
FINANCING AGREEMENT

Dated as of October 1, 2018

between

BOERNE PUBLIC FACILITY CORPORATION

and

LIV BOERNE HILLS, LP

\$17,000,000

Boerne Public Facility Corporation
Housing Revenue Bonds
(LIV at Boerne Senior Apartments)
Series 2018

INDEX

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

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FINANCING AGREEMENT

THIS FINANCING AGREEMENT made and entered into as of October 1, 2018 between the **BOERNE PUBLIC FACILITY CORPORATION** (the “**Issuer**”) a public nonprofit housing finance corporation organized under the laws of the State of Texas, and **LIV BOERNE HILLS, LP**, a Texas limited liability company (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):

A. Pursuant to the Act, the Issuer has determined to issue, sell and deliver the Bonds, and to finance a loan with the proceeds derived from the sale thereof to the Borrower to assist in the financing of the Project to be undertaken by the Borrower.

B. To provide and secure amounts to repay to the Issuer the Loan of the Bond proceeds, the Borrower will obtain the Mortgage Loan from the Mortgage Lender and cause the Mortgage Lender to make certain payments to Wilmington Trust, National Association, as trustee under the Indenture referred to below (the “**Trustee**”), for the benefit of the Issuer.

C. The Issuer and the Borrower 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 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 the Trustee.

Section 1.2. Interpretation.

Any reference herein to the Issuer, to the Governing Body 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 the Texas 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

Section 2.1. Representations of the Issuer.

The Issuer represents that: (a) it is a public nonprofit public facility corporation organized and existing under the laws of the State; (b) it has or will have by the Closing Date 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 the Issuer Documents; (c) it is not in violation of or in conflict with any provisions of the laws of the State that would impair its ability to carry out its obligations contained in the Issuer Documents; (d) it has the legal right and is empowered to enter into the transactions contemplated by the Issuer Documents; (e) it has duly authorized the execution, delivery and performance of the Issuer Documents; and (f) it will do all things in its power in order to maintain its existence or assure the assumption of its obligations under the Issuer Documents by any successor entity. The Issuer makes no representation or warranty, express or implied, that the proceeds of the Bonds will be sufficient to finance the acquisition, construction and equipping of the Project or that the Project will be adequate or sufficient for the Borrower's intended purpose.

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 of Texas, is in good standing and duly qualified to transact business in the State and not in violation of any provision of any applicable Partnership Agreement and is authorized to own and operate the Project in the State.

(b) It has full power and authority to execute, deliver and perform the Borrower Documents and to enter into and carry out the transactions contemplated by those documents. That execution, delivery and performance 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, enforceable in accordance with their terms except as may be limited by laws relating to bankruptcy, insolvency, reorganization or moratorium or other similar laws affecting creditors' rights.

(c) The Borrower was formed on September 6, 2017. The general partner of the Borrower is BPFC LIV Boerne GP, LLC, a Texas limited liability company (the "Managing Member"). The other members of the Borrower are the Investor Limited Partner and the Special Member. The Borrower does not currently operate or conduct any business except as related to the financing, ownership, operation and rehabilitation of the Project. The Borrower has no material assets or property other than its anticipated interest in the Project.

(d) The general partner (1) is a limited liability company, duly organized under the laws of the State of Texas, and (2) has the requisite legal authority to become and to act as a general partner of the Borrower.

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

(f) It will use and operate the Project in a manner consistent with the Act and in accordance with the Tax Regulatory Agreement for as long as required by the Act and the Code 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 by the Issuer which will be consistent with the Act, the Code and the Tax Regulatory Agreement.

(g) The Project will be completed in accordance with the Plans and Specifications in all material respects 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.

(h) The Project will be located entirely within the jurisdiction of the Issuer.

(i) The Borrower has obtained or will obtain all consents, approvals, permits, authorizations and orders of any governmental or regulatory agency that are required to be obtained by the Borrower as a condition precedent to the issuance of the Bonds, the execution and delivery of the Borrower Documents or the performance by the Borrower of its obligations thereunder, or that were or are required for the acquisition, rehabilitation and/or operation of the Project.

(j) No litigation at law or in equity or proceeding before any governmental agency involving the Borrower is pending or, to the best of its knowledge, threatened in which any liability of the Borrower is not adequately covered by insurance or in which any judgment or order would have a material adverse effect upon the business or assets of the Borrower or that would affect its existence or authority to do business, the acquisition, rehabilitation, equipping or operation of the Project, the validity of any Borrower Documents or the performance of its obligations thereunder.

(k) The Borrower is not in default in the payment of the principal of or interest on any of its indebtedness for borrowed money and is not in material default under any instrument under and subject to which any indebtedness has been incurred, and no event has occurred and is continuing that, under the provisions of any such agreement, with the lapse of time or the giving of notice, or both, would constitute an event of default by the Borrower thereunder.

(l) The Borrower is not in default under or in violation of, and the execution, delivery and compliance by the Borrower with the terms and conditions of the Borrower Documents do not and will not conflict with or constitute or result in a default by the Borrower in any material respect under or violate, (i) the Borrower's organizational documents, (ii) any agreement or other instrument to which the Borrower is a party or by which it or its assets are bound, or (iii) to the best of its knowledge, any constitutional or statutory provision or order, rule, regulation, decree or ordinance of any court, government or governmental authority having jurisdiction over the Borrower or its property, and no event has occurred and is continuing which, with the lapse of time or the giving of notice, or both, would constitute or result in such a default or violation.

(m) The Borrower has received and reviewed a copy of the Indenture and approves the terms and conditions thereof and agrees to the terms thereof.

(n) The Borrower has filed or caused to be filed all federal, state and local tax returns that are required to be filed or has obtained appropriate extensions therefor, and has paid or caused to be paid all taxes as shown on said returns or on any assessment received by it, to the extent that such taxes have become due.

(o) Neither the Borrower nor any related Person thereto shall acquire any Bonds in any amount.

(p) The Borrower will be the absolute owner of the Project real property and will have absolute ownership of the personal property comprising the Project, and there are no liens or encumbrances against such property other than the liens contemplated by the Mortgage Loan Documents.

(q) The Borrower acknowledges, represents and warrants that it understands the nature and structure of the transactions relating to the financing of the Project; that it is familiar with the provisions of all of the documents and instruments relating to such financing to which it or the Issuer is a party or of which it is a beneficiary; 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 or its counsel for any guidance or expertise in analyzing the financial or other consequences of the transactions contemplated by this Agreement and the Indenture or otherwise relied on the Issuer or its counsel in any manner.

(r) The Project will, after the completion of rehabilitation, be in compliance with all requirements of the Tax Regulatory Agreement, including all applicable requirements of the Act and Code. The Borrower intends to cause the residential units in the Project to be rented or available for rental on a basis which satisfies the requirements of the Tax Regulatory Agreement, including all applicable requirements of the Act and the Code. All future leases will comply with all applicable laws and the Tax Regulatory Agreement. The Project will meet the requirements of this Agreement, the Tax Regulatory Agreement, the Act and the Code with respect to multifamily rental housing.

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.

(End of Article II)

ARTICLE III

PLAN OF FINANCING

Section 3.1. Issuance of Bonds; Application of Proceeds.

To provide funds to finance the Loan for purposes of assisting the Borrower in paying Project Costs, the Issuer shall simultaneously with the execution and delivery hereof proceed with the issuance and delivery of the Bonds upon receipt by the Trustee of the items listed in Section 2.11 of the Indenture. The Issuer agrees to deposit the proceeds of sale of the Bonds in accordance with the Indenture.

The Bonds will be issued pursuant to the Indenture in the aggregate principal amount, will bear interest, will mature and will be subject to redemption as set forth therein. The Borrower hereby approves the terms and conditions of the Indenture and the Bonds, and the terms and conditions under which the Bonds will be issued, sold and delivered and will comply with those provisions of the Indenture that contemplate action by the Borrower, all as if the Borrower were a party to the Indenture.

Pending disbursement pursuant to Section 3.6 hereof, the proceeds of the Bonds deposited in the Project Fund, together with any investment earnings thereon, shall constitute a part of the Revenues assigned by the Issuer to the Trustee as security for the payment of Bond Service Charges as provided in the Indenture.

Section 3.2. The Loan.

The Issuer agrees, upon the terms and conditions herein, to finance the Loan to the Borrower with the proceeds received by the Issuer from the sale of the Bonds by causing such proceeds to be deposited with the Trustee for disposition as provided in the Indenture. The obligation of the Issuer to finance the Loan shall be deemed fully discharged upon the deposit of the proceeds of the Bonds with the Trustee. The Loan shall be evidenced by the Note payable to the Trustee.

Section 3.3. Mortgage Loan to Borrower.

To provide and secure funds for the repayment of the Loan, and to provide for the delivery of the Collateral Payments, the Borrower shall simultaneously with the execution and delivery hereof, proceed with obtaining the Mortgage Loan from the Mortgage Lender and entering into the Funding Agreement with the Mortgage Lender and the Trustee. In particular, the Borrower will promptly take all necessary actions on its part to satisfy all terms and conditions of the FHA Loan Commitment and the requirements of the Mortgage Lender.

The Borrower represents that the Mortgage Loan is to be insured by FHA pursuant to and in accordance with the provisions of the FHA Loan Commitment; and that the Mortgage Loan will be in the maximum original principal amount of \$21,953,400, will bear interest at the fixed interest rate of [REDACTED] % per annum, will provide for commencement of amortization on September 1, 2020 and mature on August 1, 2060, and shall be evidenced by the Mortgage Note. The Mortgage Loan will be secured on a non-recourse basis pursuant to the Mortgage Loan Documents.

In connection with the Mortgage Loan, the Borrower shall execute and deliver such documents as may be customarily utilized for insured mortgage loans and required by the

Mortgage Lender and/or FHA, with such omissions, insertions and variations as may be permitted by the Mortgage Lender and/or FHA and as may be consistent with the terms and provisions of this Agreement.

Section 3.4. Acquisition, Construction, Installation, Equipment and Improvement.

The Borrower (a) has acquired, or is in the process of acquiring, a leasehold interest in the Project site and shall construct, improve and equip the Project with all reasonable dispatch and in accordance with the Plans and Specifications in all material respects, (b) shall pay when due all fees, costs and expenses incurred in connection with that acquisition, construction, installation, equipment and improvement 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, construction, rehabilitation, remodeling, 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 construction, and improvement of the Project as required by law.

Section 3.5. Plans and Specifications.

The Project shall be constructed in a manner consistent with the requirements of the Act. The Borrower may revise the Plans and Specifications from time to time, provided that no revision shall be made which would contradict the Act or would result in a violation of the requirements of the Tax Regulatory Agreement or any covenant, representation or obligation herein.

Section 3.6. 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 principal amount of the Bonds has been declared to be immediately due and payable pursuant to Section 7.2 hereof and Section 6.03 of the Indenture, 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, construction, rehabilitation, remodeling, improvement and equipping 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 limitations set forth in the Tax Certificate, Costs of Issuance of the Bonds, including, 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 properly incurred under the Indenture that may become due and payable while the Bonds are outstanding.

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

(g) Payment of interest on the Bonds.

(h) Payments to the Rebate Fund.

Any disbursements from the Project Fund for the payment of Project Costs shall be made by the Trustee only upon the receipt by the Trustee of: (a) a disbursement request in the form attached hereto as Exhibit B; and (b) Collateral Payments in an amount equal to the amount of any such disbursement request for deposit in the Collateral Fund as provided in Section 4.2 hereof. The Borrower hereby acknowledges and agrees that it shall submit disbursement requests to the Trustee no more frequently than once each calendar month. Each such disbursement request shall be consecutively numbered and accompanied by a copy of the approval of the Mortgage Lender of the payments or reimbursements requested.

The Borrower's right to request disbursements for the Project Fund is limited to the principal amount of the Loan, which may be less than the principal amount of the Mortgage Loan.

Any disbursement for any item not described in, or the cost for which item is other than as described in, the information statement filed by the Issuer in connection with the issuance of the Bonds as required by Section 149(e) of the Code, and in the notice of public hearing pertaining to the Bonds shall be accompanied by an Opinion of Bond Counsel to the effect that such disbursement will not adversely affect the Federal Tax Status of the Bonds.

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 Authorized Borrower Representative, promptly shall be paid into the Bond Fund.

Section 3.7. Funding Agreement.

The Borrower shall execute the Funding Agreement with the Trustee and the Mortgage Lender to coordinate the funding of a portion of the Project Costs with the proceeds of the Bonds by delivering or causing to be delivered to the Trustee certain funds ("Collateral Payments") representing all or a portion of the advances under the Mortgage Loan (the "Advances") in exchange for an equal amount of Bond proceeds from the Project Fund under the Indenture.

Section 3.8. 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 accordance with the Plans and Specifications and shall pay all such additional Project Costs from its own funds. The Borrower shall pay all Costs of Issuance of the Bonds in excess of the amount permitted by the Tax Certificate. The Borrower shall not be entitled to any reimbursement for any such additional Project Costs or payment of Costs of Issuance from the Issuer, the Trustee or any Holder; nor shall it be entitled to any abatement, diminution or postponement of any Loan Payments or other amounts to be paid under this Agreement.

Section 3.9. 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) and (b) of the Completion Certificate.

Section 3.10. Reserved.

Section 3.11. Investment of Fund Moneys.

At the written request of the Authorized Borrower Representative, 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 accordance with Section 4.10 of the Indenture or otherwise in Eligible Investments as provided in the Indenture. The Issuer (to the extent within its control) and the Borrower each hereby covenants that 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 Borrower Documents on, a certificate of an Authorized Borrower Representative 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 3.12. Rebate Calculations and Payments.

The Borrower shall appoint a Rebate Analyst, the expense of which shall be borne by the Borrower.

At the times required by the Tax Certificate, the Borrower shall cause the Rebate Analyst to calculate the Rebate Amount as of the end of that Bond Year or the date of such payment and the Rebate Analyst shall notify the Trustee and the Borrower of that amount. If the amount then on deposit in the Rebate Fund created under the Indenture is less than the Rebate Amount (taking

into account the amount or amounts, if any, previously paid to the United States), the Borrower shall, within 30 days after the date of the aforesaid calculation, deposit or cause to be deposited to the credit of the Rebate Fund an amount sufficient to cause the Rebate Fund to contain an amount equal to the Rebate Amount. The obligation of the Borrower to make or cause to be made such payments shall remain in effect and be binding upon the Borrower notwithstanding the release and discharge of the Indenture or the termination of this Agreement. The Borrower shall obtain such records of the computations made pursuant to this Section as are required under Section 148(f) of the Code and shall retain such records for at least six (6) years after the maturity or retirement of the Bonds.

The Borrower further covenants that, during the term of the Bonds, in the event the Borrower sells or otherwise disposes of the Project, it will require that the transferee execute a covenant similar to that in this Section in the sale or other documents concerning the disposition and will require such transferee to include such a covenant in future transfer documents. The special covenants of the Borrower in this Section shall survive the defeasance or payment in full of the Bonds notwithstanding any other provision of this Agreement until the requirements for payment of any Rebate Amount has been fully satisfied.

(End of Article III)

ARTICLE IV

LOAN PAYMENTS; COLLATERAL PAYMENTS AND ADDITIONAL PAYMENTS

Section 4.1. Loan Repayment; Delivery of Note.

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 Bond Payment Date, Loan Payments, equal to the amount necessary to pay interest on and principal of the Bonds 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 with respect to the Bonds on any date equal to the available moneys in the Bond Fund or transferred thereto from the Collateral Fund or the Project Fund for the payment of Bond 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 Tax Regulatory Agreement.

The Note shall secure equally and ratably all Outstanding Bonds, except that, so long as no Event of Default has occurred and is subsisting hereunder, payments by the Borrower on the Note shall be used by the Trustee to make a like payment of Bond Service Charges and shall constitute Loan Payments.

Upon payment in full, in accordance with the Indenture, of the Bond Service Charges on any or all Bonds, whether at maturity or otherwise, or upon provision for the payment thereof having been made in accordance with the provisions of the Indenture, (a) the Note shall be deemed fully paid, the obligations of the Borrower thereunder shall be terminated, and the Note shall be surrendered by the Trustee to the Borrower, and shall be canceled by the Borrower, or (b) an appropriate notation shall be endorsed thereon 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 that Note shall be surrendered by the Trustee to the Borrower for cancellation if all Bonds shall have been paid (or provision made therefor) and canceled as aforesaid. 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.

Section 4.2. Collateral Payments.

In consideration of and as a condition to the disbursement of Bond proceeds in the Project Fund to pay Project Costs, and to secure the Borrower's obligation to make Loan Payments, the Mortgage Lender shall deliver or cause to be delivered to the Trustee on or before each such disbursement, Collateral Payments equal to the amount of the proposed disbursement. All such Collateral Payments shall be paid to the Trustee for the account of the Issuer and shall be held in the Collateral Fund and disbursed in accordance with the provisions of the Indenture.

Section 4.3. Bond Fund and Collateral Fund.

The Borrower and the Issuer each acknowledge that none of the Borrower or 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, so long as any Bonds remain outstanding.

Section 4.4. Additional Payments.

The Borrower shall pay as Additional Payments hereunder the following, which Additional Payments shall be applied in the following order of priority:

(a) Whether out of the proceeds of the Mortgage Loan or other funds, all Costs of Issuance of the Bonds and all expenses incurred in closing the Mortgage Loan.

(b) To the Issuer (i) the Issuer Administration Fee to the extent that the funds available under the Indenture for the payment thereof are not sufficient and available therefor and (ii) the Extraordinary Issuer Fees and Expenses.

(c) Reserved.

(d) To the Trustee, (i) the Ordinary Trustee's Fees and Expenses to the extent that the funds available in the Expense Fund for the payment thereof are not sufficient and available therefor and (ii) the Extraordinary Trustee Fees and Expenses.

(e) All costs of printing any replacement Bonds required to be issued under the Indenture to the extent such costs are not paid by the Holders.

(f) To the extent not paid by the Trustee from the Expense Fund, all of the fees and expenses of the Rebate Analyst (including, but not limited to, the Rebate Analyst Fee) and any other necessary consultant employed by the Borrower, the Trustee or the Issuer in connection with any of the requirements imposed by Section 4.09 of the Indenture and the Tax Certificate to the extent that the funds available under the Indenture for the payment thereof are not sufficient and available therefor. The Borrower shall provide or cause to be provided all information and moneys (including moneys necessary to make deposits to the Rebate Fund required by the Indenture and the Tax Certificate and the fees and expenses of the Rebate Analyst to the extent available moneys in the Bond Fund under the Indenture are inadequate to pay such amounts) to the Trustee and the Rebate Analyst to enable the Trustee and the Rebate Analyst to comply with the Indenture and the Tax Certificate.

(g) To the Dissemination Agent, the Dissemination Agent Fee to the extent the funds available in the Expense Fund are not sufficient and available therefore, as well as any other costs and expenses in order to provide for compliance with the terms of the Continuing Disclosure Agreement.

In the event the Borrower is in default under any provision of any of the Borrower Documents, the Borrower shall be liable to, and upon demand shall pay to, the Issuer, the Trustee and the Mortgage Lender all reasonable fees and disbursements of such persons and their agents (including attorneys' fees and expenses) which are reasonably connected therewith or incidental thereto except to the extent such fees and disbursements are paid from moneys available therefor under the Indenture.

To provide for certain of the anticipated Additional Payments, the Borrower agrees to cause to be deposited a portion of the Initial Borrower Deposit into the Expense Fund and the Costs of Issuance Fund as required under the Indenture, and authorizes the Trustee to pay, from moneys on deposit in the Costs of Issuance Fund and the Expense Fund, the amounts provided to be paid from the Costs of Issuance Fund or the Expense Fund in accordance with Sections 4.05 and 4.08, respectively, of the Indenture. All such amounts shall be paid directly to the parties entitled thereto for their own account as and when such amounts become due and payable.

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 upon such demand, such Additional Payments shall bear interest from the date of such payment or the incurrence thereof at the Maximum Interest Rate until the amount due shall have been fully paid.

The obligations of the Borrower under this Section shall survive the termination of this Agreement and the payment and performance of all of the other obligations of the Borrower hereunder and under the other Borrower Documents, including the Tax Certificate.

Section 4.5. Place of Payments.

The Borrower shall make all Loan Payments directly to the Trustee at its Designated Office. The Borrower shall direct the Mortgage Lender to make all Collateral Payments directly to the Trustee at its Designated Office. Additional Payments shall be made by the Borrower directly to the person or entity to whom or to which they are due.

Section 4.6. Obligations Unconditional.

The obligations of the Borrower to make Loan Payments, Additional Payments and any payments required of the Borrower under Sections 4.08 and 4.09 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 or dispute the amount of any such obligation arising under Section 4.08 of the Indenture so long as such dispute or contest does not result in an Event of Default under the Indenture.

Section 4.7. Assignment of Agreement and Revenues.

To secure the payment of Bond Service Charges, the Issuer shall assign to the Trustee, by the Indenture, its rights under and interest in this Agreement (except for the Reserved Rights). The Borrower hereby agrees and consents to those assignments. The Issuer shall not attempt to further assign, transfer or convey its interest in the Revenues or this Agreement or create any pledge or lien of any form or nature with respect to the Revenues, Loan Payments or Collateral 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 to Borrower and Borrower's tenants (if applicable), 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; Sale of Project.

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 Borrower Documents 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 or take any action or allow any action to be taken to terminate the existence of the Borrower except as provided herein.

No sale, assignment or transfer of title to the Project, except as may be otherwise required by Fannie Mae or the Mortgage Lender, shall be made unless (a) the Issuer, Mortgage Lender and Fannie Mae consent to such assignment or transfer, (b) the transferee or assignee, as the case may be, assumes all the duties of the Borrower under the Borrower Documents, provided that such assumption may contain an exculpation of the assignee from personal liability with respect to any obligation hereunder, except the Borrower's obligation to indemnify the Issuer and the Trustee and reimburse the Issuer and the Trustee for the fees and expenses of the Issuer and the Trustee, and (c) no Event of Default as certified in writing to the Trustee by the Borrower shall have occurred and be continuing under the Indenture or this Agreement. The Trustee shall consent to any such assignment or transfer if (i) the Mortgage Lender notifies it in writing that the aforesaid condition (a) is satisfied, and (ii) the Trustee receives an Opinion of Bond Counsel to the effect that such transfer or assignment would not adversely affect the Federal Tax Status of the Bonds. Upon the assumption of the duties of the Borrower by an assignee as provided herein, the outgoing Borrower shall be released from all executory obligations so assumed; provided, however, the Borrower shall not be released from its obligation to pay or reimburse the fees and expenses of the Issuer and the Trustee and to indemnify the Trustee and the Issuer without the express written consent of the Trustee and the Issuer, as applicable, which consent shall not be unreasonably withheld. Nothing contained in this Section shall be construed to supersede any provisions regarding assignment and transfer of the Project contained in the Mortgage Loan Documents.

Notwithstanding anything to the contrary contained herein or in any other Borrower Document, and subject to the consent of FHA as required by the Mortgage Loan Documents, the following shall be permitted and shall not require the prior written approval of Issuer, Mortgage Lender or Trustee (but written notice of any such actions will be given to the Issuer, Mortgage Lender and Trustee), (a) the transfer by Investor Limited Partner or Special 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 Investor Limited Partner, Special Limited Partner or any of their affiliates or persons permitted under the Partnership Agreement, (c) the transfer of ownership interests in Investor Limited Partner, (d) upon the expiration of the tax credit compliance period, the transfer of the interests of Investor Limited Partner in Borrower to Borrower's general partner or any of its affiliates, (e) the dilution of the General Partner's interest in cash flow and/or capital transaction proceeds in the Borrower in accordance with the terms of the Partnership Agreement; and (f) any amendment to the Partnership Agreement to memorialize the transfers or removal described above or any amendment to the Partnership Agreement which does not affect the financial terms of the Partnership Agreement and does not otherwise affect the security interest of Lender to the Property. The parties agree that this section shall control to the extent of any conflict in any Borrower Documents (as defined in the Indenture).

Section 5.3. Indemnification.

THE BORROWER RELEASES THE ISSUER, THE CITY AND THE TRUSTEE FROM, AGREES THAT THE ISSUER, THE CITY AND THE TRUSTEE SHALL NOT BE LIABLE FOR, AND INDEMNIFIES, DEFENDS AND HOLDS THE ISSUER, THE CITY AND THE TRUSTEE HARMLESS AGAINST, ALL LIABILITIES, CLAIMS, COSTS AND EXPENSES AND ATTORNEYS' FEES IMPOSED UPON, INCURRED OR ASSERTED AGAINST THE ISSUER, THE CITY OR THE TRUSTEE ON ACCOUNT OF: (A) ANY LOSS OR DAMAGE TO PROPERTY OR INJURY TO OR DEATH OF OR LOSS BY ANY PERSON THAT MAY BE OCCASIONED BY ANY CAUSE WHATSOEVER PERTAINING TO THE ACQUISITION, FINANCING, CONSTRUCTION, REHABILITATION, OCCUPATION, DESIGN, POSSESSION, MANAGEMENT, EQUIPPING, FURNISHING, MAINTENANCE, OPERATION AND USE OF THE PROJECT OR FROM ANY WORK OR THING DONE IN OR ABOUT THE PROJECT SITE, OR ANY SIDEWALKS, PASSAGEWAYS, DRIVEWAYS, CURBS, VAULTS AND VAULT SPACE, STREETS OR PARKING AREAS ON THE PROJECT SITE OR ADJACENT THERETO; (B) ANY BREACH OR DEFAULT ON THE PART OF THE BORROWER IN THE PERFORMANCE OF ANY COVENANT OR AGREEMENT OF THE BORROWER UNDER THIS AGREEMENT, THE TAX REGULATORY AGREEMENT, THE NOTE OR ANY RELATED DOCUMENT, OR ARISING FROM ANY ACT OR FAILURE TO ACT BY THE BORROWER, OR ANY OF ITS AGENTS, CONTRACTORS, SERVANTS, EMPLOYEES OR LICENSEES; (C) THE BORROWER'S FAILURE TO COMPLY WITH ANY REQUIREMENT OF THIS AGREEMENT INCLUDING THE COVENANT IN SECTION 5.4 HEREOF; (D) ANY ACTION TAKEN OR OMITTED TO BE TAKEN BY THE ISSUER, THE CITY OR THE TRUSTEE AT THE REQUEST OF OR WITH THE CONSENT OF THE BORROWER; (E) THE ISSUANCE, OFFERING, SALE, DELIVERY OR REMARKETING OF THE BONDS; AND (F) ANY CLAIM, ACTION OR PROCEEDING BROUGHT WITH RESPECT TO ANY MATTER SET FORTH IN CLAUSE (A), (B), (C), (D) OR (E) ABOVE; PROVIDED, HOWEVER, THAT THE INDEMNIFICATION PROVIDED IN THIS SECTION SHALL NOT APPLY TO ANY MATTER ARISING OR RESULTING FROM THE WILLFUL MISCONDUCT OF THE ISSUER OR THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE TRUSTEE OR ANY INFORMATION PROVIDED BY THE ISSUER OR THE TRUSTEE IN WRITING FOR USE IN CONNECTION WITH THE OFFERING AND SALE OF THE BONDS.

THE BORROWER AGREES TO INDEMNIFY AND HOLD THE TRUSTEE (IN ITS CAPACITY AS SUCH, IN ITS INDIVIDUAL CAPACITY, AND IN ANY OTHER CAPACITY IT ASSUMES UNDER OR PURSUANT TO ANY FINANCING DOCUMENT), ITS EMPLOYEES,

OFFICERS, REPRESENTATIVES, AND AGENTS HARMLESS FROM AND AGAINST ANY AND ALL LOSSES, COSTS, DAMAGES, EXPENSES AND LIABILITIES OF WHATSOEVER NATURE OR KIND (INCLUDING, BUT NOT LIMITED TO, ANY TAXES DUE AND PAYABLE IN CONNECTION WITH THE LOAN, REASONABLE ATTORNEYS' FEES, INCLUDING ANY AND ALL OF THOSE INCURRED PRIOR TO LITIGATION AND AT ALL TRIBUNAL LEVELS; LITIGATION AND COURT COSTS, AMOUNTS PAID IN SETTLEMENT BY OR WITH THE APPROVAL OF THE BORROWER, AND AMOUNTS PAID TO DISCHARGE JUDGMENTS) DIRECTLY OR INDIRECTLY RESULTING FROM, ARISING OUT OF, OR RELATED TO (I) THE ISSUANCE, OFFERING, REMARKETING, SALE OR DELIVERY OR RESALE ON THE SECONDARY MARKET OF THE BONDS; (II) THE ENFORCEMENT OF PROVISIONS OF THIS AGREEMENT, THE NOTE, THE INDENTURE, THE TAX REGULATORY AGREEMENT, OR ANY OTHER FINANCING DOCUMENT; (III) ANY WRITTEN STATEMENTS OR REPRESENTATIONS MADE OR GIVEN BY BORROWER OR BY ANY PARTNER, DIRECTOR, OFFICER, EMPLOYEE, ATTORNEY, OR AGENT OF THE BORROWER OR PERSON UNDER DIRECT CONTRACT TO THE BORROWER OR ACTING ON THE BORROWER'S BEHALF TO ANY INDEMNIFIED PERSONS; (IV) THE DESIGN, CONSTRUCTION, REHABILITATION, INSTALLATION, OPERATION, USE, OCCUPANCY, MAINTENANCE OR OWNERSHIP OF THE PROJECT; OR (V) THE ADMINISTRATION OF THE TRUSTS CREATED BY THE INDENTURE; PROVIDED, HOWEVER, THE TRUSTEE SHALL NOT BE INDEMNIFIED HEREUNDER FOR ANY CLAIMS OR DAMAGES ARISING FROM ITS OWN GROSSLY NEGLIGENT ACTS OR OMISSIONS OR FROM ANY WILLFUL MISCONDUCT BY THE TRUSTEE IN CARRYING OUT ITS DUTIES SET FORTH IN THE INDENTURE. NOTWITHSTANDING ANY PROVISIONS OF ANY FINANCING DOCUMENTS TO THE CONTRARY, THE TRUSTEE'S RIGHTS UNDER THIS SECTION SHALL SURVIVE THE TRUSTEE'S RESIGNATION OR REMOVAL AND THE DISCHARGE OF THE INDENTURE.

NOTWITHSTANDING THE FOREGOING, THE INDEMNIFICATION DESCRIBED IN THIS SECTION 5.3 SHALL RELATE TO INDEMNIFIED OBLIGATIONS ARISING FROM TRUSTEE'S OWN NEGLIGENCE.

In case any action or proceeding is brought against the Issuer or the Trustee in respect of which indemnity may be sought hereunder, the party seeking indemnity promptly shall give notice of that action or proceeding to the Borrower, and the Borrower upon receipt of that notice shall have the obligation and the right to assume the defense of the action or proceeding; provided, that failure of a party to give that notice shall not relieve the Borrower from any of its obligations under this Section unless that failure prejudices the defense of the action or proceeding by the Borrower. At the Borrower's expense, an indemnified party may employ separate counsel and participate in the defense. The Borrower shall not be liable for any settlement made without its consent.

The indemnification set forth above is intended to and shall include the indemnification of all affected officials, directors, officers and employees of the Issuer and the Trustee, and any predecessor Trustee, respectively. That indemnification is intended to and shall be enforceable by the Issuer and the Trustee, respectively, to the full extent permitted by law.

Section 5.4. Tax Covenants.

(a) It is the intention of the parties hereto that interest on the Bonds shall be and remain excludable from gross income for federal income tax purposes, and, to that end, the covenants and agreements of the Issuer and the Borrower in this Section are for the benefit of the Trustee on behalf of and for each and every holder of the Bonds.

(b) The Borrower covenants and agrees that it will not knowingly use or permit the use of any of the funds provided by the Issuer hereunder or knowingly use or invest or permit the use or investment of any other funds of the Borrower directly or indirectly, or direct the Trustee to invest any funds held by it hereunder or under the Indenture or otherwise, in such manner as would cause any Bond to be an “arbitrage bond” within the meaning of section 148 of the Code, a “hedge bond” within the meaning of section 149 of the Code, or “federally guaranteed” within the meaning of section 149(b) of the Code and applicable regulations promulgated from time to time thereunder. The Borrower covenants and agrees that neither it, nor any “related person” (as defined in section 147(a)(2) of the Code) will enter into any arrangement, formal or informal, for the purchase of Bonds. The Borrower covenants and agrees that it will observe and not violate the requirements of section 148 of the Code and any such applicable regulations which, in the opinion of Bond Counsel, are applicable to the Borrower or to the Bonds.

(c) In the event that at any time the Borrower is in receipt of an opinion of Bond Counsel to the effect that for purposes of this Section or the Indenture it is necessary to further restrict or limit the Yield on the investment of any money held by the Trustee under the Indenture beyond those situations and periods outlined in this Agreement or the Issuer’s Tax Certificate dated the Closing Date, the Borrower shall notify the Trustee in writing of the limitations which, in the opinion of Bond Counsel, apply to the investment of such funds and instruct the Trustee to comply with these limitations.

(d) As additional consideration for the purchase of the Bonds by the purchaser thereof and the loan of the money represented thereby, and in order to induce such purchase by measures designed to insure the excludability from gross income of the interest thereon for federal income tax purposes, the Borrower shall deliver to the Trustee, within 25 days after each Computation Date,

(i) a statement, signed by the Rebate Analyst stating the applicable portion of the Rebate Amount as of such Computation Date which must be paid over to the United States of America under section 148(f) of the Code taking into account all Gross Proceeds of the Bonds, and

(ii) if required, an Internal Revenue Service Form 8038-T completed as of such Computation Date and such other Internal Revenue Service forms or other statements or forms required by the Code, Regulations, or other administrative rule, procedure, announcement, or guidelines.

(e) If the Borrower shall discover or be notified as of any date that any payment made to the United States Treasury pursuant to Section 4.09 of the Indenture shall have failed to satisfy any requirement of the Regulations (whether or not such failure shall be due to any default by the Borrower, the Issuer, or the Trustee), the Borrower shall (i) deliver to the Trustee a brief written explanation of such failure and any basis for concluding that such failure was innocent and (ii) pay to the Trustee (for deposit to the Rebate Fund) and cause the Trustee to pay to the United States Treasury from the Rebate Fund, within 60 days after such discovery or notice, the “correction amount” in respect thereof specified in Regulation Section 1.148-3(h) together with the explanation described in the immediately preceding Clause (i) and the other documents required by Section 4.09 of the Indenture to accompany such payment from the Rebate Fund.

(f) The Borrower shall retain as part of the official transcript all of its accounting records relating to the funds held under the Indenture and the Rebate Fund and all calculations

made in preparing the statements described in this Section for at least six years after the final payment of the Bonds, whether by reason of maturity or prior redemption.

(g) The Borrower shall not knowingly use or permit the use of any proceeds of Bonds or any funds of the Borrower, directly or indirectly, in any manner, and shall not knowingly take or permit to be taken any other action or actions which would conflict with the covenants contained herein or in the Regulatory Agreement. The Borrower acknowledges that such covenants are designed for the purpose of ensuring that the Bonds are treated as an obligation described in section 103(a) of the Code.

(h) Notwithstanding any provisions of this Section, if the Borrower shall provide to the Trustee and the Issuer an opinion of Bond Counsel that any specified action required under this Section or Sections 4.09 and 9.01(g) of the Indenture is no longer required or that some further or different action is required to maintain the exclusion from gross income for purposes of federal income taxation of interest on the Bonds, the Trustee, the Issuer and the Borrower may conclusively rely on such opinion in complying with the requirements of this Section and Sections 4.09 and 9.01(g) of the Indenture and be protected in so doing, and the covenants hereunder shall be deemed to be modified to that extent.

(i) The Issuer covenants and agrees that it has not taken and will not take, or permit to be taken by parties within its control, and the Borrower covenants and agrees that it has not taken or permitted to be taken and will not take or permit to be taken, any action which will cause the interest on the Bonds to become includable in gross income for purposes of federal income taxation pursuant to the provisions of section 103(a) of the Code, provided that neither the Borrower nor the Issuer shall have violated these covenants if the interest on any of the Bonds issued in accordance with section 103 of the Code becomes includable in gross income for purposes of federal income taxation 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.

(j) The Borrower hereby covenants that the Project and each unit thereof constitute and will constitute a qualified residential rental project, as defined in section 142(d) of the Code and the regulations thereunder, and that each residential unit in the Project (other than a reasonable number of units for resident manager or other administrative use) will be rented or available for rental on a continual basis to members of the general public for the period required by said Section. The Project consists of one or more proximate buildings or structures containing one or more similarly constructed accommodations containing separate and complete facilities for living, sleeping, eating, cooking and sanitation which are to be used on other than a transient basis and facilities which are functionally related and subordinate to such accommodations. The Borrower and the Issuer each hereby elect to apply the requirements of section 142(d)(1)(A) to the Project. Commencing on the date twelve months after Closing Date and continuing throughout the remainder of the Qualified Project Period, the Borrower represents, covenants and agrees that no less than 40% of the total number of units of the Project shall be, at all times, rented to and occupied by Low Income Tenants (as defined in the Tax Regulatory Agreement).

(k) The Borrower further agrees that it shall not discriminate on the basis of race, creed, color, sex or national origin in the lease, use or occupancy of the Project or in connection with the employment or application for employment of persons for the rehabilitation, operation and management of the Project.

(l) The Borrower further 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 hereof and of the Tax Regulatory Agreement and that, in any event, the requirements of this Agreement and the Tax 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.

(m) The Borrower further covenants that it will not allow any proceeds of the Bonds to be used to provide any airplane, skybox or other private luxury box, health club facility, facility primarily used for gambling or facilities the primary purpose of which is the sale of alcoholic beverages for consumption off premises.

(n) The Borrower covenants and agrees not to allow the amount of Gross Proceeds invested during any Bond Year in Nonpurpose Investments with a Yield in excess of the Yield on the Bonds to exceed the lesser of (i) 150% of the scheduled debt service for that Bond Year and (ii) the amounts deposited in any other reserves required to be deposited or otherwise set aside by the Borrower to the extent that such amounts exceed 10% of the proceeds of the Bonds; and provided, further, that amounts invested in the Bond Fund or for an initial temporary period until needed for the governmental purpose of the Bonds shall at no time be considered subject to such restriction.

(o) The Borrower covenants and agrees that with regard to the Bond Fund (i) such fund will be depleted at least once a year, except possibly for a carryover amount not to exceed the greater of the previous Bond Year's earnings on the Bond Fund or one-twelfth of the previous Bond Year's debt service requirements on the Bonds; (ii) all amounts deposited to such fund will be spent within 13 months of deposit; and (iii) all amounts received from investment of such fund will be deposited therein and will be expended within twelve months of receipt.

(p) As of the Closing Date, the Borrower is in compliance with all requirements pertaining to the Borrower set forth in the Issuer's Tax Certificate. The Borrower has complied and will comply with all the terms and conditions of the Borrower's Tax Certificate, including the terms and conditions of the exhibits thereto, and the representations set forth in the Borrower's Tax Certificate executed by the Borrower pertaining to the Borrower and the Project are true and accurate.

(q) In order to maintain the exclusion from gross income for purposes of federal income taxation of interest on the Bonds and to assure compliance with the Act and certain additional requirements of the Issuer, the Borrower hereby agrees that it shall, concurrently with or before the execution and delivery of the Bonds, execute and deliver the Tax Regulatory Agreement and shall cause such Tax Regulatory Agreement to be recorded immediately.

(r) The Borrower shall comply with each and every term of the Tax Regulatory Agreement, and the Borrower hereby acknowledges that a default under the Tax Regulatory Agreement which is not cured within the time permitted therefor will constitute an Event of Default hereunder. The Borrower agrees to cause any amendments to the Tax Regulatory Agreement to be recorded in the appropriate official public records.

If the Borrower becomes aware of any situation, event or condition which would adversely affect the Federal Tax Status of the Bonds, the Borrower shall promptly give written notice thereof to the Issuer, the Mortgage Lender and the Trustee.

The Borrower and the Issuer have entered into the Tax Certificate and the Tax Regulatory Agreement for purposes of assuring that the Federal Tax Status of the Bonds will be maintained.

Section 5.5. Affirmative Covenants.

(a) Maintenance of Project. The Borrower shall maintain and preserve the Project in good working order and condition, ordinary wear and tear excepted, and shall from time to time make all necessary repairs, renewals, replacements, additions and improvements to the Project. 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.

(c) Payment of Taxes, Etc. The Borrower shall promptly pay and discharge: all taxes, assessments, fees, and other Governmental charges or levies or 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 Governmental charges or levies or the premium on any required insurance, 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 Maximum Interest Rate.

(d) Insurance.

The Borrower shall at all times:

(i) Maintain or cause to be maintained insurance of such types and in such amounts as may be required by the Mortgage Loan Documents.

(ii) Furnish to the Trustee certificates of insurance showing such insurance coverage.

(e) Notice of Material Litigation. The Borrower shall promptly notify 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 involve any material risk of any material judgment or liability (unless fully covered by insurance) or which may otherwise result in any material adverse change in the business or assets or in the condition, financial or otherwise, of the Borrower or which may materially impair the ability of the Borrower to perform the Borrower Documents, or any other agreement or instrument herein or therein contemplated.

(f) Notice of Default. In the event that any Event of Default occurs, 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 materially and adversely affect the business or credit of the Borrower on an individual basis or would materially impair the ability of the Borrower to perform this Agreement, the Tax 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:

Any material change with respect to the business, assets, liabilities, financial condition, results of operations or business prospects of the Borrower other than changes in the ordinary course of business the effects of which have not been materially adverse.

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, upon request of the Trustee, 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, on request of the Trustee, 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 Trustee and its officers, employees and authorized agents, or any of them, are hereby irrevocably appointed the attorneys-in-fact of the Borrower to do all acts and things which the Trustee may deem necessary or advisable to preserve, perfect and continue perfected any lien in favor of the Trustee. The Trustee shall not be responsible for the initial filing of financial statements.

(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. The Borrower will not and will require each contractor, subcontractor and commercial tenant of the Project to covenant that it will not discriminate by reason of race, creed, color, religion, handicap, national origin, familial status or sex in the employment of any Person employed by it in connection with the Project or working in or on the Project. The Borrower will require each manager of the Project to covenant that in the leasing of the Project it will not discriminate by reason of race, creed, color, religion, handicap, national origin, familial status or sex.

Section 5.6. Negative Covenants.

So long as no Event of 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 Tax 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. Continuing Disclosure.

The Borrower hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of this Agreement or the Indenture, failure of the Borrower to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default hereunder or under the Indenture or a default with respect to the Bonds or the Mortgage Loan Documents. The Borrower will provide to the Trustee and the Issuer copies of the annual financial statements of the Project and notices of material events provided pursuant to the Continuing Disclosure Agreement.

(End of Article V)

ARTICLE VI

PREPAYMENT AND TERMINATION

Section 6.1. Optional Prepayment.

Provided no Event of Default shall have occurred or be continuing, at any time the Bonds are subject to optional redemption in accordance with applicable provisions of the Indenture, the Borrower may in writing direct the Trustee to call Bonds for optional redemption in whole or in part in accordance with the applicable provisions of the Indenture providing for optional redemption at the price stated in the Indenture, and optionally prepay the Note from amounts held in the Collateral Fund, the Project Fund and the Bond Fund provided such amounts are sufficient to pay the redemption price of the Bonds in full.

Section 6.2. Reserved.

Section 6.3. Reserved.

Section 6.4. Option to Terminate.

The Borrower shall have the option to cancel or terminate this Agreement at any time when (a) the Indenture shall have been released in accordance with its provisions, and (b) sufficient moneys or security acceptable to the Issuer and the Trustee are on deposit with the Trustee or the Issuer, or both, to meet all Loan Payments and Additional Payments due or to become due through the date on which the last of the Bonds is then scheduled to be retired or redeemed, or, with respect to Additional Payments to become due, provisions satisfactory to the Trustee and the Issuer are made for paying such amounts as they come due. Such option shall be exercised by the Authorized Borrower Representative, on behalf of the Borrower, giving the Issuer and the Trustee five days' notice in writing of such cancellation or termination and such cancellation or termination shall become effective at the end of such notice period. The provisions of this Section shall not be deemed to permit a prepayment of the Note other than in accordance with its terms.

(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 four (4) Business Days thereafter to the extent amounts on deposit in the Bond Fund, including amounts transferred from the Collateral Fund and the Project Fund are insufficient to pay the Bond Service Charges due on the next Bond Payment Date;

(b) The Borrower shall fail to observe and perform any other agreement, term or condition contained in this Agreement and the continuation of such failure for a period of 30 days after written notice thereof shall have been given to the Borrower by the Issuer or the Trustee, or for such longer period as the Issuer and the Trustee may agree to in writing; provided, that if the failure is other than the payment of money and is of such nature that it can be corrected but not within the applicable period, that failure shall not constitute an Event of Default so long as the Borrower institutes curative action within the applicable period and diligently pursues that action to completion, which must be resolved within 180 days after the aforementioned notice;

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

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

(e) There shall occur an "Event of Default" as defined in the Indenture or the Tax 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 6.03 of the Indenture, the Trustee shall declare all Loan Payments to be due and payable together until 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 and the Tax 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 shall be obligated to take any step which in its 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 at no cost or expense to the Issuer or the Trustee. Any amounts collected as Loan Payments or applicable to Loan Payment and any other amounts which would be applicable to payment of Bond 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 4.14 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 Tax 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 reasonable attorneys' fees, in connection with the enforcement of this Agreement, the Tax 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.

(a) Investor Limited Partner's Cure Rights. The Investor Limited Partner shall have the right to cure any Event of Default existing under the Financing Documents which right must be exercised by the later of (a) the cure period provided in the Financing Documents, or (b) 15 days after receipt of written notice of default by the Investor Limited Partner. For the Investor Limited Partner to exercise effectively its cure rights, the Investor Limited Partner must fully pay the amount past due or perform the defaulted obligations, including the payment of any amounts due for legal expenses incurred in connection with the default. Notwithstanding anything to the contrary in the Financing Documents, upon the occurrence of an Event of Default arising out of: (i) the bankruptcy, insolvency or assignment of assets for the benefit of creditors by the General

Partner of Borrower, or (ii) the withdrawal from Borrower of the Borrower's General Partner, or the death or incapacity of a General Partner, or (iii) a breach of the representations concerning such General Partner, the Investor Limited Partner shall have the option, but not the obligation, within 45 days of receipt of written notice of such Event of Default from the Issuer or the Trustee, to cure any such default by appointing a substitute or additional General Partner that is an affiliate of the Limited Partner to act as such General Partner.

(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 Holder 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, and specifically the obligations of the Borrower under Sections 3.8, 4.4 and 5.3 hereof 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 three years after the due date thereof (whether at stated maturity or otherwise) shall be paid to the State of Texas pursuant to the applicable escheat laws of the State of Texas. Further, any amounts remaining in the Bond Fund, the Project Fund and any other special funds or accounts created under this Agreement, the Tax 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, Tax Regulatory Agreement and the Indenture have been paid, shall, subject to Section 4.15 of the Indenture, be paid to the Borrower to the extent that those moneys are in excess of the amounts necessary to effect the payment and discharge of the Outstanding Bonds.

Section 8.3. Notices.

All notices, certificates, requests or other communications hereunder shall be in writing and shall be deemed to be sufficiently given when mailed by registered or certified mail, postage prepaid, or forwarded by overnight courier service, delivery charges prepaid, and addressed to the appropriate Notice Address. A duplicate copy of each notice, certificate, request or other communication given hereunder to the Issuer, the Borrower, the Investor Limited Partner, the Mortgage Lender or the Trustee shall also be given to the others. The Borrower, the Issuer, the Mortgage Lender, Investor Limited Partner and the Trustee, by notice given hereunder, may designate any further or different addresses to which subsequent notices, certificates, requests or other communications shall be sent.

Section 8.4. Extent of Covenants of the Issuer; No Personal Liability.

All covenants, obligations and agreements of the Issuer contained in this Agreement and the Indenture shall be effective to the extent authorized and permitted by applicable law. No such covenant, obligation or agreement shall be deemed to be a covenant, obligation or agreement of any present or future member, officer, agent or employee of the Issuer or the Governing Body in other than his official capacity, and neither the members of the Governing Body nor any official 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 or by reason of the covenants, obligations or agreements of the Issuer contained in this Agreement or in the Indenture.

Section 8.5. Limited Liability of the Issuer.

All obligations of the Issuer incurred hereunder and under the Indenture shall be limited obligations of the Issuer, payable solely and only from Bond proceeds, revenues and other amounts derived by the Issuer from the Trust Estate. No agreements or provisions contained in this Agreement or any agreement, covenant or undertaking by the Issuer contained in any document executed by the Issuer in connection with the Project or the issuance, sale and delivery of the Bonds shall give rise to any pecuniary liability of the Issuer or a charge against its general credit or shall obligate the Issuer financially in any way except with respect to this Agreement and the application of revenues therefrom that have been pledged to the payment of the Bonds and of the proceeds of the Bonds. No failure of the Issuer to comply with any term, condition, covenant or agreement herein shall subject the Issuer to liability for any claim for damages, costs or other financial or pecuniary charge except to the extent that the same can be paid or recovered from this Agreement or revenues therefrom that have been pledged to the payment of the Bonds or proceeds of the Bonds. Nothing herein shall preclude a proper party in interest from seeking and obtaining to the extent permitted by law specific performance against the Issuer for any failure to comply with any term, condition, covenant or agreement herein; provided that no costs, expenses or other monetary relief shall be recoverable from the Issuer except as may be payable from this Agreement or revenues therefrom that have been pledged to the payment of the Bonds or the proceeds of the Bonds. Anything herein to the contrary notwithstanding, the Issuer shall not be obligated to take any action or execute any instruments pursuant to any provision of this Agreement until it shall have been requested to do so by the Borrower or the Trustee and shall have received from the Borrower, the Trustee, or the Holders assurance satisfactory to the Issuer that it will be reimbursed for its reasonable expenses incurred in taking such action or executing such instruments.

Section 8.6. Limited Liability of Borrower.

Anything in this Agreement to the contrary notwithstanding, the monetary obligations of the Borrower contained in this Agreement (except for fees, payments and indemnification under Sections 3.12, 4.4(b), 4.4(d), 4.4(f), 4.4(g), 5.3 and 7.4 hereof) shall be limited obligations payable solely from the income and assets of the Project and neither the Borrower nor any partner, member, director, official or officer of the Borrower shall have any personal liability for the satisfaction of any obligation of the Borrower or claim against the Borrower, arising out of this Agreement.

Section 8.7. Binding Effect.

This Agreement shall inure to the benefit of and shall be binding in accordance with its terms upon the Issuer, the Borrower, the Trustee 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 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 8.8. 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 Tax Regulatory Agreement and the Note may

not be effectively amended, changed, modified, altered or terminated except in accordance with the provisions of Article X of the Indenture, as applicable.

Section 8.9. 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 8.10. 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 8.11. 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 8.12. Third Party Beneficiary.

The Trustee shall be a third party beneficiary to this Agreement.

Section 8.11. Federal Laws and Requirements Control

Notwithstanding anything in the Indenture or this Financing Agreement to the contrary:

(a) Borrower, Trustee and Issuer acknowledge that this Financing Agreement, and any obligations of Borrower hereunder, are subject and subordinate to the Mortgage Loan Documents. Notwithstanding any provision in this Financing Agreement to the contrary, no obligations of the Borrower shall be payable except from (A) Surplus Cash (as defined in the HUD Regulatory Agreement) or (B) funds that are not derived from (i) revenues of the Project (as defined in the Mortgage), or (ii) any reserve or deposit made with the Mortgage Lender or any other party as required by HUD in connection with the Mortgage Loan Documents, or (iii) any proceeds of the Mortgage Note (collectively, "Non-Project Sources"). No claims or actions shall be made (or payable) under this Financing Agreement against the Project, the Mortgage Lender or the assets of the Borrower, except from Non-Project Sources. In addition, the rights and obligations of the parties under this Financing Agreement and all other documents evidencing, implementing, or securing this Financing Agreement (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 Mortgage Loan Documents. In the event of any conflict between the provisions of (i) this Financing Agreement or the Subordinate Bond Documents and (ii) the provisions of the Mortgage Loan Documents or the Program Obligations (as defined in the Mortgage), the provisions of the Mortgage Loan Documents or the Program

Obligations shall control. The provisions of this Section 8.11 shall control over any inconsistent provisions in this Financing Agreement or the Subordinate Bond Documents.

(b) Any subsequent amendment to the Indenture or this Financing 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 the Indenture or this Financing 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 Indenture of the gross revenues or any of the assets of the Project.

(e) Neither a default under the Indenture nor under this Financing Agreement shall constitute a default under the Mortgage 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 Mortgage 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 Mortgage 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 in accordance with the Mortgage Loan Documents.

Section 8.13. Limitation of Liability.

The parties to the Financing Documents acknowledge and agree that the Investor Limited Partner will not have liability to the other parties or to any third party as a general partner of the Borrower resulting from any action taken by the Investor Limited Partner pursuant to the Partnership Agreement, unless and until the Investor Limited Partner is admitted to the Borrower entity as a general partner. Each of the Issuer and the Trustee agrees that it will not, in connection with any demand, claim or legal action concerning the Loan or Financing Documents, claim that the Investor Limited Partner was liable as a general partner as a result of the Investor Limited Partner allegedly participating in the control of Borrower by reason of any action taken by the

Investor Limited Partner pursuant to its powers as a Limited Partner under the Partnership Agreement.

(End of Article VIII)

IN WITNESS WHEREOF, the Issuer, the Borrower and the Trustee have caused this Agreement to be duly executed in their respective names, all as of the date hereinbefore written.

BOERNE PUBLIC FACILITY CORPORATION

By: _____
Jeff Thompson, Assistant Secretary

[Issuer Signature Page to Financing Agreement]

LIV BOERNE HILLS, LP,
a Texas limited partnership

By: BPFC LIV Boerne GP, LLC,
a Texas limited liability company,
its general partner

By: Boerne Public Facility Corporation,
a Texas nonprofit, public facility corporation,
its sole member

By: _____
Jeff Thompson, Assistant Secretary

[Borrower Signature Page to Financing Agreement]

ACKNOWLEDGED:

**WILMINGTON TRUST, NATIONAL
ASSOCIATION, as Trustee**

By: _____
Camilla Lindsey, Vice President

[Trustee Signature Page to Financing 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 Financing Agreement referred to herein.

\$17,000,000

_____, 2018

LIV Boerne Hills, LP, a Texas limited partnership (the “**Borrower**”), for value received, promises to pay in installments to Wilmington Trust, National Association, as Trustee (the “**Trustee**”) under the Indenture hereinafter referred to, the principal sum of

SEVENTEEN MILLION AND 00/100 DOLLARS (\$17,000,000).

This Note has been executed and delivered by the Borrower to the Trustee pursuant to a certain Financing Agreement (the “**Financing Agreement**”) dated as of October 1, 2018, between the Boerne Public Facility Corporation (the “**Issuer**”) and the Borrower. Terms used but not defined herein shall have the meanings ascribed to such terms in the Financing Agreement and the Indenture, as defined below.

Under the Financing Agreement, the Issuer has loaned the Borrower the principal proceeds received from the sale of the Issuer’s \$17,000,000 Housing Revenue Bonds (LIV at Boerne Senior Apartments) Series 2018 (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 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 October 1, 2018, between the Issuer and the Trustee.

To provide funds to pay the principal of and interest on the Bonds as and when due as specified herein, the Borrower hereby agrees to and shall make Loan Payments in Federal Reserve funds on each Interest Payment Date in an amount equal to the Bond Service Charges on the Bonds payable on such Interest Payment Date. In addition, to provide funds to pay the Bond Service Charges on the Bonds as and when due at any other time, the Borrower hereby agrees to and shall make Loan Payments in Federal Reserve funds on any other date on which any Bond Service Charges on the Bonds shall be due and payable, whether at maturity, upon acceleration or otherwise, in an amount equal to those Bond Service Charges.

If payment or provision for payment in accordance with the Indenture is made in respect of the Bond 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 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 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 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 prepayment, in whole or in part, upon the terms and conditions set forth in Article VI of the Financing Agreement. Any prepayment is subject to satisfaction of any applicable notice, deposit or other requirements set forth in the Agreement or the Indenture.

Whenever an event of default under Section 6.01 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 6.03 of the Indenture, the unpaid principal amount of and any premium and accrued interest on this Note shall also be due and payable in Federal Reserve funds on the date on which the principal of and premium and interest on the Bonds shall have been declared due and payable; provided that the annulment of a declaration of acceleration with respect to the Bonds shall also constitute an annulment of any corresponding declaration with respect to this Note.

The payment obligations of this Note are non-recourse to the Borrower to the extent set forth in Section 8.6 of the Financing Agreement.

In case any provision (or any part of any provision) contained in this Note shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision (or remaining part of the affected provision) of this Note, but this Note shall be construed as if such invalid, illegal or unenforceable provision (or any part thereof) had never been contained herein, but only to the extent it is invalid, illegal or unenforceable; provided, however, that if the invalid, illegal or unenforceable provision provides for the payment of principal and interest, then an Event of Default shall be deemed to exist ipso facto.

In no event shall the aggregate amounts contracted for, demanded, charged, or collected in connection herewith which are deemed "interest" exceed the Maximum Interest Rate. In determining the Maximum Interest Rate, due regard shall be given to all payments, fees, charges, deposits, balances and agreements which may constitute interest or be deducted from principal when calculating interest. It is expressly stipulated and agreed to be the intent of the Borrower and the Issuer at all times to comply with the applicable law governing the Maximum Interest Rate or amount of interest payable on or in connection with this Note (or applicable United States federal law to the extent that it permits the Issuer to contract for, demand, charge, take, reserve or receive a greater amount of interest than under law of the State of Texas). If the applicable law, as judicially interpreted from time to time, shall ever render usurious any amount called for under the Financing Agreement, this Note or under the Trust Indenture or any of the documents or contracted for, demanded, charged, taken, reserved or received with respect to this Note, or if acceleration of the maturity of this Note or if any prepayment by the Borrower results in the Borrower having paid any interest in excess of that permitted by law, then it is the Borrower's and the Issuer's express intent that all excess amounts theretofore collected by the Issuer be credited on the principal balance of this Note (or, if this Note has been or would thereby be paid in full, refunded to the Borrower), and the provisions of the Financing Agreement, this Note, the Trust Indenture and the other documents immediately be deemed reformed and the amounts thereafter collectible hereunder and thereunder reduced, without the necessity of the execution of any new documents, so as to comply with the applicable law, but so as to permit the recovery of the fullest

amount otherwise called for hereunder and thereunder. The right to accelerate maturity of this Note does not include the right to accelerate any interest which has not otherwise accrued on the date of acceleration, and the Issuer does not intend to collect any unearned interest in the event of acceleration. All sums paid or agreed to be paid to the Issuer for the use, forbearance or detention of the indebtedness evidenced hereby shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of such indebtedness until payment in full so that the rate or amount of interest on the account of such indebtedness does not exceed the applicable usury ceiling. Notwithstanding any provision contained in the Financing Agreement, this Note, the Trust Indenture or in any other documents that permits the compounding of interest, including, without limitation, any provision by which any accrued interest is added to the principal amount of this Note, the total amount of interest that the Borrower is obligated to pay and the Issuer is entitled to receive with respect to this Note shall not exceed the amount calculated on a simple (i.e., noncompounded) interest basis at the Maximum Interest Rate on principal amounts actually advanced to or for the account of the undersigned, so long as such advances remain outstanding, including all current and prior advances and any advances made pursuant to the Trust Indenture or other documents (such as for the payment of taxes, insurance premiums and similar expenses or costs).

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

LIV BOERNE HILLS, LP,
a Texas limited partnership

By: BPFC LIV Boerne GP, LLC,
a Texas limited liability company,
its general partner

By: Boerne Public Facility Corporation,
a Texas nonprofit, public facility corporation,
its sole member

By: _____
Jeff Thompson, Assistant Secretary

EXHIBIT B

FORM OF DISBURSEMENT REQUEST

STATEMENT NO. _____ REQUESTING DISBURSEMENT OF FUNDS FROM PROJECT FUND PURSUANT TO SECTION 3.6 OF THE FINANCING AGREEMENT

Pursuant to Section 3.6 of the Financing Agreement (the "Financing Agreement") between the Boerne Public Facility Corporation (the "Issuer") and LIV Boerne Hills, LP, a Texas limited partnership (the "Borrower"), dated as of October 1, 2018, the undersigned Authorized Borrower Representative hereby requests and authorizes Wilmington Trust, National Association, as Trustee (the "Trustee") as depositary of the Project Fund created by the Indenture and defined in the Financing Agreement, to pay to the Borrower or to the person(s) listed on the Disbursement Schedule hereto out of the moneys deposited in the Project Fund the aggregate sum of \$_____ to pay the costs of the items listed in the Disbursement Schedule.

In connection with the foregoing request and authorization, the undersigned hereby certifies that:

- (a) Each item for which disbursement is requested hereunder is properly payable out of the Project Fund in accordance with the terms and conditions of the Financing Agreement and none of those items has formed the basis for any disbursement heretofore made from said Project Fund.
- (b) Each such item is or was necessary in connection with the acquisition, construction, installation, equipment or improvement of the Project, as defined in the Indenture.
- (c) The Borrower has received, or will concurrently with payment receive and deliver to the Trustee, appropriate waivers of any mechanics' or other liens with respect to each item for which disbursement is requested hereunder.
- (d) Each item for which disbursement is requested hereunder, and the cost for each such item, is as described in the information statement filed by the Issuer in connection with the issuance of the Bonds (as defined in the Financing Agreement), as required by Section 149(e) of the Code; provided that if any such item is not as described in that information statement, attached hereto is an Opinion of Bond Counsel to the effect that such disbursement will not adversely affect the Federal Tax Status of the Bonds..
- (e) There is no current or existing event of default pursuant to the terms of the Financing Agreement or the Tax 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.
- (f) No amount for which disbursement is sought formed the basis for any prior disbursement.
- (g) Each item for which disbursement is sought was or is necessary in connection with the Project and qualifies for disbursement pursuant to the provisions of the Financing Agreement.

- (h) No representation or warranty of the Borrower contained in the Financing Agreement or the Tax Regulatory Agreement is materially incorrect or inaccurate, and there has been no event of default under the terms of any of those documents and no event shall exist which by notice, passage of time or both would constitute an event of default under any of those documents.
- (i) There are no liens on the Project except Permitted Liens and those permitted or provided for by the Financing Agreement
- (j) This statement and all exhibits hereto, including the Disbursement Schedule, 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 each disbursement hereby requested and authorized.

This _____ day of _____, 20____.

LIV BOERNE HILLS, LP,
a Texas limited partnership

By: BPFC LIV Boerne GP, LLC,
a Texas limited liability company,
its general partner

By: Boerne Public Facility Corporation,
a Texas nonprofit, public facility corporation,
its sole member

By: _____
Jeff Thompson, Assistant Secretary

APPROVED:

By: Authorized Mortgage Lender
Representative

DISBURSEMENT SCHEDULE

TO STATEMENT NO. _____ REQUESTING AND AUTHORIZING
DISBURSEMENT OF FUNDS FROM PROJECT FUND PURSUANT TO SECTION 3.6 OF THE
FINANCING AGREEMENT

EXHIBIT C

\$17,000,000
Boerne Public Facility Corporation
Housing Revenue Bonds
(LIV at Boerne Senior Apartments)
Series 2018

COMPLETION CERTIFICATE

Pursuant to Section 3.9 of the Financing Agreement (the "Financing Agreement") between the Boerne Public Facility Corporation (the "Issuer") and LIV Boerne Hills, LP, a Texas limited partnership (the "Borrower"), dated as of October 1, 2018, and relating to the captioned Bonds, the undersigned Authorized Borrower Representative hereby certifies that (with capitalized words and terms used and not defined in this Certificate having the meanings assigned or referenced in the Financing Agreement):

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

(b) The acquisition, construction, rehabilitation, renovation, 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.

(c) The costs of the Project financed with the Loan were \$_____.

(d) Except for amounts retained by the Mortgage Lender in the _____ 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, all costs of that acquisition and installation due on or after the date of this Certificate and now payable have been paid.

(e) At least 95% of the proceeds of the Bonds were expended for qualified Project costs as described in the Tax Certificate.

(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
