general character of the Bonds, including any or all underlying arrangements, as

contemplated hereby or by the Official Statement or otherwise, is or would be in violation of the federal securities law as amended and then in effect;

(v) there shall have occurred (1) any outbreak or escalation of hostilities, declaration by the United States of a national or international emergency or war; or (2) any other calamity or crisis in the financial markets of the United States or elsewhere; or (3) a downgrade of the sovereign debt rating of the United States by any major credit rating agency or payment default on United States Treasury obligations; or (4) a default with respect to the debt obligations of, or the institution of proceedings under any federal bankruptcy laws by or against any state of the United States or any city, county or other political subdivision located in the United States having a population of over 1,000,000, which, in the judgment of the Underwriter, materially adversely affects the market price or marketability of the Bonds or the ability of the Underwriter to enforce contracts for the sale, at the contemplated offering prices (or yields), of the Bonds; or

(vi) there shall have occurred a general suspension of trading, minimum or maximum prices for trading shall have been fixed and be in force or maximum ranges or prices for securities shall have been required on the New York Stock Exchange or other national stock exchange whether by virtue of a determination by that Exchange or by order of the Securities and Exchange Commission or any other governmental agency having jurisdiction or any national securities exchange shall have: (i) imposed additional material restrictions not in force as of the date hereof with respect to trading in securities generally, or to the Bonds or similar obligations; or (ii) materially increased restrictions now in force with respect to the extension of credit by or the charge to the net capital requirements of underwriters or broker-dealers which, in the judgment of the Underwriter, materially adversely affects the market price or marketability of the Bonds or the ability of the Underwriter to enforce contracts for the sale, at the contemplated offering prices (or yields), of the Bonds; or

(vii) a general banking moratorium shall have been declared by federal or New York or California state authorities or a major financial crisis or a material disruption in commercial banking or securities settlement or clearances services shall have occurred which, in the judgment of the Underwriter, materially adversely affects the market price or the marketability for the Bonds or the ability of the Underwriter to enforce contracts for the sale, at the contemplated offering prices (or yields), of the Bonds; or

(viii) a downgrading or suspension of any rating (without regard to credit enhancement) by Moody's Investors Service, Inc. ("Moody's"), S&P, or Fitch Ratings ("Fitch") of any debt securities issued by the Issuer, or (ii) there shall have been any official statement as to a possible downgrading (such as being placed on "credit watch" or "negative outlook" or any similar qualification) of any rating by Moody's, S&P or Fitch of any debt securities issued by the Issuer, including the Bonds.

## **SECTION 9. Expenses**

The Underwriter shall be under no obligation to pay, and the Borrower hereby agrees to pay, any expenses incurred on behalf of the Issuer's employees which are directly related to the offering of the Bonds, 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 public offering of the Bonds such number of copies as may be requested by the Underwriter of the Preliminary Official Statement, the Official Statement, the Indenture, the Bond Resolution and the blue sky survey, 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 Issuer's counsel; the fees and expenses of the Trustee and its counsel; any application or administrative fee of the Issuer; and the fees and disbursements of the

Issuer's financial advisor and any other experts or consultants retained by the Issuer; (d) the fees of rating agencies in connection with the rating of the Bonds; (e) the fees of Digital Assurance Certification, L.L.C. for a continuing disclosure undertaking compliance review; (f) the Underwriting Fee and reimbursement of the fees and expenses of counsel to the Underwriter as provided in Section 1 hereof; (g) the expenses relating to the meals, transportation and lodging of the Issuer's employees; and (h) all other expenses in connection with the public offer and sale of the Bonds. The Issuer shall have no obligation to pay any fees, expenses or costs associated with or resulting from the issuance and delivery of the Bonds.

The Underwriter is required to pay fees to the California Debt and Investment Advisory Commission in connection with the Bond offering. Notwithstanding that such fees are solely the legal obligation of the Underwriter, the Borrower agrees to reimburse the Underwriter for such fees.

#### **SECTION 10. 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 addresses 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 delivering the same in writing to Citigroup Global Markets Inc., 1225 17<sup>th</sup> Street, Suite 2102, Denver, Colorado 80202, Attention: Brad Edgar.

#### **SECTION 11. 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 12. Amendments**

This Bond Purchase Agreement may not be amended without the written consent of the Issuer, the Borrower and the Underwriter.

#### **SECTION 13. 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 14. 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 15. 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 16. 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 17. 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 18. 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 FHA Loan Documents. 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), (B) funds that are not derived from (i) revenues of the Project (as defined in the FHA Mortgage), or (ii) any reserve or deposit made with the FHA Lender or any other party as required by HUD in connection with the FHA Loan Documents, or (C) FHA Lender Funds (collectively, "Non-Project Sources"). No claims or actions shall be made (or payable) under this Bond Purchase Agreement against the Project, the FHA Lender or the assets of the Borrower, except from Non-Project Sources. 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 FHA 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 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 18 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 FHA Loan Documents or the Program Obligations.

## **SECTION 19. 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, municipal 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]

[Underwriter's Signature Page to Bond Purchase Agreement]

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 and the Underwriter in accordance with its terms.

**CITIGROUP GLOBAL MARKETS INC.**

By: \_\_\_\_\_  
Name: Brad Edgar  
Title: Director

[Issuer's Signature Page to Bond Purchase Agreement]

**CITY OF LOS ANGELES**

By Los Angeles Housing and Community  
Investment Department

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: Authorized Officer

Approved as to form:

CITY OF LOS ANGELES  
MICHAEL N. FEUER, City Attorney

By: \_\_\_\_\_  
Deputy/Assistant City Attorney



[Borrower Signature Page to the Bond Purchase Agreement]

**HANCOCK GARDENS SENIOR HOUSING LP,**  
a California limited partnership

By: Housing Corporation of America,  
a Utah nonprofit corporation,  
its Managing General Partner

By: \_\_\_\_\_  
Name: Ronald H. Olson  
Title: President

By: Hancock Gardens Senior Housing LLC,  
a California limited liability company,  
its Administrative General Partner

By: \_\_\_\_\_  
Name: Andrew Gross  
Title: President

**SCHEDULE I**

**AMOUNT, MATURITY, INTEREST RATE AND PRICE**

<u>Principal Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Price</u>
[\$1,500,000]	[November 1, 2017]	[ ]%	100%

**EXHIBIT A**

**SUPPLEMENTAL OPINION OF BOND COUNSEL AND ISSUER'S COUNSEL**

\_\_\_\_\_, 2016

Citigroup Global Markets Inc.  
Denver, Colorado

\$[1,500,000]  
City of Los Angeles  
Multifamily Housing Revenue Bonds  
(Hancock Gardens Senior Apartments)  
Series 2016G

[After appropriate introductory language, the opinion shall state substantially as follows:]

We are of the opinion, as of the date hereof, 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 \$[1,500,000] Multifamily Housing Revenue Bonds (Hancock Gardens Senior Apartments) Series 2016G (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.

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 Issuer 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 Documents, the Organizational Documents or any action of the Issuer contemplated by those documents, or in any way contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or the powers of the Issuer or its authority with respect to the Bonds, the Documents, the Organizational 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 Documents have been obtained and are in full force and effect.

7. The Bonds and the Documents conform to the descriptions thereof contained in the Preliminary Official Statement and the Official Statement, and the statements contained in the Preliminary Official Statement and the Official Statement on the cover and under the captions "INTRODUCTION," "THE BONDS" (except under the subcaption "Book-Entry System"), "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and "TAX MATTERS," and in Appendices A, B, C, D and E, insofar as such statements purport to summarize certain provisions of the Bonds, the Indenture, the Loan Agreement, the Regulatory Agreement and our Bond Counsel opinion, present a fair and accurate summary of such provisions.

Very truly yours,

**EXHIBIT B**

**BORROWER'S COUNSEL OPINION**

\_\_\_\_\_, 2016

Citigroup Global Markets Inc.  
Denver, Colorado

U.S. Bank National Association  
Los Angeles, California

City of Los Angeles  
Los Angeles, California

\$[1,500,000]  
City of Los Angeles  
Multifamily Housing Revenue Bonds  
(Hancock Gardens Senior Apartments)  
Series 2016G

[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 of California and has all requisite limited 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 of California.

2. The Borrower has full legal right, power and authority (a) to own its properties and conduct its business as described in the Preliminary Official Statement and the Official Statement and (b) to enter into and to carry out and consummate the transactions contemplated by the Borrower Documents.

3. The Borrower's administrative general partner (the "Administrative General Partner") is a limited liability company, duly organized, validly existing and in good standing under the laws of the State of California 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 of California.

4. The Borrower's managing general partner (the "Managing General Partner", and together with the Administrative General Partner, the "General Partners") is a nonprofit corporation, duly organized, validly existing and in good standing under the laws of the State of Utah and has all requisite nonprofit corporation 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 of California.

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 General Partners of the Borrower have the authority to bind the General Partners and thereby the Borrower to the terms and conditions of the Borrower Documents.

6. 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.

7. 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 the Borrower or its property.

8. 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.

9. As of the Closing Date, all consents, approvals, authorizations, and orders of or filings or registrations with any governmental authority, board, agency or issuer 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.

10. 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 Preliminary Official Statement or 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.

11. Nothing has come to our attention that would lead us to believe that the statements and information with respect to Project and the Private Participants contained in the Preliminary Official Statement and the Official Statement under the captions “PLAN OF FINANCING,” “THE PROJECT AND THE PRIVATE PARTICIPANTS,” and “NO LITIGATION—The Borrower” (except as to the statistical and financial data included in the Preliminary Official Statement and the Official Statement with respect to which we do not express any opinion), contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in 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**

**BORROWER'S RULE 15c2-12 CERTIFICATE**

\$[1,500,000]  
City of Los Angeles  
Multifamily Housing Revenue Bonds  
(Hancock Gardens Senior Apartments)  
Series 2016G

The undersigned hereby certifies and represents to Citigroup Global Markets Inc. (the "Underwriter") that he/she is authorized to execute and deliver this certificate on behalf of Hancock Gardens Senior Housing LP, a California limited partnership (the "Borrower"), and hereby further certifies 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 Preliminary Official Statement, dated the date of this certificate, setting forth information concerning the Bonds and the Borrower (the "Preliminary Official Statement").

(c) As used herein, "Permitted Omissions" shall mean the offering price(s), interest rate(s), accreted values, yield to maturity, selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings and other terms of the Bonds depending on such matters and the identity of the underwriter(s), all with respect to the issuance and sale of the Bonds.

(d) The Preliminary Official Statement is, as of the date thereof, deemed final within the meaning of the Rule, except for Permitted Omissions.

(e) The sections of the Preliminary Official Statement entitled "CONTINUING DISCLOSURE" and "APPENDIX F—FORM OF CONTINUING DISCLOSURE AGREEMENT" describes the agreement the Borrower expects to make for the benefit of the Bondholders in the Continuing Disclosure Agreement, dated as of [\_\_\_\_\_] 1, 2016, by and between the Borrower and U.S. Bank National Association, 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, its members and all entities affiliated with the Borrower and its members have complied with all of their previous continuing disclosure obligations under the Rule, if any (except to the extent described in the Preliminary Official Statement).

Dated: \_\_\_\_\_, 2016

[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.

**HANCOCK GARDENS SENIOR HOUSING LP,**  
a California limited partnership

By: Housing Corporation of America,  
a Utah nonprofit corporation,  
its Managing General Partner

By: \_\_\_\_\_  
Name: Ronald H. Olson  
Title: President

By: Hancock Gardens Senior Housing LLC,  
a California limited liability company,  
its Administrative General Partner

By: \_\_\_\_\_  
Name: Andrew Gross  
Title: President

**EXHIBIT D**

**UNDERWRITER'S COUNSEL OPINION**

\_\_\_\_\_, 2016

Citigroup Global Markets Inc.  
390 Greenwich Street, 2nd Floor  
New York, NY 10013

\$[1,500,000]  
City of Los Angeles  
Multifamily Housing Revenue Bonds  
(Hancock Gardens Senior Apartments)  
Series 2016G

We have acted as counsel to Citigroup Global Markets Inc. (the "Underwriter") in connection with the issuance of the above-captioned bonds (the "Bonds"), issued pursuant to a Trust Indenture, dated as of [\_\_\_\_\_] 1, 2016 (the "Indenture"), by and between the City of Los Angeles (the "Issuer") and U.S. Bank National Association, as trustee (the "Trustee"). As such counsel, we have reviewed such records, certificates, opinions and documents as we have deemed necessary or appropriate for the purpose of this opinion.

Upon the basis of such examination, we are of the opinion that (a) under the existing laws, the Bonds may be offered and sold without registration under the Securities Act of 1933, as amended, and the Indenture is not required to be qualified under the Trust Indenture Act of 1939, as amended and (b) assuming the validity of the Continuing Disclosure Agreement, dated as of the date of the Indenture (the "Continuing Disclosure Agreement"), by and between Hancock Gardens Senior Housing LP, a California limited partnership (the "Borrower"), and the Trustee, the Continuing Disclosure Agreement satisfies Section (b)(5)(i) of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, which requires an undertaking for the benefit of the holders, including beneficial owners, of the Bonds to provide certain annual financial information and event notices to various information repositories at the time and in the manner required by the Rule.

In connection with the preparation of the Preliminary Official Statement and the Official Statement (together, the "Offering Document") used in connection with the initial issuance and sale of the Bonds on the date hereof, we have reviewed generally information furnished to us by, and have participated in conferences with, representatives of the Issuer, the Los Angeles City Attorney's Office, Bond Counsel, the Borrower, Kantor Taylor Nelson Evatt & Decina PC, the Trustee and the Underwriter. We also have reviewed the documents relating to the Bonds described in the Offering Document and other documents and records relating to the issuance and sale of the Bonds. In addition, we have relied upon certificates of officials of the Issuer, the Borrower and the Trustee and opinions from Bond Counsel and Borrower's counsel. However, we have not independently verified any factual matters in connection with or apart from the aforementioned review and conferences and, accordingly, we do not express any view or belief as to matters that might have been disclosed by independent verification.

Although we have made no independent investigation or verification of the accuracy, correctness, fairness or completeness of, and do not assume any responsibility for, the information included in the Offering Document (subject to the qualifications set forth herein), no information came to the attention of the attorneys in our firm rendering legal services in connection with the issuance of the Bonds which causes us to believe that the Offering Document (except for the financial statement, financial, statistical

and numerical information, forecasts, estimates, assumptions and expressions of opinion, as to which we express no view), as of its date contained, or as of the date of this opinion contains, any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in 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.

Respectfully submitted,

EICHNER NORRIS & NEUMANN PLLC

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

**ATTACHMENT F – PRELIMINARY OFFICIAL STATEMENT**

**PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2016**

**NEW ISSUE - BOOK ENTRY ONLY**

**EXPECTED RATING: S&P: “AA+”  
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.*

**[\$1,500,000]\*  
CITY OF LOS ANGELES  
MULTIFAMILY HOUSING REVENUE BONDS  
(HANCOCK GARDENS SENIOR APARTMENTS)  
SERIES 2016G**

**Dated: Date of Delivery**

**Maturity: As shown below**

The Multifamily Housing Revenue Bonds (Hancock Gardens Senior Apartments) Series 2016G (the “Bonds”) will be issued under the provisions of the Trust Indenture dated as of [\_\_\_\_\_] 1, 2016 (the “Indenture”), between the City of Los Angeles (the “Issuer”) and U.S. Bank National Association, as trustee (the “Trustee”). The Bonds will be issued for the purpose of making a loan (the “Loan”) to Hancock Gardens Senior Housing LP, a California limited partnership (the “Borrower”) to finance a portion of the costs of acquiring, rehabilitating, equipping and otherwise improving an existing 65-unit (plus one manager unit) apartment complex for seniors, as more fully described under “THE PROJECT AND THE PRIVATE PARTICIPANTS” 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 thereof. Interest on the Bonds is payable on [May] 1\* and [November] 1\* of each year, commencing [November] 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 special obligations of the Issuer, payable solely from the revenues and other moneys assigned by the Indenture to secure that payment, which include the payments required to be made by the Borrower under the Loan Agreement dated as of [\_\_\_\_\_] 1, 2016 (the “Loan Agreement”) between the Borrower and the Issuer. As further described herein, the Bonds are being issued pursuant to an allocation of tax-exempt private activity bond volume cap supplemental to a prior allocation pursuant to which the Issuer’s \$12,725,000 Multifamily Housing Revenue Bonds (Hancock Gardens Senior Apartments) Series 2016E were issued.

**At all times the Bonds will be secured by 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 or date of earlier redemption, as further described herein. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”**

**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 (AS DEFINED IN THE INDENTURE) 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 OF CALIFORNIA (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 optional redemption prior to their stated maturity. See “THE BONDS – Optional Redemption” herein.

**THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. THIS COVER PAGE IS NOT INTENDED TO BE A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THIS ENTIRE OFFICIAL STATEMENT, INCLUDING THE APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.**

**MATURITY SCHEDULE\***

<u>Date*</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP</u>
[November 1, 2017]	[\$1,500,000]	__%	__%	_____

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, Omaha, Nebraska, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by Eichner Norris & Neumann PLLC, Washington, D.C., for the Issuer by the Los Angeles City Attorney’s Office, Los Angeles, California, and for the Borrower by Kantor Taylor Nelson Evatt & Decina PC, Seattle, Washington. It is expected that the Bonds will be available for delivery in definitive form on or about \_\_\_\_\_, 2016 through the services of DTC against payment therefor.



The date of this Official Statement is \_\_\_\_\_, 2016.

\*Preliminary; subject to change.

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.

## **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 (only as to the Sections labeled “The Issuer” and “No Litigation” as it pertains to the Issuer) and 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 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, other than in the Sections labeled “The Issuer” and “No Litigation” as it pertains to the Issuer, 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.

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.**

**TABLE OF CONTENTS**

	<b>Page</b>
INTRODUCTION .....	1
THE ISSUER .....	3
PLAN OF FINANCING .....	6
THE PROJECT AND THE PRIVATE PARTICIPANTS .....	8
THE BONDS .....	11
SECURITY AND SOURCES OF PAYMENT FOR THE BONDS .....	16
THE TRUSTEE .....	16
CERTAIN BONDHOLDERS' RISKS .....	17
NO LITIGATION .....	18
UNDERWRITING .....	19
TAX MATTERS .....	19
LEGAL MATTERS .....	21
RATING .....	21
SUBORDINATION TO MORTGAGE LOAN DOCUMENTS AND HUD REQUIREMENTS .....	21
CONTINUING DISCLOSURE .....	22
MISCELLANEOUS .....	22
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	
APPENDIX E SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT	
APPENDIX F FORM OF CONTINUING DISCLOSURE AGREEMENT	

## OFFICIAL STATEMENT

**[\$1,500,000]\***  
**CITY OF LOS ANGELES**  
**MULTIFAMILY HOUSING REVENUE BONDS**  
**(HANCOCK GARDENS SENIOR APARTMENTS)**  
**SERIES 2016G**

### 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 its Multifamily Housing Revenue Bonds (Hancock Gardens Senior Apartments) Series 2016G (the “Bonds”). The Bonds are being issued by the Issuer pursuant to a Trust Indenture (the “Indenture”) dated as of [\_\_\_\_\_] 1, 2016 between the Issuer and U.S. Bank National Association, as Trustee (the “Trustee”). The Trustee is expected to also serve as Registrar. Capitalized terms used but not otherwise defined herein are defined in Appendix A.

The Issuer will loan the proceeds of the sale of the Bonds to Hancock Gardens Senior Housing LP, a California limited partnership (the “Borrower”), pursuant to the Loan Agreement (the “Loan Agreement”) dated as of [\_\_\_\_\_] 1, 2016, between the Issuer and the Borrower to pay a portion of the costs of acquiring, rehabilitating and equipping an existing 65-unit (plus one manager unit) apartment complex for seniors presently known as Hancock Gardens Senior Apartments (the “Project”), to be owned by the Borrower. See “THE PROJECT AND THE PRIVATE PARTICIPANTS.” Pursuant to the Loan Agreement, the Borrower has agreed to make payments to the Issuer in amounts sufficient to pay the principal of and interest on the Bonds when due (the “Bond Debt Service Charges”) to the extent that amounts otherwise available for such payment are insufficient therefor. The Loan will be evidenced by a promissory note relating to the Bonds in the original principal amount of \$[1,500,000]\* (the “Note”) from the Borrower to the Issuer. The Loan Agreement, except for Unassigned Issuer’s Rights, and the Note will be assigned under the Indenture without recourse by the Issuer to the Trustee.

On April 8, 2016, the Issuer issued \$12,725,000 of its Multifamily Housing Revenue Bonds (Hancock Gardens Senior Apartments) Series 2016E (the “Original Bonds”) under the provisions of the Trust Indenture dated as of April 1, 2016 (the “Original Indenture”), between the Issuer and the Trustee. The Original Bonds were issued for the purpose of making a loan to the Borrower to finance a portion of the costs of acquiring, rehabilitating, equipping and otherwise improving the Project. In order to ensure that, in compliance with Section 42 of the Code, at least 50% of the Borrower’s aggregate basis in the Project will be financed by volume-limited tax-exempt bonds, as well as to facilitate the disbursement of the full developer fee, the Borrower sought and, subsequently to the issuance of the Original Bonds, obtained a supplemental allocation of bond volume cap from the California Debt Limit Allocation Committee (“CDLAC”) in the amount of \$[1,500,000]\*. The Bonds are being issued pursuant to this supplemental allocation, and will be secured by collateral deposits separate and distinct from the collateral deposits that secure the Original Bonds.

It is anticipated that the aggregate funds on deposit in the Project Fund and the Collateral Fund will, at all times, equal the principal amount of Bonds then outstanding. It is anticipated that interest on the Bonds will be paid from amounts on deposit in the Bond Fund and that the Bond Debt Service Charges of the Bonds will otherwise be paid 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 (such foregoing funds, collectively, the “Special Funds”), and investment

---

\* Preliminary; subject to change.

earnings thereon. Amounts on deposit in the Special Funds will be invested in Eligible Investments. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein.

The Bonds shall bear interest on the outstanding principal amount thereof at a rate equal to \_\_\_% per annum from their date, payable on each [May] 1\* and [November] 1\*, commencing [November] 1, 2016\* (each an “Interest Payment Date”).

The Bonds are subject to redemption prior to maturity as set forth herein under “THE BONDS.”

The Bonds are special 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 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 or date of earlier redemption, as further described herein. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” and “PLAN OF FINANCING” herein.**

The Borrower will be required to operate the Project in compliance with a Regulatory Agreement and Declaration of Restrictive Covenants (the “Regulatory Agreement”) dated as of [\_\_\_\_\_] 1, 2016, by and among the Borrower, the Issuer and the Trustee. The Regulatory Agreement requires that the Project be operated as a qualified residential rental project with at least 40% of the completed units of the Project occupied by Low Income Tenants (i.e., individuals or families whose aggregate incomes do not exceed 60% of the applicable median gross income (adjusted for family size) for the area in which the Project is located) during the Qualified Project Period (as defined in the Regulatory Agreement), in accordance with Section 142(d) of the Code. The Regulatory Agreement further requires that the rents paid by the Low Income Tenants for such units shall not exceed 30% of 60% of area median income, adjusted for family size. Failure to comply with these requirements could result in the loss of the federal tax exemption of the Bonds retroactive to their date of issuance. See “TAX MATTERS” and “APPENDIX E - SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT.” In addition to the rental restrictions imposed upon the Project by the Regulatory Agreement, the Project is further encumbered by a tax credit restrictive covenant, executed by the Borrower in connection with the low-income housing tax credits (the “LIHTCs”) granted for the Project and in compliance with the requirements of Section 42 of the Code. See “THE PROJECT AND THE PRIVATE PARTICIPANTS.”

The Borrower has executed a Regulatory Agreement for Multifamily Projects required by FHA (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 PNC Bank, N.A., a national banking association (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-Insured Note (Multistate) (the “FHA Note”) secured by a first-lien priority Multifamily Deed of Trust, Assignment of Leases and Rents and Security Agreement (the “FHA Mortgage”) on the Project, 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.

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. 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 Loan

---

\* Preliminary; subject to change.



Agreement, the Indenture 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, and all references to the Bonds are qualified in their entirety by the definitive forms thereof included in the Indenture. See “MISCELLANEOUS” 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 nor any of their respective counsel, members, officers or employees make 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 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. Claire Bartels 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, the Administration Bureau, and the Community Services and Development Bureau. The HCIDLA is under the management 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 HOME Investment Partnerships Program (HOME), and the Community Development Block Grant Program (CDBG). 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 and rent control. 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.

EXCEPT FOR INFORMATION CONCERNING THE ISSUER IN THE SECTIONS HEREOF CAPTIONED "THE ISSUER" AND "NO LITIGATION—THE ISSUER," NONE OF THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN SUPPLIED OR VERIFIED BY THE ISSUER, AND THE ISSUER MAKES NO REPRESENTATIONS OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

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.

**PLAN OF FINANCING\***

The total costs of the Project and the sources of funds to pay those costs are estimated by the Borrower as follows:

<b>Sources of Funds*</b>	
Deferred Developer Fee	\$1,225,078
Low Income Housing Tax Credit Equity	8,825,441
NOI During Construction	319,136
Permanent Loan	15,350,000
Seller Financing	1,000,000
<b>Total</b>	<u>\$26,719,655</u>
 <b>Uses of Funds*</b>	
Acquisition Cost	\$14,700,000
Construction Cost	5,110,304
General Requirements	306,618
Contractor Profit & Overhead	408,824
Contractor Insurance and P&P Bond	102,206
Hard Cost Contingency	592,795
Architectural & Engineering	230,000
Legal & Accounting Fees	110,000
Financing Costs	1,703,593
RE Taxes & Insurance	95,000
Soft Cost Contingency	272,628
Operating Reserve	275,687
Developer Fee	2,500,000
Relocation Expense	33,000
Other Misc. Costs	279,000
<b>Total</b>	<u>\$26,719,655</u>

All costs of issuing the Bonds, including Underwriter's fee, will be paid by the Borrower.

The sources and uses of funds to be applied under the Indenture are projected to be approximately as follows:

<b>Sources of Funds*</b>	
Bond Proceeds	\$[1,500,000]
Proceeds of Subordinate Loan	
<b>Total</b>	<u>\$_____</u>
 <b>Uses of Funds*</b>	
Deposit to Project Fund	\$[1,500,000]
Initial Deposit Account of Bond Fund <sup>†</sup>	
<b>Total</b>	<u>\$_____</u>

<sup>†</sup>The deposit of the Initial Deposit to the Initial Deposit Account of the Bond Fund has been calculated to be sufficient to cover the interest which will become due on the Bonds to the Maturity Date.

---

\* Preliminary; subject to change.

Simultaneously with the closing and issuance of the Original Bonds, the Borrower closed a mortgage loan on the Project (the “FHA Insured Mortgage Loan”) in the amount of \$15,350,000 with the FHA Lender to provide construction and permanent financing for the Project as further described below. In addition, on the closing date of the Original Bonds as described under the caption “Low Income Housing Tax Credits” below, the Borrower sold to an affiliate or affiliates of Wells Fargo Affordable Housing Community Development Corporation, a North Carolina corporation (the “Investor Limited Partner”) a 99.99% ownership interest in the Borrower. Pursuant to that sale, the funding of the LIHTCs is expected to total \$8,825,441\* when fully funded.

On April 8, 2016, the Issuer issued the Original Bonds under the provisions of the Original Indenture. The Original Bonds were issued for the purpose of making a loan to the Borrower to finance a portion of the costs of acquiring, rehabilitating, equipping and otherwise improving the Project. In order to ensure that, in compliance with Section 42 of the Code, at least 50% of the Borrower’s aggregate basis in the Project will be financed by volume-limited tax-exempt bonds, as well as to facilitate the disbursement of the full developer fee, the Borrower sought and, subsequently to the issuance of the Original Bonds, obtained a supplemental allocation of bond volume cap from CDLAC in the amount of \$[1,500,000]\*. The Bonds are being issued pursuant to this supplemental allocation, and will be secured by collateral deposits separate and distinct from the collateral deposits that secure the Original Bonds.

The Bonds will be initially secured by their own proceeds to be deposited in the Project Fund under the Indenture (plus the Initial Deposit to cover capitalized interest on the Bonds through the Maturity Date). Over time, as FHA Lender Funds are advanced to the Borrower by the FHA Lender, those proceeds will be disbursed to the Borrower against a simultaneous deposit to the Collateral Fund of an equivalent amount of FHA Lender Funds. The Bonds will thus remain at all times 100% collateralized by Eligible Investments on deposit in the Special Funds under the Indenture.

The Issuer has directed the Trustee to deposit all payments made by the Borrower pursuant to the Note and the Loan Agreement into the Bond Fund established and maintained pursuant to the Indenture. Bond Debt Service Charges shall be payable as they become due, (i) in the first instance from the moneys on deposit in the Bond Fund, (ii) second, from moneys on deposit in the Initial Deposit Account of the Bond Fund and transferred as necessary to the Bond Fund, (iii) third, from moneys on deposit in the Collateral Fund and transferred as necessary to the Bond Fund, (iv) thereafter, from moneys on deposit in the Project Fund and transferred as necessary to the Bond Fund. Investment of moneys in the Special Funds will mature or be redeemable at the times and in the amounts necessary to provide moneys to pay Bond Debt Service Charges on the Bonds when due or when otherwise required under the Indenture. All investment earnings from amounts on deposit in the Project Fund and the Collateral Fund will be credited to the Bond Fund. See “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Application of Loan Payments” and “—Investment of Special Funds”.

*The FHA Insured Mortgage Loan.* The Project is utilizing an 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 is in the original principal amount of \$15,350,000 and bears interest at the rate of 3.50% 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

---

\* Preliminary; subject to change.

Note, fully amortized mortgage-backed securities (“GNMA Securities”) guaranteed as to timely payment of principal and interest by the Government National Mortgage Association (“GNMA”).

*Seller Loan.* Simultaneously with the closing of the Original Bonds, Hancock Gardens Senior Apartments LP (the “Seller”) made a seller loan to the Borrower in the amount of \$1,000,000 (the “Seller Loan”), pursuant to a promissory note in the original principal amount of \$1,000,000, at the rate of 8% per annum and has a term of 480 months. The Seller Loan is secured by a subordinate deed of trust on the Project and is repayable from residual receipts.

*Wells Fargo Bridge Loan.* Simultaneously with the closing of the Original Bonds, Wells Fargo Bank, N.A. (the “Subordinate Lender”) made a bridge loan to the Borrower pursuant to a promissory note in the amount of \$6,831,470 (the “Subordinate Loan”), at the 30-day LIBOR Market Index Rate plus 2.25% and for a term of 15 months. The Subordinate Loan is secured by (i) an assignment of rights to the LIHTC contributions, and (ii) a security interest in Safran’s (as defined below) interest in the Borrower, among other things. The Subordinate Loan is repayable from future LIHTC installments. A portion of the proceeds of the Subordinate Loan will fund the Initial Deposit to the Initial Deposit Account of the Bond Fund on the Closing Date.

## THE PROJECT AND THE PRIVATE PARTICIPANTS

### The Project

The Project, known as Hancock Gardens Senior Apartments, is located at 303 South Van Ness Avenue in Los Angeles, California on an approximately 1.22 acre site. The Project contains 65 units (plus one manager unit) located in one three-story building. Rehabilitation of the Project is anticipated to commence in April, 2016 and be completed approximately 10 months later.

The building is wood frame construction with a stucco exterior. Common amenities include a community room with kitchen, storage areas, elevators, security cameras, and a fitness area. There are 30 open parking spaces for tenant use. Unit amenities include a refrigerator/freezer, laminate countertop, carpet/vinyl flooring throughout, a stove and a single bowl stainless steel sink. The unit mix of the Project is as follows:

<u>Unit Type</u>	<u>Number</u>	<u>Square Feet</u>
1 Bedroom / 1 Bath	65	573
1 Bedroom / 2 Bath	1 <sup>†</sup>	1,111
<b>Total</b>	66	

<sup>†</sup>This unit is an employee unit and is not subject to restrictions set forth under the HAP Contract.

### The HAP Contract

The Borrower will receive the benefit of a Section 8 Housing Assistance Payment Contract (the “HAP Contract”) covering 65 of the 66 units at the Project. The existing HAP Contract is currently a 20-year renewal contract that expires on March 31, 2036.

Funding under the HAP Contract is 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 in the case of Section 8 contracts is administered by local public housing authorities. Renewals of

Section 8 HAP contracts are governed by the Multifamily Housing Mortgage and Assistance Restructuring Act, as amended (“MAHRA”). 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 for the area as determined by HUD), and very low-income families (defined generally as families whose income 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 MAHRA 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 take other sanctions. MAHRA 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, or the failure of Congress to appropriate funds sufficient to fund the HAP Contract during each year of its term, would have a material adverse effect on the ability of the Project to generate revenues.

### **Regulatory Restrictions**

The Project will be operated as a qualified residential rental project with at least 40% of the residential units in the Project occupied by Low Income Tenants during the Qualified Project Period, in accordance with Section 142(d) of the Code. The Regulatory Agreement further requires that the rents paid by the Low Income Tenants for such units shall not exceed 30% of 60% of area median income, adjusted for family size. See “APPENDIX E – SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT” herein.

In Connection with the LIHTCs, the Project is encumbered by a tax credit restrictive covenant in compliance with the requirements of Section 42 of the Code, which restricts the income levels of 100% (excluding one manager’s unit) of the units in the Project (the “Tax Credit Units”). Thirteen (13) of the Tax Credit Units are held available for rental to persons whose adjusted family income is equal to or less than 50% of the area median income adjusted for family size, and fifty-two (52) of the Tax Credit Units are held available for rental to persons whose adjusted family income is equal to or less than 60% of the area median income adjusted for family size. The rents which may be charged for occupancy of such units in the Project are restricted to not more than 30% of 50% or 60%, as applicable, of area median income, adjusted for family size.

The Borrower has executed 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 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.

## **The Borrower**

The Borrower is Hancock Gardens Senior Housing LP, a California limited partnership, newly formed for the sole purpose of acquiring, rehabilitating, equipping and operating the Project. The administrative general partner of the Borrower is Hancock Gardens Senior Housing LLC, a California limited liability company (the “Administrative General Partner”), which owns a 0.0051% interest in the Borrower. The Administrative General Partner is owned by principals of Thomas Safran & Associates Development, Inc. and Thomas Safran & Associates, Inc., the project sponsor (collectively, “Safran”). The managing general partner of the Borrower is the Housing Corporation of America (the “Managing General Partner”, and together with the Administrative General Partner, the “General Partner”), which owns a 0.0049% interest in the Borrower.

Principals of Safran and its affiliates have been in the business of acquiring, owning and operating apartment complexes since the 1970s, and currently own and operate 50 apartment complexes containing approximately 5,000 units of affordable housing in southern California.

## **Investor Limited Partner**

In connection the issuance of the Original Bonds, the Borrower entered into a commitment with the Investor Limited Partner to sell to it a 99.99% ownership interest in the Borrower. Pursuant to the sale, the equity funding arrangements for the funding of the LIHTCs are expected to be \$8,825,441\* paid in stages during and after rehabilitation of the Project. These 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.

## **Limited Assets and Obligations of Borrower and Administrative General Partner**

The Borrower and the Administrative General Partner have no substantial assets other than the Project and do not intend to acquire any other substantial assets or to engage in any substantial business activities other than those related to the ownership of the Project. However, Safran, the Managing General Partner, the Investor Limited Partner and their respective affiliates are engaged in and will continue to engage in the acquisition, development, ownership and management of similar types of housing projects. They may be financially interested in, as officers, partners or otherwise, and devote substantial times to, business and activities that may be inconsistent or competitive with the interests of the Project.

The obligations and liabilities of the Borrower under the Loan Agreement and the Note are of a non-recourse nature and are limited to funds deposited or to be deposited under the Indenture to enable the Borrower to satisfy such obligations, and to the Project and moneys derived from the operation of the Project, subject to the first-priority interest of the FHA Lender in the Project. Neither the Borrower nor its partners have any personal liability for payments on the Note to be applied to pay the principal of and interest on the Bonds. Furthermore, no representation is made that the Borrower has substantial funds available for the Project. Accordingly, neither the Borrower’s financial statements nor those of its partners are included in this Official Statement.

---

\* Preliminary; subject to change.



## **The Architect**

The architect for the Project is Relativity Architects (the “Architect”). The Architect has been a licensed architect for five years and has been the principal architect for approximately ten multifamily developments with an excess of 500 units throughout southern California.

## **The General Contractor**

The general contractor for the Project is KPRS Construction Services, Inc. (the “General Contractor”). The General Contractor, its affiliated construction companies and project team members have been constructing and rehabilitating multifamily rental housing developments for more than 18 years and have constructed over 14 projects with over 3,022 units.

## **The Property Manager**

The Project is managed by Thomas Safran & Associates, Inc. (the “Manager”). The Manager has been involved in the management of apartment complexes since 1984. The Manager currently manages more than 50 apartment complexes comprising a total of approximately 5,000 units throughout southern California. The Manager was formed in 1984 and currently has a staff of 20 corporate personnel and 130 site employees. The Manager is affiliated with the Administrative General Partner of the Borrower.

## **The FHA Lender**

The FHA Lender, upon satisfaction of certain conditions precedent, made the FHA Insured Mortgage Loan to the Borrower. The FHA Lender is a mortgage banking firm specializing, among other things, in FHA-insured construction and permanent mortgage loans. The FHA Lender has been approved by HUD as an eligible issuer and servicer of loans guaranteed by GNMA. To be approved by GNMA to issue GNMA guaranteed certificates with respect to long-term mortgages on multifamily projects, the FHA Lender is required to have a net worth (based on audited financial statements) equal to at least \$500,000 plus 0.2% of any securities outstanding in excess of \$35 million.

## **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 page. 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 thereof.

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 the Borrower does not take responsibility for the accuracy thereof.*

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Bonds. The Bonds will be initially issued and issuable only as one fully registered Bond certificate for each maturity and series, registered in the name of Cede & Co. as partnership nominee of DTC. Those fully registered Bonds will be deposited with and retained in the custody of DTC.

For ease of reference in this and other discussions, reference to "DTC" includes when applicable any successor securities depository and the nominee of the depository.

For all purposes under the Bond proceedings, DTC will be and will be considered by the Issuer and the Trustee to be the owner or Holder of the Bonds.

Owners of book entry interests in the Bonds (book entry interest owners) will not receive or have the right to receive physical delivery of Bonds, and will not be or be considered by the Issuer and the Trustee to be, and will not have any rights as, owners or holders of Bonds under the Bond proceedings.

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 an S&P 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](http://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 Bond (the book entry interest owner) is in turn to be recorded on the Direct and Indirect Participant's records. Book entry interest owners will not receive written confirmation from DTC of their purchase, but are 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 book entry interest owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of book entry interest owners. Book entry interest 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 (see “Revision of Book Entry System; Replacement Bonds”).

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 actual ownership. DTC has no knowledge of the book entry interest owners (or 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 book entry interest owners. 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 book entry interest owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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 the Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and debt service 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 Trustee, on the payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to book entry interest 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 Trustee, 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 debt service 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 Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the book entry interest owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Trustee. The Issuer may decide to discontinue use of the book entry system if DTC (or a successor securities depository) determines not to continue to act as securities depository for the Bonds. See “Revision of Book Entry System; Replacement Bonds.”

The information above in this section concerning DTC and DTC’s book entry system has been obtained from sources that the Borrower believes to be reliable, but the Borrower takes no responsibility for its accuracy.

*Direct Participants and Indirect Participants may impose service charges on book entry interest owners in certain cases. Purchasers of book entry interests should discuss that possibility with their brokers.*

The Issuer, the Borrower and the Trustee have no role in the purchases, transfers or sales of book entry interests. The rights of book entry interest owners to transfer or pledge their interests, and the manner of transferring or pledging those interests, may be subject to applicable state law. Book entry interest owners may want to discuss with their legal advisers the manner of transferring or pledging their book entry interests.

The Issuer, the Borrower and Trustee have no responsibility or liability for any aspects of the records or notices relating to, or payments made on account of, book entry interest ownership, or for maintaining, supervising or reviewing any records relating to that ownership.

The Issuer and the Borrower cannot and do not give any assurances that DTC, Direct Participants, Indirect Participants or others will distribute to the book entry interest owners payments of debt service on the Bonds made to DTC as the registered owner, or any notices, or that they will do so on a timely basis, or that DTC will serve and act in a manner described in this Official Statement.

#### **Revision of Book Entry System; Replacement Bonds**

The Bond proceedings provide for issuance of fully registered Bonds (“Replacement Bonds”) directly to owners of Bonds other than DTC only in the event that DTC (or a successor securities 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 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.

Whenever, during the term of the Bonds, the beneficial ownership thereof is determined by a book entry at a Depository, (i) the requirements in the 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 the Indenture to the contrary.

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

### **Optional Redemption**

The Bonds shall be redeemed, in whole or in part, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption, on any Business Day on and after [March 1, 2017]\* 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.

### **Notice of Redemption**

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

Neither failure of any Holder to receive such notice nor any defect in any notice so mailed will affect the sufficiency of the proceedings for the redemption of any of the Bonds. 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, that the interest on the Bonds designated for redemption will cease to accrue from and after such redemption date and, if less than all of the Bonds outstanding are to be redeemed, an identification of the Bonds or portions thereof to be redeemed.

Further notices of redemption shall be sent 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. 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. In the event the Bonds are called for redemption under circumstances resulting in discharge of the Indenture more than 90 days before the redemption date, additional official and further notice of redemption satisfying the requirements of the Indenture shall be given not less than 30 nor more than 60 days prior to such redemption date.

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

**At all times the Bonds will be secured by 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 or date of earlier redemption, as further described herein.**

To the extent provided in and except as otherwise permitted by the Indenture, (i) the Bonds will be special 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, (ii) 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 (iii) 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; all other moneys received by the Issuer or the Trustee for the account of the Issuer with respect to repayment of the Loan; moneys and investments in or allocated to the Special Funds; and the income and profit from the investment of the Loan Payments and such other moneys, and the investments of those moneys.

The Issuer has directed the Trustee to fund the Collateral Fund pursuant to the terms of the Indenture. Pursuant to the Indenture, to the extent funds available in the Bond Fund on any Loan Payment Date are insufficient to pay Bond Debt Service Charges on any Interest Payment Date, funds on deposit in the Initial Deposit Account of the Bond Fund, the Collateral Fund and the Project Fund will be transferred to the Trustee to pay the Bond Debt Service Charges. Amounts so transferred from the Special Funds shall be a credit to the Borrower against the Loan Payments due pursuant to the Loan Agreement and the Note.

The funds on deposit in the Special Funds will be invested in Eligible Investments. It is expected that there will be no fees of the Issuer, or the Trustee payable from the Issuer Revenues.

**The Bonds and the payment of Bond Debt Service Charges do not and will not represent or constitute a debt or pledge of the faith and credit of the Issuer or the State or any political subdivision thereof and are not and will not be secured by an obligation or pledge of any moneys raised by taxation. Holders of the Bonds will not have the right to have excises or taxes levied by the Issuer, the State or the taxing authority of any other political subdivision thereof for payment of the principal of or interest on the Bonds. The Issuer has no taxing power.**

### THE TRUSTEE

*The information under this heading has been provided solely by the Trustee and has not been independently verified. No representation whatsoever as to the accuracy, adequacy or completeness of such information is being made.*

U.S. Bank National Association 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 BONDHOLDERS' 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 and the interest earnings thereon. The Borrower's obligation to make payments pursuant to the Loan Agreement and the Note are nonrecourse obligations with respect to which the Borrower and its partners have no personal liability (except as otherwise provided in the Note) and as to which the Borrower and its partners have not pledged any of their respective assets.*

### **General**

Payment of the Bond Debt Service Charges, and the Borrower's obligations with respect to the Bond Debt Service Charges, will be primarily secured by and payable from Bond proceeds held in the Project Fund and moneys deposited into the Collateral Fund and the Bond Fund, including the Initial Deposit Account held in the Bond Fund. Although the Borrower will execute the Note to evidence its obligation to repay the Loan, it is not expected that any revenues from the Project or other amounts, except moneys in the Special Funds, will be available to satisfy that obligation. The Indenture requires the Trustee to verify, before any disbursement of funds from the Project Fund, that the sum of the funds on deposit in the Project Fund and the Collateral Fund is at least equal to the then outstanding principal amount of the Bonds. It is expected that funds on deposit in the Collateral Fund and Initial Deposit Account of the Bond Fund, and the interest earnings thereon will be sufficient to pay the debt service on the Bonds.

### **Limited Security for Bonds**

The Bonds are not secured by the FHA Insured Mortgage Loan, any GNMA Security, the Project or any mortgage on the Project. Investors should look exclusively to amounts on deposit in the Special Funds under the Indenture and investment earnings on each as the source of payment of debt service on the Bonds.

### **Early Redemption of the Bonds**

Any person who purchases a Bond should consider the fact that the Bonds are subject to redemption, upon the occurrence of certain events. See "THE BONDS - Optional Redemption."

### **Issuer Limited Liability**

The Bonds will not be insured or guaranteed by any governmental entity or by the Issuer or any member or program participant of the foregoing. The Holders will have no recourse to the Issuer in the event of an Event of Default on the Bonds. The Trust Estate for the Bonds will be the only source of payment on the Bonds.

### **Enforceability of Remedies upon an Event of Default**

The remedies available to the Trustee and the owners of the Bonds upon an Event of Default under the Indenture, the Loan Agreement, the Regulatory Agreement or any other document described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified to the extent that the enforceability of certain

legal rights related to the Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

### **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 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.

### **Summary**

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement and the Appendices hereto.

## **NO LITIGATION**

### **The Issuer**

It is a condition precedent to the Underwriter’s obligation to purchase the Bonds on the Closing Date that the Issuer deliver a certificate to the effect that there is not, to the knowledge of the Issuer, any pending or threatened proceeding or litigation against the Issuer restraining or enjoining the issuance or delivery of the Bonds or questioning or affecting the validity of the Bonds or the proceedings or authority under which the Bonds are to be issued, neither the creation, organization or existence of the Issuer nor the title of any of the present members or other officers of the Issuer to their respective offices is being contested, and there is, to the knowledge of the Issuer, no pending or threatened litigation against the Issuer, that in any manner questions the right of the Issuer to enter into the Indenture, the Loan Agreement, the Tax Agreement, or the Bond Purchase Agreement or to secure the Bonds in the manner provided in the Indenture and the Act.

### **The Borrower**

There is no litigation now pending or threatened that if decided adversely to the interests of the Borrower would have a material adverse effect on the operations or financial position of the Borrower.



## UNDERWRITING

Pursuant and subject to the terms and conditions set forth in a Bond Purchase Agreement (the “Bond Purchase Agreement”), among Citigroup Global Markets Inc. (the “Underwriter”), the Issuer and the Borrower, the Underwriter has agreed to purchase the Bonds at the price of par (100% of the original principal amount). For its services relating to the transaction, the Underwriter will receive a fee of \$\_\_\_\_\_, plus \$\_\_\_\_\_ for certain fees and expenses. From its fees, the Underwriter will be obligated to pay certain costs and expenses of the financing, including the fees and expenses of its counsel.

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 Bond 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.

The Underwriter has entered into a retail distribution agreement with each of TMC Bonds L.L.C. (“TMC”) and UBS Financial Services Inc. (“UBSFS”). Under these distribution agreements, the Underwriter may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, the Underwriter may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Bonds.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter and its affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Issuer for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer.

## 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, issuance and sale of the Bonds and with regard to the federal tax exempt status of the interest of the Bonds (see "TAX MATTERS") are subject to the approving legal opinion of Kutak Rock LLP, Omaha, Nebraska, Bond Counsel. A signed copy of that opinion, dated and speaking only as of the date of original delivery of the Bonds, will be delivered to the Underwriter at the time of such original delivery. A copy of such opinion will accompany the Bonds and a draft of that opinion is attached hereto as Appendix B.

In rendering its approving opinion, Bond Counsel will rely on certifications and representations of fact to be contained in the transcript of proceedings which Bond Counsel will not have independently verified. Certain legal matters will be passed upon for the Underwriter by its counsel, Eichner Norris & Neumann PLLC, Washington, D.C., for the Issuer by the Los Angeles City Attorney's Office, Los Angeles, California, and for the Borrower by Kantor Taylor Nelson Evatt & Decina PC, Seattle, Washington.

## **RATING**

S&P Global Ratings (the "Rating Agency") is expected to assign to the Bonds the rating set forth on the cover hereof. The rating reflects only the views of the rating agency, and an explanation of the significance of such rating may be obtained from it. No assurance can be given that the rating will be maintained for any given period of time or that the rating may not be revised downward, suspended or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward change in, suspension or withdrawal of the rating may have an adverse effect on the market price of the Bonds. The Underwriter and the Issuer have undertaken no responsibility after issuance of the Bonds to assure the maintenance of the rating or to oppose any such revision, suspension or withdrawal. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

## **SUBORDINATION TO MORTGAGE 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 Insured Mortgage Loan 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 [\_\_\_\_\_] 1, 2016 (the “Continuing Disclosure Agreement”) with the Trustee, acting as 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”).

A failure by the Borrower to comply with the provisions of the Continuing 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.

Neither the Borrower, nor its partners, nor any entity affiliated with the Borrower nor the partners has defaulted in connection with its or their continuing disclosure undertakings or obligations in connection with any issuance of bonds subject to the Rule. See “APPENDIX F – FORM OF CONTINUING DISCLOSURE AGREEMENT” herein.

## **MISCELLANEOUS**

The foregoing references to and summaries or descriptions of provisions of the Bonds, the Loan Agreement, the Indenture 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 Loan Agreement, the Indenture, the Note and the Regulatory Agreement may be obtained from the Trustee at its designated corporate trust office.

[Remainder of page intentionally left blank]

The Official Statement has been duly authorized, executed and delivered by the Borrower.

**HANCOCK GARDENS SENIOR HOUSING LP,**  
a California limited partnership

By: Housing Corporation of America,  
a Utah nonprofit corporation,  
its Managing General Partner

By: \_\_\_\_\_  
Name: Ronald H. Olson  
Title: President

By: Hancock Gardens Senior Housing LLC,  
a California limited liability company,  
its Administrative General Partner

By: \_\_\_\_\_  
Name: Andrew Gross  
Title: 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 of California.

“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.

“Agreement” or “Loan Agreement” means the Loan Agreement dated as of even date with the 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 an officer of the manager of the general partner of the Borrower, which certificate may designate an alternate or alternates.

“Authorized Denomination” means (a) so long as the Bonds are rated “A,” without regard to a modifier (or the equivalent) or higher by a Rating Agency, \$5,000 or any integral multiple of \$5,000 in excess thereof, or (b) at any other time, \$100,000, or any integral multiple of \$0.01 in excess thereof, except that in each case one Bond may be in a principal amount equal to the then Outstanding principal amount of the Bonds of such series.

“Authorized Lender Representative” means a representative of the FHA Lender identified in a certificate of the FHA Lender delivered to the Issuer and Trustee.

“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 Housing Development Bureau 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 Housing Development Bureau 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) 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 the Indenture, the Loan Agreement, the Regulatory Agreement, the Tax Agreement, the Bond Purchase Agreement and any other document executed as of or after the date of the Indenture by the Borrower, the Issuer, Trustee or Bondholders in connection with the Bonds.

“Bond Fund” means the Bond Fund created in the Indenture, and an Initial Deposit Account within it.

“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, redemption or otherwise.

“Bond Purchase Agreement” shall mean that Bond Purchase Agreement dated \_\_\_\_\_, 2016, among the Issuer, Borrower and the Underwriter.

“Bond Resolution” means that certain Resolution relating to the Project, adopted by the Board on [\_\_\_\_\_, 2016].

“Bond Year” means each annual period of twelve months the first of which commences on the date of the original issuance and delivery of the Bonds and ends on March 31, 2017 and the last of which ends on the maturity of the Bonds, except that the first and last Bond Year may be less than twelve months.

“Bonds” means the Issuer’s Multifamily Housing Revenue Bonds (Hancock Gardens Senior Apartments) Series 2016G authorized in the Bond Resolution and the Indenture in an amount of \$[1,500,000]\*.

“Book Entry Form” or “Book Entry System” means, with respect to the Bonds, a form or system, as applicable, under which (i) 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 (ii) 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 Hancock Gardens Senior Housing LP, 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 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 \_\_\_\_\_, 2016.

“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.

---

\* Preliminary; subject to change.



“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, 2016, between the Borrower and U.S. Bank National Association, 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 the Costs of Issuance Fund created pursuant to 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” shall have the meaning set forth in the Indenture.

“Dissemination Agent” means the Dissemination Agent appointed under the Continuing Disclosure Agreement.

“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 any of the following investments which at the time are legal investments for moneys of the Issuer which 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 of par prior to [March 1, 2017]\* or, after [March 1, 2017]\*, prior to the Maturity Date 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 (“Government Obligations”);

(b) Bonds (including tax-exempt bonds), bills, notes or other obligations of or secured by Fannie Mae, Freddie Mac, the Federal Home Loan Bank or the Federal Farm Credit Bank; or

(c) Money market funds rated AAAM by S&P which are registered with the Securities and Exchange Commission and which meet the requirements of Rule 2(a)(7) of the Investment Company Act of 1940, as amended, which may be administered by the Trustee or its affiliates.

---

\* Preliminary; subject to change.

“Event of Default” means any of the events described as an Event of Default under the Indenture or Loan Agreement.

“Extraordinary Services” and “Extraordinary Expenses” mean all services rendered and all reasonable expenses properly incurred by the Trustee under the 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 December 17, 2015, as the same has been or may be amended.

“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 \$15,350,000 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 PNC Bank, N.A., a national banking association, its successors and assigns.

“FHA Lender Funds” means, collectively, funds of the FHA Lender, whether from the FHA Lender’s warehouse line of credit, internal sources or proceeds, if any, received from the sale by the FHA Lender of GNMA Securities with respect to the FHA Insured Mortgage Loan.

“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 Leases and Rents and Security Agreement dated as of April 1, 2016 from Borrower for the benefit of FHA Lender to secure the repayment of the FHA Note.

“FHA Note” means the \$15,350,000 FHA-Insured Note (Multistate) dated as of April 1, 2016 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 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 for Multifamily Projects dated as of April 1, 2016 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 the Trust Indenture, dated as of [\_\_\_\_\_] 1, 2016, between the Issuer and the Trustee, as amended or supplemented from time to time.

“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 of Available Moneys to the Initial Deposit Account in the amount of \$\_\_\_\_\_ which the Borrower shall cause to be made from Available Moneys other than the proceeds of the Bonds on the Closing Date to the Initial Deposit Account of the Bond Fund.

“Initial Deposit Account” means the Initial Deposit Account within the Bond Fund created in the Indenture.

“Interest Payment Date” means each [May] 1\* and [November] 1\*, commencing [November] 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 twelve percent per annum (12%) or the rate per annum which is two percent 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 Wells Fargo Affordable Housing Community Development Corporation, a North Carolina corporation, 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 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

---

\* Preliminary; subject to change.

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 owned on or acquired after the date of the Indenture, 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 the Loan Agreement.

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

“Maturity Date” means [November 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 as of the Closing Date, in the form attached to the Loan Agreement as Exhibit A, in the original principal amount of \$[1,500,000]\*, evidencing the obligation of the Borrower to make Loan Payments.

“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 the 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 the Indenture and in connection with any meetings of Holders of the Bonds as provided the Indenture.

---

\* Preliminary; subject to change.

“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 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 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.

“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 the Indenture in lieu of a lost, stolen or destroyed Bond shall, except as otherwise provided in the Indenture, be deemed to evidence the same debt as the lost, stolen or destroyed Bond.

“Project” means the acquisition, rehabilitation and equipping of an existing 65 unit (plus one manager unit) apartment complex for seniors known as Hancock Gardens Senior Apartments, and located at 303 S. Van Ness Avenue in Los Angeles, California.

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

“Project Fund” means the Project Fund created in the 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 Global Ratings (“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 applicable to that Bond.

“Regulatory Agreement” means the Regulatory Agreement and Declaration of Restrictive Covenants, dated as of even date with the 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, Fax (516) 227 4039 or 4191 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 S&P Global Ratings.

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

“Special Limited Partner” means any Special Limited Partner appointed pursuant to the Borrower’s Amended and Restated Agreement of Limited Partnership.

“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.

“Subordinate Lender” means Wells Fargo Bank, N.A., or any of its Affiliates.

“Subordinate Loan” means the loan by the Subordinate Lender to the Borrower.

“State” means the State of California.

“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, executed and delivered by the Issuer and the Borrower.

“Trustee” means U.S. Bank National Association, until a successor Trustee shall have become such pursuant to the applicable provisions of the 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 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 Citigroup Global Markets Inc.



## APPENDIX B

### FORM OF BOND COUNSEL OPINION

*The form of the approving legal opinion of Kutak Rock LLP, Bond Counsel, is set forth below. The actual opinion will be delivered on the date of delivery of the Bonds referred to therein and may vary from the form set forth to reflect circumstances both factual and legal at the time of such delivery. Recirculation of the final Official Statement shall create no implication that Kutak Rock LLP has reviewed any of the matters set forth in such opinion subsequent to the date of such opinion.*

\_\_\_\_\_, 2016

City of Los Angeles  
c/o Los Angeles Housing and Community  
Investment Department  
1200 West 7<sup>th</sup> Street, 8<sup>th</sup> Floor  
Los Angeles, CA 90017

Citigroup Global Markets Inc.  
1225 17<sup>th</sup> Street, Suite 2102  
Denver, CO 80202

U.S. Bank National Association  
633 West Fifth Street, 24<sup>th</sup> Floor  
Los Angeles, CA 90071

\$[1,500,000]\*  
City of Los Angeles  
Multifamily Housing Revenue Bonds  
(Hancock Gardens Senior Apartments)  
Series 2016G

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 (Hancock Gardens Senior Apartments) Series 2016G (the "Bonds") in the aggregate principal amount of \$[1,500,000]\*. The Bonds are being issued to fund a loan (the "Loan") to Hancock Gardens Senior Housing LP, a California limited partnership (the "Borrower"), to finance the acquisition, rehabilitation and equipping of a multifamily residential project for seniors known as Hancock Gardens Senior 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 [\_\_\_\_\_, 2016] and concurred with by the Mayor of the Issuer (the "Resolution") and the Trust Indenture dated as of [\_\_\_\_\_] 1, 2016 (the "Indenture") between the Issuer and U.S. Bank National Association, as trustee (the "Trustee").

In connection with the issuance of the Bonds, 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 Bond, (5) an executed counterpart of the Regulatory

---

\* Preliminary; subject to change.

Agreement and Declaration of Restrictive Covenants dated as of [\_\_\_\_\_] 1, 2016 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, 2016 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 Bonds 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 the Bonds 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, the Issuer will assign to the Trustee its right, title and interest in (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 after the date of the Indenture 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 on its behalf, or with its written consent, to the Trustee, which is authorized by the Indenture 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.

#### **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, series 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 the provisions described under this caption.

Every new Bond issued pursuant to the provisions described under this caption 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 the Indenture equally and proportionately with any and all other Bonds issued and outstanding thereunder.

All Bonds shall be held and owned on the express condition that the foregoing provisions described under this caption 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 after the date of the Indenture.

### **Creation of Funds; Allocation of Bond Proceeds**

The following funds and accounts are created in the Indenture. Each fund is to be maintained in the custody of the Trustee as a separate account. The funds and accounts are:

- (1) the Bond Fund designated “Bond Fund,” and the “Initial Deposit Account” therein;
- (2) the Project Fund designated “Project Fund”;
- (3) the Collateral Fund designated “Collateral Fund”;
- (4) the Costs of Issuance Fund designated “Costs of Issuance Fund”; and
- (5) the Rebate Fund designated “Rebate Fund.”

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 \$[4,000] received by 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 to be deposited by the provider thereof to the Initial Deposit Account of the Bond Fund.

### **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 and Bonds when due the Trustee shall withdraw from 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 and Bonds when due the Trustee shall withdraw from 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.

### **Disbursements from the Project Fund**

(a) Requisitions. Subject to the provisions of the Indenture described in this paragraph and paragraph (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 Issuer, which request shall be in the form attached to the Loan

Agreement, a “Disbursement Request.” To the extent that such Requisition requests amounts corresponding to an advance of FHA Lender Funds, the Trustee shall also receive a written request from the Lender for the disbursement of amounts on deposit in the Project Fund accompanied by a copy of the executed FHA Form 92403 and FHA Lender Funds in the amount requested. 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 by the Issuer with a copy to the Trustee 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, and the Trustee is provided written notice from the FHA Lender of such failure to agree, 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 from the Project Fund in accordance with the provisions described in the preceding paragraph and the Loan Agreement, subject to the following paragraph, the Trustee shall confirm that Available Moneys equal to or greater than the sum of (a) the amount set forth in the Disbursement Request and (b) all prior disbursements made from the Project Fund, 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 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 provisions described under this caption. Upon receipt of such deposit from the Lender, the Trustee shall be unconditionally and irrevocably obligated to disburse an equal amount from the Project Fund in accordance with the Requisition.

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 the provisions described under this caption, 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 provided in the Indenture. 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 the Indenture, 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 fifty percent (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 as described under the caption “Acceleration” below, 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 (1) the amounts set forth under the caption “Creation of Funds; Allocation of Bond Proceeds” above, (2) interest earnings on the Project Fund and the Collateral Fund, (3) amounts set forth under this caption and (4) amounts transferred pursuant to the provisions described in paragraph (a) under “Disbursements from the Project Fund” above.

The Initial Deposit Account 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 accounts of 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 Bonds 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 Bonds 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 Bonds on the next succeeding Bond Payment Date:

- (1) first, from amounts on deposit in the Initial Deposit Account of the Bond Fund;
- (2) second, from amounts on deposit in the Collateral Fund; and
- (3) third, from amounts on deposit in the Project Fund.

## **Investment of Special Funds**

On the Closing Date, moneys on deposit in the Project Fund shall be invested by the Trustee in money market funds specified in subsection (c) of the definition of Eligible Investments until, subject to the provisions of the following paragraph, disbursed to the Borrower in accordance with an approved Disbursement Request.

Any amounts deposited in the Special Funds shall be invested at all times in Eligible Investments except for *de minimis* periods of time necessary to effectuate disbursement of funds (which shall not exceed 5 Business Days) pursuant to an interest payment, disbursement from the Project Fund or redemption of the Bonds, unless a confirmation from the Rating Agency (a "Rating Confirmation") is obtained by the Borrower stating, in effect, that the amounts on deposit in the Special Funds may continue to be held uninvested.

The Trustee is directed to invest all amounts on deposit in the Initial Deposit Account of the Bond Fund and the Collateral Fund in an Eligible Investment specified in subsection (c) of the definition thereof.

Any investment under the Indenture shall not bear a yield which is in excess of the yield on the Bonds. The Trustee may not sell any investment at a loss.

As long as no Event of Default (as defined under the caption "Defaults; Events of Default" below) 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 Trustee shall have said right to select investments, which shall be those Eligible Investments described in subsection (c) of the definition thereof. 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 (30) 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 in the Indenture and in accordance with the written direction of the Borrower to be provided on the Closing Date, which shall remain in effect unless and until further written direction is provided by the Borrower.

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 as described under the caption "Costs of Issuance Fund" below.

## **Repayment to the Borrower from the Bond Fund**

Except as described under the caption "Rebate Fund" below, any amounts remaining in the Bond Fund (i) after all of the Bonds shall be deemed paid and discharged under the provisions of the Indenture, and (ii) 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 the 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.



## **Rebate Fund**

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.

The Trustee shall furnish to the Borrower all information reasonably requested by the Borrower with respect to the Bonds and investments of the funds and accounts maintained by the Trustee under the Indenture. The Trustee shall make deposits to and disbursements from the Rebate Fund (including rebate payments to the United States required to be made by the Tax Agreement), as well as investments of the amounts therein, in accordance with written direction of the Borrower, 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 provisions described under this caption 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 Bonds and payment and satisfaction of any rebatable arbitrage shall be withdrawn and remitted to the Borrower. Anything in the Indenture 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. The Issuer will comply with all provisions of the Tax Agreement, which provisions are incorporated in the Indenture by reference.

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. 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 under this caption and the Tax Agreement shall survive the defeasance or payment in full of the Bonds.

## **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 provided in the Indenture. 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 sixty (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.

## **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 one hundred eighty (180) days after the aforementioned notice; and

(d) The occurrence and continuance of an Event of Default as defined in “APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT – Events of Default”.

The term “default” or “failure” 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 in (a) and (b) under the caption “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 in (a) and (b) under the caption “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 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 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 as described under the caption “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 shall exercise any rights and powers conferred upon it by the provisions described under this caption and “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 existing as of or after the date of the Indenture.

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.

### **Right 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 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 or for the execution of any trust under the Indenture or any remedy under the Indenture, unless:

(a) there has occurred and is continuing an Event of Default of which the Trustee has been notified or of which it is deemed to have notice under 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 provided 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 for in the Indenture; and

(c) the Trustee thereafter shall have failed or refused to exercise the remedies, rights and powers granted under 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 upon the conditions stated therein and its consequences and may rescind and annul any declaration of maturity of principal or interest on, the Bonds upon the written request of the Holders of (i) 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 (ii) 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 clause (a) or (b) under the heading “Defaults; Events of Default” 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 under the caption “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 Not Requiring Consent of Holders**

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

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) to accept additional security and instruments and documents of further assurance with respect to the Project; (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 thereof for federal income tax purposes which amendments may, among other things, change the responsibility for making the relevant calculations, provided that in no event will 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 (which may be based on an Opinion of Bond Counsel or counsel pursuant to certain provisions of the Indenture), is not materially adverse to the Trustee or the Holders.

The provisions of clauses (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.

## **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, the Loan Agreement, the Regulatory Agreement and the Note, then the Indenture shall cease, determine and become null and void (except for those certain provisions surviving pursuant to the Indenture in the event the Bonds are deemed paid and discharged pursuant to the provisions described under the caption “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 certain provisions of the Indenture if applicable,

(a) the Trustee shall release the Indenture (except for those certain provisions surviving pursuant to the Indenture in the event the Bonds are deemed paid and discharged pursuant to the provisions described under the caption “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

(b) the Trustee and any other 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 as described under the caption “Repayment to the Borrower from the Bond Fund” above, or (b) to be held by the Trustee and the Paying Agents as described under the caption “Rebate Fund” above 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, including, without limitation, the provisions described under the caption “Release of Indenture” above, if (a) the Trustee as paying agent and the Paying Agents shall have received, in trust for and irrevocably committed for such payment, sufficient moneys, or (b) the Trustee shall have received, in trust for and irrevocably committed for such payment, 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 clause (a) under this caption, without further investment or reinvestment of either the principal amount thereof or the interest 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 described under this caption 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 caption 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 set forth above, that income, interest or increment shall be transferred at the time of that determination in the manner provided under the caption “Repayment to the Borrower from the Bond Fund” above for transfers of amounts remaining in the Bond Fund.

If any Bonds shall be deemed paid and discharged pursuant to the provisions described under this caption, 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 clause (b) above.

### **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 the Note, (iii) in connection with an amendment or to

effect any purpose for which there could be an amendment of the Indenture pursuant to the provisions described under the caption “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.

### **Amendments Requiring Consent of Holders**

Except for the amendments, changes or modifications contemplated under the caption “Amendments Not Requiring Consent of Holders” above, neither the Issuer nor the Trustee shall consent to 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 under this caption 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 any other amendment, change or modification of the Loan Agreement, the Regulatory Agreement or the Note without the giving of notice as provided under this caption 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 as contemplated under this caption, 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.

### **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.*

#### **The Loan and Loan Payments; Issuance of the Bonds**

Under the Loan Agreement, the Issuer agrees to issue the Bonds and to loan the proceeds thereof to the Borrower to assist in the financing of the Project. The Borrower agrees to repay the Loan by making Loan Payments at the times required by the Loan Agreement and the Note delivered to the Trustee in connection with the Bonds. The Loan Payments will generally equal in the aggregate the amount of Bond Debt Service Charges on the Bonds. Furthermore, funds on deposit in the Project Fund and the Collateral Fund are available to pay Bond Debt Service Charges on the Bonds to the extent funds available in the Bond Fund on any Loan Payment Date are insufficient to make such payments.

The Borrower will be entitled to a credit against the Loan Payments required to be made with respect to the Bonds, 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. It is expected that Bond Debt Service Charges will be paid from funds transferred to the Trustee from the Bond Fund and the Collateral Fund.

#### **Disbursements from the Project Fund**

Subject to the provisions described below and so long as no Event of Default under the Loan Agreement has occurred and is continuing for which the Loan Payments and principal amount of the Bonds has been declared to be immediately due and payable pursuant to the Loan Agreement and the Indenture, respectively, disbursements from the Project Fund 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 the Loan Agreement, 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 and rehabilitation of the Project.
- (g) Payment of interest on the Bonds during the Construction Period.
- (h) Payments to the Rebate Fund.

Any disbursements from the Project Fund shall be made by the Trustee only as permitted pursuant to the provisions described in “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Disbursements from the Project Fund” and upon the written request of the Borrower executed by an Authorized Borrower Representative substantially in the form attached as an exhibit to the Loan Agreement, and, if required by the Indenture, approved by 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 to the Loan Agreement, related to the deposit of Available Moneys in to the Collateral Fund for the applicable disbursement request.

- (ii) An executed Certificate of the Borrower substantially in the form attached to the Loan Agreement accompanied by a disbursement schedule listing the items for which the disbursement is sought and the total cost of each such item, together with invoices or other appropriate documentation (which may be a copy of an escrow agreement if a disbursement is to be made to an escrow account) for each such item.

- (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 transfer Eligible Investments from the Project Fund to the Collateral Fund in exchange for funds in such increments as are needed 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 for payment of Bond Debt Service Charges.

### **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 Plans and Specifications 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.

### **Completion Date**

The Borrower shall notify the Issuer and the Trustee of the Completion Date by the delivery of a Completion Certificate signed by the Authorized Borrower Representative substantially in the form

attached to the Loan Agreement. 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.

### **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, Loan Payments, equal to the amount necessary to pay Bond Debt Service Charges due on the next 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 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, in accordance with the Indenture, whether at maturity, upon acceleration or otherwise, or upon provision for the payment of all other obligations in the Loan Agreement and Indenture having been made in accordance with the provisions of the Indenture, (i) if with respect to less than all of the Bonds then outstanding, an appropriate notation shall be endorsed on the Note, evidencing the date and amount of the principal payment (or prepayment) equal to the Bonds so paid, or with respect to which provision for payment has been made, and (ii) with respect to all of the Bonds then outstanding, the Note shall be deemed fully paid, the obligations of the Borrower shall be terminated, and the Note 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 each acknowledge that neither the Borrower nor the Issuer has any interest in the Bond Fund or 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, and on each [April] 1\* and [October] 1\* thereafter as provided in the Regulatory Agreement, the Issuer's Fee;

(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

---

\* Preliminary; subject to change.

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, 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 and Extraordinary Expenses and the amount of any such Ordinary Services, Ordinary Expenses, Extraordinary Services or Extraordinary Expenses; provided that fees for Ordinary Services provided for by the respective letter agreements agreed to by the Borrower and the Trustee, the Registrar, and any Paying Agents and Authenticating Agents, respectively, shall be considered to be customary; 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 under this caption 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 as described under this caption are not paid by the Borrower within ten (10) days of the Borrower's receipt of such demand, such Additional Payments shall bear interest from such tenth (10th) date at the Interest Rate for Advances until the amount due shall have been fully paid.

### **Special Covenants**

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.

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 the Loan 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 in the Loan Agreement. Nothing contained in the Loan Agreement shall limit the rights of (i) any direct or indirect owners of interests in the Borrower to (a) 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 (b) make Transfers among and between

themselves, or (ii) 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 in the Loan Agreement or in any other Subordinate Bond Document (as defined in the Indenture), 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 may be required by the terms of the Regulatory Agreement, require the prior written approval of Issuer, FHA Lender 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 General Partner of the Borrower in accordance with the Partnership Agreement and the replacement thereof with the Investor Limited Partner, or any of its affiliates; (c) the transfer of ownership interests in the Investor Limited Partner or the Special Limited Partner, if applicable; (d) the transfer of the interests of the Investor Limited Partner in Borrower to Borrower's 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 the provisions contained in the preceding paragraph and this paragraph shall control to the extent of any conflict in any Subordinate Bond Documents.

The Borrower 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.

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.

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 the Loan Agreement insofar as it relates to accounting matters.

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 incurred before or after the date of the Loan Agreement 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 (a) the amount, applicability or validity thereof shall currently be contested in good faith by appropriate proceedings, (b) the Borrower shall have set aside on its books adequate reserves with respect thereto, and (c) the title of the Borrower to, and its right to use, its properties is not materially and

adversely affected thereby. The Borrower 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 under the caption "Additional Payments" above.

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.

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 become a party or be subject to after the date of the Loan Agreement 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 the Loan Agreement, the Regulatory Agreement, the Borrower guaranties or the Note, or any other agreement or instrument therein contemplated.

In the event that any Event of Default occurs under the Loan Agreement, the Borrower shall give prompt notice in writing of such happening to the Trustee.

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 the Loan Agreement, the Regulatory Agreement or the Note or any other agreement or instrument therein contemplated.

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.

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.F.R. Part 60). The Borrower shall comply with the provisions of the Los Angeles Administrative Code Sections 10.8 through 10.13, to the extent applicable to the Loan Agreement. 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 in the Loan Agreement 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 the Loan Agreement, to the extent allowed thereunder, shall be subject to the

provisions of the Loan Agreement. 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 the Loan Agreement. For purposes of this paragraph, 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.

### **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 the Loan Agreement, the Indenture or the Regulatory Agreement.

### **Nature of Business**

The Borrower will not change the general character of its business as conducted at the date of the Loan Agreement, or engage in any type of business not reasonably related to its business as normally conducted.

### **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 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 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 the Loan Agreement.

### **Tax Exempt Status of the Bonds**

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 under this caption are for the benefit of the owners of the Bonds and the Issuer.

The Borrower covenants and agrees that it will not (i) use or permit the use of any of the funds provided by the Issuer under the Loan Agreement or any other funds of the Borrower, directly or indirectly, in such manner as would, (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.

In the event that at any time the Borrower is of the opinion or becomes otherwise aware that for purposes of the provisions under this caption 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.

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.

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 the Loan Agreement and of either of the Regulatory Agreement, and that in any event, the requirements of the Loan Agreement and the Regulatory Agreement are paramount and controlling as to the rights and obligations set forth in the Loan Agreement and supersede any other requirements in conflict therewith.

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 \$[1,500,000]\* principal amount of the Loan by the earlier of [March 1, 2017]\* or the day before the Maturity Date.

The Borrower will take such action or actions as necessary to ensure compliance with the Loan Agreement.

The Borrower will comply with the terms of the Tax Agreement.

### **Useful Life**

The Borrower 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 percent of the average reasonably expected economic life of the facilities being financed with the proceeds of the Bonds.

### **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.

---

\* Preliminary; subject to change.



## **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.

## **Optional Prepayment**

The Loan may be prepaid by the Borrower in whole or in part any Business Day occurring on or after [March 1, 2017]\*, without penalty at a prepayment price equal to the outstanding principal amount plus any unpaid accrued interest on the Loan. In order to prepay the Loan, the Borrower shall give the Trustee written notice at least twenty-five (25) days prior to the prepayment date to effect an optional redemption of all or a portion of the Bonds pursuant to the Indenture.

## **Events of Default**

The Loan Agreement provides that 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 the Loan Agreement and the continuation of such failure for a period of thirty (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 one hundred eighty (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 in effect as of or after the date of the Loan Agreement which is not dismissed within ninety (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 has the proceeding remain undismissed and unstayed for ninety (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 ninety (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; and (e) there shall occur an “Event of Default” as defined in the Indenture or the Regulatory Agreement.

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 under clause (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

---

\* Preliminary; subject to change.

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 clause (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 provisions described in “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Acceleration”, 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 as of or after the date of the Loan Agreement 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 under this caption shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture or, if the Outstanding Bonds have been paid and discharged in accordance with the provisions of the Indenture, shall be paid as provided in “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Repayment to the Borrower from the Bond Fund” for transfers of remaining amounts in the Bond Fund.

The provisions described under this caption 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) under this caption 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 “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Amendments Not Requiring Consent of Holders” and “–Amendments Requiring Consent of Holders.”

### **FHA Federal Laws and Requirements Control**

Notwithstanding anything in the Loan Agreement or the Indenture to the contrary:

The Borrower, the Trustee and the Issuer acknowledge that the Loan Agreement, the Note and all of the Borrower’s obligations thereunder, are subject and subordinate to the FHA Loan Documents. Notwithstanding any provision in the Loan Agreement to the contrary, no obligations of the Borrower thereunder shall be payable except 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) or (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, or (iii) FHA Lender Funds (collectively, “Non Project Sources”). No claims or actions shall be made (or payable) under the 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 the 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) the 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 described under this caption shall control over any inconsistent provisions in the Loan Agreement or the other Bond Documents.

Any subsequent amendment to the 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 the Loan Agreement or the Indenture shall conflict with the provisions of the Program Obligations.

There is no pledge under the Loan Agreement or the Indenture of the gross revenues or any of the assets of the Project.

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

Nothing contained in the Loan Agreement or 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.

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.

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.

[Remainder of page intentionally left blank]

## 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.*

#### Definitions

Unless otherwise expressly provided in the Regulatory Agreement or unless the context clearly requires otherwise, capitalized terms not defined in the Regulatory Agreement shall bear the meaning given them in the Indenture.

“Accessibility Requirements” refers to the accessibility requirements that must be followed in the design, construction or alteration of the Project or an individual housing unit of the Project (including common use elements), based on all the applicable laws and regulations, including: (1) Title II of the Americans with Disabilities Act (“ADA”), 42 U.S.C. §12101, et seq. and the implementing standards (“2010 ADA Standards”) at 28 C.F.R. pt. 35 and the 2004 ADA Accessibility Guidelines (“ADAAG”), (2) Section 504 of the Rehabilitation Act of 1973 (“Section 504”), 29 U.S.C. §794, the implementing regulations at 24 C.F.R. Part 8, as well as the requirements of UFAS, (3) the Fair Housing Act (“FHA”), 42 U.S.C. §§3601 3620; 24 C.F.R. Parts 100, 103, and 104, and its implementing regulations, and the California Building Codes.

“Accessible” means when used with respect to a Housing Unit or Housing Development, full compliance with the Accessibility Requirements.

“Accessible Housing Development” means a Housing Development that is Accessible, including Accessible public and common use areas.

“Accessible Housing Units” means collectively Housing Units that are on an Accessible Route, are Accessible, and are located in an Accessible Housing Development. The term Accessible Units refers collectively to Housing Units with Mobility Features and Housing Units with Hearing/Vision Features.

“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 the 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, the Regulatory Agreement, the Tax Certificate and any other document executed as of or after the date of the Regulatory Agreement 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 (Hancock Gardens Senior Apartments) Series 2016G authorized, authenticated and delivered under the Indenture.

“Borrower” means Hancock Gardens Senior Housing LP, a California limited partnership, and its successors and assigns.

“CDLAC” means the California Debt Limit Allocation Committee or its successors.

“CDLAC Conditions” has the meaning 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 as an exhibit to the Regulatory Agreement 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.

“Housing Development” means the whole of one or more residential structures and appurtenant structures in the Project, including common walkways and parking lots that were or are designed, constructed, altered, rehabilitated, operated, administered or financed in whole or in part in connection with the issuance of Bonds.

“Housing Unit” means a single unit of residence in the Project that provides spaces for living, bathing, and sleeping.

“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 as an exhibit 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 as an exhibit to the Regulatory Agreement, or in the alternative, the California Tax Credit Allocation Committee Tenant Income Certification Form, or HUD Form 50059, or such other form as may, from time to time, be provided by the Issuer to the Borrower.

“Indenture” means the Trust Indenture dated as of [\_\_\_\_\_] 1, 2016 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 September 30, 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, 2016, 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 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” 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 and the credit enhancement fees, if any, attributable to the period of the 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 303 South Van Ness Avenue, in the City of Los Angeles, California and all rights and appurtenances thereunto appertaining, as more particularly described in an exhibit to the Regulatory Agreement.

“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 in the Regulatory Agreement 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 the Regulatory Agreement, either (a) refusal by the Borrower to consent to any amendment or supplement thereto 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 U.S. Bank National Association, in its capacity as Trustee under the Indenture, together with its successors and assigns.

### **Residential Rental Property**

The Borrower 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 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 paragraph, the term “functionally related and subordinate facilities” includes facilities for use by the tenants (for example, swimming pools, other recreational facilities and parking areas) and other facilities which are reasonably required for the Project, for example, heating and cooling equipment, trash disposal equipment and units for resident managers and maintenance personnel. Substantially all of the Project will contain such units and functionally related and subordinate facilities.

(b) All of the dwelling units in the Project will be similarly constructed units, and each Low Income Unit in the Project will contain complete separate and distinct facilities for living, sleeping, eating, cooking and sanitation for a single person or a family, including a sleeping area, bathing and sanitation facilities and cooking facilities equipped with a cooking range and oven, a sink and a refrigerator. Each of the Accessible Housing Units shall also comply with the requirements of such exhibit. 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 of 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, (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; and (5) Accessible Housing Units shall be made available to persons with disabilities as provided in an exhibit to the Regulatory Agreement.

(f) The Project Site consists of a parcel or parcels that are contiguous except for the interposition of a road, street or stream, and all of the Project Facilities comprise a single geographically and functionally integrated project for residential rental property, as evidenced by the ownership, management, accounting and operation of the Project.

(g) No dwelling unit in the Project shall be occupied by the Borrower; provided, however, that if the Project contains five or more dwelling units, this subsection shall not be construed to prohibit occupancy of not more than one dwelling unit by one or more resident managers or maintenance personnel any of whom may be the Borrower.

(h) The Project shall be maintained in conformity with the habitability and fire codes of the City of Los Angeles.

(i) The Project shall be managed in a manner consistent with prudent property management standards and in compliance with all state and local laws, ordinances and regulations relating thereto.

(j) Should involuntary noncompliance with the provisions of Regulations Section 1.103-8(b) be caused by fire, seizure, requisition, foreclosure, transfer of title by deed in lieu of foreclosure, change in a federal law or an action of a federal agency after the Closing Date which prevents the 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; Records and Reports**

Pursuant to the requirements of the Code and the Issuer, the Borrower 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 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) under this caption (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 or other certification delivered in connection with a governmental housing subsidy program 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 or other certification delivered in connection with a governmental housing subsidy program. 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 as of or after the date of the Regulatory Agreement, 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 [April]\* and [October]\* 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

---

\* Preliminary; subject to change.

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 [April]\* and [October]\*, 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 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 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 paragraph (l) under the caption "Additional Requirements of CDLAC and the Issuer" below.

### **Tax-Exempt Status of the Bonds**

---

\* Preliminary; subject to change.

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 the Regulatory Agreement will be binding upon all owners of the Project, including, but not limited to, the execution and recordation of the 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 the provisions described under the caption “Term” below, the Borrower covenants to include the requirements and restrictions contained in the 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 the 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.

#### **Additional Requirements of the Act**

In addition to certain requirements set forth in the Regulatory, and without limiting any additional requirements described under the caption “Additional Requirements of CDLAC and the Issuer” below, during the Qualified Project Period, the Borrower and the Issuer agree to comply with each of the requirements of the Act, and, without limiting the foregoing, the Borrower specifically agrees to comply with each of the requirements set forth under this caption, 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) under this caption (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 paragraphs (d) and (f) under the caption "Low Income Tenants; Records and Reports" above 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 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 in the Regulatory Agreement;

(ii) The household voluntarily moves or is evicted for "good cause." "Good cause" for the purposes of this caption, 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 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 set forth in the preceding and following captions of this summary of the Regulatory Agreement, each of which is incorporated under this caption 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 (except to give priority to persons with disabilities for occupancy of Accessible Housing Units), marital status, domestic partner status or medical condition. All contracts entered into by the Borrower which relate to the Project shall contain a like provision. The Borrower shall comply with the provisions of Sections 10.8.2 and 10.8.4 of the Administrative Code of the Issuer, the provisions of which are incorporated by reference.

(d) The Borrower shall comply with the conditions set forth in Exhibit A to CDLAC Resolution No. 16-38 adopted on May 18, 2016 (the "CDLAC Conditions"), as they may be modified or amended from time to time, which conditions are incorporated in the Regulatory Agreement by reference and made a part thereof and are attached thereto as an exhibit. 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 as an exhibit to the Regulatory Agreement, executed by an Authorized Borrower Representative. Notwithstanding anything to the contrary contained 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 under the caption "Term" below.

(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 paragraphs (d) and (f) under the caption "Low Income Tenants; Records and Reports" above, 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 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 thereof. 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 by paragraph (d) under the caption "Low Income Tenants; Records and Reports" above, 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 under 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. 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 under 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, 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, 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 the 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 \$[3,750]\* (.25% of the aggregate maximum principal amount of the Bonds (\$[1,500,000]\*) issuable under the Indenture). 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 [April] 1\* and [October] 1\* commencing [October] 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 maximum principal amount of the Bonds (\$[1,500,000]\*) issuable under the Indenture, 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 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 later of: (1) the end of 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 [April] 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 the Regulatory Agreement pursuant to the provisions described under the caption "Term" below.

(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 maximum principal amount of the Bonds issuable 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.

---

\* Preliminary; subject to change.

(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 [April] 1\* and [October] 1\*, the principal amount of the Bonds outstanding as of such [April] 1\* or [October] 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 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 requirement under this caption shall, 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 described under this caption 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

---

\* Preliminary; subject to change.

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 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 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 agree to execute such amendment thereto as shall be necessary to document such automatic amendment thereof.

(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 described under this caption, and the Issuer 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 paragraph (c); provided, however, that unless directed in writing by the Issuer, the Trustee shall take no action under this paragraph (c) without first notifying the Issuer and without first providing the Issuer an opportunity to comply with the requirements described under this caption. Nothing 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; Equity Interests**

The Borrower 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 under this caption), 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 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, (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 specified under this caption; 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 is 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 described under this caption 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 thereunder, 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 described under this caption.

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 in the Regulatory Agreement, the respective interests of Borrower's limited partners shall 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 thereof shall become effective upon its execution and delivery, and shall remain in full force and effect for the periods provided therein and, except as otherwise provided under this caption shall terminate in its entirety at the end of the Qualified Project Period (or in the case of paragraph (d) under the caption “Additional Requirements of CDLAC and the Issuer” above at the times set forth in CDLAC Resolution No. 16-38, which imposes restrictions for a term of at least 55 years), 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.

Notwithstanding the foregoing, the provisions of the Regulatory Agreement relating to indemnification shall, in the case of the Trustee, survive the term of the Regulatory Agreement or the replacement of the Trustee, but only as to claims arising from events occurring during the term of the Regulatory Agreement or the Trustee’s tenure as Trustee under the Indenture, and shall, in the case of the Issuer, survive the term of the Regulatory Agreement, but only as to claims arising from events occurring during the term of the Regulatory Agreement.

The terms of the Regulatory Agreement to the contrary notwithstanding, the Regulatory Agreement and all the requirements set forth therein (except the provisions relating to indemnification) 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 thereof, 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 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 the Regulatory Agreement, the parties thereto agree to execute, deliver and record appropriate instruments of release and discharge of the terms thereof; 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 thereunder; 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 thereunder 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 consents to any correction of the default by the Issuer on behalf of the Borrower. The Issuer consents 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 provided under this caption. 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 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 thereunder;
- (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 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 under this caption 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 set forth under the captions "Tax-Exempt Status of the Bonds," "Additional Requirements of the Act" and "Additional Requirements of CDLAC and the Issuer" above. 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 described under this caption 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 pursuant to the provisions described under this caption 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 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 agrees 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 therein 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 thereunder.

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 thereto 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 agree 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 Beneficiaries**

The CDLAC is intended to be and is a third party beneficiary of the 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 paragraph (d) under the caption “Additional Requirements of CDLAC and the Issuer” above and to pursue an action for specific performance of such provisions or other available remedy at law or in equity in accordance with the provisions described under the caption “Default; Enforcement” above, 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 the Regulatory Agreement (the “HUD Rider”), the provisions contained in the HUD Rider shall govern and be controlling in all respects as set forth 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 for Multifamily Projects between Borrower and HUD with respect to the Project, as the same may be supplemented, amended or modified from time to time.

“Lender” means PNC Bank, N.A., 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.

“Residual Receipts” has the meaning set forth in the Program Obligations.

“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 HUD Rider 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 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 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 represents and warrants 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 HUD Rider) shall automatically terminate.

Borrower, Trustee and the Issuer acknowledge that 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 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 nonprofit entity; or
- d. A HUD-approved collateral assignment of any HAP contract.

For so long as the Mortgage Loan is outstanding, Borrower and 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 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 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 HUD Rider 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

**[\$1,500,000]\***  
**City of Los Angeles**  
**Multifamily Housing Revenue Bonds**  
**(Hancock Gardens Senior Apartments)**  
**Series 2016G**

This Continuing Disclosure Agreement, dated as of [\_\_\_\_\_] 1, 2016 (this “Continuing Disclosure Agreement”), is executed and delivered by Hancock Gardens Senior Housing LP, a California limited partnership (the “Borrower”) and U.S. Bank National Association, 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 [\_\_\_\_\_] 1, 2016 (the “Indenture”) between the City of Los Angeles (the “Issuer”) and the Trustee. Pursuant to the Indenture and the Loan Agreement dated as of [\_\_\_\_\_] 1, 2016 (the “Agreement”), the Dissemination Agent and the Borrower 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 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 U.S. Bank National Association, 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.

---

\* Preliminary; subject to change.

“*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](http://www.emma.msrb.org).

“*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.

“*Underwriter*” means Citigroup Global Markets Inc.

**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 2016, 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 Borrower shall, within seven (7) Business Days of the occurrence of any of the Material Events, notify the Dissemination Agent in writing to report the event pursuant to subsection (c)

of this Section 5. In determining the materiality of any of the Material Events specified in clauses (ii), (vi), (vii), (viii), (x), (xiii), or (xiv) of subsection (a) of this Section 5, the Borrower may, but shall not be required to, rely conclusively on an Opinion of Counsel. The Dissemination Agent shall have no obligation under this Continuing Disclosure Agreement to determine the materiality of any of the Material Events specified in subsection (a) of this Section 5, which obligation shall rest solely with the Borrower, or to monitor the Borrower's obligation to provide notification of the occurrence of any such Material Events.

(c) If the Dissemination Agent has been instructed by the Borrower to report the occurrence of a Material Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB within three (3) Business Days of the receipt of such instruction, but in no event later than ten (10) Business Days after the occurrence of a Material Event, with a copy of such notice provided by the Dissemination Agent to the Borrower, the Issuer and the Trustee. In addition, notice of Material Events described in subsections (a)(viii) and (ix) of this Section 5 shall be given by the Dissemination Agent under this subsection simultaneously with the giving of the notice of the underlying event to the Holders of the 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 Bondholders or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders 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 or waiver 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 the Underwriter or the Bondholders 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, or 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. The Dissemination Agent shall provide the Investor Limited Partner notice of any failure of the Borrower under this Continuing Disclosure Agreement and the Investor Limited Partner shall have the same cure rights provided to the Borrower to cure any such occurrence. The Dissemination Agent shall accept or respect any cure of a default made or tendered by the Investor Limited Partner on the same basis as if made or tendered by the Borrower on its own behalf.

**Section 8. Beneficiaries.** This Continuing Disclosure Agreement will inure solely to the benefit of the Borrower, the Trustee, the Dissemination Agent, the Underwriter and Bondholders 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 VII 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 of 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 of California.

**Section 13. Termination of this Continuing Disclosure Agreement.** This Continuing Disclosure Agreement may be terminated by any party to this Continuing Disclosure Agreement upon thirty days' written notice of termination delivered to the other party or parties to this Continuing Disclosure Agreement; provided the termination of this Continuing Disclosure Agreement is not effective until (i) the Borrower, or its successor, enters into a new continuing disclosure agreement with a dissemination agent who agrees to continue to provide, to the MSRB and the Beneficial Owners of the

Bonds, all information required to be communicated pursuant to the rules promulgated by the Securities and Exchange Commission or the MSRB, (ii) a nationally recognized bond counsel or counsel expert in federal securities laws provides an opinion that the new continuing disclosure agreement is in compliance with all applicable state and federal securities laws, and (iii) notice of the termination of this Continuing Disclosure Agreement is provided to the MSRB.

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 provisions for payment of the Bonds. This Continuing Disclosure Agreement shall terminate when all of the Bonds are or are deemed to be no longer outstanding by reason of redemption or legal defeasance or at final maturity.

**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 "FHA Loan Documents"): (i) \$15,350,000 FHA-Insured Note (Multistate) dated as of April 1, 2016 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) first-lien priority Multifamily Deed of Trust, Assignment of Leases and Rents and Security Agreement dated as of April 1, 2016 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 April 1, 2016 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 FHA 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 FHA Loan Documents. In the event of any conflict between the provisions of this Agreement and the provisions of the FHA Loan Documents, the provisions of the FHA Loan Documents shall control. No amendment to this Continuing Disclosure Agreement shall conflict with the FHA Loan Documents.

[Remainder of Page Left Blank Intentionally]

[Borrower's Signature Page to Continuing Disclosure Agreement]

**HANCOCK GARDENS SENIOR HOUSING LP,**  
a California limited partnership

By: Housing Corporation of America,  
a Utah nonprofit corporation,  
its Managing General Partner

By: \_\_\_\_\_  
Name: Ronald H. Olson  
Title: President

By: Hancock Gardens Senior Housing LLC,  
a California limited liability company,  
its Administrative General Partner

By: \_\_\_\_\_  
Name: Andrew Gross  
Title: President

[Counterpart Signature Page to Continuing Disclosure Agreement]

U.S. Bank National Association,  
as Dissemination Agent and Trustee

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

**EXHIBIT A**

**ANNUAL REPORT**

\$[1,500,000]\*  
City of Los Angeles  
Multifamily Housing Revenue Bonds  
(Hancock Gardens Senior Apartments)  
Series 2016G

Report for Period Ending \_\_\_\_\_

**THE PROJECT**

Name: \_\_\_\_\_  
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 Expenses<sup>1</sup>  
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 [ ]%.

<sup>1</sup>Excludes depreciation and other non-cash expenses, includes management fee.

---

\* Preliminary; subject to change.

**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: \$[1,500,000]\* City of Los Angeles Multifamily Housing Revenue Bonds  
(Hancock Gardens Senior Apartments) Series 2016G  
Name of Borrower: Hancock Gardens Senior Housing LP, a California limited partnership  
Date of Issuance: \_\_\_\_\_, 2016

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 [\_\_\_\_\_] 1, 2016 (the "Indenture"), between the above-named Issuer (the "Issuer") and U.S. Bank National Association, as trustee (the "Trustee"). The undersigned has been informed by the Borrower that it anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated:

U.S. Bank National Association,  
as Trustee

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

cc: Hancock Gardens Senior Housing LP

---

\* Preliminary; subject to change.