

**LOUISIANA HOUSING CORPORATION
2019 PIGGYBACK/CDBG-DR PROGRAM
PERFORMANCE AND COMPLETION GUARANTY**

THIS PERFORMANCE AND COMPLETION GUARANTY (this “Guaranty”) is made as of _____, 201_____, by _____, a _____ (“Borrower”), and _____, a _____, and _____, a _____ (collectively “Guarantor”), to and for the benefit of the **LOUISIANA HOUSING CORPORATION**, and its successors and assigns (“LHC”).

PRELIMINARY RECITALS

A. **WHEREAS**, LHC has released a Notice of Funding Availability and Program Implementation Guideline (“NOFA” or “**2019 CDBG-DR Program Description**”) for the preliminary commitment of **\$25,000,000.00** of Community Development Block Grant Disaster Recovery funds (“**CDBG-DR Funds**”) in parishes impacted (“**Disaster Impacted Parishes**”) by Hurricanes Katrina and Rita to provide funding for the new construction or acquisition/rehabilitation development of multifamily affordable housing developments on the Disaster Impacted Parishes; and

B. **WHEREAS**, the NOFA provided that successful applicants for the CDBG funds were required to utilize CDBG-DR funds with (4%) Low Income Housing Tax Credits (“**LIHTCs**”) which are allowable from the issuance of LHC Multifamily Revenue Bonds (“**LHC Tax-Exempt Bonds**”) in accordance with the requirements of Section 42(h)(4) of the Internal Revenue Code of 1986, as amended (“**Code**”); and

C. **WHEREAS**, Borrower has submitted to LHC a LIHTC Application and an application for CDBG-DR Funds (collectively, the “**CDBG-DR Application**”) and LHC agreed to allow \$_____ of LIHTCs and to make the award of CDBG-DR Funds in accordance with the terms and conditions of the CDBG-DR Funds award letter dated _____, 2019, for the project described therein; and

D. **WHEREAS**, LHC has agreed to provide to Borrower a loan (“**Loan**”) for the development, rehabilitation, replacement, restoration and/or construction of a _____ unit multifamily residential rental project (the “**Project**”) located on certain immovable property in _____ Parish, Louisiana, as more fully described on **Exhibit A - Property Description** attached hereto (the “**Land**”); and

E. **WHEREAS**, in order to secure the Loan and all of Borrower’s and all of Guarantor’s obligations to LHC under the Loan Documents (defined below), the parties have entered into a certain Mortgage, Assignment of Leases and Rents and Security Agreement (the “**Mortgage**”) securing the collateral described therein (the “**Mortgaged Property**”); and

F. **WHEREAS**, in connection with the LIHTCs that will be allowable from LHC Tax-Exempt Bonds issued to finance the Mortgaged Property in accordance with Section 42(h)(4) of the Code, a Tax Credit Regulatory Agreement (“**Tax Credit Regulatory Agreement**”) will be executed and recorded as a covenant running with the land that will be enforceable against the Borrower and its successors that will require rent restrictions and income occupancy restrictions for a minimum 15 year compliance period (“**Compliance Period**”) and rent restrictions for an additional 15 years (“**Extended Use Period**”) following the Compliance Period; and

G. **WHEREAS**, the actions of the LHC and Borrower will result in a public benefit described in detail in the Loan Agreement and the other Loan Documents not disproportionate to the consideration in the Loan Agreement and the other Loan Documents; and

H. **WHEREAS**, each Guarantor is an Affiliate of Borrower and will derive material financial benefit from the Loan; and

I. **WHEREAS**, LHC has relied on the statements and agreements contained herein in agreeing to make the Loan. The execution and delivery of this Guaranty by Guarantor is a condition precedent to the making of the Loan; and

NOW, THEREFORE, intending to be legally bound, each Guarantor, in consideration of the matters described in the foregoing Preliminary Recitals, which Preliminary Recitals are incorporated herein and made a part hereof, and for other good and valuable consideration the receipt and sufficiency of which are acknowledged, hereby covenants and agrees for the benefit of LHC and its respective successors, endorsees, transferees, participants and assigns as follows:

SECTION 1 DEFINITIONS

1.1 **Definitions.** Except as otherwise defined in this Agreement, capitalized terms used but not defined herein shall have the meanings assigned to them in the Loan Agreement.

SECTION 2 REPRESENTATIONS AND WARRANTIES

Each Guarantor makes the following representations and warranties which shall be continuing representations and warranties until this Guaranty terminates in accordance with the provisions contained herein:

2.1 **Existence and Rights.** Each Guarantor is a person of sound mind and body or an entity duly organized under the laws of the State of Louisiana or Delaware without limitation as to the duration of its existence and is in good standing thereunder. Each Guarantor has powers and adequate authority, rights and franchises to own its property and to carry on its business as now owned and carried on, and is duly qualified and in good standing in each jurisdiction in which the property owned by it or the business conducted by it makes such qualification necessary, and each Guarantor has the power and adequate authority to make and carry out this Guaranty.

2.2 **Guaranty Authorized and Binding.** The execution, delivery and performance of this Guaranty is duly authorized and does not require the consent or approval of any governmental body or other regulatory authority; is not in contravention of, or in conflict with, any law or regulation or any term or provision of the organizational documents of each Guarantor; and this Guaranty is a valid and legally binding obligation of each Guarantor enforceable in accordance with its terms.

2.3 **No Conflict.** The execution and delivery of this Guaranty does not, and will not, cause any security interest, lien or other encumbrance to be created or imposed upon any such property. The execution, delivery, and performance by Guarantor of this Guaranty does not and will not contravene or conflict with (i) any laws, order, rule, regulation, writ, injunction or decree now in effect of any government authority, or court having jurisdiction over Guarantor, (ii) any contractual restriction binding on or affecting Guarantor or Guarantor's property or assets which may adversely affect Guarantor's ability to fulfill its obligations under this Guaranty, (iii) the instruments creating any trust holding title to

any assets included in Guarantor's financial statements, or (iv) the organizational or other documents of Guarantor.

2.4 Litigation. Except as otherwise disclosed to LHC in writing, there is no action, litigation, investigation or other proceeding pending or, to the best of any Guarantor's knowledge, threatened against, or affecting, any Guarantor or the Guarantor's properties which, if determined adversely to any Guarantor, would have a materially adverse effect on the financial condition, properties, businesses or operations of any Guarantor, or which prevents or interferes with or adversely affects any Guarantor's entering into this Guaranty or the validity of this Guaranty or the carrying out of the terms hereof and no Guarantor is in default with respect to any order, writ, injunction, decree or demand of any court or other governmental or regulatory authority. There are no judgments or orders for the payment of money rendered against any Guarantor for an amount in excess of \$10,000 which have been undischarged for a period of ten (10) or more consecutive days and the enforcement of which is not stayed by reason of a pending appeal or otherwise. Except as disclosed in writing to LHC, no Guarantor is in default under any agreements which may adversely affect any Guarantor's ability to fulfill its obligations under this Guaranty.

2.5 Financial Condition. Each Guarantor's financial statements, which have heretofore been submitted in writing by the Guarantor to LHC or LHC's credit underwriter in connection herewith, are true and correct in all material respects as of the date thereof, and fairly present the financial condition of the Guarantor for the period covered thereby. Since the date of said financial statements, there has been no materially adverse change in the Guarantor's financial condition. The Guarantors have no knowledge of any liabilities, contingent or otherwise, as of the date of their respective financial statements (and as of the date hereof) which are not reflected in said financial statements; and, other than in the ordinary course of any Guarantor's business, the Guarantors have not entered into any commitments or contracts which are not reflected in its financial statements or which may have a materially adverse effect upon any Guarantor's financial condition, operations or business as now conducted.

2.6 Solvency. The Guarantors are not Insolvent (defined below) as of the date hereof and the execution and delivery of this Guaranty will not (a) render any Guarantor insolvent under generally accepted accounting principles nor render any Guarantor Insolvent, (b) leave any Guarantor with remaining assets which constitute unreasonably small capital given the nature of the Guarantor's business, and (c) result in the incurrence of Debts (defined below) beyond the Guarantor's ability to pay them when and as they mature. For the purposes of this Section, "**Insolvent**" means that the present fair salable value of assets is less than the amount that will be required to pay the probable liability on existing Debts as they become absolute and matured. For the purposes of this Section, "**Debts**" includes any legal liability for indebtedness, whether matured or unmatured, liquidated or unliquidated, absolute or fixed.

2.7 Financial or Other Benefit or Advantage. Each Guarantor hereby acknowledges and warrants that each Guarantor has derived or expects to derive a material financial or other benefit from the Project. All statements set forth in the Preliminary Recitals are true and correct in all material respects.

All of the foregoing representations and warranties shall be continuing until the Indebtedness is paid in full. Guarantor hereby agrees to indemnify and hold LHC free and harmless from and against all loss, cost, liability, damage, and expense, including reasonable attorney's fees and costs, which LHC may sustain by reason of the inaccuracy or breach of any of the foregoing representations and warranties as of the date the foregoing representations and warranties are made and are remade. Guarantor further agrees and acknowledges that it has the affirmative obligation to, and will, immediately notify LHC if any of the representations or warranties set forth above become false or untrue in any way or respect.

SECTION 3 AGREEMENTS AND GUARANTEED OBLIGATIONS

3.1 **Completion Guaranty.** Each Guarantor absolutely, unconditionally, and irrevocably guarantees:

(a) the full, complete and punctual completion of the Project free of any claim from mechanics', materialmen's or any other liens, and in accordance with (1) all applicable laws, (2) the plans and specifications, and (3) the time periods and other requirements set forth in the Loan Documents, including, without limitation, the following:

(i) To perform, complete and pay for (or cause to be performed, completed and paid for) the construction of the Project and to pay all costs of said construction (including any and all cost overruns) and all other costs associated with the construction of the Project (including, without limitation, the costs of any architects' and engineers' fees), if Borrower shall fail to perform, complete or pay for such work;

(ii) If any mechanics' or materialmen's liens should be filed, or should attach, with respect to the Project by reason of the construction of the Project, to immediately cause the removal of such liens, or post security against the consequences of their possible foreclosure and procure an endorsement(s) to the title policy insuring LHC against the consequences of the foreclosure or enforcement of such lien(s);

(iii) If any conditional vendor's liens or any liens, encumbrances or security interests whatsoever should be filed, or should attach, with respect to the personal property, fixtures, attachments and equipment delivered upon the Project and owned by Borrower, attached to the Project or used in connection with the construction, to immediately cause the removal of such lien(s); and

(iv) To pay the premiums for all policies of insurance required to be furnished by Borrower pursuant to the Loan Documents during the construction if such premiums are not paid by Borrower; and

(b) the full and prompt payment of any Enforcement Costs (as hereinafter defined in Section 4.2 hereof).

All obligations described in subsections (a) and (b) of this Section 3.1 are referred to herein as the **“Obligations.”**

Each Guarantor absolutely, unconditionally, and irrevocably agrees, on demand by LHC, to perform all the Obligations. Guarantor shall indemnify and hold LHC free and harmless from and against any and all loss, damage, cost, expense, injury, or liability LHC may suffer or incur in connection with the exercise of its rights under this Guaranty or the performance of the Obligations. Furthermore, LHC shall have no obligation to protect or insure any collateral for the Loan, nor shall LHC have any obligation to perfect its security interest in any collateral for the Loan. Guarantor shall pay on demand any amounts due to contractors, subcontractors, and material suppliers and for permits and licenses necessary or desirable in connection with the construction of the Project. No Guarantor's obligations under this Guaranty shall be affected by any errors or omissions of the general contractor, architect, LHC, or its consultants, agents, or employees, or any subcontractor in the design, supervision, and performance of the work; it being understood that such risk is assumed by Guarantor. Neither the completion of the

construction nor failure of such parties to complete the construction shall relieve any Guarantor of any liabilities hereunder; rather, such liability shall be continuing and may be enforced by LHC to the end that the construction shall be timely completed, lien-free, without loss, cost, expense, injury or liability of any kind to LHC. All of the remedies set forth herein and/or provided for in any of the Loan Documents or at law or equity shall be equally available to LHC, and the choice by LHC of one such alternative over another shall not be subject to question or challenge by any Guarantor or any other person, nor shall any such choice be asserted as a defense, set-off, or failure to mitigate damages in any action, proceeding, or counteraction by LHC to recover or seek any other remedy under this Guaranty, nor shall such choice preclude LHC from subsequently electing to exercise a different remedy. The parties have agreed to the alternative remedies provided herein in part because they recognize that the choice of remedies in the event of a default hereunder will necessarily be and should properly be a matter of good faith business judgment, which the passage of time and events may or may not prove to have been the best choice to maximize recovery by LHC at the lowest cost to Borrower and/or Guarantor. It is the intention of the parties that such good faith choice by LHC be given conclusive effect regardless of such subsequent developments.

3.2 Nature of Guaranteed Obligations. This is a guaranty of payment and performance only, and the obligations hereunder shall be absolute, independent and unconditional under any and all circumstances.

3.3 Third Party Beneficiary. The parties hereto acknowledge that LHC is entitled to enforce this Guaranty directly against the Guarantors at any time. LHC is also entitled to enforce any security agreements, mortgages, additional guaranties or other collateral now or hereafter securing this Guaranty at any time against the person or entity providing such security.

3.4 Further Assurances. The Guarantors will, at their expense, execute, acknowledge and deliver all such further documentation, instruments and assurances and the like and take all such further action as LHC shall reasonably require in order to carry out the intentions or facilitate the provisions of this Guaranty.

3.5 Obligations Absolute. The obligations of Guarantor under this Guaranty shall be unconditional irrespective of the genuineness, validity, regularity or enforceability of any provision of this Guaranty, the Note, the Loan Agreement, or any other Loan Document. Guarantor agrees that performance of the obligations hereunder shall be a primary obligation, shall not be subject to any counterclaim, set-off, abatement, deferment, or defense based upon any claim that Guarantor may have against LHC, Borrower, any other guarantor of the obligations hereunder or any other person or entity, and shall remain in full force and effect without regard to, and shall not be released, discharged, or affected in any way by any circumstance or condition (whether or not Guarantor shall have any knowledge thereof), including any of the following, each of which may be taken without the consent of, or notice to, the Guarantors, nor shall any of the following give any Guarantor any recourse or right of action against LHC:

(a) Any delay, exercise or non-exercise by LHC of any right or privilege under this Guaranty;

(b) Any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceeding relating to any Guarantor (which term shall include any other party at any time directly or contingently liable for any of the Operating Deficit Guaranty) or any affiliate of any of the Guarantors, or any action taken with respect to this Guaranty by any trustee or receiver, or by any court, in any such proceeding, whether or not a Guarantor or any of them shall have had notice or knowledge of any of the foregoing;

- (c) Any assignment or other transfer of this Guaranty in whole or in part;
 - (d) Any acceptance of partial funding of the Operating Deficit Guaranty;
 - (e) Any release or discharge of the Borrower or any general partner/managing member from any of its obligations;
 - (f) Any subordination, compromise or release of any or all of the property or other collateral, if any, securing the Guarantors' obligations under this Guaranty, or any substitution with respect thereto;
 - (g) any furnishing, exchange, substitution, or release of any collateral securing repayment of the Loan, or any failure to perfect any lien in such collateral;
- (h) any failure, omission, or delay on the part of Borrower, Guarantor, any other guarantor of the obligations hereunder, or LHC conform or comply with any term of any of the Loan Documents or failure of LHC to give notice of any Event of Default;
- (i) any action or inaction by LHC under or in respect of any of the Loan Documents, any failure, lack of diligence, omission or delay on the part of LHC to perfect, enforce, assert or exercise any lien, security interest, right, power or remedy conferred upon it in any of the Loan Documents, or any other action or inaction on the part of LHC;
 - (j) any merger or consolidation of Borrower into or with any entity or any sale, lease, or transfer of any asset of Borrower, Guarantor, or any other guarantor of the obligations hereunder to any other person;
 - (k) any change in the ownership of Borrower or any change in the relationship between Borrower, Guarantor, or any other guarantor of the obligations hereunder, or any termination of such relationship;
 - (l) any release or discharge by operation of law of Borrower, Guarantor, or any other guarantor of the obligations hereunder, any obligation or agreement contained in any of the Loan Documents; and
 - (m) any other occurrence, circumstance, happening, or event, whether similar or dissimilar to the foregoing, and whether seen or unforeseen, which otherwise might constitute a legal or equitable defense or discharge of the liabilities of a guarantor or surety or which otherwise might limit recourse against Borrower or Guarantor to the fullest extent permitted by law.

3.6 Waivers. Each Guarantor unconditionally waives any defense to the enforcement of this Guaranty other than payment or performance, including, without limitation:

- (a) All presentments, demands for performance, notices of nonperformance, protests, notices of protest, notices of dishonor, and notices of acceptance of this Guaranty;
- (b) Any right to require LHC to proceed against the Borrower or any other guarantor at any time, or to proceed against or exhaust any security held by LHC at any time, or to pursue any other remedy whatsoever at any time;

(c) Any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceeding relating to the Borrower or the Guarantors or any affiliate of the Borrower or the Guarantors or any action taken with respect to this Guaranty by any trustee or receiver, or by any court, in any such proceeding, whether or not the Guarantor shall have had notice or knowledge of any of the foregoing;

(d) Any right any Guarantor might have, under Louisiana law, to revoke this Guaranty, it being the intention of the Guarantors that this Guaranty remain in full force and effect until termination, as provided herein;

(e) Any defense based upon an election of remedies by LHC, including, without limitation, any remedies which destroy or impair the subrogation rights of any Guarantor to the Borrower or any general partner/managing member for reimbursement or both;

(f) Any duty of LHC to advise the Guarantors of any information known to LHC regarding the financial condition of the Borrower or any general partner or managing member and all other circumstances affecting the ability of the Borrower or any general partner or managing member to perform its obligations to LHC, it being agreed that each Guarantor assumes the responsibility for being and keeping informed regarding such conditions or any such circumstances;

(g) The benefit of all principles or provisions of law, statutory or otherwise, which are or might be in conflict with the terms of this Guaranty (and agrees that Guarantor's obligations shall not be affected by any circumstances, whether or not referred to in this Guaranty, which might otherwise constitute a legal or equitable discharge of a surety or a guarantor);

(h) The benefits of any right of discharge under any and all statutes or other laws relating to guarantors or sureties and any other rights of sureties and guarantors;

(i) Diligence in collecting the Loan, presentment, demand for payment, protest, all notices with respect to the Loan Documents and this Guaranty which may be required by statute, rule of law or otherwise to preserve LHC's rights against Guarantor under this Guaranty, including notice of acceptance, notice of any amendment of the Loan Documents, notice of the occurrence of any default or Event of Default, notice of intent to accelerate, notice of acceleration, notice of dishonor, notice of foreclosure, notice of protest, and notice of the incurring by Borrower of any obligation or indebtedness; and

(j) all rights to require LHC to:

(i) proceed against or exhaust any collateral held by LHC to secure the repayment of the Loan;

(ii) proceed against or pursue any remedy it may now or hereafter have against Borrower or any guarantor, or, if Borrower or any guarantor is a partnership, any general partner of Borrower or general partner of any guarantor; or

(iii) demand or require collateral security from Borrower, any other guarantor or any other person as provided by applicable law or otherwise

3.7 **Subrogation.** Notwithstanding any other provision of this Guaranty to the contrary, until all obligations in favor of LHC hereunder shall have been paid or performed in full, each Guarantor hereby waives any claim or other rights which the Guarantor may now have or hereafter acquire against any other guarantor of all or any of the obligations of any Guarantor under this Guaranty, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution or indemnification, any right to participate in any claim or remedy of LHC against the Borrower, any general partner or managing member or any Guarantor or any collateral which LHC now has or hereafter acquires, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, by any payment made hereunder or otherwise, including, without limitation, the right to take or receive from the Borrower, any general partner/managing member or any Guarantor, directly or indirectly, in cash or other property or by set off or in any other manner, payment or security on account of such claim or other rights.

3.8 **Additional Waivers.** The Guarantors shall not be released or discharged, either in whole or in part, by LHC's failure or delay to (a) perfect or continue the perfection of any lien or security interest in any collateral which secures the obligations of the Borrower, or (b) protect the property covered by such lien or security interest.

3.9 **Dealings with Parties.** LHC shall have complete but reasonable discretion, without giving notice to or obtaining the consent of the Guarantors, the Borrower and each other person or entity who now is or after the date hereof becomes liable in any manner for any of the guaranteed obligations, in such manner as LHC shall reasonably decide, and accordingly each Guarantor grants to LHC full authority, in its sole but reasonable discretion, whether before or after termination of this Guaranty, to do any and all of the following, without limiting the generality of the foregoing: extend credit, make loans and afford such financial accommodation to the Borrower or any general partner/managing member at such times, in such amounts and on such terms as LHC may approve; vary the terms or alter, compromise, accelerate and grant extensions or renewals of time or manner of payment of any present or future obligations under this Guaranty, assign or transfer this Guaranty or any other instrument evidencing or securing the obligations under this Guaranty in whole or in part; vary, exchange, release or discharge, wholly or partially the Borrower or any general partner/managing member or any other guarantor or obligor of the obligations under this Guaranty, and compromise or make any settlement or other arrangement with the Borrower, any general partner and/or managing member and/or any other guarantor, and if the obligations under this Guaranty are now or hereafter secured, exchange, substitute or release in part or in full all of the security given for the payment and performance of any of the Guarantors' obligations under this Guaranty.

3.10 **Bankruptcy No Discharge; Repayments.** So long as any of the Obligations shall be owing to LHC, the Guarantors shall not, without the prior written consent of LHC, as applicable, commence or join with any other party in commencing any bankruptcy, reorganization or insolvency proceedings of or against the Borrower or any general partner/managing member. Each Guarantor understands and acknowledges that by virtue of this Guaranty, the Guarantor has specifically assumed any and all risks of a bankruptcy or reorganization case or proceeding with respect the Borrower and any general partner/managing member. As an example and not in any way of limitation, a subsequent modification of the Obligations in any reorganization case concerning the Borrower or any general partner/managing member shall not affect the obligation of the Guarantor to pay and perform the Obligations in accordance with their respective original terms. If a claim is ever made upon LHC for repayment of any amount or amounts received by LHC in payment of the Obligations under this Guaranty (whether or not all or any part of such payment is subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid by LHC) and LHC repays all or any part of said amount, then, notwithstanding any revocation or termination of this Guaranty or the cancellation of any other

instrument evidencing the Obligations, each Guarantor shall be and remain liable to LHC for the amount so repaid by LHC, to the same extent as if such amount had never originally been received by LHC.

3.11 **Subordination**. So long as any of the Obligations remain unpaid or undischarged, each Guarantor agrees that any and all claims it may have against the Borrower or any general partner/managing member shall be and hereby are subordinated to the guaranteed obligations and all other claims of LHC against the Borrower or any general partner or managing member. Any indebtedness of the Borrower or any general partner or any managing member to any Guarantor shall be collected and received by the Guarantor as trustee for LHC and be paid over to LHC on account of the indebtedness of the Guarantor to LHC, upon demand by LHC. Notwithstanding the foregoing, so long as no Event of Default shall exist hereunder or under any of the Loan Documents, and no event has occurred which with the passage of time or the giving of notice would constitute a default hereunder or under any of the Loan Documents, each Guarantor and/or its affiliates shall be entitled to receive any fees or other payments specifically provided for in the Borrower's partnership agreement or limited liability company agreement.

3.12 **Independent and Separate Obligations**. The obligations of each Guarantor hereunder are independent of any obligation of the Borrower or any general partner or managing member, and, in the event of any default hereunder, a separate action or actions may be brought and prosecuted against any Guarantor whether or not the Guarantor is the alter ego of the Borrower, any general partner, any managing member, or any other guarantor. LHC's rights hereunder shall not be exhausted until the conditions to termination in Section 4.6 below have been satisfied.

3.13 **Setoff**. LHC shall have a right of setoff against, and each Guarantor hereby grants a security interest in, all moneys, securities and other property of the Guarantor now or hereafter in the possession of LHC. Such right is in addition to any right of setoff LHC may have by law. All rights of setoff may be exercised without notice or demand to the Guarantor. No right of setoff shall be deemed to have been waived by any act or conduct on the part of LHC, or by any neglect to exercise such right of setoff, or by any delay in doing so. Every right of setoff shall continue in full force and effect until specifically waived or released by an instrument in writing executed by LHC.

3.14 **Payments**. The Guarantors shall not be credited for the funding of any of the Guaranteed Obligations payable to LHC unless the required payment is received by LHC in immediately available funds and is made by such Guarantor after a demand made by LHC pursuant to this Guaranty. Each Guarantor agrees that whenever the Guarantor shall pay any amount to LHC hereunder on account of the liability hereunder, the Guarantor will deliver such payment to LHC at the address provided in Section 4.1 below and notify LHC in writing that such payment is made under this Guaranty for such purpose, with a copy to LHC of such evidence of payment and notice.

3.15 **Financial Statements**. Each Guarantor covenants and agrees to provide LHC, on or before May 30th of each year, with financial statements (audited, if available), including a balance sheet, an income statement, a statement of changes in financial position and such other statements as may be required by LHC, prepared in accordance with generally accepted accounting practices consistently applied and certified as true and complete, in all material respects by the Guarantor or an officer of the Guarantor or, if required by LHC, a certified public accountant acceptable to LHC. Each Guarantor further covenants and agrees to immediately notify LHC of any material adverse change in the Guarantor's financial condition.

3.16 **No Effect Upon Obligations**. At any time or from time to time and any number of times, without notice to Guarantor and without releasing, discharging, or affecting the liability of Guarantor: (a) the time for payment of the principal of or interest on the Loan may be extended or the Loan may be renewed in whole or in part; (b) the rate of interest on or period of amortization of the Loan

or change the amount of payments payable under the Loan Documents may be modified; (c) the time for Borrower's performance of or compliance with any covenant or agreement contained in any Loan Document, whether presently existing or hereinafter entered into, may be extended or such performance or compliance may be waived; (d) the maturity of the Loan may be accelerated as provided in the Loan Documents; (e) any or all payments due under the Loan Agreement or any other Loan Document may be reduced; (f) any Loan Document may be modified or amended by LHC and Borrower in any respect, including an increase in the principal amount of the Loan; (g) any amounts under the Loan Agreement or any other Loan Document may be released; (h) any security for the Loan may be modified, exchanged, released, surrendered or otherwise dealt with or additional security may be pledged or mortgaged for the Loan; (i) the payment of the Loan or any security for the Loan, or both, may be subordinated to the right to payment or the security, or both, of any other present or future creditor of Borrower; (j) any payments made by Borrower to LHC may be applied to the Loan in such priority as LHC may determine in its discretion; and (k) any other terms of the Loan Documents may be modified as required by LHC.

3.17 Governing Law/Consent to Jurisdiction. This Guaranty shall be governed by and construed in accordance with the laws of the State of Louisiana applicable to contracts entered into and entirely to be performed therein. Each Guarantor hereby irrevocably submits and consents to the jurisdiction of the courts of the State of Louisiana and of the United States District Court for the district in which the Project is located in connection with any action, suit or other proceeding arising out of or relating to this Guaranty or any action taken or omitted hereunder, and waives personal service of any summons, complaint or other process and agrees that the service thereof may be made by certified or registered mail directed to the Guarantor at the address for purposes of notices hereunder. If any Guarantor, so served, should fail to appear or answer within the time prescribed by law, then the Guarantor shall be deemed in default and judgment may be entered against the Guarantor for the amount or other relief as demanded in any summons, complaint or other process so served. Each Guarantor agrees that a final judgment in any such action, suit or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

3.18 Solidary Liability. If more than one person executes this Guaranty as Guarantor, each such persons shall be liable for the obligations hereunder on a SOLIDARY basis. Not in limitation of the forgoing, LHC, in its reasonable discretion, may:

- (a) To the extent permitted by applicable law, bring suit against Guarantor, or any one or more of the Persons constituting Guarantor, and any other guarantor, solidarily, or against any one or more of them;
- (b) compromise or settle with any one or more of the persons constituting Guarantors, or any other guarantor, for such consideration as LHC may deem proper;
- (c) discharge or release one or more of the persons constituting Guarantors, or any other guarantor, from liability or agree not to sue such person; and
- (d) otherwise deal with Guarantors and any guarantor, or any one or more of them, in any manner, and no such action shall impair the rights of LHC to collect from any Guarantor any amount guaranteed by Guarantors under this Guaranty.

No such action taken pursuant to subparagraphs (a), (b), (c) or (d) above shall impair the rights of LHC to collect from any Guarantor any amount guaranteed by Guarantors under this Guaranty. Nothing contained in this paragraph shall in any way affect or impair the rights or obligations of Guarantors with respect to any other guarantor.

SECTION 4 MISCELLANEOUS

4.1 **Notices.** All notices and other communications to be made or permitted to be made hereunder shall be in writing and shall be delivered to the addresses shown below or to such other addresses that the parties may provide to one another in accordance herewith. Such notices and other communications shall be given by any of the following means: (a) personal service; or (b) national express air courier, provided such courier maintains written verification of actual delivery. Any notice or other communication given by the means described in subsection (a) or (b) above shall be deemed effective upon the date of receipt or the date of refusal to accept delivery by the party to whom such notice or other communication has been sent.

LHC: Louisiana Housing Corporation,
2415 Quail Drive
Baton Rouge, LA 70808
Facsimile: (225) 763-8710
Attention: Robby Bizot

with a copy to:
Foley & Judell, L.L.P.
One Canal Place, Suite 2600
365 Canal Street
New Orleans, LA 70130
Facsimile: (504) 565-3900
Attention: Wayne J. Neveu

Borrower:

with a copy to:

Investor:

With a copy to:

Guarantor:

with a copy to:

4.2 **Expenses.** The Guarantors agree to pay all reasonable costs and expenses, including reasonable legal fees, which may be incurred by LHC in any effort to collect or enforce any of the obligations of any Guarantor hereunder, whether or not any lawsuit is filed, including, without limitation, all reasonable costs and legal fees incurred by LHC in any bankruptcy proceeding (including, without limitation, any action for relief from the automatic stay of any bankruptcy proceeding) and in any judicial or nonjudicial foreclosure action (“**Enforcement Costs**”).

4.3 Amendments; Successors. Neither this Guaranty nor any term hereof may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought, subject to the prior written consent of LHC. All of the terms of this Guaranty shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Guarantors shall not have the right to assign any of the Guarantor's rights or obligations under this Guaranty. All remedies of LHC are cumulative. When the context in which the words are used in this Guaranty indicates that such is the intent, words in the singular number shall include the plural and vice-versa. If any one or more of the provisions of this Guaranty should be determined to be illegal or unenforceable, all other provisions shall remain effective. No delay or failure by LHC to exercise any remedy against any Guarantor will be construed as a waiver of that right or remedy. **If more than one person or entity executes this Guaranty as a Guarantor, the obligations hereunder shall be solidary.**

4.4 Assignability by LHC. LHC may, at any time and from time to time, assign, conditionally or otherwise, all of the rights of LHC under this Guaranty, whereupon such assignee shall succeed to all rights of LHC hereunder. LHC may, at any time and from time to time, assign, conditionally or otherwise, all of the rights of LHC under this Guaranty, whereupon such assignee shall succeed to all rights of LHC hereunder to the extent that such rights may be assigned to it. LHC may give written notice to the Guarantors of any such assignment, but any failure to give, or delay in giving, such notice shall not affect the validity or enforceability of any such assignment.

4.5 Demands. Each demand by LHC for performance or payment hereunder shall be in writing and shall be made in the manner set forth in Section 4.1. Interest shall accrue at the Default Interest Rate on all sums not paid by the Guarantor to LHC within ten (10) days after demand.

4.6 Term. The Obligations of the Guarantors under this Guaranty and any instrument which grants collateral to secure such Obligations shall continue in full force and effect until the Guarantors have fully performed all of the Obligations and paid all other amounts payable hereunder in accordance with the terms of this Guaranty and the period of time has expired during which any payment received by LHC hereunder or any act performed by the Guarantors may be determined to be a preferential or fraudulent transfer under the United States Bankruptcy Code or other similar applicable laws.

4.7 Complete Agreement. This Guaranty supersedes any prior negotiations, discussions or communications between any Guarantor and LHC and constitutes the entire agreement between LHC and the Guarantors with respect to the Obligations.

4.8 Counterparts. This Guaranty may be executed in one or more counterparts, each of which taken together shall constitute one and the same instrument.

4.9 Advice of Counsel. The Guarantors represent and acknowledge to LHC that the Guarantors have consulted with their attorneys regarding the terms and conditions and waivers set forth in this Guaranty. The Guarantors' attorneys have advised the Guarantors of the true legal consequences of each waiver set forth in this Guaranty, including the rights the Guarantors would have in the absence of such waivers.

4.10 Waiver of Jury Trial. BY EXECUTING THIS GUARANTY, LHC AND EACH GUARANTOR KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THEIR RIGHTS OR THE RIGHTS OF THEIR HEIRS, ASSIGNS, SUCCESSORS OR PERSONAL REPRESENTATIVES TO A TRIAL BY JURY, IF ANY, IN ANY ACTION, PROCEEDING OR SUIT, WHETHER ARISING IN CONTRACT, TORT OR OTHERWISE, AND WHETHER ASSERTED BY WAY OF COMPLAINT, ANSWER, CROSSCLAIM, COUNTERCLAIM, AFFIRMATIVE DEFENSE

OR OTHERWISE, BASED ON, ARISING OUT OF, UNDER OR IN CONNECTION WITH, THIS GUARANTY OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT TO BE EXECUTED IN CONNECTION HEREWITH OR WITH THE INDEBTEDNESS OR THE RENEWAL, MODIFICATION OR EXTENSION OF ANY OF THE FOREGOING OR ANY FUTURE ADVANCE THEREUNDER. THIS PROVISION IS A MATERIAL INDUCEMENT FOR LHC'S EXTENDING CREDIT TO THE BORROWER AND NO WAIVER OR LIMITATION OF LHC'S RIGHTS HEREUNDER SHALL BE EFFECTIVE UNLESS IN WRITING AND MANUALLY SIGNED ON LHC'S BEHALF.

Each Guarantor acknowledges that the above paragraph has been expressly bargained for by LHC as part of the Loan and that, but for the Guarantors' agreement thereto, LHC would not have extended the Loan.

[END OF DOCUMENT - SIGNATURE PAGES TO FOLLOW]

DRAFT

IN WITNESS WHEREOF, the Borrower has caused this Guaranty to be executed and delivered by its duly authorized representative as of the date first set forth above.

WITNESSES:

[BORROWER]

Print Name: _____

Print Name: _____

Notary Public

Print Name: _____

Bar Roll/Notary No. _____

My Commission Expires: _____

DRAFT

IN WITNESS WHEREOF, Guarantor has caused this Guaranty to be executed and delivered by its duly authorized representatives as of the date first set forth above.

WITNESSES:

[GUARANTOR]

Print Name: _____

Print Name: _____

Notary Public

Print Name: _____

Bar Roll/Notary No. _____

My Commission Expires: _____

DRAFT

IN WITNESS WHEREOF, Guarantor has caused this Guaranty to be executed and delivered by its duly authorized representatives as of the date first set forth above.

WITNESSES:

[GUARANTOR]

Print Name: _____

Print Name: _____

Notary Public

Print Name: _____

Bar Roll/Notary No. _____

My Commission Expires: _____

DRAFT

EXHIBIT A
LEGAL DESCRIPTION

DRAFT

**LOUISIANA HOUSING CORPORATION
2019 PIGGYBACK/CDBG-DR PROGRAM
GUARANTY OF EXCEPTIONS TO NON-RE COURSE LIABILITY**

THIS GUARANTY OF EXCEPTIONS TO NON-RE COURSE LIABILITY (this “Guaranty”) is made and entered into as of _____ 1, 201_____, by _____, a _____ (“Borrower”), and _____, a _____, and _____, a _____ (collectively “Guarantor”), to and for the benefit of the **LOUISIANA HOUSING CORPORATION**, and its successors and assigns (“LHC”).

PRELIMINARY RECITALS:

A. **WHEREAS**, LHC has released a Notice of Funding Availability and Program Implementation Guideline (“NOFA” or “**2019 CDBG-DR Program Description**”) for the preliminary commitment of **\$25,000,000.00** of Community Development Block Grant Disaster Recovery funds (“**CDBG-DR Funds**”) in parishes impacted (“**Disaster Impacted Parishes**”) by Hurricanes Katrina and Rita to provide funding for the new construction or acquisition/rehabilitation development of multifamily affordable housing developments on the Disaster Impacted Parishes; and

B. **WHEREAS**, the NOFA provided that successful applicants for the CDBG funds were required to utilize CDBG-DR funds with (4%) Low Income Housing Tax Credits (“**LIHTCs**”) which are allowable from the issuance of LHC Multifamily Revenue Bonds (“**LHC Tax-Exempt Bonds**”) in accordance with the requirements of Section 42(h)(4) of the Internal Revenue Code of 1986, as amended (“**Code**”); and

C. **WHEREAS**, Borrower has submitted to LHC a LIHTC Application and an application for CDBG-DR Funds (collectively, the “**CDBG-DR Application**”) and LHC agreed to allow \$_____ of LIHTCs and to make the award of CDBG-DR Funds in accordance with the terms and conditions of the CDBG-DR Funds award letter dated _____, 2019, for the project described therein; and

D. **WHEREAS**, LHC has agreed to provide to Borrower a loan (“**Loan**”) for the development, rehabilitation, replacement, restoration and/or construction of a _____ unit multifamily residential rental project (the “**Project**”) located on certain immovable property in _____ Parish, Louisiana, as more fully described on **Exhibit A - Property Description** attached hereto (the “**Land**”); and

E. **WHEREAS**, in order to secure the Loan and all of Borrower’s and all of Guarantor’s obligations to LHC under the Loan Documents (defined below), the parties have entered into a certain Mortgage, Assignment of Leases and Rents and Security Agreement (the “**Mortgage**”) securing the collateral described therein (the “**Mortgaged Property**”); and

F. **WHEREAS**, in connection with the LIHTCs that will be allowable from LHC Tax-Exempt Bonds issued to finance the Mortgaged Property in accordance with Section 42(h)(4) of the Code, a Tax Credit Regulatory Agreement (“**Tax Credit Regulatory Agreement**”) will be executed and recorded as a covenant running with the land that will be enforceable against the Borrower and its successors that will require rent restrictions and income occupancy restrictions for a minimum 15 year compliance period (“**Compliance Period**”) and rent restrictions for an additional 15 years (“**Extended Use Period**”) following the Compliance Period; and

G. **WHEREAS**, the actions of the LHC and Borrower will result in a public benefit described in detail in the Loan Agreement and the other Loan Documents not disproportionate to the consideration in the Loan Agreement and the other Loan Documents; and

H. **WHEREAS**, each Guarantor is an Affiliate of Borrower and will derive material financial benefit from the Loan; and

I. **WHEREAS**, LHC has relied on the statements and agreements contained herein in agreeing to make the Loan. The execution and delivery of this Guaranty by Guarantor is a condition precedent to the making of the Loan; and

NOW, THEREFORE, intending to be legally bound, Guarantor, in consideration of the matters described in the foregoing Preliminary Recitals, which Preliminary Recitals are incorporated herein and made a part hereof, and for other good and valuable consideration the receipt and sufficiency of which are acknowledged, hereby covenants and agrees for the benefit of LHC and its respective successors, indorsees, transferees, participants and assigns as follows:

ARTICLE I DEFINITIONS

1.1 Definitions. Except as otherwise defined in this Article 1.1, capitalized terms used but not defined herein shall have the meanings assigned to them in the Loan Agreement. The following terms shall have the meanings ascribed thereto as set forth below:

- (a) **“Default Interest Rate”**: the lesser of (i) the maximum rate allowed by law, or (ii) 18% per annum.
- (b) **“Guaranteed Obligations”**: each and every obligation of the Guarantors under and pursuant to this Guaranty, including, without limitation, the obligations specified in Article 3 hereof.
- (c) **“Guaranty Period”**: commencing on date of this Guaranty and ending on the date on which the Guaranteed Obligations have been fully satisfied and performed and the period of time has expired during which any payment received by LHC hereunder or any act performed by Guarantors may be determined to be a preferential or fraudulent transfer under the United States Bankruptcy Code or other similar applicable laws.

ARTICLE 2 REPRESENTATIONS AND WARRANTIES

Each Guarantor makes the following representations and warranties which shall be continuing representations and warranties until this Guaranty terminates in accordance with the provisions contained herein:

2.1 Existence and Rights. Each Guarantor is a person of sound mind and body or an entity duly organized under the laws of the State of Louisiana or Delaware without limitation as to the duration of its existence and is in good standing thereunder. Each Guarantor has powers and adequate authority, rights and franchises to own its property and to carry on its business as now owned and carried on, and is duly qualified and in good standing in each jurisdiction in which the property owned by it or the business conducted by it makes such qualification necessary, and each Guarantor has the power and adequate authority to make and carry out this Guaranty.

2.2 Guaranty Authorized and Binding. The execution, delivery and performance of this Guaranty is duly authorized and does not require the consent or approval of any governmental body or other regulatory authority; is not in contravention of, or in conflict with, any law or regulation or any term or provision of the organizational documents of the Guarantor; and this Guaranty is a valid and legally binding obligation of each Guarantor enforceable in accordance with its terms.

2.3 No Conflict. The execution and delivery of this Guaranty is not, and the performance of this Guaranty will not be, in contravention of, or in conflict with, any agreement, indenture or undertaking to which any Guarantor is a party or by which any Guarantor or any of the Guarantor's property is or may be bound or affected and does not, and will not, cause any security interest, lien or other encumbrance to be created or imposed upon any such property.

2.4 Litigation. Except as otherwise disclosed to LHC in writing, there is no litigation or other proceeding pending or, to the best of Guarantor's knowledge, threatened against, or affecting, any Guarantor or the Guarantor's properties which, if determined adversely to any Guarantor, would have a materially adverse effect on the financial condition, properties, businesses or operations of any Guarantor, or which prevents or interferes with or adversely affects any Guarantor's entering into this Guaranty or the validity of this Guaranty or the carrying out of the terms hereof and no Guarantor is in default with respect to any order, writ, injunction, decree or demand of any court or other governmental or regulatory authority.

2.5 Financial Condition. Each Guarantor's financial statements, which have heretofore been submitted in writing by the Guarantor to LHC or LHC's credit underwriter in connection herewith, are true and correct in all material respects as of the date thereof, and fairly present the financial condition of the Guarantor for the period covered thereby. Since the date of said financial statements, there has been no materially adverse change in the Guarantor's financial condition. The Guarantors have no knowledge of any liabilities, contingent or otherwise, as of the date of their respective financial statements (and as of the date hereof) which are not reflected in said financial statements; and, other than in the ordinary course of any Guarantor's business, the Guarantors have not entered into any commitments or contracts which are not reflected in its financial statements or which may have a materially adverse effect upon any Guarantor's financial condition, operations or business as now conducted.

2.6 Solvency. The Guarantors are not Insolvent (defined below) as of the date hereof and the execution and delivery of this Guaranty will not (a) render any Guarantor insolvent under generally accepted accounting principles nor render any Guarantor Insolvent, (b) leave any Guarantor with remaining assets which constitute unreasonably small capital given the nature of the Guarantor's business, and (c) result in the incurrence of Debts (defined below) beyond the Guarantor's ability to pay them when and as they mature. For the purposes of this Section, "**Insolvent**" means that the present fair salable value of assets is less than the amount that will be required to pay the probable liability on existing Debts as they become absolute and matured. For the purposes of this Section, "**Debts**" includes any legal liability for indebtedness, whether matured or unmatured, liquidated or unliquidated, absolute or fixed.

2.7 Financial or Other Benefit or Advantage. Each Guarantor hereby acknowledges and warrants that each Guarantor has derived or expects to derive a material financial or other benefit from the Project.

All of the foregoing representations and warranties shall be continuing until the end of the Guaranty Period. Guarantor hereby agrees to indemnify and hold LHC free and harmless from and against all loss, cost, liability, damage, and expense, including reasonable attorney's fees and costs, which LHC may sustain by reason of the inaccuracy or breach of any of the foregoing representations and

warranties as of the date the foregoing representations and warranties are made and are remade. Guarantor further agrees and acknowledges that it has the affirmative obligation to, and will, immediately notify LHC if any of the representations or warranties set forth above become false or untrue in any way or respect.

ARTICLE 3 AGREEMENTS AND GUARANTEED OBLIGATIONS

3.1 **Non-recourse Carveouts.** Each Guarantor hereby absolutely, unconditionally and irrevocably guarantees and agrees to pay to LHC, or its assigns, the full and prompt payment and performance when due, whether at maturity or earlier, by reason of acceleration or otherwise, and at all times thereafter, of:

- (a) all amounts, obligations, and liabilities for which Borrower is or becomes personally liable to LHC under Section 3.1 of the Loan Agreement; and
- (b) all indemnity obligations of Borrower described in Sections 8.1 and 8.2 of the Loan Agreement; and
- (c) all reasonable costs and expenses, including reasonable fees and out-of-pocket expenses of attorneys and expert witnesses, incurred by LHC in enforcing its rights under this Guaranty.

The obligations of Guarantor shall survive any foreclosure proceeding, any foreclosure sale, any delivery of any deed in lieu of foreclosure, and any release of record of the Mortgage. LHC may pursue its remedies against Guarantor without first exhausting its remedies against the Borrower or the Project.

The obligations of Guarantor shall be performed without demand by LHC and shall be unconditional irrespective of the genuineness, validity, or enforceability of the Note, or any other Loan Document, and without regard to any other circumstance which might otherwise constitute a legal or equitable discharge of a surety or a guarantor. Guarantor acknowledges that Guarantor has received a copy of the Note, the Loan Agreement and all other Loan Documents.

This Guaranty shall terminate upon the expiration of the Guaranty Period, as approved in writing by LHC; this termination does not, in any way, relieve or affect the Guarantor's obligations under this Guaranty arising prior to the expiration of the Guaranty Period, under any completion guaranty or under any other indemnity or guaranty agreement.

3.2 **Nature of Guaranteed Obligations.** This is a guaranty of payment and performance, and the obligations hereunder shall be absolute, independent and unconditional under any and all circumstances.

3.3 **Third Party Beneficiary.** The parties hereto acknowledge that LHC is entitled to enforce this Guaranty directly against the Guarantors at any time. LHC is also entitled to enforce any security agreements, mortgages, additional guaranties or other collateral now or hereafter securing this Guaranty at any time against the person or entity providing such security.

3.4 **Further Assurances.** The Guarantors will, at their expense, execute, acknowledge and deliver all such further documentation, instruments and assurances and the like and take all such further action as LHC shall reasonably require in order to carry out the intentions or facilitate the provisions of this Guaranty.

3.5 Obligations Absolute. The obligations of Guarantor under this Guaranty shall be unconditional irrespective of the genuineness, validity, regularity or enforceability of any provision of this Guaranty, the Note, the Loan Agreement, or any other Loan Document. Guarantor agrees that performance of the obligations hereunder shall be a primary obligation, shall not be subject to any counterclaim, set-off, abatement, deferment, or defense based upon any claim that Guarantor may have against LHC, Borrower, any other guarantor of the obligations hereunder or any other person or entity, and shall remain in full force and effect without regard to, and shall not be released, discharged, or affected in any way by any circumstance or condition (whether or not Guarantor shall have any knowledge thereof), including any of the following, each of which may be taken without the consent of, or notice to, the Guarantors, nor shall any of the following give any Guarantor any recourse or right of action against LHC:

- (a) Any delay, exercise or non-exercise by LHC of any right or privilege under this Guaranty;
- (b) Any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceeding relating to any Guarantor (which term shall include any other party at any time directly or contingently liable for any of the Operating Deficit Guaranty) or any affiliate of any Guarantor, or any action taken with respect to this Guaranty by any trustee or receiver, or by any court, in any such proceeding, whether or not the Guarantor or any of them shall have had notice or knowledge of any of the foregoing;
- (c) Any assignment or other transfer of this Guaranty in whole or in part;
- (d) Any acceptance of partial funding of the Operating Deficit Guaranty;
- (e) Any release or discharge of the Borrower or any general partner/managing member from any of its obligations;
- (f) Any subordination, compromise or release of any or all of the property or other collateral, if any, securing the Guarantors' obligations under this Guaranty, or any substitution with respect thereto;
- (g) any furnishing, exchange, substitution, or release of any collateral securing repayment of the Loan, or any failure to perfect any lien in such collateral;
- (h) any failure, omission, or delay on the part of Borrower, Guarantor, any other guarantor of the obligations hereunder, or LHC conform or comply with any term of any of the Loan Documents or failure of LHC to give notice of any Event of Default;
- (i) any action or inaction by LHC under or in respect of any of the Loan Documents, any failure, lack of diligence, omission or delay on the part of LHC to perfect, enforce, assert or exercise any lien, security interest, right, power or remedy conferred upon it in any of the Loan Documents, or any other action or inaction on the part of LHC;
- (j) any merger or consolidation of Borrower into or with any entity or any sale, lease, or transfer of any asset of Borrower, Guarantor, or any other guarantor of the obligations hereunder to any other person;

(k) any change in the ownership of Borrower or any change in the relationship between Borrower, Guarantor, or any other guarantor of the obligations hereunder, or any termination of such relationship;

(l) any release or discharge by operation of law of Borrower, Guarantor, or any other guarantor of the obligations hereunder, any obligation or agreement contained in any of the Loan Documents; and

(m) any other occurrence, circumstance, happening, or event, whether similar or dissimilar to the foregoing, and whether seen or unforeseen, which otherwise might constitute a legal or equitable defense or discharge of the liabilities of a guarantor or surety or which otherwise might limit recourse against Borrower or Guarantor to the fullest extent permitted by law.

3.6 Waivers. Each Guarantor unconditionally waives any defense to the enforcement of this Guaranty other than payment or performance, including, without limitation:

(a) All presentments, demands for performance, notices of nonperformance, protests, notices of protest, notices of dishonor, and notices of acceptance of this Guaranty;

(b) Any right to require LHC to proceed against the Borrower or any other guarantor at any time, or to proceed against or exhaust any security held by LHC at any time, or to pursue any other remedy whatsoever at any time;

(c) Any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceeding relating to the Borrower or the Guarantors or any affiliate of the Borrower or the Guarantors or any action taken with respect to this Guaranty by any trustee or receiver, or by any court, in any such proceeding, whether or not the Guarantor shall have had notice or knowledge of any of the foregoing;

(d) Any right any Guarantor might have, under Louisiana law, to revoke this Guaranty, it being the intention of the Guarantors that this Guaranty remain in full force and effect until termination, as provided herein;

(e) Any defense based upon an election of remedies by LHC, including, without limitation, any remedies which destroy or impair the subrogation rights of any Guarantor to the Borrower or any general partner/managing member for reimbursement or both;

(f) Any duty of LHC to advise the Guarantors of any information known to LHC regarding the financial condition of the Borrower or any general partner or managing member and all other circumstances affecting the ability of the Borrower or any general partner or managing member to perform its obligations to LHC, it being agreed that each Guarantor assumes the responsibility for being and keeping informed regarding such conditions or any such circumstances;

(g) The benefit of all principles or provisions of law, statutory or otherwise, which are or might be in conflict with the terms of this Guaranty (and agrees that Guarantor's obligations shall not be affected by any circumstances, whether or not referred to in this Guaranty, which might otherwise constitute a legal or equitable discharge of a surety or a guarantor);

(h) The benefits of any right of discharge under any and all statutes or other laws relating to guarantors or sureties and any other rights of sureties and guarantors;

(i) Diligence in collecting the Loan, presentment, demand for payment, protest, all notices with respect to the Loan Documents and this Guaranty which may be required by statute, rule of law or otherwise to preserve LHC's rights against Guarantor under this Guaranty, including notice of acceptance, notice of any amendment of the Loan Documents, notice of the occurrence of any default or Event of Default, notice of intent to accelerate, notice of acceleration, notice of dishonor, notice of foreclosure, notice of protest, and notice of the incurring by Borrower of any obligation or indebtedness; and

(j) all rights to require LHC to:

(1) proceed against or exhaust any collateral held by LHC to secure the repayment of the Loan;

(2) proceed against or pursue any remedy it may now or hereafter have against Borrower or any guarantor, or, if Borrower or any guarantor is a partnership, any general partner of Borrower or general partner of any guarantor; or

(3) demand or require collateral security from Borrower, any other guarantor or any other person as provided by applicable law or otherwise

3.7 Subrogation. Notwithstanding any other provision of this Guaranty to the contrary, until all obligations in favor of LHC hereunder shall have been paid or performed in full, each Guarantor hereby waives any claim or other rights which the Guarantor may now have or hereafter acquire against any other guarantor of all or any of the obligations of any Guarantor under this Guaranty, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution or indemnification, any right to participate in any claim or remedy of LHC against the Borrower, any general partner or managing member or any Guarantor or any collateral which LHC now has or hereafter acquires, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, by any payment made hereunder or otherwise, including, without limitation, the right to take or receive from the Borrower, any general partner/managing member or any Guarantor, directly or indirectly, in cash or other property or by set off or in any other manner, payment or security on account of such claim or other rights.

3.8 Additional Waivers. The Guarantors shall not be released or discharged, either in whole or in part, by LHC's failure or delay to (a) perfect or continue the perfection of any lien or security interest in any collateral which secures the obligations of the Borrower, or (b) protect the property covered by such lien or security interest.

3.9 Dealings with Parties. LHC shall have complete but reasonable discretion, without giving notice to or obtaining the consent of the Guarantors, the Borrower and each other person or entity who now is or after the date hereof becomes liable in any manner for any of the guaranteed obligations, in such manner as LHC shall reasonably decide, and accordingly each Guarantor grants to LHC full authority, in its sole but reasonable discretion, whether before or after termination of this Guaranty, to do any and all of the following, without limiting the generality of the foregoing: extend credit, make loans and afford such financial accommodation to the Borrower or any general partner/managing member at such times, in such amounts and on such terms as LHC may approve; vary the terms or alter, compromise, accelerate and grant extensions or renewals of time or manner of payment of any present or future obligations under this Guaranty, assign or transfer this Guaranty or any other instrument

evidencing or securing the obligations under this Guaranty in whole or in part; vary, exchange, release or discharge, wholly or partially the Borrower or any general partner/managing member or any other guarantor or obligor of the obligations under this Guaranty, and compromise or make any settlement or other arrangement with the Borrower, any general partner and/or managing member and/or any other guarantor, and if the obligations under this Guaranty are now or hereafter secured, exchange, substitute or release in part or in full all of the security given for the payment and performance of any of the Guarantors' obligations under this Guaranty.

3.10 Bankruptcy No Discharge; Repayments. So long as any of the guaranteed obligations shall be owing to LHC, the Guarantors shall not, without the prior written consent of LHC, as applicable, commence or join with any other party in commencing any bankruptcy, reorganization or insolvency proceedings of or against the Borrower or any general partner/managing member. Each Guarantor understands and acknowledges that by virtue of this Guaranty, the Guarantor has specifically assumed any and all risks of a bankruptcy or reorganization case or proceeding with respect the Borrower and any general partner/managing member. As an example and not in any way of limitation, a subsequent modification of the guaranteed obligations in any reorganization case concerning the Borrower or any general partner/managing member shall not affect the obligation of the Guarantor to pay and perform the guaranteed obligations in accordance with their respective original terms. If a claim is ever made upon LHC for repayment of any amount or amounts received by LHC in payment of the obligations under this Guaranty (whether or not all or any part of such payment is subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid by LHC) and LHC repays all or any part of said amount, then, notwithstanding any revocation or termination of this Guaranty or the cancellation of any other instrument evidencing the guaranteed obligations, each Guarantor shall be and remain liable to LHC for the amount so repaid by LHC, to the same extent as if such amount had never originally been received by LHC.

3.11 Subordination. So long as any of the guaranteed obligations remain unpaid or undischarged, each Guarantor agrees that any and all claims it may have against the Borrower or any general partner/managing member shall be and hereby are subordinated to the guaranteed obligations and all other claims of LHC against the Borrower or any general partner or managing member. Any indebtedness of the Borrower or any general partner or any managing member to any Guarantor shall be collected and received by the Guarantor as trustee for LHC and be paid over to LHC on account of the indebtedness of the Guarantor to LHC, upon demand by LHC. Notwithstanding the foregoing, so long as no Event of Default shall exist hereunder or under any of the Loan Documents, and no event has occurred which with the passage of time or the giving of notice would constitute a default hereunder or under any of the Loan Documents, each Guarantor and/or its affiliates shall be entitled to receive any fees or other payments specifically provided for in the Borrower's partnership agreement or limited liability company agreement.

3.12 Independent and Separate Obligations. The obligations of each Guarantor hereunder are independent of any obligation of the Borrower or any general partner or managing member, and, in the event of any default hereunder, a separate action or actions may be brought and prosecuted against any Guarantor whether or not the Guarantor is the alter ego of the Borrower, any general partner, any managing member, or any other guarantor. LHC's rights hereunder shall not be exhausted until the conditions to termination in Section 4.6 below have been satisfied.

3.13 Setoff. LHC shall have a right of setoff against, and each Guarantor hereby grants a security interest in, all moneys, securities and other property of the Guarantor now or hereafter in the possession of LHC. Such right is in addition to any right of setoff LHC may have by law. All rights of setoff may be exercised without notice or demand to the Guarantor. No right of setoff shall be deemed to have been waived by any act or conduct on the part of LHC, or by any neglect to exercise such right of

setoff, or by any delay in doing so. Every right of setoff shall continue in full force and effect until specifically waived or released by an instrument in writing executed by LHC.

3.14 Payments. The Guarantors shall not be credited for the funding of any of the Guaranteed Obligations payable to LHC unless the required payment is received by LHC in immediately available funds and is made by such Guarantor after a demand made by LHC pursuant to this Guaranty. Each Guarantor agrees that whenever the Guarantor shall pay any amount to LHC hereunder on account of the liability hereunder, the Guarantor will deliver such payment to LHC at the address provided in Section 4.1 below and notify LHC in writing that such payment is made under this Guaranty for such purpose, with a copy to LHC of such evidence of payment and notice.

3.15 Financial Statements. Each Guarantor covenants and agrees to provide LHC, on or before May 30th of each year, with financial statements (audited, if available), including a balance sheet, an income statement, a statement of changes in financial position and such other statements as may be required by LHC, prepared in accordance with generally accepted accounting practices consistently applied and certified as true and complete, to the best of Guarantor's knowledge, in all material respects by the Guarantor or an officer of the Guarantor or, if required by LHC, a certified public accountant acceptable to LHC. Each Guarantor further covenants and agrees to immediately notify LHC of any material adverse change in the Guarantor's financial condition.

3.16 No Effect Upon Obligations. At any time or from time to time and any number of times, without notice to Guarantor and without releasing, discharging, or affecting the liability of Guarantor (except that to the extent the liability of Borrower under any sections of the Loan Agreement referenced in Section 3.1 hereof is increased, Guarantors' liability hereunder shall be increased accordingly: (a) the time for payment of the principal of or interest on the Loan may be extended or the Loan may be renewed in whole or in part; (b) the rate of interest on or period of amortization of the Loan or change the amount of payments payable under the Loan Documents may be modified; (c) the time for Borrower's performance of or compliance with any covenant or agreement contained in any Loan Document, whether presently existing or hereinafter entered into, may be extended or such performance or compliance may be waived; (d) the maturity of the Loan may be accelerated as provided in the Loan Documents; (e) any or all payments due under the Loan Agreement or any other Loan Document may be reduced; (f) any Loan Document may be modified or amended by LHC and Borrower in any respect, including an increase in the principal amount of the Loan; (g) any amounts under the Loan Agreement or any other Loan Document may be released; (h) any security for the Loan may be modified, exchanged, released, surrendered or otherwise dealt with or additional security may be pledged or mortgaged for the Loan; (i) the payment of the Loan or any security for the Loan, or both, may be subordinated to the right to payment or the security, or both, of any other present or future creditor of Borrower; (j) any payments made by Borrower to LHC may be applied to the Loan in such priority as LHC may determine in its discretion; and (k) any other terms of the Loan Documents may be modified as required by LHC.

3.17 Governing Law/Consent to Jurisdiction. This Guaranty shall be governed by and construed in accordance with the laws of the State of Louisiana applicable to contracts entered into and entirely to be performed therein. Each Guarantor hereby irrevocably submits and consents to the jurisdiction of the courts of the State of Louisiana and of the United States District Court for the district in which the Project is located in connection with any action, suit or other proceeding arising out of or relating to this Guaranty or any action taken or omitted hereunder and waives personal service of any summons, complaint or other process and agrees that the service thereof may be made by certified or registered mail directed to the Guarantor at the address for purposes of notices hereunder. If any Guarantor, so served, should fail to appear or answer within the time prescribed by law, then the Guarantor shall be deemed in default and judgment may be entered against the Guarantor for the amount or other relief as demanded in any summons, complaint or other process so served. Each Guarantor

agrees that a final judgment in any such action, suit or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

3.18 Solidary Liability. If more than one person executes this Guaranty as Guarantor, each such persons shall be liable for the obligations hereunder on a SOLIDARY basis. Not in limitation of the forgoing, LHC, in its reasonable discretion, may:

- (a) To the extent permitted by applicable law, bring suit against Guarantor, or any one or more of the Persons constituting Guarantor, and any other guarantor, solidarily, or against any one or more of them;
- (b) compromise or settle with any one or more of the persons constituting Guarantors, or any other guarantor, for such consideration as LHC may deem proper;
- (c) discharge or release one or more of the persons constituting Guarantors, or any other guarantor, from liability or agree not to sue such person; and
- (d) otherwise deal with Guarantors and any guarantor, or any one or more of them, in any manner, and no such action shall impair the rights of LHC to collect from any Guarantor any amount guaranteed by Guarantors under this Guaranty.

No such action taken pursuant to subparagraphs (a), (b), (c) or (d) above shall impair the rights of LHC to collect from any Guarantor any amount guaranteed by Guarantors under this Guaranty. Nothing contained in this paragraph shall in any way affect or impair the rights or obligations of Guarantors with respect to any other guarantor.

ARTICLE 4 MISCELLANEOUS

4.1 Notices. All notices and other communications to be made or permitted to be made hereunder shall be in writing and shall be delivered to the addresses shown below or to such other addresses that the parties may provide to one another in accordance herewith. Such notices and other communications shall be given by any of the following means: (a) personal service; or (b) national express air courier, provided such courier maintains written verification of actual delivery. Any notice or other communication given by the means described in subsection (a) or (b) above shall be deemed effective upon the date of receipt or the date of refusal to accept delivery by the party to whom such notice or other communication has been sent.

LHC: Louisiana Housing Corporation,
2415 Quail Drive
Baton Rouge, LA 70808
Facsimile: (225) 763-8710
Attention: Robby Bizot

with a copy to: Foley & Judell, L.L.P.
One Canal Place, Suite 2600
365 Canal Street
New Orleans, LA 70130
Facsimile: (504) 565-3900
Attention: Wayne J. Neveu

Borrower:

with a copy to:

Investor:

With a copy to:

Guarantor:

with a copy to:

4.2 Expenses. The Guarantors agree to pay all reasonable costs and expenses, including reasonable legal fees, which may be incurred by LHC in any effort to collect or enforce any of the obligations of any Guarantor hereunder, whether or not any lawsuit is filed, including, without limitation, all reasonable costs and legal fees incurred by LHC in any bankruptcy proceeding (including, without limitation, any action for relief from the automatic stay of any bankruptcy proceeding) and in any judicial or nonjudicial foreclosure action.

4.3 Amendments; Successors. Neither this Guaranty nor any term hereof may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought, subject to the prior written consent of LHC. All of the terms of this Guaranty shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Guarantors shall not have the right to assign any of the Guarantor's rights or obligations under this Guaranty. All remedies of LHC are cumulative. When the context in which the words are used in this Guaranty indicates that such is the intent, words in the singular number shall include the plural and vice-versa. If any one or more of the provisions of this Guaranty should be determined to be illegal or unenforceable, all other provisions shall remain effective. No delay or failure by LHC to exercise any remedy against any Guarantor will be construed as a waiver of that right or remedy. **If more than one person or entity executes this Guaranty as a Guarantor, the obligations hereunder shall be solidary.**

4.4 Assignability by LHC. LHC may, at any time and from time to time, assign, conditionally or otherwise, all of the rights of LHC under this Guaranty, whereupon such assignee shall succeed to all rights of LHC hereunder. LHC may, at any time and from time to time, assign, conditionally or otherwise, all of the rights of LHC under this Guaranty, whereupon such assignee shall succeed to all rights of LHC hereunder to the extent that such rights may be assigned to it. LHC may give written notice to the Guarantors of any such assignment, but any failure to give, or delay in giving, such notice shall not affect the validity or enforceability of any such assignment.

4.5 Demands. Each demand by LHC for performance or payment hereunder shall be in writing and shall be made in the manner set forth in Section 4.1. Interest shall accrue at the Default Interest Rate on all sums not paid by the Guarantor to LHC within ten (10) days after demand.

4.6 Term. The obligations of the Guarantors under this Guaranty and any instrument which grants collateral to secure such obligations shall continue in full force and effect until the Guarantors have fully performed all of the guaranteed obligations and paid all other amounts payable hereunder in accordance with the terms of this Guaranty and the period of time has expired during which any payment received by LHC hereunder or any act performed by the Guarantors may be determined to be a preferential or fraudulent transfer under the United States Bankruptcy Code or other similar applicable laws.

4.7 Complete Agreement. This Guaranty supersedes any prior negotiations, discussions or communications between any Guarantor and LHC and constitutes the entire agreement between LHC and the Guarantors with respect to the Guaranteed Obligations.

4.8 Counterparts. This Guaranty may be executed in one or more counterparts, each of which taken together shall constitute one and the same instrument.

4.9 Advice of Counsel. The Guarantors represent and acknowledge to LHC that the Guarantors have consulted with their attorneys regarding the terms and conditions and waivers set forth in this Guaranty. The Guarantors' attorneys have advised the Guarantors of the true legal consequences of each waiver set forth in this Guaranty, including the rights the Guarantors would have in the absence of such waivers.

4.10 Waiver of Jury Trial. BY EXECUTING THIS GUARANTY, LHC AND GUARANTOR KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THEIR RIGHTS OR THE RIGHTS OF THEIR HEIRS, ASSIGNS, SUCCESSORS OR PERSONAL REPRESENTATIVES TO A TRIAL BY JURY, IF ANY, IN ANY ACTION, PROCEEDING OR SUIT, WHETHER ARISING IN CONTRACT, TORT OR OTHERWISE, AND WHETHER ASSERTED BY WAY OF COMPLAINT, ANSWER, CROSSCLAIM, COUNTERCLAIM, AFFIRMATIVE DEFENSE OR OTHERWISE, BASED ON, ARISING OUT OF, UNDER OR IN CONNECTION WITH, THIS GUARANTY OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT TO BE EXECUTED IN CONNECTION HEREWITH OR WITH THE INDEBTEDNESS OR THE RENEWAL, MODIFICATION OR EXTENSION OF ANY OF THE FOREGOING OR ANY FUTURE ADVANCE THEREUNDER. THIS PROVISION IS A MATERIAL INDUCEMENT FOR LHC'S EXTENDING CREDIT TO THE BORROWER AND NO WAIVER OR LIMITATION OF LHC'S RIGHTS HEREUNDER SHALL BE EFFECTIVE UNLESS IN WRITING AND MANUALLY SIGNED ON LHC'S BEHALF.

Each Guarantor acknowledges that the above paragraph has been expressly bargained for by LHC as part of the Loan and that, but for the Guarantors' agreement thereto, LHC would not have extended the Loan.

[END OF DOCUMENT - SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, the Borrower has caused this Guaranty to be executed and delivered by its duly authorized representative as of the date first set forth above.

WITNESSES:

[BORROWER]

Print Name: _____

Print Name: _____

Notary Public

Print Name: _____

Bar Roll/Notary No. _____

My Commission Expires: _____

DRAFT

IN WITNESS WHEREOF, Guarantor has caused this Guaranty to be executed and delivered by its duly authorized representatives as of the date first set forth above.

WITNESSES:

[GUARANTOR]

Print Name: _____

Print Name: _____

Notary Public

Print Name: _____

Bar Roll/Notary No. _____

My Commission Expires: _____

DRAFT

IN WITNESS WHEREOF, Guarantor has caused this Guaranty to be executed and delivered by its duly authorized representatives as of the date first set forth above.

WITNESSES:

[GUARANTOR]

Print Name: _____

Print Name: _____

Notary Public

Print Name: _____

Bar Roll/Notary No. _____

My Commission Expires: _____

DRAFT

EXHIBIT A
LEGAL DESCRIPTION

DRAFT

Prepared by, and after recording return to:

Wayne J. Neveu

Foley & Judell, L.L.P.

One Canal Place, Suite 2600

365 Canal Street

New Orleans, Louisiana 70130

**LOUISIANA HOUSING CORPORATION
2019 PIGGYBACK/CDBG-DR PROGRAM
MORTGAGE, PLEDGE OF LEASES AND RENTS
AND SECURITY AGREEMENT**

DRAFT

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MORTGAGE, PLEDGE OF LEASES AND RENTS AND SECURITY AGREEMENT

BE IT KNOWN on this _____ day of _____, 201_____, before me the undersigned Notary Public, and in the presence of the undersigned competent witnesses, personally came and appeared _____, Duly Authorized Agent of _____, the _____, of _____, whose address is _____, Taxpayer Identification No. _____, duly authorized pursuant to the resolutions attached hereto, (“**Borrower**”), who by me duly sworn did declare and acknowledge that Borrower is indebted in favor of **LOUISIANA HOUSING CORPORATION (“LHC”)** whose permanent mailing address is 2415 Quail Drive, Baton Rouge, Louisiana 70808 (together with its successors and assigns and any subsequent holders, collectively the “**Lender**”), under Borrower’s Piggyback/CDBG-DR Program Promissory Note, dated the date of this Mortgage, in principal amount of _____ AND 00/100 DOLLARS (\$_____.00) which note is payable to the order of the above-named Lender, and has a stated maturity date of _____ 1, 20_____, (the “**Note**”), and, together with and as a part of the Indebtedness, is secured by this Mortgage, Assignment of Leases and Rents and Security Agreement (the “**Mortgage**”).

TO SECURE TO LENDER the repayment of the Indebtedness (including the payment of reasonable attorneys’ fees), and all renewals, extensions, modifications and refinancings of the Indebtedness, and the performance of the covenants and agreements of Borrower contained in the Loan Documents, Borrower hereby mortgages, hypothecates and assigns to Lender the Mortgaged Property, including the Land located in the Parish of Jefferson Davis, State of Louisiana and described in **Exhibit A – Property Description** attached to this Mortgage. The maximum amount of the Indebtedness outstanding at any time and from time to time that is secured by this Mortgage shall be limited to an amount equal to the original principal balance of the Note multiplied by eight, inclusive of principal, interest, late charges, default interest, prepayment premiums, additional advances pursuant to this Mortgage, costs, expenses and attorneys’ fees.

Borrower represents and warrants that Borrower is the full owner and lawfully seized of the Mortgaged Property and has the right, power and authority to mortgage, grant, convey and assign the Mortgaged Property, and that the Mortgaged Property is unencumbered, except as set forth on **Exhibit B – Permitted Encumbrances** attached hereto (“**Permitted Encumbrances**”). Borrower covenants that Borrower will warrant and defend generally the title to, and the ownership and possession of, the Mortgaged Property against all claims and demands, subject to any servitudes, easements and restrictions listed in a schedule of exceptions to coverage in any title insurance policy issued to Lender contemporaneously with the execution and recordation of this Mortgage and insuring Lender’s interest in the Mortgaged Property.

Covenants. Borrower and Lender covenant and agree as follows:

1. DEFINITIONS.

The following terms, when used in this Mortgage (including when used in the above recitals), shall have the following meanings:

- (a) “**Borrower**” means all persons or entities identified as “**Borrower**” in the first paragraph of this Mortgage, together with their successors and assigns.
- (b) “**Environmental Permit**” means any permit, license, or other authorization issued under any Hazardous Materials Law with respect to any activities or businesses conducted on or in relation to the Mortgaged Property.
- (c) “**Event of Default**” means the occurrence of any event listed in Section 21.
- (d) “**Fixtures**” means all property which is so attached to the Land or the Improvements as to constitute an integral or component part, or a fixture under applicable law, including: machinery, equipment, engines, boilers, incinerators, installed building materials; systems and equipment for the purpose of supplying or distributing heating, cooling, electricity, gas, water, air, or light; antennas, cable, wiring and conduits used in connection with radio, television, security, fire prevention, or fire detection or otherwise used to carry electronic signals; telephone systems and equipment; elevators and related machinery and equipment; fire detection, prevention and extinguishing systems and apparatus; security and access control systems and apparatus; plumbing systems; water heaters, ranges, stoves, microwave ovens, refrigerators, dishwashers, garbage disposers, washers, dryers and other appliances; light fixtures, awnings, storm windows and storm doors; pictures, screens, blinds, shades, curtains and curtain rods; mirrors; cabinets, paneling, rugs and floor and wall coverings; fences, trees and plants; swimming pools; and exercise equipment.

(e) “**Governmental Authority**” means any board, commission, department or body of any municipal, parish, state or federal governmental unit, or any subdivision of any of them, that has or acquires jurisdiction over the Mortgaged Property or the use, operation or improvement of the Mortgaged Property.

(f) “**Guarantor**” means the natural person(s) or entity identified as such at the foot of this Mortgage, and any person or entity that becomes a Guarantor after the date of this Mortgage and that is identified as such in an amendment or supplement to this Mortgage.

(g) “**Hazardous Materials**” means petroleum and petroleum products and compounds containing them, including gasoline, diesel fuel and oil; explosives; flammable materials; radioactive materials; polychlorinated biphenyls (“PCBs”) and compounds containing them; lead and lead-based paint; asbestos or asbestos-containing materials in any form that is or could become friable; underground or above-ground storage tanks, whether empty or containing any substance; any substance the presence of which on the Mortgaged Property is prohibited by any federal, state or local authority; any substance that requires special handling; and any other material or substance now or in the future defined as a “hazardous substance,” “hazardous material,” “hazardous waste,” “toxic substance,” “toxic pollutant,” “contaminant,” or “pollutant” within the meaning of any Hazardous Materials Law.

(h) “**Hazardous Materials Laws**” means all federal, state, and local laws, ordinances and regulations and standards, rules, policies and other governmental requirements, administrative rulings and court judgments and decrees in effect now or in the future and including all amendments, that relate to Hazardous Materials and apply to Borrower or to the Mortgaged Property. Hazardous Materials Laws include, but are not limited to, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601, *et seq.*, the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, *et seq.*, the Toxic Substance Control Act, 15 U.S.C. Section 2601, *et seq.*, the Clean Water Act, 33 U.S.C. Section 1251, *et seq.*, and the Hazardous Materials Transportation Act, 49 U.S.C. Section 5101, *et seq.*, and their state analogs, and any other environmental laws or hazardous materials laws under the State of Louisiana.

(i) “**Impositions**” is defined in Section 7(a).

(j) “**Improvements**” means the buildings, structures, improvements, and alterations now constructed or at any time in the future constructed or placed upon the Land, including any future replacements and additions.

(k) “**Indebtedness**” means the principal of, interest on, and all other amounts due at any time under the Loan Agreement, the Note, this Mortgage or any other Loan Document, including prepayment premiums, late charges, default interest, attorneys’ fees, keeper fees, collection and foreclosure expenses, advances as provided in Section 11 to protect the security of this Mortgage, and any other sums that Lender may advance or incur with respect to the Mortgaged Property, or as otherwise provided in this Mortgage or any other Loan Document.

(l) “**Land**” means the immovable property described in **Exhibit A**. The immovable property is located in Jefferson Davis Parish, State of Louisiana.

(m) “**Leases**” means all present and future leases, subleases, licenses, concessions or grants or other possessory interests now or hereafter in force, whether oral or written, covering or affecting the Mortgaged Property, or any portion of the Mortgaged Property (including proprietary leases or occupancy agreements if Borrower is a cooperative housing corporation), and all modifications, extensions or renewals.

(n) “**Loan Agreement**” means the Piggyback/CDBG-DR Program Loan Agreement between Borrower and LHC, dated the date of this Mortgage, as modified, amended, and supplemented in accordance with its terms.

(o) “**Lender**” means the entity identified as “**Lender**” in the first paragraph of this Mortgage and its successors and assigns, or any subsequent holder of the Note.

(p) “**Loan Documents**” means for the purposes of this Mortgage, the Note, this Mortgage, the Loan Agreement, all guaranties, all indemnity agreements (including without limitation any Operating Deficit Guaranty, Performance and Completion Guaranty, and the Guaranty of Exceptions to Non-Recourse Liability), and the CDBG Regulatory Agreement required by the Loan Agreement, and any other documents now or in the future executed by Borrower, Guarantor, or any other person securing or evidencing the loan evidenced by the Note, as such documents may be amended from time to time.

(q) “**Loan Servicer**” means the entity that from time to time is designated by Lender to collect payments and deposits and receive notices under the Note, this Mortgage and any other Loan Document, and otherwise to service the loan evidenced by the Note for the benefit of Lender. Unless Borrower receives

notice to the contrary, the Loan Servicer is the entity identified as “**Lender**” in the first paragraph of this Mortgage.

(r) “**Mortgaged Property**” means all of Borrower’s present and future right, title and interest in and to all of the following:

- (i) the Land;
- (ii) the Improvements;
- (iii) the Fixtures;
- (iv) the Personality;
- (v) all current and future rights, including air rights, development rights, zoning rights and other similar rights or interests, servitudes, easements, tenements, rights-of-way, strips and gores of land, streets, alleys, roads, sewer rights, waters, watercourses, and appurtenances related to or benefiting the Land or the Improvements, or both, and all rights-of-way, streets, alleys and roads which may have been or may in the future be vacated;
- (vi) all proceeds paid or to be paid by any insurer of the Land, the Improvements, the Fixtures, the Personality or any other part of the Mortgaged Property, whether or not Borrower obtained the insurance pursuant to Lender’s requirement;
- (vii) all awards, payments and other compensation made or to be made by any municipal, state or federal authority with respect to the Land, the Improvements, the Fixtures, the Personality or any other part of the Mortgaged Property, including any awards or settlements resulting from condemnation proceedings or the total or partial taking of the Land, the Improvements, the Fixtures, the Personality or any other part of the Mortgaged Property under the power of eminent domain or otherwise and including any conveyance in lieu thereof;
- (viii) all contracts, options and other agreements for the sale of the Land, the Improvements, the Fixtures, the Personality or any other part of the Mortgaged Property entered into by Borrower now or in the future, including cash or securities deposited to secure performance by parties of their obligations;
- (ix) all proceeds from the conversion, voluntary or involuntary, of any of the above into cash or liquidated claims, and the right to collect such proceeds;
- (x) all Rents and Leases;
- (xi) all earnings, royalties, accounts receivable, issues and profits from the Land, the Improvements or any other part of the Mortgaged Property, and all undisbursed proceeds of the loan secured by this Mortgage and, if Borrower is a cooperative housing corporation, maintenance charges or assessments payable by shareholders or residents;
- (xii) [reserved];
- (xiii) all refunds or rebates of Impositions by any municipal, state or federal authority or insurance company (other than refunds applicable to periods before the real property tax year in which this Mortgage is dated);
- (xiv) all tenant security deposits which have not been forfeited by any tenant under any Lease;
- (xv) all names under or by which any of the above Mortgaged Property may be operated or known, and all trademarks, trade names, and goodwill relating to any of the Mortgaged Property; and

(s) “**Note**” means the Note described in the first paragraph of this Mortgage, including the Acknowledgment and Agreement of Guarantor to Personal Liability for Exceptions to Non-Recourse Liability (if any), and all schedules, riders, allonges and addenda, as such Note may be amended from time to time.

(t) “**Permitted Transfer**” has the meaning set forth in Section 20(b). A Permitted Transfer shall not require the consent of the Lender and shall not constitute an Event of Default hereunder or under the Loan Documents.

(u) “**Personalty**” means all equipment, inventory, general intangibles which are used now or in the future in connection with the ownership, management or operation of the Land or the Improvements or are located on the Land or in the Improvements, including furniture, furnishings, machinery, building materials, appliances, goods, supplies, tools, books, records (whether in written or electronic form), computer equipment (hardware and software) and other tangible (corporeal) personal (movable) property (other than Fixtures) which are used now or in the future in connection with the ownership, management or operation of the Land or the Improvements or are located on the Land or in the Improvements, and any operating agreements relating to the Land or the Improvements, and any surveys, plans and specifications and contracts for architectural, engineering and construction services relating to the Land or the Improvements and all other intangible (incorporeal) property and rights relating to the operation of, or used in connection with, the Land or the Improvements, including all governmental permits relating to any activities on the Land.

(v) “**Rents**” means all rents (whether from residential or non-residential space), revenues and other income of the Land or the Improvements, including subsidy payments received from any sources, parking fees, laundry and vending machine income and fees and charges for food, health care and other services provided at the Mortgaged Property, whether now due, past due, or to become due, and deposits forfeited by tenants.

(w) “**Taxes**” means all taxes, assessments, vault rentals and other charges, if any, general, special or otherwise, including all assessments for schools, public betterments and general or local improvements, which are levied, assessed or imposed by any public authority or quasi-public authority, and which, if not paid, will become a lien, on the Land or the Improvements.

(x) “**Transfer**” means: (A) a sale, assignment, transfer or other disposition (whether voluntary, involuntary or by operation of law, and whether on a bond for deed basis or otherwise); (B) the granting, creating or attachment of a lien, encumbrance or security interest (whether voluntary, involuntary or by operation of law, and whether on a bond for deed basis or otherwise); (C) the issuance or other creation of an ownership interest in a legal entity, including a partnership interest, interest in a limited liability company or corporate stock; (D) the withdrawal, retirement, removal or involuntary resignation of a partner in a partnership or a member or manager in a limited liability company; or (E) the merger, dissolution, liquidation, or consolidation of a legal entity. “Transfer” shall include the dispositions described in Section 15 below, but does not include (i) a conveyance of the Mortgaged Property at a judicial or non-judicial foreclosure sale under this Mortgage, or (ii) the Mortgaged Property becoming part of a bankruptcy estate by operation of law under the United States Bankruptcy Code, or (iii) a Permitted Transfer. For purposes of defining the term “Transfer,” the term “partnership” shall mean a general partnership, a limited partnership or partnership in commendam, a joint venture and a registered limited liability partnership, and the term “partner” shall mean a general partner, a limited partner and a joint venturer.

(y) “**Uniform Commercial Code**” or “**UCC**” means the Louisiana Commercial Laws, Louisiana Revised Statues Title 10, Sections 1-101, *et seq.*

2. UNIFORM COMMERCIAL CODE SECURITY AGREEMENT.

This Mortgage is also a security agreement under the Uniform Commercial Code for any of the Mortgaged Property which, under applicable law, may be subject to a security interest under the Uniform Commercial Code, whether acquired now or in the future, and all products and cash and non-cash proceeds thereof (collectively, “**UCC Collateral**”), and Borrower hereby grants to Lender a security interest in the UCC Collateral. Borrower hereby authorizes Lender to file financing statements, continuation statements and financing statement amendments in such form as Lender may require to perfect or continue the perfection of this security interest and Borrower agrees, if Lender so requests, to execute and deliver to Lender such financing statements, continuation statements and amendments. Borrower shall pay all filing costs and all costs and expenses of any record searches for financing statements that Lender may require. Without the prior written consent of Lender, Borrower shall not create or permit to exist any other lien or security interest in any of the UCC Collateral. If an Event of Default has occurred and is continuing, Lender shall have the remedies of a secured party under the Uniform Commercial Code, in addition to all remedies provided by this Mortgage or existing under applicable law. In exercising any remedies, Lender may exercise its remedies against the UCC Collateral separately or together, and in any order, without in any way affecting the availability of Lender’s other remedies. This Mortgage constitutes a financing statement with respect to any part of the Mortgaged Property which is or may become a Fixture.

3. ASSIGNMENT OF RENTS; APPOINTMENT OF RECEIVER; LENDER IN POSSESSION.

(a) As part of the consideration for the Indebtedness, Borrower absolutely and unconditionally assigns and transfers to Lender all Rents. It is the intention of Borrower to establish a present, absolute and irrevocable transfer and assignment to Lender of all Rents and to authorize and empower Lender to collect and receive all Rents without the necessity of further action on the part of Borrower. Promptly upon request by Lender, Borrower agrees to execute and deliver such further assignments as Lender may from time to time

require. Borrower and Lender intend this assignment of Rents to be immediately effective and to constitute an absolute present assignment and not an assignment for additional security only. For purposes of giving effect to this absolute assignment of Rents, and for no other purpose, Rents shall not be deemed to be a part of the "Mortgaged Property," as that term is defined in Section 1(r). However, if this present, absolute and unconditional assignment of Rents is not enforceable by its terms under the laws of the Property Jurisdiction, then the Rents shall be included as a part of the Mortgaged Property and it is the intention of the Borrower that in this circumstance this Mortgage create and perfect a security interest on Rents in favor of Lender, which security interest shall be effective as of the date of this Mortgage.

(b) After the occurrence of an Event of Default, Borrower authorizes Lender to collect, sue for and compromise Rents and directs each tenant of the Mortgaged Property to pay all Rents to, or as directed by, Lender, and Borrower shall, upon Borrower's receipt of any Rents from any sources, pay the total amount of such receipts to the Lender. However, until the occurrence of an Event of Default, Lender hereby grants to Borrower a revocable license to collect and receive all Rents, to hold all Rents in trust for the benefit of Lender and to apply all Rents to pay the installments of interest and principal then due and payable under the Note and the other amounts then due and payable under the other Loan Documents and to pay the current costs and expenses of managing, operating and maintaining the Mortgaged Property, including utilities, Taxes and insurance premiums (to the extent not included in Imposition Deposits), tenant improvements and other capital expenditures. So long as no Event of Default has occurred and is continuing, the Rents remaining after application pursuant to the preceding sentence may be retained by Borrower free and clear of, and released from, Lender's rights with respect to Rents under this Mortgage. From and after the occurrence of an Event of Default, and without the necessity of Lender entering upon and taking and maintaining control of the Mortgaged Property directly, or by a receiver, Borrower's license to collect Rents shall automatically terminate and Lender shall without notice be entitled to all Rents as they become due and payable, including Rents then due and unpaid. Borrower shall pay to Lender upon demand all Rents to which Lender is entitled. At any time on or after the date of Lender's demand for Rents, Lender may give, and Borrower hereby irrevocably authorizes Lender to give, notice to all tenants of the Mortgaged Property instructing them to pay all Rents to Lender, no tenant shall be obligated to inquire further as to the occurrence or continuance of an Event of Default, and no tenant shall be obligated to pay to Borrower any amounts which are actually paid to Lender in response to such a notice. Any such notice by Lender shall be delivered to each tenant personally, by mail or by delivering such demand to each rental unit. Borrower shall not interfere with and shall cooperate with Lender's collection of such Rents.

(c) Borrower represents and warrants to Lender that Borrower has not executed any prior assignment of Rents and that Borrower has not performed, and Borrower covenants and agrees that it will not perform, any acts and has not executed, and shall not execute, any Mortgage (other than to such entities as may be stated in this paragraph) which would prevent Lender from exercising its rights under this Section 3, and that at the time of execution of this Mortgage there has been no anticipation or prepayment of any Rents for more than two months prior to the due dates of such Rents. Borrower shall not collect or accept payment of any Rents more than two months prior to the due dates of such Rents.

(d) If an Event of Default has occurred and is continuing, Lender may, regardless of the adequacy of Lender's security or the solvency of Borrower and even in the absence of waste, enter upon and take and maintain full control of the Mortgaged Property in order to perform all acts that Lender in its discretion determines to be necessary or desirable for the operation and maintenance of the Mortgaged Property, including the execution, cancellation or modification of Leases, the collection of all Rents, the making of repairs to the Mortgaged Property and the execution or termination of contracts providing for the management, operation or maintenance of the Mortgaged Property, for the purposes of enforcing the assignment of Rents pursuant to Section 3(a), protecting the Mortgaged Property or the security of this Mortgage, or for such other purposes as Lender in its discretion may deem necessary or desirable. Alternatively, if an Event of Default has occurred and is continuing, regardless of the adequacy of Lender's security, without regard to Borrower's solvency and without the necessity of giving prior notice (oral or written) to Borrower, Lender may apply to any court having jurisdiction for the appointment of a receiver for the Mortgaged Property to take any or all of the actions set forth in the preceding sentence. If Lender elects to seek the appointment of a receiver for the Mortgaged Property at any time after an Event of Default has occurred and is continuing, Borrower, by its execution of this Mortgage, expressly consents to the appointment of such receiver, including the appointment of a receiver *ex parte* if permitted by applicable law. Lender or the receiver, as the case may be, shall be entitled to receive a reasonable fee for managing the Mortgaged Property. Immediately upon appointment of a receiver or immediately upon the Lender's entering upon and taking possession and control of the Mortgaged Property, Borrower shall surrender possession of the Mortgaged Property to Lender or the receiver, as the case may be, and shall deliver to Lender or the receiver, as the case may be, all documents, records (including records on electronic or magnetic media), accounts, surveys, plans, and specifications relating to the Mortgaged Property and all security deposits and prepaid Rents. In the event Lender takes possession and control of the Mortgaged Property, Lender may exclude Borrower and its representatives from the Mortgaged Property. Borrower acknowledges and agrees that the exercise by Lender of any of the rights conferred under this Section 3 shall not be construed to make Lender a mortgagee-in-possession of the Mortgaged Property so long as Lender has not itself entered into actual possession of the Land and Improvements.

(e) If Lender enters the Mortgaged Property, Lender shall be liable to account only to Borrower and only for those Rents actually received. Lender shall not be liable to Borrower, anyone claiming under or through Borrower or anyone having an interest in the Mortgaged Property, by reason of any act or omission of Lender under this Section 3, and Borrower hereby releases and discharges Lender from any such liability to the fullest extent permitted by law.

(f) If the Rents are not sufficient to meet the costs of taking control of and managing the Mortgaged Property and collecting the Rents, any funds expended by Lender for such purposes shall become an additional part of the Indebtedness as provided in Section 11.

(g) Any entering upon and taking of control of the Mortgaged Property by Lender or the receiver, as the case may be, and any application of Rents as provided in this Mortgage shall not cure or waive any Event of Default or invalidate any other right or remedy of Lender under applicable law or provided for in this Mortgage.

4. ASSIGNMENT OF LEASES; LEASES AFFECTING THE MORTGAGED PROPERTY.

(a) As part of the consideration for the Indebtedness, Borrower absolutely and unconditionally assigns and transfers to Lender all of Borrower's right, title and interest in, to and under the Leases, including Borrower's right, power and authority to modify the terms of any such Lease, or extend or terminate any such Lease. It is the intention of Borrower to establish a present, absolute and irrevocable transfer and assignment to Lender of all of Borrower's right, title and interest in, to and under the Leases. Borrower and Lender intend this assignment of the Leases to be immediately effective and to constitute an absolute present assignment and not an assignment for additional security only. For purposes of giving effect to this absolute assignment of the Leases, and for no other purpose, the Leases shall not be deemed to be a part of the "Mortgaged Property," as that term is defined in Section 1(r). However, if this present, absolute and unconditional assignment of the Leases is not enforceable by its terms under the laws of the Property Jurisdiction, then the Leases shall be included as a part of the Mortgaged Property and it is the intention of the Borrower that in this circumstance this Mortgage create and perfect a security interest on the Leases in favor of Lender, which security interest shall be effective as of the date of this Mortgage.

(b) Until Lender gives notice to Borrower of Lender's exercise of its rights under this Section 4, Borrower shall have all rights, power and authority granted to Borrower under any Lease (except as otherwise limited by this Section or any other provision of this Mortgage), including the right, power and authority to modify the terms of any Lease or extend or terminate any Lease. Upon the occurrence of an Event of Default, the permission given to Borrower pursuant to the preceding sentence to exercise all rights, power and authority under Leases shall automatically terminate. Borrower shall comply with and observe Borrower's obligations under all Leases, including Borrower's obligations pertaining to the maintenance and disposition of tenant security deposits.

(c) Borrower acknowledges and agrees that the exercise by Lender, either directly or by a receiver, of any of the rights conferred under this Section 4 shall not be construed to make Lender a mortgagee-in-possession of the Mortgaged Property so long as Lender has not itself entered into actual possession of the Land and the Improvements. The acceptance by Lender of the assignment of the Leases pursuant to Section 4(a) shall not at any time or in any event obligate Lender to take any action under this Mortgage or to expend any money or to incur any expenses. Lender shall not be liable in any way for any injury or damage to person or property sustained by any person or persons, firm or corporation in or about the Mortgaged Property. Prior to Lender's actual entry into and taking possession of the Mortgaged Property, Lender shall not: (i) be obligated to perform any of the terms, covenants and conditions contained in any Lease (or otherwise have any obligation with respect to any Lease); (ii) be obligated to appear in or defend any action or proceeding relating to the Lease or the Mortgaged Property; or (iii) be responsible for the operation, control, care, management or repair of the Mortgaged Property or any portion of the Mortgaged Property. The execution of this Mortgage by Borrower shall constitute conclusive evidence that all responsibility for the operation, control, care, management and repair of the Mortgaged Property is and shall be that of Borrower, prior to such actual entry and taking of possession.

(d) Upon delivery of notice by Lender to Borrower of Lender's exercise of Lender's rights under this Section 4 at any time after the occurrence of an Event of Default, and without the necessity of Lender entering upon and taking and maintaining control of the Mortgaged Property directly, by a receiver, or by any other manner or proceeding permitted by the laws of the Property Jurisdiction, Lender immediately shall have all rights, powers and authority granted to Borrower under any Lease, including the right, power and authority to modify the terms of any such Lease, or extend or terminate any such Lease.

(e) Borrower shall, promptly upon Lender's request, deliver to Lender an executed copy of each residential Lease then in effect. All Leases for residential dwelling units shall be on forms approved by Lender, shall be for initial terms of at least six months and not more than two years, and shall not include options to purchase. If customary in the applicable market, residential Leases with terms of less than six months may be permitted with Lender's prior written consent.

(f) Borrower shall not lease any portion of the Mortgaged Property for non-residential use except with the prior written consent of Lender and Lender's prior written approval of the Lease agreement. Borrower shall not modify the terms of, or extend or terminate, any Lease for non-residential use (including any Lease in existence on the date of this Mortgage) without the prior written consent of Lender. Borrower shall, without request by Lender, deliver an executed copy of each non-residential Lease to Lender promptly after such Lease is signed. All non-residential Leases, including renewals or extensions of existing Leases, shall specifically provide that (1) such Leases are subordinate to the lien of this Mortgage (unless waived in writing by Lender); (2) the tenant shall attorn to Lender and any purchaser at a foreclosure sale, such attornment to be self-executing and effective upon acquisition of title to the Mortgaged Property by any purchaser at a foreclosure sale or by Lender in any manner; (3) the tenant agrees to execute such further evidences of attornment as Lender or any purchaser at a foreclosure sale may from time to time request; (4) the Lease shall not be terminated by foreclosure or any other transfer of the Mortgaged Property; (5) after a foreclosure sale of the Mortgaged Property, Lender or any other purchaser at such foreclosure sale may, at Lender's or such purchaser's option, accept or terminate such Lease; and (6) the tenant shall, upon receipt after the occurrence of an Event of Default of a written request from Lender, pay all Rents payable under the Lease to Lender.

(g) Borrower shall not receive or accept Rent under any Lease (whether residential or non-residential) for more than two months in advance.

5. PAYMENT OF INDEBTEDNESS; PERFORMANCE UNDER LOAN DOCUMENTS.

Borrower shall pay the Indebtedness when due in accordance with the terms of the Note and the other Loan Documents and shall perform, observe and comply with all other provisions of the Note and the other Loan Documents.

6. EXCULPATION.

Borrower's personal liability for payment of the Indebtedness and for performance of the other obligations to be performed by it under this Mortgage is limited in the manner, and to the extent, provided in the Note.

7. TAXES, UTILITIES, INSURANCE; DEPOSITS FOR RESERVES AND OTHER CHARGES.

(a) Until the Indebtedness is paid in full, Borrower shall pay when due (1) any water and sewer charges which, if not paid, may result in a lien on all or any part of the Mortgaged Property, (2) the premiums for fire and other hazard insurance, rent loss insurance and such other insurance as Lender may require under Section 18, and (3) Taxes. Failure to pay all such amounts as and when due shall be a default hereunder. The amounts under the preceding sentence are collectively referred to in this Mortgage as the "**Impositions**". Borrower shall provide Lender with evidence that all Impositions have been paid upon request.

(b) Borrower shall deposit in an account or accounts established for such purposes: (1) replacement reserves and operating reserves as set forth in the Loan Agreement; and (2) amounts for other charges and expenses which Lender at any time reasonably deems necessary to protect the Mortgaged Property, to prevent the imposition of liens on the Mortgaged Property, or otherwise to protect Lender's interests, all as reasonably estimated from time to time by Lender. The amounts deposited under this subsection are collectively referred to in this Mortgage as "**Reserves**". Borrower shall provide Lender with the bank, account number and such other information as may be necessary to identify the account holding the Reserves, and shall provide LHC with statements from such account within ten (10) days of receiving a request from LHC for such statements. Borrower shall maintain records indicating how much of the monthly Reserves and how much of the aggregate Reserves held are held for the purpose of paying amounts for which the Reserves are being held.

(c) Reserves shall be held in an institution whose deposits or accounts are insured or guaranteed by a federal agency. Borrower hereby pledges and grants to Lender a security interest in the Reserves as additional security for all of Borrower's obligations under this Mortgage and the other Loan Documents.

(d) Reserves shall be used in accordance with the terms of the Loan Documents.

(e) No withdrawals from any account holding Reserves shall be made without the prior written approval of LHC, or its designated representative, such approval not to be unreasonably withheld or delayed.

8. APPLICATION OF PAYMENTS.

If at any time Lender receives, from Borrower or otherwise, any amount applicable to the Indebtedness which is less than all amounts due and payable at such time, then Lender may apply that

payment to amounts then due and payable in any manner and in any order determined by Lender, in Lender's discretion. Neither Lender's acceptance of an amount which is less than all amounts then due and payable nor Lender's application of such payment in the manner authorized shall constitute or be deemed to constitute either a waiver of the unpaid amounts or an accord and satisfaction. Notwithstanding the application of any such amount to the Indebtedness, Borrower's obligations under this Mortgage and the Note shall remain unchanged.

9. COMPLIANCE WITH LAWS.

Borrower shall comply with all laws, ordinances, regulations and requirements of any Governmental Authority and all recorded lawful covenants and agreements relating to or affecting the Mortgaged Property (including the CDBG Regulatory Agreement), including all laws, ordinances, regulations, requirements and covenants pertaining to health and safety, construction of improvements on the Mortgaged Property, fair housing, zoning and land use, and Leases. Borrower also shall comply with all applicable laws that pertain to the maintenance and disposition of tenant security deposits. Borrower shall at all times maintain records sufficient to demonstrate compliance with the provisions of this Section 9. Borrower shall take appropriate measures to prevent, and shall not engage in or knowingly permit, any illegal activities at the Mortgaged Property that could endanger tenants or visitors, result in damage to the Mortgaged Property, result in forfeiture of the Mortgaged Property, or otherwise materially impair the lien created by this Mortgage or Lender's interest in the Mortgaged Property. Borrower represents and warrants to Lender that no portion of the Mortgaged Property has been or will be purchased with the proceeds of any illegal activity.

10. USE OF PROPERTY.

Unless required by applicable law, Borrower shall not (a) except for any change in use approved by Lender, allow changes in the use for which all or any part of the Mortgaged Property is being used at the time this Mortgage was executed, (b) convert any individual dwelling units or common areas to commercial use, (c) initiate or acquiesce in a change in the zoning classification of the Mortgaged Property, or (d) establish any condominium or cooperative regime with respect to the Mortgaged Property.

11. PROTECTION OF LENDER'S SECURITY.

(a) If Borrower fails to perform any of its obligations under this Mortgage or any other Loan Document, or if any action or proceeding is commenced which purports to affect the Mortgaged Property, Lender's security or Lender's rights under this Mortgage, including eminent domain, insolvency, code enforcement, civil or criminal forfeiture, enforcement of Hazardous Materials Laws, fraudulent conveyance or reorganizations or proceedings involving a bankrupt or decedent, then Lender at Lender's option may make such appearances, disburse such sums and take such actions as Lender reasonably deems necessary to perform such obligations of Borrower and to protect Lender's interest, including (1) payment of fees and out-of-pocket expenses of attorneys, accountants, inspectors and consultants, (2) entry upon the Mortgaged Property to make repairs or secure the Mortgaged Property, (3) procurement of the insurance required by Section 18, and (4) payment of amounts which Borrower has failed to pay under Sections 14 and 16.

(b) Any amounts disbursed by Lender under this Section 11, or under any other provision of this Mortgage that treats such disbursement as being made under this Section 11, shall be added to, and become part of, the principal component of the Indebtedness, shall be immediately due and payable and shall bear interest from the date of disbursement until paid at the "Default Rate", as defined in the Note.

(c) Nothing in this Section 11 shall require Lender to incur any expense or take any action.

12. INSPECTION.

Lender, its agents, representatives, and designees may make or cause to be made entries upon and inspections of the Mortgaged Property (including environmental inspections and tests) during normal business hours, or at any other reasonable time.

13. BOOKS AND RECORDS; FINANCIAL REPORTING.

(a) Borrower shall keep and maintain at all times at the Mortgaged Property or the management agent's offices, and upon Lender's request shall make available at the Mortgaged Property, complete and accurate books of account and records (including copies of supporting bills and invoices) adequate to reflect correctly the operation of the Mortgaged Property, and copies of all written contracts, Leases, and other Mortgages which affect the Mortgaged Property. The books, records, contracts, Leases and other Mortgages shall be subject to examination and inspection at any reasonable time by Lender.

(b) If an Event of Default has occurred and is continuing, Borrower shall deliver to LHC upon written demand all books and records relating to the Project or its operation. If LHC has not previously required Borrower to furnish a quarterly statement of income and expenses for the Project, LHC may require

Borrower to furnish such a statement within forty-five (45) days after the end of each fiscal quarter of Borrower following such Event of Default. In such event, LHC shall have the right to have an audit conducted pursuant to subsection (d) hereof.

- (c) Borrower authorizes LHC to obtain a credit report on Borrower at any time.

14. TAXES; OPERATING EXPENSES.

(a) Subject to the provisions of Section 14(c), Borrower shall pay, or cause to be paid, all Taxes when due and before the addition of any interest, fine, penalty or cost for nonpayment.

(b) Subject to the provisions of Section 14(c), Borrower shall pay the expenses of operating, managing, maintaining and repairing the Mortgaged Property (including insurance premiums, utilities, repairs and replacements) before the last date upon which each such payment may be made without any penalty or interest charge being added.

(c) Borrower, at its own expense, may contest by appropriate legal proceedings, conducted diligently and in good faith, the amount or validity of any Imposition other than insurance premiums, if (1) Borrower notifies Lender of the commencement or expected commencement of such proceedings, (2) the Mortgaged Property is not in danger of being sold or forfeited, (3) Borrower deposits reserves sufficient to pay the contested Imposition, if requested by Lender, and (4) Borrower furnishes whatever additional security is required in the proceedings or is reasonably requested by Lender, which may include the delivery to Lender of the reserves established by Borrower to pay the contested Imposition.

(d) Borrower shall promptly deliver to Lender a copy of all notices of, and invoices for, Impositions, and if Borrower pays any Imposition directly, Borrower shall promptly furnish to Lender receipts evidencing such payments.

15. LIENS; ENCUMBRANCES.

Borrower acknowledges that, except to the extent provided in Section 20, the grant, creation or existence of any mortgage, deed of trust, deed to secure debt, security interest or other lien, privilege or encumbrance (a “**Lien**”) on the Mortgaged Property (other than the lien of this Mortgage or the liens described in Section 3(c) above, or the Permitted Encumbrances) or on certain ownership interests in Borrower, whether voluntary, involuntary or by operation of law, and whether or not such Lien has priority over the lien of this Mortgage, is a “**Transfer**” which constitutes an Event of Default.

16. PRESERVATION, MANAGEMENT AND MAINTENANCE OF MORTGAGED PROPERTY.

(a) Borrower (1) shall not commit waste or permit impairment or deterioration of the Mortgaged Property, (2) shall not abandon the Mortgaged Property, (3) shall restore or repair promptly, in a good and workmanlike manner, any damaged part of the Mortgaged Property to the equivalent of its original condition, or such other condition as Lender may approve in writing, whether or not insurance proceeds or condemnation awards are available to cover any costs of such restoration or repair, (4) shall keep the Mortgaged Property in good repair, including the replacement of Personality and Fixtures with items of equal or better function and quality, (5) shall provide for professional management of the Mortgaged Property by a residential rental property manager satisfactory to Lender under a contract approved by Lender in writing, and (6) shall give notice to Lender of and, unless otherwise directed in writing by Lender, shall appear in and defend any action or proceeding purporting to affect the Mortgaged Property, Lender’s security or Lender’s rights under this Mortgage. Borrower shall not (and shall not permit any tenant or other person to) remove, demolish or alter the Mortgaged Property or any part of the Mortgaged Property except in connection with the replacement of tangible Personality.

(b) If, in connection with the making of the loan evidenced by the Note or at any later date, Lender waives in writing the requirement of Section 16(a)(5) above that Borrower enter into a written contract for management of the Mortgaged Property and if, after the date of this Mortgage, Borrower intends to change the management of the Mortgaged Property, Lender shall have the right to approve such new property manager and the written contract for the management of the Mortgaged Property and require that Borrower and such new property manager enter into an Assignment of Management Agreement on a form approved by Lender. If required by Lender (whether before or after an Event of Default), Borrower will cause any Affiliate of Borrower to whom fees are payable for the management of the Mortgaged Property to enter into an agreement with Lender, in a form approved by Lender, providing for subordination of those fees and such other provisions as Lender may require. “**Affiliate**” means, with respect to any entity, any corporation, partnership, joint venture, limited liability company, limited liability partnership, trust or individual controlled by, under common control with, or which has a Controlling Interest in, such entity (the term “**control**” “**controlled by**”, “**under common control with**”, or “**controlling interest**” means (i) the direct or indirect power (under contract, equity ownership, the right to vote or determine a vote, or

otherwise) to direct the financial, legal, beneficial or other interests of a company (or other entity) and includes the definition of "control" in 24 CFR 401.310(a)(2); or (ii) the power to vote, directly or indirectly, 25 percent or more of any class of the voting stock of a company; or (iii) the ability to direct in any manner the election of a majority of a company's (or other entity's) directors, trustees or members; or (iv) the ability to exercise a controlling influence over the company's or entity's management and policies. For purposes of this definition, a general partner of a limited partnership is presumed to be in control of that partnership, and a managing member of a limited liability company is presumed to be in control of that limited liability company).

17. ENVIRONMENTAL HAZARDS.

(a) Except for matters described in Section 17(b), Borrower shall not cause or permit any of the following:

- (i)** the presence, use, generation, release, treatment, processing, storage (including storage in above ground and underground storage tanks), handling, or disposal of any Hazardous Materials on or under the Mortgaged Property or any other property of Borrower that is adjacent to the Mortgaged Property;
- (ii)** the transportation of any Hazardous Materials to, from, or across the Mortgaged Property;
- (iii)** any occurrence or condition on the Mortgaged Property or any other property of Borrower that is adjacent to the Mortgaged Property, which occurrence or condition is or may be in violation of Hazardous Materials Laws; or
- (iv)** any violation of or noncompliance with the terms of any Environmental Permit with respect to the Mortgaged Property or any property of Borrower that is adjacent to the Mortgaged Property.

The matters described in clauses (i) through (iv) above are referred to collectively in this Section 17 as "**Prohibited Activities or Conditions**".

(b) Prohibited Activities and Conditions shall not include the safe and lawful use and storage of quantities of (1) pre-packaged supplies, cleaning materials and petroleum products customarily used in the operation and maintenance of comparable multifamily properties, (2) cleaning materials, personal grooming items and other items sold in pre-packaged containers for consumer use and used by tenants and occupants of residential dwelling units in the Mortgaged Property; and (3) petroleum products used in the operation and maintenance of motor vehicles from time to time located on the Mortgaged Property's parking areas, so long as all of the foregoing are used, stored, handled, transported and disposed of in compliance with Hazardous Materials Laws.

(c) Borrower shall take all commercially reasonable actions (including the inclusion of appropriate provisions in any Leases executed after the date of this Mortgage) to prevent its employees, agents, and contractors, and all tenants and other occupants from causing or permitting any Prohibited Activities or Conditions. Borrower shall not lease or allow the sublease or use of all or any portion of the Mortgaged Property to any tenant or subtenant for nonresidential use by any user that, in the ordinary course of its business, would cause or permit any Prohibited Activity or Condition.

(d) Borrower represents and warrants to Lender that, except as previously disclosed by Borrower to Lender in writing:

- (i)** Borrower has not at any time engaged in, caused or permitted any Prohibited Activities or Conditions;
- (ii)** to the best of Borrower's knowledge after reasonable and diligent inquiry, no Prohibited Activities or Conditions exist or have existed;
- (iii)** except to the extent previously disclosed by Borrower to Lender in writing, the Mortgaged Property does not now contain any underground storage tanks, and, to the best of Borrower's knowledge after reasonable and diligent inquiry, the Mortgaged Property has not contained any underground storage tanks in the past. If there is an underground storage tank located on the Mortgaged Property which has been previously disclosed by Borrower to Lender in writing, that tank complies with all requirements of Hazardous Materials Laws;
- (iv)** Borrower has complied with all Hazardous Materials Laws, including all requirements for notification regarding releases of Hazardous Materials. Without limiting the generality of the foregoing, Borrower has obtained all Environmental Permits required for the

operation of the Mortgaged Property in accordance with Hazardous Materials Laws now in effect and all such Environmental Permits are in full force and effect;

(v) no event has occurred with respect to the Mortgaged Property that constitutes, or with the passing of time or the giving of notice would constitute, noncompliance with the terms of any Environmental Permit;

(vi) there are no actions, suits, claims or proceedings pending or, to the best of Borrower's knowledge after reasonable and diligent inquiry, threatened that involve the Mortgaged Property and allege, arise out of, or relate to any Prohibited Activity or Condition; and

(vii) Borrower has not received any complaint, order, notice of violation or other communication from any Governmental Authority with regard to air emissions, water discharges, noise emissions or Hazardous Materials, or any other environmental, health or safety matters affecting the Mortgaged Property or any other property of Borrower that is adjacent to the Mortgaged Property.

The representations and warranties in this Section 17 shall be continuing representations and warranties that shall be deemed to be made by Borrower throughout the term of the loan evidenced by the Note, until the Indebtedness has been paid in full.

(e) Borrower shall promptly notify Lender in writing upon the occurrence of any of the following events:

(i) Borrower's discovery of any Prohibited Activity or Condition;

(ii) Borrower's receipt of or knowledge of any complaint, order, notice of violation or other communication from any Governmental Authority or other person with regard to present or future alleged Prohibited Activities or Conditions or any other environmental, health or safety matters affecting the Mortgaged Property or any other property of Borrower that is adjacent to the Mortgaged Property; and

(iii) any representation or warranty in this Section 17 becomes untrue after the date of this Agreement.

Any such notice given by Borrower shall not relieve Borrower of, or result in a waiver of, any obligation under this Mortgage, the Note, or any other Loan Document.

(f) Borrower shall pay promptly the costs of any environmental inspections, tests or audits ("Environmental Inspections") required by Lender in connection with any foreclosure or deed in lieu of foreclosure, or as a condition of Lender's consent to any Transfer under Section 20, or required by Lender following a reasonable determination by Lender that Prohibited Activities or Conditions may exist. Any such costs incurred by Lender (including the reasonable fees and out-of-pocket costs of attorneys and technical consultants whether incurred in connection with any judicial or administrative process or otherwise) which Borrower fails to pay promptly shall become an additional part of the Indebtedness as provided in Section 11. The results of all Environmental Inspections made by Lender shall at all times remain the property of Lender but Lender shall provide copies of all Environmental Inspection reports to Borrower. Lender hereby reserves the right, and Borrower hereby expressly authorizes Lender, to make available to any party, including any prospective bidder at a foreclosure sale of the Mortgaged Property, the results of any Environmental Inspections made by Lender with respect to the Mortgaged Property. Borrower consents to Lender notifying any party (either as part of a notice of sale or otherwise) of the results of any of Lender's Environmental Inspections. Borrower acknowledges that Lender cannot control or otherwise assure the truthfulness or accuracy of the results of any of its Environmental Inspections and that the release of such results to prospective bidders at a foreclosure sale of the Mortgaged Property may have a material and adverse effect upon the amount which a party may bid at such sale. Borrower agrees that Lender shall have no liability whatsoever as a result of delivering the results of any of its Environmental Inspections to any third party, and Borrower hereby releases and forever discharges Lender from any and all claims, damages, or causes of action, arising out of, connected with or incidental to the results of, the delivery of any of Lender's Environmental Inspections.

(g) If any investigation, site monitoring, containment, clean-up, restoration or other remedial work ("Remedial Work") is necessary to comply with any Hazardous Materials Law or order of any Governmental Authority that has or acquires jurisdiction over the Mortgaged Property or the use, operation or improvement of the Mortgaged Property under any Hazardous Materials Law, Borrower shall, by the earlier of (1) the applicable deadline required by Hazardous Materials Law or (2) 30 days after notice from Lender demanding such action, begin performing the Remedial Work, and thereafter diligently prosecute it to completion, and shall in any event complete the work by the time required by applicable Hazardous Materials Law. If Borrower fails to begin on a timely basis or diligently prosecute any required Remedial Work,

Lender may, at its option, cause the Remedial Work to be completed, in which case Borrower shall reimburse Lender on demand for the reasonable cost of doing so. Any reimbursement due from Borrower to Lender shall become part of the Indebtedness as provided in Section 11.

(h) Borrower shall cooperate with any inquiry by any Governmental Authority and shall comply with any governmental or judicial order which arises from any alleged Prohibited Activity or Condition.

(i) Borrower shall indemnify, hold harmless and defend (i) Lender, (ii) any prior owner or holder of the Note, (iii) the Loan Servicer, (iv) any prior Loan Servicer, (v) the officers, directors, shareholders, partners, employees and trustees of any of the foregoing, and (vi) the heirs, legal representatives, successors and assigns of each of the foregoing (collectively, the “**Indemnitees**”) from and against all proceedings, claims, damages, penalties and costs (whether initiated or sought by Governmental Authorities or private parties), including reasonable fees and reasonable out-of-pocket expenses of attorneys and expert witnesses, investigatory fees, and remediation costs, whether incurred in connection with any judicial or administrative process or otherwise, arising directly or indirectly from any of the following:

- (i)** any breach of any representation or warranty of Borrower in this Section 17;
- (ii)** any failure by Borrower to perform any of its obligations under this Section 17;
- (iii)** the existence or alleged existence of any Prohibited Activity or Condition;
- (iv)** the presence or alleged presence of Hazardous Materials on or under the Mortgaged Property or any property of Borrower that is adjacent to the Mortgaged Property; and
- (v)** the actual or alleged violation of any Hazardous Materials Law.

(j) Counsel selected by Borrower to defend Indemnitees shall be subject to the approval of those Indemnitees. However, any Indemnitee may elect to defend any claim or legal or administrative proceeding at the Borrower’s expense.

(k) Borrower shall not, without the prior written consent of those Indemnitees who are named as parties to a claim or legal or administrative proceeding (a “**Claim**”), settle or compromise the Claim if the settlement (1) results in the entry of any judgment that does not include as an unconditional term the delivery by the claimant or plaintiff to Lender of a written release of those Indemnitees, satisfactory in form and substance to Lender; or (2) may materially and adversely affect Lender, as determined by Lender in its discretion.

(l) Lender agrees that the indemnity under this Section 17 shall be limited to the assets of Borrower and Lender shall not seek to recover any deficiency from any natural persons who are [general partners or managing members] of Borrower.

(m) Borrower shall, at its own cost and expense, do all of the following:

- (i)** pay or satisfy any judgment or decree that may be entered against any Indemnitee or Indemnitees in any legal or administrative proceeding incident to any matters against which Indemnitees are entitled to be indemnified under this Section 17;
- (ii)** reimburse Indemnitees for any reasonable expenses paid or incurred in connection with any matters against which Indemnitees are entitled to be indemnified under this Section 17; and
- (iii)** reimburse Indemnitees for any and all reasonable expenses, including fees and out-of-pocket expenses of attorneys and expert witnesses, paid or incurred in connection with the enforcement by Indemnitees of their rights under this Section 17, or in monitoring and participating in any legal or administrative proceeding.

(n) In any circumstances in which the indemnity under this Section 17 applies, Lender may employ its own legal counsel and consultants to prosecute, defend or negotiate any claim or legal or administrative proceeding and Lender, with the prior written consent of Borrower (which shall not be unreasonably withheld, delayed or conditioned), may settle or compromise any action or legal or administrative proceeding. Borrower shall reimburse Lender upon demand for all reasonable costs and expenses incurred by Lender, including all costs of settlements entered into in good faith, and reasonable the fees and out-of-pocket expenses of such attorneys and consultants.

(o) The provisions of this Section 17 shall be in addition to any and all other obligations and liabilities that Borrower may have under applicable law or under other Loan Documents, and each Indemnitee shall be entitled to indemnification under this Section 17 without regard to whether Lender or that Indemnitee has exercised any rights against the Mortgaged Property or any other security, pursued any rights against any guarantor, or pursued any other rights available under the Loan Documents or applicable law. If

Borrower consists of more than one person or entity, the obligation of those persons or entities to indemnify the Indemnitees under this Section 17 shall be solidary. The obligation of Borrower to indemnify the Indemnitees under this Section 17 shall survive any repayment or discharge of the Indebtedness, any foreclosure proceeding, any foreclosure sale, any delivery of any deed in lieu of foreclosure, and any release of record of the lien of this Mortgage.

18. PROPERTY AND LIABILITY INSURANCE.

(a) Borrower shall keep the Improvements insured at all times against such hazards as Lender may from time to time require, which insurance shall include but not be limited to coverage against loss by fire and allied perils, general boiler and machinery coverage, and business income coverage. Lender's insurance requirements may change from time to time throughout the term of the Indebtedness. If Lender so requires, such insurance shall also include sinkhole insurance, mine subsidence insurance, earthquake insurance, and, if the Mortgaged Property does not conform to applicable zoning or land use laws, building ordinance or law coverage. If any of the Improvements is located in an area identified by the Federal Emergency Management Agency (or any successor to that agency) as an area having special flood hazards, and if flood insurance is available in that area, Borrower shall insure such Improvements against loss by flood.

(b) All premiums on insurance policies required under Section 18(a) shall be paid in the manner provided in Section 7, unless Lender has designated in writing another method of payment. All such policies shall also be in a form approved by Lender. All policies of property damage insurance shall include a non-contributing, non-reporting mortgage clause in favor of, and in a form approved by, Lender. Lender shall have the right to hold the original policies or duplicate original policies of all insurance required by Section 18(a). Borrower shall promptly deliver to Lender a copy of all renewal and other notices received by Borrower with respect to the policies and all receipts for paid premiums. At least 30 days prior to the expiration date of a policy, Borrower shall deliver to Lender the original (or a duplicate original) of a renewal policy in form satisfactory to Lender.

(c) Borrower shall maintain at all times commercial general liability insurance, workers' compensation insurance and such other liability, errors and omissions and fidelity insurance coverages as Lender may from time to time require.

(d) All insurance policies and renewals of insurance policies required by this Section 18 shall be in such amounts and for such periods as Lender may from time to time require, and shall be issued by insurance companies satisfactory to Lender.

(e) Borrower shall comply with all insurance requirements and shall not permit any condition to exist on the Mortgaged Property that would invalidate any part of any insurance coverage that this Mortgage requires Borrower to maintain.

(f) In the event of loss, Borrower shall give immediate written notice to the insurance carrier and to Lender. Borrower hereby authorizes and appoints Lender as attorney-in-fact for Borrower to make proof of loss, to adjust and compromise any claims under policies of property damage insurance, to appear in and prosecute any action arising from such property damage insurance policies, to collect and receive the proceeds of property damage insurance, and to deduct from such proceeds Lender's expenses incurred in the collection of such proceeds. This power of attorney is coupled with an interest and therefore is irrevocable. However, nothing contained in this Section 18 shall require Lender to incur any expense or take any action. Lender may, at Lender's option, (1) hold the balance of such proceeds to be used to reimburse Borrower for the cost of restoring and repairing the Mortgaged Property to the equivalent of its original condition or to a condition approved by Lender (the "**Restoration**"), or (2) apply the balance of such proceeds to the payment of the Indebtedness, whether or not then due. To the extent Lender determines to apply insurance proceeds to Restoration, Lender shall do so in accordance with Lender's then-current policies relating to the restoration of casualty damage on similar multifamily properties.

(g) Lender shall not exercise its option to apply insurance proceeds to the payment of the Indebtedness if all of the following conditions are met: (1) no Event of Default (or any event which, with the giving of notice or the passage of time, or both, would constitute an Event of Default) has occurred and is continuing; (2) Lender determines, in its reasonable discretion, that there will be sufficient funds to complete the Restoration; (3) Lender determines, in its discretion, that the rental income from the Mortgaged Property after completion of the Restoration will be sufficient to meet all operating costs and other expenses, deposits to reserves and loan repayment obligations relating to the Mortgaged Property; (4) Lender determines, in its discretion, that the Restoration will be completed before the earlier of (A) one year before the maturity date of the Note or (B) one year after the date of the loss or casualty, provided that Borrower shall have such longer period as reasonably determined by Lender so long as Borrower, its partners, or any affiliate of its partners is diligently pursuing Restoration; and (5) upon Lender's request, Borrower provides Lender evidence of the availability during and after the Restoration of the insurance required to be maintained by Borrower pursuant to this Section 18.

(h) If the Mortgaged Property is sold at a foreclosure sale or Lender acquires title to the Mortgaged Property, Lender shall automatically succeed to all rights of Borrower in and to any insurance policies and unearned insurance premiums and in and to the proceeds resulting from any damage to the Mortgaged Property prior to such sale or acquisition.

19. CONDEMNATION.

(a) Borrower shall promptly notify Lender of any action or proceeding relating to any condemnation or other taking, or conveyance in lieu thereof, of all or any part of the Mortgaged Property, whether direct or indirect (a “**Condemnation**”). Borrower shall appear in and prosecute or defend any action or proceeding relating to any Condemnation unless otherwise directed by Lender in writing. Borrower authorizes and appoints Lender as attorney-in-fact for Borrower to commence, appear in and prosecute, in Lender’s or Borrower’s name, any action or proceeding relating to any Condemnation and to settle or compromise any claim in connection with any Condemnation. This power of attorney is coupled with an interest and therefore is irrevocable. However, nothing contained in this Section 19 shall require Lender to incur any expense or take any action. Borrower hereby transfers and assigns to Lender all right, title and interest of Borrower in and to any award or payment with respect to (i) any Condemnation, or any conveyance in lieu of Condemnation, and (ii) any damage to the Mortgaged Property caused by governmental action that does not result in a Condemnation.

(b) Lender may apply such awards or proceeds, after the deduction of Lender’s expenses incurred in the collection of such amounts, at Lender’s option, to the restoration or repair of the Mortgaged Property or to the payment of the Indebtedness, with the balance, if any, to Borrower; provided however, that Lender shall not apply such proceeds to the payment of the Indebtedness if the conditions listed in Section 18(g) above have been met. Unless Lender otherwise agrees in writing, any application of any awards or proceeds to the Indebtedness shall not extend or postpone the due date of any installments referred to in the Note, Section 5 of this Mortgage or any Collateral Agreement, or change the amount of such installments. Borrower agrees to execute such further evidence of assignment of any awards or proceeds as Lender may require.

20. TRANSFERS OF THE MORTGAGED PROPERTY OR INTERESTS IN BORROWER.

(a) Borrower hereby covenants and agrees not to sell, transfer or otherwise dispose of the Project, or any portion thereof, without obtaining the prior written consent of LHC, which consent shall be in LHC’s sole and reasonable discretion. Absent LHC’s written consent and subject to the terms of this Section 20, 100% of the Indebtedness, including without limitation, payment of all principal and accrued and unpaid interest, is due upon any sale or refinancing of the Project, (other than for the purpose of refinancing all or any part of any loan secured by a mortgage which is senior to this Mortgage, including reasonable and necessary costs associated with the closing and/or the refinancing, as long as (1) such refinancing of all or any part of such senior loan does not require LHC to modify the terms of its Loan Documents or otherwise extend the term of the Indebtedness, and (2) the aggregate principal amount of the senior loan is not increased beyond the amount necessary to cover reasonable and necessary costs associated with the closing and/or refinancing). LHC may, in its sole and reasonable discretion, allow the transferee to assume the remaining Indebtedness, and/or may accept less than 100% of the amounts then due, but such waiver will not constitute forgiveness of any Indebtedness.

(b) Notwithstanding the foregoing to the contrary, provided that Borrower delivers notice to LHC of any such change, and that any entity replacing the general partner of the Borrower is under direct or indirect common control or management of, or has a Controlling Interest in, the Investor:

i. the pledge to a limited partner by a general partner of the general partner’s interest in the Organizational Documents as security for the performance of all of the general partner’s obligations under the Organizational Documents shall not constitute a refinancing for purposes of this Mortgage or the Loan Documents;

ii. a sale, transfer, pledge, encumbrance or other disposition of any Investor interests in Borrower shall not require LHC’s consent nor constitute a sale of the Project for the purposes of this Section 20, unless such transaction results in a sale of more than 51% of the Investor interest in Borrower; and

iii. the change in the general partner of Borrower as general partner of Borrower in accordance with the terms of the Organizational Documents shall not require LHC consent nor constitute a sale of the Project for the purposes of this Section 20.

Notwithstanding the foregoing provisions in this Section 20(b), a transfer by the Investor of its Investor interests in Borrower to any successor which is an affiliate of such entity or to the general partner of Borrower is hereby expressly permitted and accepted by LHC and shall not constitute a prohibited transfer hereunder or under any other Loan Document.

21. EVENTS OF DEFAULT.

The occurrence of any one or more of the following shall constitute an Event of Default under this Mortgage:

- (a) any failure by Borrower to pay or deposit when due any amount required by the Note(s), this Mortgage or any other Loan Document;
- (b) any failure by Borrower to maintain the insurance coverage required by Section 18;
- (c) any failure by Borrower to comply with the provisions of Section 32;
- (d) fraud or material misrepresentation or material omission by Borrower, or any of its officers, directors, trustees, general partners or managers, or Guarantor in connection with (A) the application for or creation of the Indebtedness, (B) any financial statement, rent roll, or other report or information provided to Lender during the term of the Indebtedness, or (C) any request for Lender's consent to any proposed action;
- (e) the commencement of a forfeiture action or proceeding, whether civil or criminal, which, in Lender's reasonable judgment, could result in a forfeiture of the Mortgaged Property or otherwise materially impair the lien created by this Mortgage or Lender's interest in the Mortgaged Property;
- (f) any failure by Borrower to perform any of its obligations under this Mortgage (other than those specified in Sections 21(a) through (e)), as and when required, which continues for a period of 30 days after notice of such failure by Lender to Borrower, but no such notice or grace period shall apply in the case of any such failure which could, in Lender's judgment, absent immediate exercise by Lender of a right or remedy under this Mortgage, result in harm to Lender, impairment of the Note(s) or this Mortgage or any other security given under any other Loan Document;
- (g) any failure by Borrower to perform any of its obligations as and when required under any Loan Document other than this Mortgage which continues beyond the applicable cure period, if any, specified in that Loan Document; and
- (h) any exercise by the holder of any other debt mortgage secured by a mortgage, deed of trust or deed to secure debt on the Mortgaged Property of a right to declare all amounts due under that debt mortgage immediately due and payable.
- (i) Right to Cure: Borrower shall have fifteen (15) days after the receipt of written notice to cure any monetary default herein, and thirty (30) days after the receipt of written notice to cure any non-monetary default herein; provided however, that (except to the extent that Lender's security becomes or is about to become materially jeopardized) if such default is not reasonably capable of being cured within thirty (30) days, and if the Borrower (a) initiates corrective action within said period, and (b) diligently, continually, and in good faith works to effect a cure within such period, then Borrower shall have such additional time as is reasonably necessary, such time not to exceed an additional sixty (60) days, to cure the default prior to exercise of any remedies by Lender.
- (k) Lender agrees to provide written notice of an Event of Default to any investor listed in Paragraph 13.7 of the Loan Agreement and/or Section 30 of this Mortgage and to allow said investor the opportunity to cure any default of Borrower on behalf of Borrower to the same extent as Borrower. Borrower agrees that Lender shall be entitled to rely upon and to accept any offer of cure made by any such investor. Notwithstanding any of the forgoing provisions to the contrary, if Borrower has failed to cure any default within five (5) days prior to the expiration of any applicable cure period, Lender may, at its sole option, cure such default, provided, however, that Lender shall be under no duty or obligation to do so.

22. REMEDIES CUMULATIVE.

Each right and remedy provided in this Mortgage is distinct from all other rights or remedies under this Mortgage or any other Loan Document or afforded by applicable law, and each shall be cumulative and may be exercised concurrently, independently, or successively, in any order.

23. FORBEARANCE.

- (a) Lender may (but shall not be obligated to) agree with Borrower, from time to time, and without giving notice to, or obtaining the consent of, or having any effect upon the obligations of, any guarantor or other third party obligor, to take any of the following actions: extend the time for payment of all or any part of the Indebtedness; reduce the payments due under this Mortgage, the Note, or any other Loan Document; release anyone liable for the payment of any amounts under this Mortgage, the Note, or any other Loan Document; accept a renewal of the Note; modify the terms and time of payment of the Indebtedness;

join in any extension or subordination agreement; release any Mortgaged Property; take or release other or additional security; modify the rate of interest or period of amortization of the Note or change the amount of the monthly installments payable under the Note; and otherwise modify this Mortgage, the Note, or any other Loan Document.

(b) Any forbearance by Lender in exercising any right or remedy under the Note, this Mortgage, or any other Loan Document or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any other right or remedy. The acceptance by Lender of payment of all or any part of the Indebtedness after the due date of such payment, or in an amount which is less than the required payment, shall not be a waiver of Lender's right to require prompt payment when due of all other payments on account of the Indebtedness or to exercise any remedies for any failure to make prompt payment. Enforcement by Lender of any security for the Indebtedness shall not constitute an election by Lender of remedies so as to preclude the exercise of any other right available to Lender. Lender's receipt of any awards or proceeds under Sections 18 and 19 shall not operate to cure or waive any Event of Default.

24. LOAN CHARGES.

If any applicable law limiting the amount of interest or other charges permitted to be collected from Borrower is interpreted so that any charge provided for in any Loan Document, whether considered separately or together with other charges levied in connection with any other Loan Document, violates that law, and Borrower is entitled to the benefit of that law, that charge is hereby reduced to the extent necessary to eliminate that violation. The amounts, if any, previously paid to Lender in excess of the permitted amounts shall be applied by Lender to reduce the principal of the Indebtedness. For the purpose of determining whether any applicable law limiting the amount of interest or other charges permitted to be collected from Borrower has been violated, all Indebtedness which constitutes interest, as well as all other charges levied in connection with the Indebtedness which constitute interest, shall be deemed to be allocated and spread over the stated term of the Note. Unless otherwise required by applicable law, such allocation and spreading shall be effected in such a manner that the rate of interest so computed is uniform throughout the stated term of the Note.

25. WAIVER OF PRESCRIPTION.

To the maximum extent allowed under applicable law, Borrower hereby waives the right to assert any prescriptive period as a bar to the enforcement of the lien of this Mortgage or to any action brought to enforce any Loan Document.

26. WAIVER OF MARSHALLING.

Notwithstanding the existence of any other security interests in the Mortgaged Property held by Lender or by any other party, Lender shall have the right to determine the order in which any or all of the Mortgaged Property shall be subjected to the remedies provided in this Mortgage, the Note, any other Loan Document or applicable law. Lender shall have the right to determine the order in which any or all portions of the Indebtedness are satisfied from the proceeds realized upon the exercise of such remedies. Borrower and any party who now or in the future acquires a security interest in the Mortgaged Property and who has actual or constructive notice of this Mortgage waives any and all right to require the marshalling of assets or to require that any of the Mortgaged Property be sold in the inverse order of alienation or that any of the Mortgaged Property be sold in parcels or as an entirety in connection with the exercise of any of the remedies permitted by applicable law or provided in this Mortgage.

27. FURTHER ASSURANCES.

Borrower shall execute, acknowledge, and deliver, at its sole cost and expense, all further acts, deeds, conveyances, assignments, estoppel certificates, financing statements, transfers and assurances as Lender may require from time to time in order to better assure, grant, and convey to Lender the rights intended to be granted, now or in the future, to Lender under this Mortgage and the Loan Documents.

28. ESTOPPEL CERTIFICATE.

Within 10 days after a request from Lender, Borrower shall deliver to Lender a written statement, signed and acknowledged by Borrower, certifying to Lender or any person designated by Lender, as of the date of such statement, (i) that the Loan Documents are unmodified and in full force and effect (or, if there have been modifications, that the Loan Documents are in full force and effect as modified and setting forth such modifications); (ii) the unpaid principal balance of the Note; (iii) the date to which interest under the Note has been paid; (iv) that Borrower is not in default in paying the Indebtedness or in performing or observing any of the covenants or agreements contained in this Mortgage or any of the other Loan Documents (or, if the Borrower is in default, describing such default in reasonable detail); (v) whether or not there are then existing any setoffs or defenses known to Borrower against the enforcement of any right or remedy of Lender under the Loan Documents; and (vi) any additional facts reasonably requested by Lender.

29. GOVERNING LAW; CONSENT TO JURISDICTION AND VENUE.

(a) This Mortgage, and any Loan Document which does not itself expressly identify the law that is to apply to it, shall be governed by the laws of Louisiana.

(b) Borrower agrees that any controversy arising under or in relation to the Note, this Mortgage, or any other Loan Document shall be litigated exclusively in the courts located in East Baton Rouge Parish, State of Louisiana. The state and federal courts and authorities with jurisdiction in East Baton Rouge Parish shall have exclusive jurisdiction over all controversies which shall arise under or in relation to the Note, any security for the Indebtedness, or any other Loan Document. Borrower irrevocably consents to service, jurisdiction, and venue of such courts for any such litigation and waives any other venue to which it might be entitled by virtue of domicile, habitual residence or otherwise.

30. NOTICE.

(a) All notices, demands and other communications (“**notice**”) under or concerning this Mortgage shall be in writing. Each notice shall be addressed to the intended recipient at its address set forth in this Mortgage and/or Loan Agreement, and shall be deemed given on the earliest to occur of (1) the date when the notice is received by the addressee; (2) the first Business Day after the notice is delivered to a recognized overnight courier service, with arrangements made for payment of charges for next Business Day delivery; or (3) the third Business Day after the notice is deposited in the United States mail with postage prepaid, certified mail, return receipt requested. As used in this Section 30, the term “Business Day” means any day other than a Saturday, a Sunday or any other day on which Lender is not open for business.

(b) Any party to this Mortgage may change the address to which notices intended for it are to be directed by means of notice given to the other party in accordance with this Section 30. Each party agrees that it will not refuse or reject delivery of any notice given in accordance with this Section 30, that it will acknowledge, in writing, the receipt of any notice upon request by the other party and that any notice rejected or refused by it shall be deemed for purposes of this Section 30 to have been received by the rejecting party on the date so refused or rejected, as conclusively established by the records of the U.S. Postal Service or the courier service.

(c) Any notice under the Note and any other Loan Document which does not specify how notices are to be given shall be given in accordance with this Section 30.

(d) Notwithstanding the foregoing, Lender agrees to provide written notice of an Event of Default under the Loan Documents to any investor listed in Paragraph 13.7 of the Loan Agreement.

31. SALE OF NOTE; CHANGE IN SERVICER.

The Note or a partial interest in the Note (together with this Mortgage and the other Loan Documents) may be sold one or more times without prior notice to Borrower. A sale may result in a change of the Loan Servicer. There also may be one or more changes of the Loan Servicer unrelated to a sale of the Note. If there is a change of the Loan Servicer, Borrower will be given notice of the change. Borrower shall not incur or be responsible for any expenses associated with a sale of the Note or change in the Loan Servicer.

32. SINGLE ASSET BORROWER.

Until the Indebtedness is paid in full, Borrower (a) shall not acquire any real or personal property other than the Mortgaged Property and personal property related to the operation and maintenance of the Mortgaged Property; (b) shall not operate any business other than the management and operation of the Mortgaged Property; and (c) shall not maintain its assets in a way difficult to segregate and identify.

33. SUCCESSORS AND ASSIGNS BOUND.

This Mortgage shall bind, and the rights granted by this Mortgage shall inure to, the respective successors and assigns of Lender and Borrower. However, a Transfer not permitted by Section 20 shall be an Event of Default.

34. SOLIDARY LIABILITY.

If more than one person or entity signs this Mortgage as Borrower, the obligations of such persons and entities shall be solidary.

35. RELATIONSHIP OF PARTIES; NO THIRD PARTY BENEFICIARY.

(a) The relationship between Lender and Borrower shall be solely that of creditor and debtor, respectively, and nothing contained in this Mortgage shall create any other relationship between Lender and Borrower.

(b) No creditor of any party to this Mortgage and no other person shall be a third party beneficiary of this Mortgage or any other Loan Document. Without limiting the generality of the preceding sentence, (1) any arrangement (a “**Servicing Arrangement**”) between the Lender and any Loan Servicer for loss sharing or interim advancement of funds shall constitute a contractual obligation of such Loan Servicer that is independent of the obligation of Borrower for the payment of the Indebtedness, (2) Borrower shall not be a third party beneficiary of any Servicing Arrangement, and (3) no payment by the Loan Servicer under any Servicing Arrangement will reduce the amount of the Indebtedness.

36. SEVERABILITY; AMENDMENTS.

The invalidity or unenforceability of any provision of this Mortgage shall not affect the validity or enforceability of any other provision, and all other provisions shall remain in full force and effect. This Mortgage contains the entire agreement among the parties as to the rights granted and the obligations assumed in this Mortgage. This Mortgage may not be amended or modified except by a writing signed by the party against whom enforcement is sought.

37. CONSTRUCTION.

The captions and headings of the sections of this Mortgage are for convenience only and shall be disregarded in construing this Mortgage. Any reference in this Mortgage to an “Exhibit” or a “Section” shall, unless otherwise explicitly provided, be construed as referring, respectively, to an Exhibit attached to this Mortgage or to a Section of this Mortgage. All Exhibits attached to or referred to in this Mortgage are incorporated by reference into this Mortgage. Any reference in this Mortgage to a statute or regulation shall be construed as referring to that statute or regulation as amended from time to time. Use of the singular in this Agreement includes the plural and use of the plural includes the singular. As used in this Mortgage, the term “including” means “including, but not limited to.”

38. LOAN SERVICING.

All actions regarding the servicing of the loan evidenced by the Note, including the collection of payments, the giving and receipt of notice, inspections of the Property, inspections of books and records, and the granting of consents and approvals, may be taken by the Loan Servicer unless Borrower receives notice to the contrary. If Borrower receives conflicting notices regarding the identity of the Loan Servicer or any other subject, any such notice from Lender shall govern.

39. DISCLOSURE OF INFORMATION.

Lender may furnish information regarding Borrower or the Mortgaged Property to third parties with an existing or prospective interest in the servicing, enforcement, evaluation, performance, purchase or securitization of the Indebtedness, including trustees, master servicers, special servicers, rating agencies, and organizations maintaining databases on the underwriting and performance of multifamily mortgage loans. Borrower irrevocably waives any and all rights it may have under applicable law to prohibit such disclosure, including any right of privacy.

40. NO CHANGE IN FACTS OR CIRCUMSTANCES.

All information in the application for the loan submitted to Lender (the “**Application**”) and in all financial statements, rent rolls, reports, certificates and other documents submitted in connection with the Loan Application are complete and accurate in all material respects. There has been no material adverse change in any fact or circumstance that would make any such information incomplete or inaccurate.

41. SUBROGATION.

If, and to the extent that, the proceeds of the loan evidenced by the Note are used to pay, satisfy or discharge any obligation of Borrower for the payment of money that is secured by a pre-existing mortgage, deed of trust or other lien encumbering the Mortgaged Property (a “**Prior Lien**”), such loan proceeds shall be deemed to have been advanced by Lender at Borrower’s request, and Lender shall automatically, and without further action on its part, be subrogated to the rights, including lien priority, of the owner or holder of the obligation secured by the Prior Lien, whether or not the Prior Lien is released.

42. ACCELERATION; FORECLOSURE; CONFESSION OF JUDGMENT.

(a) At any time during the existence of an Event of Default, Lender, at Lender's option, may accelerate the maturity of and declare the Indebtedness to be immediately due and payable, and may cause the Mortgaged Property and UCC Collateral to be immediately seized and sold, in whole, in part, or separately, whether in term of court or in vacation, under ordinary or executory process, in accordance with applicable Louisiana law, to the highest bidder for cash, with or without appraisement, and without the necessity of making additional demand upon or notifying Borrower or placing Borrower in default, all of which are expressly waived.

(b) For purposes of foreclosure under the Louisiana executory process procedures, Borrower confesses judgment and acknowledges to be indebted to and in favor of Lender up to the full amount of the Indebtedness, including principal, interest, prepayment premiums, late charges, default interest, costs, expenses, collection attorneys' fees, and any additional sums that Lender may advance as provided under this Mortgage.

(c) To the extent permitted under applicable Louisiana law, Borrower additionally waives: (i) the benefit of appraisal as provided in Articles 2332, 2336, 2723 and 2724 of the Louisiana Code of Civil Procedure, and all other laws with regard to appraisal upon judicial sale; (ii) the demand and three (3) days' delay as provided under Articles 2639 and 2721 of the Louisiana Code of Civil Procedure; (iii) the notice of seizure as provided under Articles 2293 and 2721 of the Louisiana Code of Civil Procedure; (iv) the three (3) days' delay provided under Articles 2331 and 2722 of the Louisiana Code of Civil Procedure; and (v) all other benefits provided under Articles 2331, 2722 and 2723 of the Louisiana Code of Civil Procedure and all other articles not specifically mentioned above. Borrower agrees that Lender shall have all of the additional enforcement rights and remedies of a secured party under the Louisiana Commercial Laws (Louisiana Revised Statutes, Title 10) and under the Uniform Commercial Code of any applicable state with respect to the UCC Collateral wherever located. Borrower further agrees that any declarations of fact made under an authentic act before a Notary Public in the presence of two witnesses, by a person declaring such facts to lie within his or her knowledge, shall constitute authentic evidence for purposes of executory process and also for purposes of Louisiana Revised Statutes, Title 9, Sections 3509.1 and 3504(b)(6), and Title 10, Section 9-508.

(d) However, notwithstanding anything to the contrary in this Mortgage or in the Loan Documents, the obligations under this Mortgage or the Loan Documents are and are intended to be nonrecourse to Borrower, except for the express exceptions included within said documents.

43. RELEASE.

Upon payment of the Indebtedness in full, Borrower may request Lender in writing to provide Borrower with the Note marked "Canceled," or alternatively, at Lender's option, with a certificate sufficient to permit Borrower to cancel this Mortgage from the public records. Borrower agrees that Lender may delay providing the foregoing to Borrower for up to 30 days following receipt of Borrower's written request. If Borrower requests Lender to perform the necessary services to cancel this Mortgage from the public records, Borrower agrees to pay Lender's reasonable costs incurred in connection with such cancellation.

44. WAIVER OF HOMESTEAD.

Borrower and Borrower's spouse, if any, waive all homestead and other exemptions from seizure with respect to the Mortgaged Property and the UCC Collateral.

45. ATTORNEYS' FEES.

Whenever referred to in this Mortgage, other than in Section 42, "attorneys' fees" shall mean reasonable attorneys' fees under Louisiana law.

46. MORTGAGE AND CONVEYANCE CERTIFICATES.

The production of Mortgage and conveyance certificates is waived by Lender and Borrower, who release me, Notary, from all liability for nonproduction.

47. KEEPER OF MORTGAGED PROPERTY.

Pursuant to the provisions of Louisiana Revised Statutes, Title 9, Section 5136, Borrower and Lender covenant and agree that Lender shall have the right to designate a keeper of the Mortgaged Property at the time any seizure of the Mortgaged Property is affected and that Lender may designate itself or its employees, agents or independent contractors as such keeper. Borrower agrees that the reasonable fees of such a keeper shall be treated as a disbursement made under Section 11 and shall be secured by this Mortgage. At no time has or will Borrower occupy the Mortgaged Property, or any portion of the Mortgaged Property, as its home.

48. WAIVER OF TRIAL BY JURY.

BORROWER AND LENDER EACH (A) COVENANT AND AGREE NOT TO ELECT A TRIAL BY JURY WITH RESPECT TO ANY ISSUE ARISING OUT OF THIS MORTGAGE OR THE RELATIONSHIP BETWEEN THE PARTIES AS BORROWER AND LENDER THAT IS TRIABLE OF RIGHT BY A JURY, AND (B) WAIVE ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO SUCH ISSUE TO THE EXTENT THAT ANY SUCH RIGHT EXISTS NOW OR IN THE FUTURE. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS SEPARATELY GIVEN BY EACH PARTY, KNOWINGLY AND VOLUNTARILY WITH THE BENEFIT OF COMPETENT LEGAL COUNSEL. HOWEVER, NOTWITHSTANDING THE FOREGOING, NOTHING IN THIS MORTGAGE, OR IN ANY OTHER LOAN DOCUMENT, IS TO BE CONSTRUED AS WAIVING LHC'S OR THE STATE'S RIGHT TO CLAIM SOVEREIGN IMMUNITY PURSUANT TO THE LAWS OR THE CONSTITUTION OF EITHER THE STATE OF LOUISIANA OR THE UNITED STATES OF AMERICA.

49. COUNTERPARTS.

This Mortgage may be simultaneously executed in multiple counterparts, all of which shall constitute one and the same instrument and each of which shall be deemed to be an original.

ATTACHED EXHIBITS. The following Exhibits are attached to this Mortgage:

- | | | |
|-------------------------------------|-----------|-------------------------------------|
| <input checked="" type="checkbox"/> | Exhibit A | Description of the Land (required). |
| <input checked="" type="checkbox"/> | Exhibit B | Permitted Encumbrances |

[END OF DOCUMENT - SIGNATURE PAGES TO FOLLOW]

DRAFT

IN WITNESS WHEREOF, Borrower has signed and delivered this Mortgage or has caused this Mortgage to be signed and delivered by its duly authorized representative, in the presence of the undersigned witnesses and Notary Public after due reading of the whole.

WITNESSES:

[TAXPAYER]

Print Name: _____

Print Name: _____

Notary Public

Print Name: _____

Bar Roll/Notary No. _____

My Commission Expires: _____

DRAFT

IN WITNESS WHEREOF, Guarantor appears herein to acknowledge and agree to the provisions of this Mortgage applicable to Guarantor, in the presence of the undersigned witnesses and Notary Public after due reading of the whole.

WITNESSES:

[GUARANTOR]

Print Name: _____

Print Name: _____

Notary Public

Print Name: _____

Bar Roll/Notary No. _____

My Commission Expires: _____

DRAFT

IN WITNESS WHEREOF, Guarantor appears herein to acknowledge and agree to the provisions of this Mortgage applicable to Guarantor, in the presence of the undersigned witnesses and Notary Public after due reading of the whole.

WITNESSES:

[GUARANTOR]

Print Name: _____

Print Name: _____

Notary Public

Print Name: _____

Bar Roll/Notary No. _____

My Commission Expires: _____

DRAFT

EXHIBIT A
DESCRIPTION OF THE LAND

DRAFT

EXHIBIT B
PERMITTED ENCUMBRANCES

DRAFT

[ATTACH AUTHORIZING RESOLUTIONS]

DRAFT

**LOUISIANA HOUSING CORPORATION
2019 PIGGYBACK/CDBG-DR PROGRAM
LOAN AGREEMENT**

BY AND BETWEEN

**LOUISIANA HOUSING CORPORATION,
AS LENDER,**

DRAFT

AND
_____, AS BORROWER

_____ 1, 2019

LOAN AGREEMENT

THIS 2019 PIGGYBACK/CDBG-DR PROGRAM LOAN AGREEMENT (this "Agreement") is entered into on the 1st day of _____ 1, 2019 (the "Effective Date") by and between LOUISIANA HOUSING CORPORATION, its successors and assigns ("LHC"), whose address is 2415 Quail Drive, Baton Rouge, Louisiana 70808; and _____, a _____, (the "Borrower"), whose address is _____.

PRELIMINARY RECITALS:

A. WHEREAS, LHC has released a Notice of Funding Availability and Program Implementation Guideline ("NOFA" or "2019 CDBG-DR Program Description") for the preliminary commitment of \$25,000,000.00 of Community Development Block Grant Disaster Recovery funds ("CDBG-DR Funds") in parishes impacted ("Disaster Impacted Parishes") by Hurricanes Katrina and Rita to provide funding for the new construction or acquisition/rehabilitation development of multifamily affordable housing developments on the Disaster Impacted Parishes; and

B. WHEREAS, the NOFA provided that successful applicants for the CDBG funds were required to utilize CDBG-DR funds with (4%) Low Income Housing Tax Credits ("LIHTCs") which are allowable from the issuance of LHC Multifamily Revenue Bonds ("LHC Tax-Exempt Bonds") in accordance with the requirements of Section 42(h)(4) of the Internal Revenue Code of 1986, as amended ("Code"); and

C. WHEREAS, Borrower has submitted to LHC a LIHTC Application and an application for CDBG-DR Funds (collectively, the "CDBG-DR Application") and LHC agreed to allow \$_____ of LIHTCs and to make the award of CDBG-DR Funds in accordance with the terms and conditions of the CDBG-DR Funds award letter dated _____, 2019, for the project described therein; and

D. WHEREAS, LHC has agreed to provide to Borrower a loan ("Loan") for the development, rehabilitation, replacement, restoration and/or construction of a _____ unit multifamily residential rental project (the "Project") located on certain immovable property in _____ Parish, Louisiana, as more fully described on Exhibit A - Property Description attached hereto (the "Land"); and

E. WHEREAS, in order to secure the Loan and all of Borrower's and all of Guarantor's obligations to LHC under the Loan Documents (defined below), the parties have entered into a certain Mortgage, Pledge of Leases and Rents and Security Agreement (the "Mortgage") securing the collateral described therein (the "Mortgaged Property"); and

F. WHEREAS, in connection with the LIHTCs that will be allowable from LHC Tax-Exempt Bonds issued to finance the Mortgaged Property in accordance with Section 42(h)(4) of the Code, a Tax Credit Regulatory Agreement ("Tax Credit Regulatory Agreement") will be executed and recorded as a covenant running with the land that will be enforceable against the Borrower and its successors that will require rent restrictions and income occupancy restrictions for a minimum 15 year compliance period ("Compliance Period") and rent restrictions for an additional 15 years ("Extended Use Period") following the Compliance Period;

G. WHEREAS, the parties desire to enter into this Agreement in order to: (i) evidence the terms and conditions of the Loan, and the security therefor; and (ii) ensure compliance by Borrower with

the 2019 CDBG-DR Program Description; and (iii) govern the disbursement of the Loan and the use of such funds by the Borrower; and

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, and for other good and valuable consideration, the sufficiency and receipt whereof being hereby acknowledged, LHC and Borrower agree as follows:

Recitals and Defined Terms. The recitals set forth above are true and correct and are incorporated herein and made a part of this Agreement. As used in this Agreement and Loan Documents, the following terms shall have the following meanings:

(a) **Affiliate:** with respect to any entity, any corporation, partnership, joint venture, limited liability company, limited liability partnership, trust or individual controlled by, under common control with, or which has a Controlling Interest in, such entity.

(b) **Bonds:** The Multifamily Housing Bonds in the original aggregate principal amount of \$_____ issued by the Louisiana Housing Corporation as Issuer (“**Issuer**”) and purchased by _____ (“**Bond Purchaser**”).

(c) **Business Day:** Any day other than a Saturday, Sunday or any other day on which LHC is not open for business.

(d) **Cash Developer Fee:** the total fee to be paid to the developer less any portion projected to be deferred; provided that not more than thirty percent (30%) of such Cash Developer Fee shall be paid out at Closing, not more than thirty percent (30%) of the non-deferred portion of the Developer Fee will be paid out when construction is complete, and the remaining 40% of the Cash Developer Fee will be disbursed from the final draw subject to conditions outlined in the closing documents.

(e) **CDBG Regulatory Agreement:** the CDBG regulatory agreement executed by Borrower in favor of LHC that shall run with the land and shall contain the applicable terms, conditions, restrictions and regulations agreed to in the Application and as required by the Program.

(f) **Code:** the Internal Revenue Code of 1986, as amended.

(g) **Completed Project:** Projects are considered complete only after all units are a 100% construction complete and certificates of occupancy have been issued.

(h) **Compliance Period:** the period specified in the Tax Credit Regulatory Agreement as the Compliance Period.

(i) **Construction Completion:** that date that all necessary title transfer requirements and construction work have been performed and the final drawdown of CDBG-DR Funds has been disbursed for the project.

(j) **Construction Costs:** the construction costs shown on **Exhibit C**.

(k) **“Controlled by”, “under common control with”, or “Controlling Interest”:** (i) the direct or indirect power (under contract, equity ownership, the right to vote or determine a vote, or otherwise) to direct the financial, legal, beneficial or other interests of a company (or other entity) and includes the definition of “control” in 24 CFR 401.310(a)(2); or (ii) the power to vote, directly or indirectly, 25 percent or more of any class of the voting stock of a company; or (iii) the ability to direct in

any manner the election of a majority of a company (or other entity's) directors, trustees or members; or (iv) the ability to exercise a controlling influence over the company or entity's management and policies. For purposes of this definition, a general partner of a limited partnership is presumed to be in control of that partnership, and a managing member of a limited liability company is presumed to be in control of that limited liability company.

(l) **Credit Period:** the period specified in the Tax Credit Regulatory Agreement as the Credit Period.

(m) **Debt Service Amounts:** amounts payable under this Agreement, the Note, the Mortgage or any other Loan Document.

(n) **Default Rate:** a rate equal to the lesser of four (4) percentage points above the Interest Rate or the maximum interest rate which may be collected from Borrower under applicable law; provided, however, that LHC may increase the Default Rate pursuant to Louisiana Revised Statute 9:3509 after an uncured Event of Default.

(o) **Developer Fee:** an amount determined by LHC to be a developer fee in accordance with the 2018 QAP.

(p) **Deferred Developer Fee:** the actual deferred developer fee for the Project as determined by LHC during the subsidy layering review and Cost Certification, excluding interest paid on the deferred developer fee.

(q) **Disbursement Date:** the date of a disbursement of Loan proceeds pursuant to a Draw Request, it being contemplated by this Agreement that there will one (1) Disbursement Date per month.

(r) **Draw Request:** A request for disbursement of a portion of the proceeds of the Loan to provide funds for the payment of a portion of the Total Development Costs; each such Draw Request shall be deemed to be an advance under the Note. The Draw Request shall contain claims for labor and materials to the date of the last inspection by the Inspector, and not for labor and materials rendered thereafter, and contain the Inspector's determination or confirmation of the percentage of completion of the Project for the purposes of the Draw Request.

(s) **Eligible Costs:** costs of the Project other than Ineligible Costs.

(t) **Guarantors:** One or more persons or entities acceptable to LHC, which may include the general partner of Borrower's limited partnership or the managing member of Borrower's limited liability company, or other Affiliate of Borrower, which has an economic interest in Borrower, or which will otherwise obtain a material financial benefit from the Loan, and which will be required to execute the Operating Deficit Guaranty, the Performance and Completion Guaranty (if applicable), and the Guaranty of Exceptions to Non-Recourse Liability, including but not limited to _____, and each of their successors and assigns.

(u) **Identity of Interest:** an identity of interest relationship exists if any officer, director, board member, or authorized agent of any Project team member (consultant, general contractor, supplier, vendor, vendee, attorney, management agent, seller of the land, etc.): (i) is also an officer, director, board member or authorized agent of any other Project team member; (ii) has any control over or any financial interest in any other Project team member's firm or corporation; (iii) is a business partner of an officer, director, board member, or authorized agent of any other Project team member; (iv) has a family

relationship through blood, marriage or adoption with an officer, director, board member, or authorized agent of any Project team member; or (v) advances any funds or items of value to the Borrower.

(v) **Indebtedness:** The principal of, interest on, or any other amounts due at any time under the Note, this Agreement, the Mortgage or any other Loan Document, including late charges, default interest, and advances to protect the security of the Mortgage under the terms of the Mortgage, reasonable attorney's fees and court costs, and other fees and costs due and payable under the Loan Documents.

(w) **Ineligible Costs:** any costs enumerated at 24 CFR §570.207, with the exception of those costs which are permitted under the State's waiver, which permits the use of CDBG-DR for new construction.

(x) **Inspector:** the licensed architectural or engineering firm approved or appointed by the Investor (and approved by LHC) to inspect the construction and progress thereof prior to disbursements under the Loan.

(y) **Investor:** the investor member allocated the LIHTCs awarded to the Project in return for an equity interest in the Borrower, as described in the Organizational Documents, which shall be _____ and its successors and assigns.

(z) **Lender:** the holder of the Note, including without limitation, LHC.

Code. (aa) **LIHTC:** any low-income housing tax credit allowed pursuant to Section 42(h)(4) of the

(bb) **LIHTC Application:** the LHC application for LIHTCs in accordance with the QAP.

(cc) **Loan:** the loan made to Borrower by LHC pursuant to this Agreement.

(dd) **Loan Documents:** the Note; this Agreement; the Mortgage; UCC-Financing Statements covering the fixtures and movable property located at the Project; the CDBG Regulatory Agreement; the Operating Deficit Guaranty; the Performance and Completion Guaranty; Guaranty of Exceptions to Non-Recourse Liability; the Subordination Agreement, if any; and such other documents, agreements, instruments or certificates as LHC and its counsel may require, including such documents as LHC in its sole discretion deems necessary or appropriate to evidence or secure the Indebtedness.

(ee) **Mortgage:** the Mortgage, Pledge of Leases and Rents, and Security Agreement, which shall (a) constitute a second lien upon the Project, and (b) constitute a second lien upon and security interest in all fixtures and movable property relating to or located in the Project, and (c) secures all of Borrower's obligations to LHC under the Loan Documents.

(ff) **Note:** the CDBG 2019 CDBG-DR Piggyback Program Promissory Note by Borrower payable to LHC evidencing the Loan.

(gg) **Non-Operating Expenses:** all expenses and costs of the Borrower other than Operating Expenses. Non-Operating Expenses may not be paid from the operating account until the Annual Installment has been calculated. Non-Operating Expenses shall include, without limitation: any and all costs of developing the project, payment of deferred developer fee, asset management fees and investor service fees (except as expressly stated herein), tax credit adjusters, income taxes of the Borrower, distributions to persons or entities having an ownership interest in the Borrower, deposits to reserve accounts and escrow accounts (other than deposits specifically approved in advance, in writing by LHC),

Business travel expenses other than for front-line staff of the Project, payments on any loans other than the Senior Loan, payments to the management agent or any Affiliate (other than the property management fee and other payments specifically approved in advance, in writing by LHC), and payments to the Borrower or any Affiliate (other than payment specifically approved in advance, in writing by LHC; payments to, or on behalf of, any other project, and advances or loans of any sort).

(hh) Operating Deficit Guaranty: the guaranty from the Guarantor covering operating deficits of Borrower as more fully described in Section 3.2(a) and as set forth in the Operating Deficit and Completion Guaranty executed by Borrower and Guarantor in favor of Lender of even date herewith.

(ii) Operating Expenses: all cash costs and cash expenses of every kind and character which the Borrower incurs in connection with the operation of the Project (excluding principal and interest due and payable under the Loan and those expenses previously accrued, but including capital expenditures other than those paid for out of replacement reserves), and amounts required by LHC to be allocated to any reserve account, and all operating expenses that must be accrued monthly (including property taxes and insurance premiums based upon the completed Project full assessed value). For the purposes of calculating Operating Expenses the following principles shall apply:

- (i) Depreciation and amortization shall not be included
- (ii) Replacement reserve deposits shall be included
- (iii) Deposits to other reserves shall be included to the extent that LHC has provided its prior written consent as to the amount and use of such reserves (as further detailed herein)
- (iv) All capital expenditures shall be included (without regard to source of funding), except to the extent that such amounts were withdrawn from a reserve, in which case such withdrawn amounts shall be included as cash in the computation of Surplus Cash
- (v) Deposits to escrow accounts for the purposes of paying taxes and insurance premiums shall be included
- (vi) Casualty proceeds, to the extent that they are used to pay actual costs related to repairs or replacements due to a casualty, shall be included; however, any proceeds received for casualties shall be included as cash in the computation of Surplus Cash
- (vii) The property management fee in an amount not to exceed six percent (6%) of the effective gross income of the Project shall be an Operating Expense.
- (viii) All of the following are Operating Expenses:
 - (A) Administrative Expenses, Utility Expenses, Operational and Maintenance Expenses, and Taxes and Insurance Expenses that are reasonable and necessary in order to operate the Project.
 - (B) Deposits to any tax escrow or insurance escrow required by the Permanent Lender, provided such deposits do not accrue more than one year of estimated tax or insurance costs.
 - (C) Deposits required by Lender to the Reserve for Replacements.

(D) Capital expenditures.

(E) Debt service on the Senior Loan.

(F) Construction loan interest and bridge loan interest, incurred after the effective date of the cost certification submitted for Lender's subsidy layering review.

(jj) **Organizational Documents:** the documents required or existing setting forth the organization and operation of the Borrower which shall be the _____ dated _____, 2019.

(kk) **Plans and Specifications:** the plans and specifications for the construction of the Project as reviewed and approved by LHC prior to the initial Draw Request and all amendments and modifications as approved by LHC.

(ll) **QAP:** the Qualified Allocation Plan pursuant to which LIHTCs are allowed in accordance with Section 42(h)(4) of the Code.

(mm) **Senior Mortgage:** the Mortgage, Security Agreement, and Assignment of Leases and Rents securing the Senior Loan in favor of Senior Lender.

(nn) **Senior Lender:** _____.

(oo) **Senior Loan:** either (1) the loan of Bond proceeds being provided to Borrower by the LHC in an amount not to exceed \$_____ during the construction phase, and/or (2) the permanent loan entered into upon completion of construction, in the maximum principle amount of \$_____, which loan is secured by the Senior Mortgage.

(pp) **Senior Loan Documents:** any and all documents evidencing, securing or describing the Senior Loan.

(qq) **State:** the State of Louisiana.

(rr) **Surplus Cash:** any cash (excluding tenant security deposits) remaining at the end of each fiscal year of the Borrower after: (A) payment of all Operating Expenses for the Project for such fiscal year and (B) payment of all sums due or currently required to be paid under the terms of any Senior Loan. Surplus Cash will be computed by the Borrower's accountant (or such other representative of Borrower tasked with such computation), generally in accordance with HUD's requirements for calculating Surplus Cash in HUD's multifamily programs. The accountant's computation of Surplus Cash shall be included in the annual audited financial statements of the Project and will be subject to LHC's review and concurrence. Operating deficit loans/advances made to the Borrower as required under this Agreement shall not be eligible for repayment from operating funds of the Project, but may (at the option of the Borrower) be repaid from any portion of Surplus Cash that has been earned and received by the Borrower, but only after all required payments to LHC have been made. Repayment of all other voluntary operating deficit loans/advances shall not be considered as Operating Expenses for the purpose of calculating Surplus Cash unless Borrower shall have received approval from LHC of (1) the amount and terms of the voluntary operating deficit loan/advance prior to the time made, and (2) treatment of the repayment of voluntary operating deficit loan/advance as Operating Expenses for the purpose of calculating Surplus Cash.

(ss) **Tax Credit Regulatory Agreement:** the Tax Credit Regulatory Agreement with the Louisiana Housing Corporation related to the Project.

(tt) **Total Development Costs:** the total costs to develop and construct the Project, including without limitation hard and soft costs, and developer fees, as set forth on **Exhibit C - Total Development Costs** attached hereto, as modified and amended from time to time with the consent of the Investor and LHC.

SECTION 1 LOAN AMOUNT AND USE OF FUNDS

LHC agrees to make the Loan to Borrower, on the following terms and conditions:

1.1 Principal Amount and Interest. The principal amount of the Loan is _____ and **00/100 DOLLARS (\$_____ .00)**, bearing zero percent (0.0%) interest prior to any Event of Default. From and after the occurrence of an Event of Default, the principal amount shall bear interest at the Default Rate. All outstanding principal and accrued interest shall be due and payable by Borrower on _____ 1, 20__ ("Maturity Date"), or any earlier date on which the unpaid principal balance and accrued interest becomes due and payable by acceleration or otherwise.

1.2 Repayment Term.

(a) Annual Installments; Place of Payment. The Loan shall be repaid in annual installments (each, an "Annual Installment") on or before April 1 (the "Payment Date") of each calendar year of the Term (the "Payment Date") in an amount equal to 50% of Surplus Cash with the balance due in thirty-five (35) years on April 1, 20__ ("Maturity Date"). There will be no deferral of amounts due based on the Deferred Developer Fee. Loans will become due upon the earlier of (a) the Maturity Date; (b) sale or refinancing of the property; or (c) acceleration as the result of material noncompliance with the terms of the Loan. Payments shall be made in immediately available US funds to the order of LHC at the offices of the Louisiana Housing Corporation, 2019 CDBG-DR Loan #_____, Attention: Chief Financial Officer, 2415 Quail Drive, Baton Rouge, Louisiana 70808, or such other place as may be designated by written notice to Borrower from or on behalf of the LHC.

(b) Payment from Surplus Cash. Each Annual Installment shall be paid solely from Surplus Cash to the extent Surplus Cash is generated from the operation of the Project. **The amount of each Annual Installment shall be equal to 50% of Surplus Cash.** Notwithstanding the requirement of repayment from Surplus Cash, the Loan shall not be construed as a joint venture, partnership or other association between Borrower and LHC, other than a debtor/creditor relationship. LHC's right to be paid from Surplus Cash shall terminate at such time as the principal and interest amounts due on the Note are paid in full. If Surplus Cash is negative in any year during the Term of the Loan, no Annual Installment shall be due for that year, but interest shall continue to accrue at the Interest Rate on the principal balance of the Note.

(c) Audit of Surplus Cash.

(i) Determination of Surplus Cash. Annually, within one hundred twenty (120) days after the end of Borrower's fiscal year, Borrower shall provide Lender with an audited schedule of Surplus Cash for the previous fiscal year, certified to be true and correct by Borrower's chief financial officer. Lender will review Borrower's schedule and will notify Borrower whether it agrees with Borrower's determination or whether it has calculated a different Surplus Cash value, which determination shall be made in Lender's sole but reasonable discretion. Lender shall conduct its determination of Surplus Cash based solely on the Loan Documents without regards to the determination of any other lender.

(ii) Operating Account and Accounting Requirements. The Borrower shall establish an Operating Account. During the term of the Loan:

(A) All cash received by the Borrower shall be deposited to the Operating Account, except for (1) proceeds of the Senior Loan and all other development period sources of funds (limited, however, to the amounts included in the borrower's final Cost Certification provided for Lender's subsidy layering review); and (2) tenant security deposits.

(B) All discounts, rebates, commissions or other payments in connection with the Project shall be credited to the Project and shall be deposited to the Operating Account even if such payments are made to the management agent, the Borrower or any Affiliate.

(C) Prior to the calculation of Surplus Cash, the only expenditures that may be made from the Operating Account are (1) Project Operating Expenses; (2) deposits to any reserves and escrows that are specifically permitted by Lender; and (3) debt service payments on the Senior Loan.

(D) Expenditures that may not be made from the Operating Account prior to the calculation of Surplus Cash include, without limitation, Non-Operating Expenses. Non-Operating Expenses may be paid from Surplus Cash remaining in the operating account after determination of the Annual Installment.

Borrower agrees that these Operational and Accounting Requirements shall be binding on the Borrower, and that the Borrower has provided these Operational and Accounting Requirements to all other parties providing funds to the Project. The provisions of these Operational and Accounting Requirements shall apply, notwithstanding any provision to the contrary in the Borrower's Organizational Documents and notwithstanding any provision to the contrary in the Borrower's agreements with any investor or with any other lender.

(d) Maturity. The Loan shall mature on the earliest to occur of (i) sale or refinancing of the Project not expressly permitted by Section 2.2 below; (ii) acceleration following an Event of Default under the Loan Documents that is not cured within any applicable grace or cure period; or (iii) the Maturity Date.

1.3 Discretion to Extend Compliance Period. It is specifically understood, agreed and acknowledged by Borrower that if Borrower or the Project at any time fall out of compliance with the requirements stipulated in the CDBG Regulatory Agreement, and/or other Loan Documents, LHC has the right and option in addition to, and not to the exclusion of any of its other remedies provided for herein or in the other Loan Documents (including the right to accelerate the Maturity Date of the Loan) to extend the Compliance Period by a period of time equal to or greater than any period of non-compliance. It is further understood and agreed that the burden of proving compliance with (and providing documentation and evidence of compliance with) the requirements stipulated in the CDBG Regulatory Agreement and other Loan Documents is on Borrower.

1.4 Expenditure of Funds. Proceeds from the Loan are to be used solely to support the development, rehabilitation, replacement, restoration, and construction of the Project as set forth in the Application, the 2019 CDBG-DR Program Description and the Loan Documents. The Loan shall be used solely to reimburse actual Total Development Costs already expended that LHC, in its sole but reasonable discretion, determines to be eligible for CDBG reimbursement. Borrower shall use the proceeds of the

Loan only for the payment of eligible expenses permitted under the CDBG regulations as set forth in 24 CFR Part 570 as determined by LHC in its sole but reasonable discretion (“**Eligible Expenses**”). Borrower shall not use any proceeds from the Loan for prohibited activities as set forth in 24 CFR Section 570.207. Borrower acknowledges that LHC must comply with the provisions of 24 CFR Part 85 as modified by 24 CFR Section 570.502, and OMB Circular A-87, which allow only costs that are necessary, reasonable, and adequately supported to be charged to the Program. Thus, Borrower acknowledges and agrees that any funds not used in accordance with this standard or applicable CDBG regulations must be repaid to LHC by Borrower upon written demand.

1.5 Security. Repayment of the Loan and Borrower’s other obligations under the Loan Documents shall be secured by the mortgage lien on and security interest in the Mortgaged Property described in the Mortgage.

1.6 Note. The Loan shall be evidenced by the Note.

1.7 Cost Certification. Borrower acknowledges and agrees that the principal amount of the Loan was calculated based upon estimated Total Development Costs of the Project provided by the Borrower. Upon LHC’s request, but in any event prior to the final disbursement of Loan proceeds, Borrower agrees to provide LHC with a cost certification audit acceptable to LHC (the “**Cost Certification Audit**”), prepared by an independent third party consulting or accounting firm acceptable to LHC, certifying the actual Total Development Costs incurred and paid by Borrower and including such other information as LHC may require. Borrower agrees to cooperate with LHC and to provide any documentation deemed necessary by LHC for a complete audit.

1.8 Reduction of Loan. Notwithstanding anything to the contrary contained herein, LHC may reduce the principal amounts of the Indebtedness in the event the Cost Certification Audit or the final subsidy layering analysis of the Project completed by LHC disclose that the actual Total Development Costs incurred by Borrower were less than the estimated Total Development Costs upon which the calculation of the principal amount of the Loan was based. The principal amount of the Loan may be reduced based on the actual Total Development Costs incurred by Borrower, the amount of any tax credits awarded to the Project, if any, the amount of any bond proceeds, if any, and the final amount, terms and conditions of the Borrower’s other sources of financing, if any. If the amount of the Loan proceeds advanced to Borrower prior to completion of the Cost Certification Audit and final subsidy layering analysis exceeds the principal amount of the Loan supported by the Cost Certification Audit and final subsidy layering analysis (“**Excess Proceeds**”), Borrower shall pay LHC the amount of any Excess Proceeds in one lump sum payment within thirty (30) days of receiving written notice from LHC that the Excess Proceeds are due and payable. LHC reserves the right to reopen the subsidy layering review in the event additional sources are received for construction or development of the Project.

1.9 Term. The term of this Agreement shall commence upon the Effective Date and terminate upon payment in full of the Indebtedness. All indemnification obligations of Borrower and all other provisions in this Agreement which provide they shall survive a termination of this Agreement shall remain in full force and effect, notwithstanding such termination.

SECTION 2 BORROWER LIMITATIONS

2.1 Restrictions On Identity-of-Interest Relationships. The Borrower must notify LHC in writing prior to contracting with any Identity of Interest entity, and the Borrower must include in its audited annual financial statements a disclosure of all amounts paid to Identity of Interest entities. In addition, LHC will have the right, in its sole but reasonable discretion, during the term hereof, to require

the cancellation of any contract between the Borrower and any Identity of Interest entity. If LHC approves any other Identity of Interest existing contract that does not provide for subsequent cancellation, Borrower agrees, upon LHC's request, to cause the contract to be modified to provide for cancellation. All current contracts with Identity of Interest entities are identified on **Schedule 2.1**, attached hereto. Notwithstanding the foregoing, no Identity of Interest relationship may exist between Borrower and any lender providing secured financing to the Project unless Borrower has received the prior written consent of LHC.

2.2 Due on Sale or Transfer.

(a) Borrower hereby covenants and agrees not to sell, transfer or otherwise dispose of the Project, or any portion thereof, without obtaining the prior written consent of LHC, which consent shall be in LHC's sole but reasonable discretion. Absent LHC's written consent and subject to the terms of this Section 2.2, 100% of the Indebtedness, including without limitation, payment of all principal and accrued and unpaid interest, is due upon any sale or refinancing of the Project. LHC may, in its sole but reasonable discretion, allow the transferee to assume the remaining Indebtedness, and/or may accept less than 100% of the amounts then due, but such waiver will not constitute forgiveness of any Indebtedness.

(b) Notwithstanding the foregoing to the contrary, provided that Borrower delivers notice to LHC of any such change, and that any entity replacing the general partner of the Borrower is under direct or indirect common control or management of, or has a Controlling Interest in, the Investor:

(i) the pledge to a limited partner by a general partner of the general partner's interest in the Organizational Documents as security for the performance of all of the general partner's obligations under the Organizational Documents shall not constitute a refinancing for purposes of this Agreement or the Loan Documents;

(ii) a sale, transfer, pledge, encumbrance or other disposition of any Investor interests in Borrower shall not require LHC's consent nor constitute a sale of the Project for the purposes of this Section 2.2, unless such transaction results in a sale of more than 51% of the Investor interest in Borrower; and

(iii) the change in the general partner of Borrower as general partner of Borrower in accordance with the terms of the Organizational Documents shall not require LHC consent nor constitute a sale of the Project for the purposes of this Section 2.2.

Notwithstanding the foregoing provisions in this Section 2.2(b), a transfer by the Investor of its Investor interests in Borrower to any successor which is an affiliate of such entity or to the general partner of Borrower is hereby expressly permitted and accepted by LHC and shall not constitute a prohibited transfer hereunder or under any other Loan Document.

SECTION 3 LIABILITY AND RESTRICTION ON USE

3.1 Nonrecourse Loan.

(a) Notwithstanding anything to the contrary contained in the Loan Documents, except as set forth in this Section 3.1, neither Borrower nor any of its general or limited partners or affiliates shall have no personal liability under the Loan Documents for the repayment of the Indebtedness or for the performance of any other obligations of Borrower under the Loan Documents, and LHC's only recourse for the satisfaction of the Indebtedness, and the performance of such obligations shall be to exercise its

rights and remedies with respect to the Mortgaged Property and any other collateral held by LHC as security for the Indebtedness and to enforce any guarantees. This limitation on Borrower's liability shall not limit or impair LHC's enforcement of its rights against any and all Guarantors guaranteeing any indebtedness or obligations of Borrower.

(b) Borrower shall become personally liable to LHC for the repayment of any portion of the Loan then outstanding equal to any loss or damage suffered by LHC as a result of:

(i) failure of Borrower to pay to LHC upon demand, after an Event of Default, all rents, revenues and profits from the operation of the Project to which LHC is entitled under the Mortgage, and the amount of all security deposits collected by Borrower from tenants then in residence; or

(ii) failure of Borrower to apply all insurance proceeds and condemnation proceeds as required by the Loan Documents; or

(iii) failure of Borrower to comply with the requirements in the Mortgage relating to the delivery of books and records, statements, schedules and reports; or

(iv) failure of Borrower to pay all deductibles required under any of the insurance policies required to be maintained under Section 6.3 of this Agreement.

(c) Borrower shall become personally liable to LHC for the repayment of the Loan amount then outstanding plus default interest at the Default Rate from the date of default, due upon the occurrence of any of the following events:

(i) misappropriation of Loan proceeds by Borrower; or

(ii) fraud or any written material misrepresentation by Borrower or any officer, agent, director, partner, member or employee of Borrower in connection with the Application, the Loan Documents, or any request by LHC; or

(iii) Borrower's acquisition of any property or operation of any business not permitted by the Mortgage; or

(iv) or a Transfer that is an Event of Default under the Mortgage; or

(v) failure of Borrower to commence construction of the Project within thirty (30) months of the date of Closing; or

(vi) failure of Borrower to complete the Project within eighteen (18) months following the actual construction start date; or

(vii) Borrower's failure to maintain compliance with the CDBG Regulatory Agreement in LHC's sole and reasonable discretion during the first five years of the Credit Period; or

(viii) Borrower's failure to pay LHC the amount of any Excess Proceeds in one lump sum payment within thirty (30) days of receiving written notice from LHC that the Excess Proceeds are due as required by Section 1.8 above.

(d) To the extent that Borrower has personal liability under this Section 2.3, LHC may exercise its rights against Borrower personally without regard to whether LHC has exercised any rights against the Mortgaged Property or any other security, or pursued any rights against any Guarantor, or pursued any other rights available to LHC under the Loan Documents or applicable law.

(e) Notwithstanding the foregoing provisions, one or more Guarantors shall personally guarantee to LHC and shall agree to pay to LHC, or its assigns, on demand, all amounts for which Borrower is personally liable under the Loan Documents, including without limitation Section 2.3(b) and (c) above (“**Guaranty of Nonrecourse Carveouts**”). The obligations of each Guarantor shall survive any foreclosure proceeding, any foreclosure sale, any delivery of any deed in lieu of foreclosure, and any release of record of the Mortgage. LHC may pursue its remedies against any Guarantor without first exhausting its remedies against the Borrower or the Project, or any other Guarantor.

3.2 Operating Deficit Guaranty. Until positive Surplus Cash for the Project for two (2) consecutive Project fiscal years, Borrower and Guarantors will be required to unconditionally guarantee the reimbursement to Borrower of any Operating Deficits that are not reimbursed from other sources (such as an operating reserve) (“**Operating Deficit Guaranty**”). For purposes of the Operating Deficit Guaranty, an Operating Deficit constitutes negative Surplus Cash. “**Surplus Cash**” shall mean the net operating cash of the Project, calculated annually by the Borrower’s independent accountant as of the Project’s fiscal year ending date, in the manner required by HUD for its multifamily programs, as reviewed and approved by LHC. Surplus Cash measures the operating cash assets of the Project, less certain short term operating obligations of the Project. During the term of the Operating Deficit Guaranty, Surplus Cash shall be measured and (if positive) distributed once annually. Annual operating deficits shall be funded by the Guarantors under the Operating Deficit Guaranty on or before the date on which annual audited financial statements for the Project are due to LHC under Section 8.9 of this Agreement. Any such payments of Operating Deficits by Guarantors to Borrower shall be repayable from Borrower to Guarantors only from annual positive Surplus Cash, if any, that is earned and received by Borrower. The obligations of each Guarantor shall survive any foreclosure proceeding, any foreclosure sale, any delivery of any deed in lieu of foreclosure, and any release of record of the Mortgage. LHC may pursue its remedies against any Guarantor without first exhausting its remedies against the Borrower or the Project, or any other Guarantor.

3.3 Performance and Completion Guaranty. Borrower and Guarantor shall execute a Guaranty of Performance and Completion, wherein Borrower and Guarantor shall guaranty lien-free completion of the Project in accordance with the Application. The obligations of each Guarantor shall survive any foreclosure proceeding, any foreclosure sale, any delivery of any deed in lieu of foreclosure, and any release of record of the Mortgage. LHC may pursue its remedies against any Guarantor without first exhausting its remedies against the Borrower or the Project, or any other Guarantor.

3.4 CDBG Regulatory Agreement.

(a) As a condition to disbursement of Loan proceeds, Borrower will be required to execute and deliver to LHC the CDBG Regulatory Agreement. The CDBG Regulatory Agreement shall be recorded in the real estate records in the Parish where the Project is located, and shall be subordinate only to those liens and encumbrances agreed to by LHC, in its sole discretion.

(b) The CDBG Regulatory Agreement shall have a stated term of thirty-five (35) years.

(c) It is specifically understood and agreed by Borrower that the CDBG Regulatory Agreement will not be terminated upon a pre-payment of the Loan by Borrower if there has been

noncompliance by the Borrower and the Project with the requirements stipulated in Tax Credit Regulatory Agreement, the CDBG Regulatory Agreement, and other Loan Documents during the Compliance Period.

SECTION 4 REQUIRED RESERVES

4.1 Replacement Reserve.

(a) Reserve for Repairs. Borrower shall establish and maintain a reserve in a custodial account to be maintained with Construction Lender (“**Replacement Reserve**”) for the payment of costs and expenses incurred by Borrower in connection with fixtures, furniture and equipment, capital improvements, repairs and replacements performed at the Project, including but not limited to, the performance of work to the roofs, chimneys, gutters, downspouts, paving, curbs, ramps, driveways, balconies, porches, patios, exterior walls, exterior doors and doorways, windows, carpets, appliances, fixtures, elevators, and mechanical and HVAC equipment and the replacement of furnishings, fixtures and equipment in the rooms, hallways, lobbies, restaurants, lounges, meeting and banquet rooms, parking facilities and other public areas accessible by the public or tenants for regular use, and such other items as Lender may approve from time to time in its reasonable discretion (collectively, the “**Repairs**”).

(b) Required Deposits. Notwithstanding any reserve deposit requirement imposed by other funders, LHC will require deposits to the Replacement Reserve Account to address future capital replacement requirements as follows:

1. For New Construction Developments: an Initial Deposit of \$1,000 per unit from Development Sources; plus, an Annual Deposit of \$500 per unit per year, from Operations.

2. For Acquisition-Rehab Developments: an Initial Deposit from Development Sources corresponding with the determinations of the required Physical Condition Assessment (“PCA”); plus an Annual Deposit to the Replacement Reserve corresponding with the determinations of the PCA.

3. Annual deposits to the reserves shall be inflated by 2% annually.

(c) Disbursement of Reserves. So long as no Event of Default has occurred and is continuing and no circumstance exists, which with the giving of notice, or passage of time, or both, would constitute an Event of Default, (i) all sums in the Replacement Reserve shall be held in the Replacement Reserve to pay and/or reimburse Borrower for the costs and expenses of Repairs, and (ii) to the extent funds are available for such purpose in the Replacement Reserve, Lender shall provide written consent to reimbursement to Borrower of the amount paid or incurred by Borrower in performing such Repairs within ten (10) days following: (a) the receipt by Lender of a written request from Borrower for consent to disbursement from the Replacement Reserve and a certification by Borrower to Lender that the applicable item of Repair has been completed; (b) the delivery to Lender of invoices, receipts or other evidence verifying the cost of performing the Repairs; and (c) for disbursement requests (i) in excess of \$10,000.00 with respect to any single Repair, or (ii) for any single Repair that is structural in nature, delivery to Lender of (1) affidavits, lien waivers or other evidence reasonably satisfactory to Lender showing that all materialmen, laborers, subcontractors and any other parties who might or could claim statutory or common law liens and are furnishing or have furnished materials or labor to the Project have been paid all amounts due for labor and materials furnished to the Project; (2) a certification from an inspecting architect or other third party acceptable to Lender describing the completed Repairs and verifying the completion of the Repairs and the value of the completed Repairs; and (3) a new (or amended) certificate of occupancy for the portion of the Improvements covered by such Repairs, if said

new certificate of occupancy is required by law, or a certification by Borrower that no new certificate of occupancy is required by law. Lender shall not be required to consent to reimbursement from the Replacement Reserve more frequently than once in any thirty (30) day period. In consenting to any payment from the Replacement Reserve, Lender shall rely entirely on such request from Borrower, and on any bill, statement, or estimate from any third party, without any inquiry into the accuracy, validity or contestability of any such amount. In the event that the amounts on deposit or available in the Replacement Reserve are inadequate to pay the cost of the Repairs, Borrower shall pay the amount of such deficiency.

4.2 Withdrawals from Reserves. Notwithstanding Section 4.1(c) hereof, no withdrawals from any account holding any Reserves shall be made without the prior written approval of LHC, or its designated representative.

SECTION 5 CLOSING AND CONDITIONS TO DISBURSEMENT

5.1 Closing. As used herein, “**Closing**” shall mean _____, 20_____, the day on which all of the Loan Documents are executed and delivered by Borrower and the Mortgage and the CDBG Regulatory Agreement are filed for record with the appropriate clerk and recorder of the parish where the Project is located or a gap coverage title policy is released evidencing title and a Lender loan title insurance policy acceptable to Lender. Funding of the Loan will not occur until all of the conditions to funding the Loan have been satisfied.

5.2 Method of Disbursement of Funds for Pari Passu Funding of Proceeds During Construction. The Loan proceeds shall be disbursed to or on behalf of Borrower during the construction of the Project, on a pari passu basis with Borrower’s other construction financing, limited to not more than one (1) draw per month. LHC’s pari passu share of each Net Draw Amount will be based on LHC’s share of funds being advanced over the construction period to pay the sum of all Net Draw Amounts, which percentage shall be ____%. The aggregate amount of Loan proceeds advanced during the construction period will be the lesser of: (i) 95% of the Loan amount or (____%) % of the actual aggregate Net Draw Amounts. LHC shall have the right to withhold retainage from each Draw Request, in the amount equal to 5% of the Draw Request, in LHC’s sole and uncontrolled discretion, if the Draw Request does not already take into account retainage of at least 5% of the amount of cumulative Draw Requests to date. “Net Draw Amount” shall mean the draw amount limited to costs actually incurred, less amounts paid from non pari passu sources, and not including contingency amounts or retainage. It is understood and agreed that no more than 35% of the Cash Developer Fee may be received during the construction period, from all sources, and no more than half of this limit allowable to be received at the Closing.

5.3 Conditions to be Met Prior to the Disbursement of any Draws. Prior to the disbursement of any draws, the following conditions must be satisfied in the sole and absolute discretion of LHC:

(a) LHC shall have received executed originals of all of the Loan Documents (including a Loan disbursement statement), in form and substance acceptable to LHC.

(b) Commencement of construction of the Project has occurred or will occur immediately upon completion of the Closing.

(c) LHC shall have received the audited financial statements of all Guarantors and a certificate from each Guarantor evidencing adequate liquid capital to satisfy LHC that the obligations of

the Guarantor hereunder and under the Operating Deficit Guaranty, the Guaranty of Nonrecourse Carveouts, and the Performance and Completion Guaranty are adequately secured.

(d) LHC shall have received from the Borrower a copy of the construction budget and line item breakdown of Total Development Costs, including hard and soft costs, approved by the Investor, along with a sources and uses of funds in the amount of the Total Development Costs, a draw schedule and estimated development timing assumptions.

(e) LHC shall have received certificates of insurance as to Builder's Risk and Hazard Insurance in completed value form with extended coverage in the amount of the full value of the Project, as completed, but which shall, in any case, include such insurance coverage sufficient to meet the standards established in Part V, Section 106 of the Fannie Mae U.S. Guide, effective November 3, 2003, as amended from time to time. Such certificates of insurance shall be issued by a company satisfactory to LHC, duly endorsed to show the interest of LHC under a standard non-contributing mortgagee clause addressed to LHC. The policy shall also provide that such policy will not be canceled without thirty (30) days' notice to LHC. Borrower agrees that LHC shall have the right to take any action necessary to continue said insurance in full force and effect including, but not limited to, paying premiums. Any funds advanced to continue the policies in full force and effect shall be considered as Draw Requests hereunder and shall bear interest from the date of disbursement at the Default Rate and payment of said funds and interest shall be secured by the Mortgage.

(f) LHC shall have received payment and performance bonds from a U.S. Treasury approved surety in the full amount of the general contractor's contract price which lists LHC as a dual obligee.

(g) LHC shall have received a copy of the general contractor's contract, the architect's contract, the development agreement, the management agreement and management plan, the plans and specifications, the site plan and floor plans, an appraisal and market study, utility availability letters, and such other documentation as LHC may reasonably require.

(h) LHC shall have received a copy of the building permit(s) (or written confirmation from the relevant government authorities that the building permits are ready to be obtained subject only to payment of fees) authorizing construction of the Project together with a certificate from the public official issuing the building permit(s) that the Project will conform to existing zoning laws and specified variances, if any; and all other authorizations, permits or approvals, if any, required by any governmental authorities for the construction and operation of the Project, which are presently procurable.

(i) LHC shall have received the vesting deed (act of sale) or ground lease, as applicable, evidencing Borrower's title or interest in the land and a mortgagee's policy of title insurance from a title insurance company or agent acceptable to LHC, insuring LHC's mortgage lien on the Project, with the standard "preprinted" exceptions deleted, and containing only those exceptions acceptable to LHC, in its sole discretion.

(j) LHC shall have received an ALTA Survey of the current condition of the Land, certified to LHC, showing any buildings or other improvements located thereon and platting building setback lines, servitudes, roads, encroachments, any plattable exceptions that are acceptable to LHC in its sole discretion and any other locatable or visible survey or title-related issues affecting the Land together with a statement as to the flood elevation and zoning for the Land and such other requirements and certification as LHC may reasonably require.

(k) LHC shall have received Borrower's tax identification number, and evidence that Borrower has been awarded Tax Credits for the Project from the LHC in the amount stated in the

reservation as well as confirmation that Borrower has received a commitment from the Investor to purchase the tax credits pursuant to the Organizational Documents.

(l) LHC shall have received: (i) An opinion of Borrower's counsel covering such matters as are reasonably required by LHC, including, without limitation, the existence and good standing of Borrower; that the Loan Documents have been duly authorized, executed and delivered by Borrower; the enforceability of the Loan Documents; and the creation and perfection of the liens and encumbrances intended to be created thereby; (ii) certified copies of Borrower's Organizational Documents; (iii) good standing certificates from the Secretary of State for the State of Louisiana and the applicable states of organization or formation, for Borrower and Borrower's managing entities, and (iv) such resolutions, certificates, and consents as LHC deems necessary or proper to authorize the execution and delivery by Borrower of the Loan Documents.

(m) LHC shall have received federal and state tax lien, judgment, UCC and pending litigation searches for Borrower, and such other parties as LHC shall require for each state and parish (or county) in which such entity was formed, as well as the State and the parish in which the Project is located, in each case, dated not more than sixty (60) days prior to the date of the initial disbursement.

5.4 Conditions to be Met for All Draws. The following are conditions for all draws and must be satisfied in the sole and reasonable discretion of LHC (it being understood and agreed that subject to the provisions contained in Section 4 of this Agreement, LHC may withhold from disbursement any amounts required to fund any reserve required by the terms of the Loan Documents):

(a) Borrower shall supply LHC with a Draw Request in the form provided by LHC requesting disbursement of Loan proceeds for reimbursement of Eligible Expenses. Each Draw Request shall set forth the amount requested (which in no event shall exceed LHC's pari passu share) and shall be accompanied by partial releases of liens from the general contractor and all major subcontractors to the effect that such amount has been paid for labor and materials supplied to the Project for the immediately preceding draw period and that general contractor and the major subcontractors claim no lien on the Project, and such other evidence as may be required by this Agreement or by LHC. By executing and delivering a Draw Request to LHC, Borrower agrees and acknowledges that such execution and delivery shall constitute a reaffirmation that the warranties and representations in the Loan Documents are correct and true in all material respects, that all the covenants, terms, and conditions of this Agreement are being and have been complied with, and that no Event of Default has occurred and is continuing as of the date of the Draw Request. LHC shall have received for its approval the Draw Request for such disbursement, and any other certifications provided for herein or as requested by LHC in its reasonable discretion. For all draw requests submitted for payment of any contractor or supplier with an Identity of Interest relationship with the Borrower, the Borrower's Architect shall submit a certification of cost reasonableness, establishing that such costs are reasonable.

(b) All conditions precedent to the funding of any construction loan shall have been satisfied to the construction lender's satisfaction and there shall be no defaults or events with which the passage of time could serve as the basis for a default under the Construction Loan.

(c) There shall be at all times undisbursed loan funds, which, when combined with any equity amounts to be funded by the Investor, are sufficient to complete the construction of the Project. Each Draw Request from Borrower shall be deemed to be a certification by Borrower to LHC that, taking into account any retainage, there will be sufficient funds to complete the Project.

(d) LHC shall have received from the Inspector or from Borrower a copy of Inspector's report prior to the date of such Draw Request and such report shall be satisfactory to LHC in its sole discretion.

(e) LHC shall have received an endorsement to the title insurance policy using standard construction loan disbursement endorsements updating the status of title to the date of the current Draw Request and increasing the insurance coverage to an amount equal to the sum of all prior Draw Requests and the current Draw Request, without additional exceptions or objections, except those specifically approved in writing by LHC.

(f) LHC shall have received evidence that all certificates of insurance as to Builder's Risk and Hazard Insurance remain in effect.

(g) The warranties and representations contained in the Loan Documents are correct and true, in all material respects, all the covenants, terms and conditions of the Loan Documents remain satisfied, and no uncured Event of Default, default, or circumstances or events which upon the lapse of time, the giving of notice, or both, could become an Event of Default, have occurred as of the date of the Draw Request under the Loan Documents.

(h) LHC shall have received a certificate of Borrower included with each Draw Request stating that Borrower has satisfied and is in compliance with all of the terms, covenants and conditions of the Application, the Program, and all laws, rules, regulations, ordinances and codes applicable to the Project, including without limitation CDBG regulations, to the extent not waived in writing. Such certificate shall state that all of Borrower's representations, warranties and covenants contained in the Application and the Loan Documents are true and correct in all material respects as of the Disbursement Date, and Borrower has performed all of its obligations under the Loan Documents, and no Event of Default, or circumstance or event which with notice or the passage of time, or both would constitute an Event of Default under the Loan Documents shall exist as of the Disbursement Date.

(i) If requested by LHC, Borrower shall furnish copies, certified by Borrower to be true and correct, of all subcontracts and purchase orders for the provision of labor and materials for the construction of the Improvements and statements from each subcontractor and supplier: stating the amount of its contract and the amount paid to date; and acknowledging full payment (less retainage) of all sums due and payable for all work done and materials supplied.

(j) If requested by LHC, Borrower shall furnish to LHC evidence reasonably satisfactory to LHC that Borrower and general contractor have obtained or can obtain all necessary materials as and when required for the completion of the Project in accordance with the Plans and Specifications.

5.5 Conditions to be Met Prior to the Disbursement of the Final Draw. When the Project has been completed, Borrower shall supply LHC with the following documents and satisfy the following terms and conditions as well as satisfying all of the conditions and supplying all of the information required under the Loan Documents, prior to final disbursement (including any retainage withheld) of Loan proceeds (it being understood and agreed that subject to the provisions contained in Section 4 of this Agreement, LHC may withhold from disbursement any amounts required to fund any reserve required by the terms of the Loan Documents):

(a) Certificates of occupancy for each building and unit in the Project, or its equivalent from the applicable governmental authorities for the State or the Parish in which the Project is located.

(b) Certificate from the Borrower's architect or engineering firm that the Project has been completed in substantial compliance with the plans and specifications for the Project, and with the Architectural Barriers Act of 1968 (42 U.S.C. §§4151-4157); the Uniform Federal Accessibility Standards, as set forth in 24 CFR Section 570.614; the Americans with Disabilities Act of 1990; for existing properties built prior to 1978, the Lead-Based Paint Poisoning Protection Act (42 U.S.C. §4831(b)) and the Residential Lead based Paint Hazard Reduction Act of 1992 (42 U.S.C. §§4851-4856) and implementing regulations at 24 CFR Part 35; and Section 504 of the Rehabilitation Act of 1973.

(c) An acceptable environmental assessment of the Project that complies with the CDBG regulations and requirements and has been approved by LHC.

(d) Certificate from LHC's inspector that the Project has been completed in accordance with the Plans and Specifications in a good and workmanlike manner (the "**Certificate of Completion**").

(e) An ALTA "As Built" Survey, certified to LHC, showing the buildings and improvements comprising the Project to be within lot lines and building setback lines, all easements, roads, rights of way and matters affecting title, and any other information required by LHC.

(f) An endorsement to the title insurance policy updating the title insurance policy to the completion date, increasing the insurance coverage to the full amount of the Loan, containing no additional exceptions not previously approved by LHC, and evidencing the subordination of any senior mortgage or lien to the terms and conditions of the CDBG Regulatory Agreement.

(g) A complete set of signed and sealed "as built" Plans and Specifications.

(h) Satisfaction and compliance with all of the terms, covenants and conditions contained in the Application, the 2019 CDBG-DR Program Description, this Agreement and the other Loan Documents.

(i) Compliance with all laws, rules, regulations, ordinances and codes applicable to the Project, including without limitation CDBG regulations, to the extent not waived in writing, applicable to the Project.

(j) LHC shall have received current federal and state tax lien, judgment, UCC and pending litigation searches for Borrower, and such other parties as LHC shall require for each state and parish (or county) in which such entity was formed, as well as the State and the parish in which the Project is located, in each case, dated not more than sixty (60) days prior to the date of disbursement.

(k) LHC shall have approved the Cost Certification Audit from Borrower and shall have completed the final subsidy layering review of the Project costs.

(l) LHC shall have received: (a) current certificates of insurance as required by this Agreement; (b) a copy of the final, executed Permanent Supportive Housing Set-Aside Agreement pertaining to the Project; (c) an estoppel certificate from any other lenders providing financing for the Project stating that no defaults have occurred and that its loan terms are being complied with; (d) updated financial information from Borrower and each Guarantor, including copies of the most recent year's tax returns and audited financial statement, and such other information as LHC deems necessary; (e) a certificate of Borrower evidencing compliance with all Davis-Bacon requirements; (f) a certificate of Borrower summarizing all actions taken to comply with the Housing and Urban Project Act of 1969 (Section 3).

(m) A warranty from the construction contractor, acceptable to LHC in its sole discretion, providing a full guarantee for all workmanship and materials, without regard to whether such work or materials was paid by LHC or other funding sources, for a period of not less than twelve (12) months from the date of the Certificate of Completion. The warranty shall also guarantee any structural work against defect in materials or workmanship for a period of not less than five years from the date of the Certificate of Completion.

(n) Current good standing certificates and certified copies of the Organizational Documents for Borrower, its general partner(s)/managing member(s), Guarantor(s) and such other parties as required by LHC.

(o) Evidence that the Low Income Housing Tax Credits initially awarded to Borrower are still available and committed to Borrower for the Project and evidence of an initial contribution from Investor showing an intent to purchase the tax credits.

(p) A certificate of Borrower reaffirming the representations and warranties contained in the Loan Documents.

(q) Lien-free completion of the Project (as evidenced by final lien waivers in form and substance satisfactory to LHC and its counsel from the general contractor and all major subcontractors, and expiration of the lien periods provided by applicable Louisiana law, with no liens being filed against the Project) and completion of the Project within eighteen (18) months following the actual construction start date.

(r) Any approval required by any governmental authority to the extent that any such approval is a condition to the lawful use and occupancy of the Project.

(s) A complete list of any contractor(s) or subcontractor(s) who have performed work on, or furnished materials for, the Project.

5.6 Right to Withhold Funding. LHC may elect to withhold any Draw Request, notwithstanding the substance of any report of the Inspector, or any documentation submitted to LHC in connection with a Draw Request, if there is an Event of Default, or if LHC reasonably determines at any time that the actual cost budget or progress of construction differs materially from that as shown on the contractor's cost breakdown, or that the percentage of progress of construction of the Project differs materially from that as shown on the Draw Request for the period in question. Furthermore, if any instrument or document submitted by Borrower in connection with any Draw Request shall not, in the reasonable exercise of LHC's discretion, comply in all material respects with the conditions and requirements of this Agreement then LHC may amend, reduce or withhold funding of any request, as LHC, in its reasonable and timely discretion, shall deem proper under the circumstances.

5.7 Payment of Draw Requests. If all conditions precedent to LHC's obligations hereunder and to the Draw Request have been performed to the reasonable satisfaction of LHC, Borrower hereby directs LHC to make the Draw Request, in accordance with this Agreement, payable to Borrower or as LHC may otherwise elect, and LHC shall make each Draw Request in the amount justified by the applications, affidavits, certificates and other evidence submitted to LHC under Section 3 hereof. Notwithstanding the foregoing, if the draws are made on a pari passu basis, the amount so requested shall not exceed LHC's pari passu share of the total amount of the Total Development Costs multiplied by the percentage of completion then attained less the aggregate of all amounts theretofore advanced and soft costs approved by LHC. The proceeds of each Draw Request hereunder shall be applied solely and exclusively to payment, or to reimbursement of Borrower for payment, of the Total Development Costs

and soft costs approved by LHC, and Borrower agrees at any time and from time to time, upon request of LHC, to exhibit to LHC receipts, vouchers, statements, bills of sale or other evidence satisfactory to LHC of actual payment of such Total Development Costs approved by LHC. Notwithstanding the foregoing, LHC may apply any amounts due Borrower hereunder toward satisfaction of any of the terms or conditions of this Agreement, and amounts so applied shall be part of the Loan and shall be secured by the lien of the Mortgage, and all disbursements from any “contingency” categories shall be made at LHC’s sole and absolute discretion.

SECTION 6 LOAN COMPLIANCE REQUIREMENTS

6.1 Applicable Laws. Borrower agrees to abide by any and all (a) federal, state, parish and municipal laws, codes, ordinances, rules and regulations applicable to the Project, whether presently existing or hereafter promulgated, including without limitation environmental laws, building codes, land use, and zoning codes, (b) all CDBG Program requirements, HUD regulations and the provisions of 24 CFR Part 570, as amended from time to time, and (c) all federal regulations and policies issued pursuant to these regulations. Borrower acknowledges the provisions of Chapter 15 of Title 42 of the Louisiana Revised Statutes (R.S. 42:1101 et seq., Code of Governmental Ethics), and agrees to immediately notify the State of Louisiana, Division of Administration, if potential violations of the Code of Governmental Ethics arise at any time during the term of this Agreement.

6.2 Uniform Administrative Requirements. Borrower acknowledges that LHC must comply with the Uniform Administrative requirements set forth in 24 CFR Section 570.502, and the Federal Office of Management and Budget “OMB” Circular A-87 and implementing regulations in 24 CFR Parts 85, OMB Circulars A-128 and A-133. Borrower agrees to supply LHC with documentation concerning the Project in order to ensure that LHC is in compliance with its responsibilities therein regarding source documentation for all costs incurred.

6.3 Records. Borrower shall comply with 24 CFR Section 570.506 and 24 CFR Section 85.42 regarding records that must be maintained for the Project. Borrower shall maintain all Project financial records, including source documentation to support how CDBG funds loaned to Borrower hereunder were expended, which includes, but is not limited to, invoices, schedules containing comparisons of budgeted amounts and actual expenditures, and other documentation as may be required by LHC or HUD to support the expenditures for this Project. All supporting documents shall be maintained in accordance with the requirements of 24 CFR §85 or for such other period required by LHC or HUD. The records shall be made available to LHC, HUD, the Louisiana Legislative Auditor and/or any of their authorized representatives, who shall have access to and the right to examine any of the Project records during such period. All record keeping requirements set forth in this Agreement or any record keeping requirements mandated by CDBG regulations shall survive termination of this Agreement.

6.4 Monitoring. Borrower will allow on-site monitoring of the Project by LHC or an agent on its behalf, at such times as LHC or HUD deems necessary or required, and LHC and/or HUD shall have the right, but shall be under no obligation, to conduct any reasonable monitoring to determine compliance with the CDBG Regulatory Agreement and this Agreement, including but not limited to the right to enter the Project (upon 48 hours prior written notice to the Borrower), to inspect the Project, to inspect the books and records kept regarding the Project, and the right to inquire and receive responses from Borrower regarding the Project and its operation at any time that may be required by LHC or HUD.

6.5 Religious and Political Activities. Borrower is prohibited from using Loan proceeds or personnel employed in the administration of the Program for sectarian or religious activities, lobbying, political patronage and/or nepotism activities. Borrower further agrees that no funds provided, nor

personnel employed under this Agreement, shall be in any way or to any extent engaged in the conduct of political activities in violation of Chapter 15 of Title V United States Code (Hatch Act), 24 CFR Section 570.207(a)(3), or 24 CFR Section 570.200(j).

6.6 Section 3 of the Housing and Urban Project Act of 1968. Borrower agrees to comply with the provisions of Section 3 of the Housing and Urban Project Act of 1968 (12 U.S.C. §1701u) and implementing regulations contained in 24 CFR Part 135 regarding economic opportunities for low and very low income persons. Borrower shall also keep records demonstrating compliance with the foregoing regulations, including without limitation the provisions of 24 CFR Section 570.506(g)(5).

6.7 Equal Employment Opportunity. Borrower agrees to comply with 24 CFR Section 570.607, Executive Order 11246, as amended by E.O. 11375, and the implementing regulations in 41 CFR Part 60.

6.8 Non-Discrimination. Borrower shall not, on the grounds of race, color, religion, national origin, ethnicity, familial status, sexual orientation or gender, exclude any person from participation in, or deny any person the benefits of, or subject any person to discrimination with respect to, any part of the Project. Borrower shall at all times comply with Title VI of the Civil Rights Act of 1964 (42 U.S.C. §2000d, et seq.) and implementing regulations in 24 CFR Part 1. Borrower shall also not discriminate on the basis of age under the Age Discrimination Act of 1975 (42 U.S.C. §6101, et seq.) and the implementing regulations contained in 24 CFR Part 146, or on the basis of disability as provided in Section 504 of the Rehabilitation Act of 1973, and the implementing regulations contained in 24 CFR Part 8.

6.9 Fair Housing Act. Borrower shall comply with the Fair Housing Act (42 U.S.C. §§3601-3620) and Executive Order 11063, as amended by Executive Order 12259 (Equal Opportunity in Housing) and implementing regulations in 24 CFR Part 107 and keep all records demonstrating compliance with the foregoing.

6.10 Davis-Bacon Act. Borrower agrees to comply with 24 CFR Section 570.603, and the requirements of the Secretary of Labor in accordance with the Davis-Bacon Act (40 U.S.C. §3141 et seq.) as it applies to any construction work financed in whole or in part with CDBG funds. All contracts and subcontracts for construction shall include a provision for compliance with the Davis-Bacon Act and supporting Department of Labor regulations. Borrower shall maintain documentation and records which demonstrate compliance with hour and wage requirements, including contract provisions and payroll records.

6.11 Copeland “Anti-Kickback” Act. Borrower agrees to comply with the Copeland “Anti-Kickback” Act (18 U.S.C. §874) as supplemented by the Department of Labor regulations contained in 29 CFR Part 3.

6.12 Contract Work Hours and Safety Standards Act. Borrower agrees to comply with the Contract Work Hours and Safety Standards Act (40 U.S.C. §§3701 to 3708), as supplemented by the Department of Labor regulations contained in 29 CFR Part 5.

6.13 Handicapped Accessibility Requirements. The Project shall be accessible to and usable by individuals with handicaps, in compliance with the Architectural Barriers Act of 1968 (42 U.S.C. §§4151-4157), the Uniform Federal Accessibility Standards, as set forth in 24 CFR Section 570.614, and the Americans with Disabilities Act of 1990.

6.14 Resident Aliens. Borrower agrees to comply with the requirements set forth in 24 CFR Section 570.613 regarding eligibility restrictions for certain resident aliens.

6.15 Debarment and Suspension. In connection with this Project, Borrower shall comply with the debarment and suspension requirements set forth in 24 CFR Part 5 and 24 CFR Part 24. Borrower shall not enter into a contract with any person, agency or entity that is debarred, suspended or otherwise excluded from or ineligible for participation in federal assistance programs under Executive Order 12549 or 12689. In the event that Borrower has entered into a contract or subcontract with a debarred or suspended party, no CDBG funds will be provided as reimbursement for the work done by that debarred or suspended contractor or subcontractor.

6.16 Environmental Review Requirements. No choice limiting action with respect to the Project may commence until Borrower has received written approval of its environmental assessment from LHC, pursuant to 24 CFR Part 58. Choice limiting actions include, without limitation: closing of the Loan, acquisition of the Project site, demolition on the Project site, grading of the Project site, and commencement of construction. In connection with any construction or improvements to the Project, Borrower must submit an environmental report in form and substance acceptable to LHC, which must provide an environmental assessment of such construction in accordance with 24 CFR Part 58, and be approved by LHC before commencing such work. Violation of this requirement may result in delay, postponement or cancellation of any payment of Loan proceeds.

6.17 Lead Based Paint Prohibited. For existing properties built prior to 1978, Borrower agrees that it shall not use lead-based paint in the Project and shall comply with the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. §4831(b)), and the Residential Lead-Based Paint Hazard Reduction Act of 1992 (42 U.S.C. §§4851-4856) and implementing regulations at 24 CFR Part 35. Borrower shall maintain records demonstrating compliance with the foregoing lead based paint requirements. To the extent that lead-based paint is located in any existing buildings at the Project, Borrower shall provide LHC with a plan for handling such lead-based paint in a safe manner, and in accordance with the foregoing regulations, and comply with the plan during any construction at the Project.

6.18 Historic Preservation. To the extent applicable, Borrower agrees to comply with the Historic Preservation requirements set forth in the National Historic Preservation Act of 1966, as amended (16 U.S.C. §470) and the procedures set forth in 36 CFR Part 800, Advisory Council on Historic Preservation Procedures for Protection of Historic Properties, insofar as they apply to the Project. In general, this requires concurrence from the State Historic Preservation Officer for all rehabilitation and demolition of historic properties that are fifty (50) years old or older or that are included on a Federal, State, or local historic property list.

6.19 Flood Disaster Protection. Borrower shall obtain a flood zone certificate certifying that the Project is not located in a special flood hazard area (“**Flood Hazard Area**”) as identified by Federal Emergency Management Agency (“**FEMA**”), or if located in a Flood Hazard Area, the designation of the Flood Hazard Area in which the Project is located. Borrower shall comply with all requirements listed in the FEMA Special Flood Hazard Area Flood Maps. Borrower agrees to comply with the requirements of the Flood Disaster Protection Act of 1973 (42 U.S.C. §4106) and implementing regulations in 44 CFR Parts 59 through 79 in regard to the sale, lease or other transfer of land acquired, cleared or improved under the terms of this Agreement, as it may apply to the provisions of this Agreement.

6.20 Permits. Borrower agrees to obtain and maintain all necessary permits for intended improvements or activities for the Project, and for the operation of the Project.

6.21 Displacement, Relocation, Acquisition and Replacement of Housing. Borrower shall comply with 24 CFR Section 570.606 and shall keep all records demonstrating compliance with these requirements including, but not limited to, those records required in 24 CFR Section 570.506. Borrower must comply with applicable requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 as amended (49 CFR Part 24) and Section 104(d) of the Housing and Community Project Act of 1974 as amended. These requirements are explained in HUD Handbook 1378 and specify the procedures for the acquisition of property and the treatment of tenants located in the Project.

6.22 Conflict of Interest. Borrower shall comply with the conflict of interest provisions contained in 24 CFR Sections 570.611, 84.42 and 85.36, as applicable.

6.23 Rehabilitation Act. Borrower shall comply with Section 504 of the Rehabilitation Act of 1973, and the implementing regulations contained in 24 CFR Part 8.

6.24 Program Requirements. Borrower and the Project shall comply with all rules and regulations set forth in the 2019 CDBG-DR Program Description, or applicable to the use of CDBG funds at all times during the term of this Agreement, the Loan and the CDBG Regulatory Agreement.

6.25 Management. Borrower shall at all times provide for professional management of the Project by a residential rental property manager satisfactory to LHC under a contract approved by LHC in writing which allows for termination of the manager at will. At any time that Borrower fails to be in compliance with the terms hereof or the CDBG Regulatory Agreement, LHC may require that Borrower replace the current manager with a new manager satisfactory to LHC.

6.26 Tenants with Relationships with Borrower. Borrower shall not allow any relative (whether by blood, marriage or adoption), employee, officer, agent or consultant of Borrower or the developer, or any relative (whether by blood, marriage or adoption) of any shareholder or member or partner of Borrower, if Borrower is an entity, to rent or occupy any unit in the Project without first disclosing such relationship to LHC accompanied by assurance and documentation to evidence that (a) such relative, employee, officer, agent or consultant is income-qualified and otherwise meets the screening criteria of the Project, and (b) either (i) such person was occupying the Project prior to the date of the Application or (ii) such person's application was processed in the order in which it was received, with no preference being given, consistent with the Project's resident selection criteria and application processing standards and the availability of units in the Project was adequately advertised to the general public. This provision does not apply to an individual who occupies a non-revenue unit as the project manager or maintenance worker.

SECTION 7 **SENIOR LOAN DOCUMENTS**

7.1 Senior Loan. LHC acknowledges and agrees that Borrower may enter into the Senior Loan affecting the Project, secured by a Senior Mortgage, and evidenced by the Senior Loan Documents. LHC agrees to subordinate the lien of its Mortgage to the Senior Mortgage. All liens and encumbrances on the Project, including the lien evidenced by the Senior Mortgage shall remain subject to and subordinate to the CDBG Regulatory Agreement.

LHC further acknowledges and agrees that the Loan shall remain subordinate to the Senior Loan in the event of a refinancing of the Senior Loan (the "Refinancing"); provided that, unless LHC provides its prior written consent, (a) the annual debt service on the Senior Loan is not increased beyond what was required prior to the Refinancing, (b) the maximum amount of the Senior Loan is not increased or its

maturity date extended, and (c) the Refinancing does not require LHC to modify the terms of its Loan Documents or otherwise extend the term of its Loan, or have a material or adverse effect on the Loan.

7.2 Permanent Mortgage Loan Covenants. Borrower warrants, and represents and covenants as follows:

(a) Borrower shall comply with all of the terms, covenants and conditions contained in the Permanent Mortgage Loan Documents.

(b) The terms and conditions of the Senior Loan shall acknowledge and permit the Loan, shall be subject to the CDBG Regulatory Agreement, and shall consent to the existence of, execution and delivery of the Loan Documents.

(c) Borrower shall obtain an agreement from the holder of the Senior Loan to give LHC written notice of any default by Borrower under the Permanent Mortgage Loan Documents, and an opportunity (but not the obligation) to cure such default on behalf of the Borrower before foreclosing on the Project under the Permanent Mortgage Loan Documents.

(d) To the extent the Permanent Mortgage Loan Documents require deposits by Borrower into a reserve account(s) for the payment of taxes and insurance, or for repair and replacement of the Project units, LHC acknowledges and agrees that Borrower's compliance with the reserve requirements under the Permanent Mortgage Loan Documents shall satisfy any similar reserve requirements contained in the Loan Documents.

SECTION 8 DEFAULTS AND REMEDIES

8.1 Events of Default. The following shall each constitute an event of default under this Agreement (each an “Event of Default”, and, collectively, “Events of Default”):

(a) If Borrower fails to make any payments due to LHC under the Note, or the other Loan Documents as and when due, and such failure continues for a period of ten (10) days following written notice of such failure of payment to Borrower and Guarantor listed in Section 10.7 of this Agreement;

(b) If Borrower or any Guarantor fails to comply with any regulations governing the award and use of CDBG funds, including, but not limited to, 24 CFR Part 570, or fails to comply with any of the terms and conditions or covenants contained this Agreement or any of the Loan Documents applicable to Borrower or any Guarantor, and such failure continues for a period of thirty (30) days following written notice thereof to Borrower and any Guarantor listed in Section 10.7 of this Agreement;

(c) If at any time any warranty or representation made by Borrower in any Loan Document, instrument, agreement, certification or communication submitted by Borrower or any Guarantor to LHC is determined by LHC in its sole and reasonable discretion to be false, misleading, or incorrect in any manner;

(d) If any other default occurs under the Loan Documents, and such default is not cured within the applicable cure period set forth in such Loan Document, or if there is no cure period set forth therein, then within thirty (30) days following the date of written notice of such default to Borrower and any Guarantor listed in Section 10.7 of this Agreement.

(e) If Borrower or any Guarantor defaults under any of the Permanent Mortgage Loan Documents, if applicable, and fails to cure the same within the time periods granted in such Permanent Mortgage Loan Documents subject to the terms of the Subordination Agreement;

(f) If Borrower or any Guarantor defaults under any other loan, promissory note, project based rental assistance contract, loan agreement, mortgage, indenture, regulatory agreement, security agreement, assignment or other agreement between Borrower (or any Guarantor) and LHC, and such failure is not cured within any grace or cure period granted therein; or

(g) The occurrence of any of the events specified in Section 3.1(c); or

(h) Borrower or the Project falls out of compliance with the requirements stipulated in CDBG Regulatory Agreement and the other Loan Documents or fails upon request by LHC to provide sufficient documentation to demonstrate compliance with the CDBG Regulatory Agreement and the other Loan Documents; or

(i) Borrower fails upon request of LHC to replace the manager of the Project as provided in Section 5.25; or

(j) Borrower sells, transfers or otherwise disposes of the Project, or any portion thereof, or refinances the Senior Loan, without obtaining the prior written consent of LHC except as otherwise provided herein.

8.2 Cure by Investor, Guarantor or LHC. LHC agrees to provide written notice of an Event of Default to any Investor or Guarantor listed in Section 13.7 of this Agreement and to allow Investor or Guarantor the opportunity to cure any default of Borrower on behalf of Borrower and to the same extent as Borrower. Borrower agrees that LHC shall be entitled to rely upon and to accept any offer of cure made by any such Investor or Guarantor.

8.3 No Waiver. Failure of LHC to declare an Event of Default under this Agreement shall not constitute a waiver of any rights by LHC. Any waiver of an Event of Default or forbearance by LHC in exercising any right or remedy under this Loan Agreement or any other Loan Document or otherwise afforded by applicable law, shall not be a waiver of any other Event of Default or preclude the exercise or failure to exercise of any other right or remedy. Furthermore, LHC's election to cure any Borrower default shall in no event be construed as a waiver of rights with respect to any other default, past or present. The acceptance by LHC of payment of all or any part of the Indebtedness after the due date of such payment, or in an amount which is less than the required payment, shall not be a waiver of LHC's right to require prompt payment when due of all other payments on account of the Indebtedness or to exercise any remedies for any failure to make prompt payment. LHC's receipt of any condemnation awards or insurance proceeds shall not operate to cure or waive any Event of Default.

8.4 Remedies. Upon the occurrence of any Event of Default, LHC shall be entitled to terminate this Agreement, enforce Borrower's obligations pursuant to specific performance or withhold any further funding and/or exercise all rights and remedies available to it under the terms of this Agreement, the other Loan Documents, and applicable state and federal law, including without limitation, taking any, all, one or some of the following actions in any order it deems appropriate: (a) accelerate the payment of the Note and the Indebtedness; (b) commence appropriate legal and equitable action to foreclose the Mortgage and collect all such amounts due LHC as a result of the default; (c) exercise any one or more of the actions contained in 24 CFR Parts 84.62(a)(1-5), 85.43 and 85.44; (d) impose sanctions as enumerated in Section 9.0 of the 2019 CDBG-DR Program Description; (e) require the full reimbursement of all funds advanced by LHC to the Borrower, with default interest at the Default Rate

from the date of such default; (f) issue a letter of warning that advises the Borrower of the deficiency and notifies the Borrower that additional action will be taken if the deficiency is not corrected or is repeated; (g) advise the Borrower that additional information or assurances will be required before acceptance of one or more of the certifications required for future CDBG projects; (h) notify the Borrower of suspension or termination of funds for the violation of a specific activity; (i) advise the Borrower to reimburse the Loan in any amount improperly expended; (j) refrain from extending any further assistance to the Borrower until such time as the Project and the Borrower are in full compliance; (l) require that Borrower replace the Project manager; (m) withhold funding to Borrower and its Affiliates on other CDBG awards; (n) deny any and all future applications by Borrower and its Affiliates on future CDBG programs implemented by LHC; (o) require such corrective actions as may be specified by LHC from time to time; or (p) ignore any period of time for which Borrower and the Project have been in compliance and require compliance for a period equal to any interim period of noncompliance. All remedies shall be deemed cumulative and, to the extent permitted by law, the election of one or more remedies shall not be construed as a waiver of any other remedy LHC may have available to it.

SECTION 9 INDEMNIFICATION AND INSURANCE

9.1 Environmental Indemnification. Borrower agrees to indemnify and to defend and hold LHC (for purposes of this Section, the term "LHC" shall include the employees, consultants, counsel, attorneys and agents of LHC) harmless against any liability, claims or losses including reasonable attorney's fees and costs arising from, or in any way related to, the environmental condition of the Project, including, but not limited to, the cost of investigating, defending, and/or negotiating to a satisfactory conclusion claims made by environmental regulatory agencies, as well as all cleanup and property maintenance requirements imposed by any agency with lawful jurisdiction over the Project. This indemnification shall run from the time of initial discovery of any such adverse environmental condition and shall not be construed to commence only upon realization by LHC of an actual pecuniary loss as a result of such adverse environmental condition. The existence of this indemnification agreement shall not be construed as an indicia of ownership, management, or control of the Project by LHC and Borrower hereby recognizes and acknowledges that LHC is not an owner or manager of the Project and does not exert any control thereupon. Notwithstanding anything herein or in the other Loan Documents to the contrary, this indemnification provision shall survive the termination and/or release and/or satisfaction of this Agreement and the other Loan Documents and shall continue in full force and effect so long as the possibility of such liability, claims, or losses exist. No amendment of this Agreement by Borrower and any assignee of LHC shall in any way change or lessen the indemnification obligations of Borrower hereunder.

9.2 Indemnification from Third Party Claims. Borrower shall indemnify, defend and hold harmless LHC (for purposes of this Section, the term "LHC" shall include the employees, consultants, counsel, attorneys and agents of LHC) from any liability, claims or losses including reasonable attorney's fees and costs, resulting from the disbursement of the proceeds of the Loan to Borrower or related in any way to the Project, whether related to the quality of construction or otherwise, and whether arising during or after the term of the Loan. This provision shall survive the termination and/or release and/or satisfaction of this Agreement and the other Loan Documents and shall continue in full force and effect so long as the possibility of such liability, claims, or losses exist. No amendment of this Agreement by Borrower and any assignee of LHC shall in any way change or lessen the indemnification obligations of Borrower hereunder. The Borrower shall, on demand, pay or reimburse LHC and its assignees and agents for (a) all transfer, documentary, stamp and similar taxes, broker's fees and commissions, surveys, travel expenses, photocopying, secretarial overtime and long distance telephone charges (including but not limited to those imposed by LHC's counsel), abstracting charges, policies and all endorsements therefor,

license and permit fees, fees and costs of LHC's inspector and disbursing agent(s), and all recording and filing fees, payable in connection with, arising out of or in any way related to the execution, delivery and performance of the Loan Documents or the making of the Loan, and (b) all of LHC's costs and expenses including reasonable fees and disbursements of legal counsel and other experts employed or reasonable retained by LHC incurred, and all payments made, and indemnify and hold LHC harmless from and against all losses suffered, by LHC in connection with, arising out of, or in any way related to (i) the negotiation, preparation, execution and delivery of (A) the Loan Documents (whether or not executed), (B) any waiver, amendment or consent thereunder or thereto, (ii) the administration of any operations under the Loan Documents, (iii) consulting with respect to any matter in any way arising out of, relating to, or connected with, the Loan Documents, including but not limited to the enforcement by LHC of any of its rights thereunder or the performance by LHC of any of its obligations thereunder, (iv) protecting, preserving, exercising or enforcing any of the rights of LHC under the Loan Documents, (v) any appraisals, (vi) any claim (whether asserted by LHC, the Borrower or any other person and whether asserted before or after the payment, performance and observance in full of the Borrower's obligations hereunder, under the Note, or the other Loan Documents) and the prosecution or defense thereof, in any way arising under, related to, or connected with, the Loan Documents or the relationship established hereunder and thereunder, (vii) any governmental investigation arising out of, relating to, or in any way connected with the Loan Documents. WITHOUT LIMITATION, IT IS THE INTENTION OF BORROWER AND BORROWER AGREES THAT THE FOREGOING INDEMNITIES IN SECTION 8.1 ABOVE AND THIS SECTION 8.2 SHALL APPLY WITH RESPECT TO ALL CLAIMS, DEMANDS, LIABILITIES, LOSSES, DAMAGES (INCLUDING WITHOUT LIMITATION CONSEQUENTIAL DAMAGES), CAUSES OF ACTION, JUDGMENTS, PENALTIES, REASONABLE COSTS AND EXPENSES (INCLUDING WITHOUT LIMITATION REASONABLE ATTORNEYS' FEES AND EXPENSES) WHICH IN WHOLE OR IN PART ARE CAUSED BY OR ARISE OUT OF THE NEGLIGENCE OF LHC except that the foregoing indemnities shall not be applicable to any loss suffered by LHC to the extent such loss is determined by a judgment of a court that is binding on LHC, final and not subject to review on appeal, to be the result of acts or omissions on LHC's part constituting intentional misconduct or gross negligence.

Borrower hereby authorizes LHC to pay any and all reasonable expenses or other amounts for which Borrower is obligated under this Section from the proceeds of disbursement under the Loan, and no further authorization for such disbursement and payment shall be required from Borrower or any guarantor, if any. In no event shall LHC be obligated to make any such disbursement or payment and Borrower shall in any event remain unconditionally obligated to pay any and all such reasonable amounts. All obligations of Borrower under this Section shall be part of the obligations secured by the Project encumbered by the Mortgage and the other Loan Documents.

9.3 Insurance. Without limiting Borrower's indemnification, it is agreed that Borrower shall maintain in force at all times during the performance of this Agreement all appropriate policies of insurance hereinafter described concerning the Project and the Borrower's operations. Certificates with valid and authorized endorsements, evidencing the maintenance and renewal of such insurance coverage shall be delivered to LHC at the closing of the Loan. LHC shall be given notice in writing at least thirty (30) calendar days in advance of cancellation or modification of any policy of insurance. LHC shall be named as an additional named insured on all policies of liability insurance. The amount of the deductible in each policy of insurance shall be for an amount acceptable to LHC.

(a) All policies of insurance shall be written by a company or companies authorized by law to transact insurance business in the State of Louisiana, reasonably acceptable to LHC. In addition, such policies shall provide that the coverage shall be primary for losses arising out of Borrower's performance of the Agreement. Neither LHC nor any of its insurers shall be required to contribute to any such loss.

All insurance policies shall include a standard mortgagee clause (without contribution) in favor of and acceptable to LHC.

(b) At least thirty (30) calendar days prior to the expiration of any of the insurance policies referenced in this Section 9.3, Borrower shall provide LHC with evidence of the renewal of all such insurance policies in a form satisfactory to LHC.

(c) The policies of insurance which must be secured under this Agreement are as follows:

(i) Commercial General Liability Insurance. Borrower must secure commercial general liability insurance to include, but not be limited to, public liability and property damage coverage. The policy's limit liability amount shall not be less than Two Million and 00/100 (\$2,000,000.00) Dollars per person/ per occurrence for bodily injury to, or death to, one or more than one person and not less than One Million and 00/100 (\$1,000,000.00) Dollars per occurrence for property damage. In lieu of this requirement, Borrower may provide evidence of an umbrella insurance policy providing comparable coverage for the Project.

(ii) Workers' Compensation Coverage. If applicable, all employees of Borrower must be included under such policy in an amount and with coverage to meet all requirements of Louisiana law.

(iii) Flood Insurance. If the Project is located in a Special Flood Hazard Area under the FEMA Flood Maps, any dwelling on any part of the Project shall be insured under a policy of flood insurance in the amount equal to the lesser of (a) 100% of the insurable value of the improvements as determined by the Project insurer, or (b) the maximum amount of flood insurance coverage available under the National Flood Insurance Program.

(iv) All Risk Insurance. Borrower shall obtain and maintain All Risk insurance coverage, which coverages and risks insured meet the standards established in Part V, Section 106 of the Fannie Mae D.U.S. Guide, effective November 3, 2003, as amended from time to time, to the extent available at commercially reasonable rates and satisfactory to LHC, on the Project, and all movable and immovable property securing the Indebtedness.

(v) Other Insurance. Borrower shall maintain such other insurance as may be required by LHC from time to time, insuring such risks and in such amounts as determined by LHC in its sole discretion, to the extent available at commercially reasonable rates.

9.4 Damage, Destruction, and Condemnation. In the event that the Project is damaged or destroyed or title to the Project, or any part thereof, is taken by any governmental body through the exercise or the threat of the exercise of the power of eminent domain, subject to the rights of any mortgagee and the provisions of any mortgage regarding same, the Borrower, within sixty (60) days of such event, shall deposit with LHC any insurance proceeds or any condemnation award, and shall within one hundred twenty (120) days of such event, commence to rebuild, replace, repair or restore the Project in such manner as is consistent with the Loan Documents and/or Program. LHC shall make any such insurance proceeds or condemnation award moneys available to provide funds for such restoration work. In the event that the Borrower fails to commence or to complete the rebuilding, repair, replacement or restoration of the Project timely, LHC shall have the right, in addition to any other remedies granted in the Loan Documents at law or in equity, to repair, restore, rebuild or replace the Project so as to prevent the occurrence of a default hereunder.

SECTION 10

BORROWER'S REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants to LHC, as follows:

10.1 Organization and Standing. Borrower is a [limited partnership/limited liability company] duly organized and validly existing under the laws of the State of _____, and duly qualified to do business in Louisiana. Borrower has full limited partnership power and authority to conduct its business as presently conducted, and Borrower has the full power and authority to enter into and perform under the Loan Documents and to carry out the transactions contemplated hereby.

10.2 Authority. The execution, delivery and performance by Borrower of the Loan Documents, and the consummation by Borrower of the transactions contemplated by the Loan Documents, have been duly authorized by all necessary partners. The Loan Documents have been duly executed and delivered by, and constitute valid and binding obligations of Borrower enforceable against it in accordance with their respective terms, subject as to enforcement of remedies to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting generally the enforcement of creditors' rights and subject to a court's discretionary authority with respect to the granting of a decree ordering specific performance or other equitable remedies.

10.3 Noncontravention. The execution of and performance of the transactions contemplated by the Loan Documents and compliance with the provisions hereof by Borrower will not (a) conflict with or violate any provision of the organizational documents of Borrower, (b) require on the part of Borrower any filing with, or any permit, authorization, consent or approval of, any court, arbitral governmental authority, administrative agency or commission or other governmental authority, (c) conflict with, result in a breach of, constitute (with or without due notice or lapse of time or both) a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify or cancel, or require any notice, consent or waiver under, any contract, lease, sublease, license, sublicense, franchise, permit, indenture, agreement or mortgage for borrowed money, instrument of indebtedness, security interest or other arrangement to which Borrower is a party or by which Borrower is bound or to which its assets are subject, (d) result in the imposition of any mortgage, lien or security interest upon any assets of Borrower other than in favor of LHC or (e) violate any order, writ, injunction, decree, statute, rule or regulation applicable to Borrower or any of its properties or assets.

10.4 Governmental Consents. No consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any governmental authority is required on the part of Borrower in connection with the execution and delivery of the Loan Documents.

10.5 Title to Project. Subject to and except for the "**Permitted Exceptions**" described on **Exhibit B - Permitted Exceptions**, Borrower has good title to the Project, free and clear of any mortgages, liens, or other security interest other than those in favor of LHC.

10.6 Compliance. Borrower has, in all material respects, complied with all laws, regulations and orders applicable to its present and proposed business and has or will have all material permits and licenses required thereby.

10.7 Tax Returns, Payments and Elections. Borrower has filed all tax returns and reports as required by law. These returns and reports are true and correct in all material respects.

10.8 Disclosure. Neither this Agreement nor any other statements, documents or certificates made or delivered in connection herewith or therewith contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements herein or therein not misleading.

10.9 Construction and Compliance with Laws. To Borrower's knowledge there are no structural defects in the Project and no violation of any applicable zoning, building or any other local, state or federal laws, ordinances and regulations existing with respect to the use and construction thereof; and Borrower shall obtain all licenses, permits and approvals required by all local, state and federal agencies regulating such construction and use and such licenses, permits and approvals shall remain in good standing; and Borrower is and shall remain in compliance, in all material respects, with all laws, regulations, ordinances and orders of all governmental authorities.

10.10 Financial Statements. The financial statements of Borrower and any Guarantor delivered to LHC are true and correct in all material respects, and fairly present the respective financial conditions of the parties thereof as of the respective dates thereof, and no material adverse change has occurred in the financial conditions reflected therein since the respective dates thereof and no additional borrowings have been made by Borrower since the date thereof other than the borrowing contemplated hereby.

10.11 Priority of Lien on Personality. Except for lien rights of any Senior Mortgage holder, no chattel mortgage, bill of sale, security agreement, financing statement or other title retention agreement (except those executed in favor of LHC) has been or will be executed with respect to any movable property, chattel or fixture used in conjunction with the construction, operation, or maintenance of the Project as described.

10.12 Pending Litigation. There are no actions, suits or proceedings pending against Borrower or the Project, or, to the knowledge of Borrower, circumstances which could lead to such action, suits or proceedings against or affecting Borrower or the Project, or involving the validity or enforceability of any of the Loan Documents, before or by any governmental authority, except actions, suits and proceedings which have been specifically disclosed to and approved by LHC; and to Borrower's knowledge it is not in default with respect to any order, writ, injunction, decree or demand of any court or any governmental authority.

10.13 Hazardous Waste. Borrower is in compliance, in all material respects, with all provisions of the Federal Water Pollution Control Act, Comprehensive Environmental Response, Compensation and Liability ("Superfund") Act of 1980, the Environmental Protection Act, the Resource Conservation and Recovery Act ("RCRA") and Solid Waste Disposal Act, and other similar federal, state and local statutory schemes imposing liability on Borrower relating to underground tanks and other storage facilities, or the generation, storage, impoundment, disposal, discharge, treatment, release, seepage, emission, transportation or destruction of any sewage, garbage, effluent, asbestos or asbestos containing materials, polychlorinated biphenyls (PCBs), toxic, hazardous or radioactive materials, petroleum products, pesticides, smoke, dust, or any other form of pollution as such laws are in effect as of the date of this Agreement and with any rules, regulations and orders issued by any federal, state or local governmental body, agency or authority thereunder and with any orders or judgments of any courts of competent jurisdiction with respect thereto, and no assessment, notice of (primary or secondary) liability or notice of financial responsibility, or the amount thereof, or to impose civil penalties has been received by Borrower. Borrower has paid any environmental excise taxes imposed upon it with respect to the Project pursuant to Sections 4611, 4661 or 4681 of the Internal Revenue Code of 1986, as from time to time amended.

10.14 Other Financing. Other than as disclosed on **Schedule 9.14** attached hereto, the Borrower has not received any other financing for the construction and operation of the Project other than the Loan.

10.15 Use of the Project. To the best of Borrower's knowledge, there is no (a) plan, study or effort by any governmental authority or any non-governmental person or agency which may adversely affect the current or planned use of the Project, or (b) any intended or proposed governmental requirement (including, but not limited to, zoning changes) which may adversely affect the current or planned use of the Project. There is no moratorium or like governmental order or restriction now in effect with respect to the Project and, to the best of Borrower's knowledge, no moratorium or similar ordinance or restriction is now contemplated.

10.16 OSHA Matters. The Borrower has duly complied with, and its properties are in full compliance in all material respects with, the provisions of the Federal Occupational Safety and Health Act, and all rules and regulations thereunder and all similar state and local laws, rules and regulations, and there have been no outstanding citations, notices or orders of noncompliance issued to Borrower relating to its businesses or properties under any such laws, rules or regulations.

10.17 Availability of Utilities. All utility services necessary for the operation of the Project for its intended purpose are available at the boundaries of the Project, including water supply, storm and sanitary sewer facilities, and gas, electric and telephone facilities, and Borrower has obtained all necessary permits and permissions required from governmental authorities for unrestricted access to and use of such services in connection with the construction and use of the Project.

10.18 Availability of Roads. All roads necessary for the full utilization of the Project for its intended purposes have either been completed or the necessary rights of way therefor have either been acquired by the appropriate local authorities or have been dedicated to public use and accepted by such local authorities and all necessary steps have been taken by Borrower and such local authorities to assure the complete construction and installation thereof.

10.19 No Default. There is no default on the part of Borrower under this Agreement or the Loan Documents, or any Permanent Mortgage Loan Documents, and no event has occurred and is continuing which with notice, or the passage of time, or either, would constitute an Event of Default under any provision thereof.

10.20 Continuing Nature of Representations and Warranties. Each of the representations and warranties of Borrower contained in this Loan Agreement shall survive the execution of the Agreement, and shall be continuing until such time as all amounts due LHC under the Loan Documents and the other obligations shall have been fully paid.

SECTION 11 AFFIRMATIVE COVENANTS OF BORROWER

While this Agreement is in effect, Borrower covenants and agrees as follows:

11.1 Taxes. Borrower shall promptly pay, or cause to be paid, when due and payable, any and all taxes relating to all or any part of the Project or to Borrower, or which are or become payable by Borrower, except those taxes which it contests in good faith and for which adequate reserves have been established.

11.2 Changes in Facts or Circumstances. Borrower shall promptly notify LHC of any material change in any fact or circumstance represented or warranted by Borrower in this Agreement or any of the Loan Documents.

11.3 Notice of Default. Borrower shall promptly notify LHC in writing of any condition or event known to Borrower which constitutes an Event of Default under the Note, this Agreement, or any of the other Loan Documents or which, with or without the giving of notice or the lapse of time or both, would constitute any such Event of Default, and of any litigation or threatened litigation.

11.4 Performance. Borrower shall abide by, perform and be governed and restricted by, each and every one of the terms and provisions of (a) the Loan Documents and any supplement or amendment thereto or any instrument which may, at any time or from time to time, be executed by one or more of the parties hereto, and (b) any Permanent Mortgage Loan Documents, if applicable.

11.5 Insurance. Borrower shall obtain and maintain all insurance coverage described and required herein, as appropriate.

11.6 No Encumbrances. Borrower shall not create or suffer any lien, encumbrance, mortgage or security interest on the Property or the Project, except those created in favor of LHC or the Permitted Exceptions.

11.7 Title to Personality. Borrower will deliver to LHC on demand, any contracts, bills of sale, statements, receipted vouchers or agreements under which Borrower claims title to any materials, fixtures or articles incorporated in the Project or subject to the lien of the Mortgage.

11.8 Correction of Defects and Satisfaction of Conditions. Borrower will, upon demand of LHC, correct any structural defect in the Project, or perform any condition to LHC's obligations hereunder not satisfied or no longer satisfied. Funding the Loan shall not constitute a waiver of LHC's right to require substantial compliance with this covenant with respect to any such defects not theretofore discovered by, or called to the attention of LHC, or with respect to Borrower's failure to satisfy or continue to satisfy any condition under this Agreement, whether or not LHC required performance thereof.

11.9 Financial Statements.

(a) Borrower shall furnish to LHC the following:

(i) within one hundred and twenty (120) days after the end of each fiscal year of Borrower, and at any other time upon LHC's request, a rent schedule for the Project showing the name of each tenant, and for each tenant, the space occupied, the lease expiration date, the rent payable for the current month, the date through which rent has been paid, and any related information requested by LHC;

(ii) within one hundred and twenty (120) days after the end of each fiscal year of Borrower, and at any other time upon LHC's request, an accounting of all security deposits held pursuant to all leases, including the name of the institution (if any) and the names and identification numbers of the accounts (if any) in which such security deposits are held and the name of the person to contact at such financial institution, along with any authority or release necessary for LHC to access information regarding such accounts;

(iii) within one hundred and twenty (120) days after the end of each fiscal year of Borrower, and at any other time upon LHC's request, a statement that identifies all owners of any interest in Borrower and the interest held by each, if Borrower is a corporation, all officers and directors of Borrower, and if Borrower is a limited liability company, all managers who are not members;

(iv) within one hundred and twenty (120) days of the end of each fiscal year of Borrower, a calculation and certification of Surplus Cash for such fiscal year, in form and substance acceptable to LHC, and in accordance with LHC's and LHC's requirements;

(v) within one hundred and twenty (120) days after the end of each fiscal year of Borrower, and at any other time upon LHC's request, a statement of income and expenses for Borrower's operation of the Project for that fiscal year, a statement of cash flow of Borrower relating to the Project for that fiscal year, and, when requested by LHC, a balance sheet showing all assets and liabilities of Borrower relating to the Project as of the end of that fiscal year, audited at Borrower's expense by independent certified public accountants acceptable to LHC;

(vi) if required by LHC and upon request, a statement of income and expense for the Project for the prior month or quarter;

(vii) upon LHC's request, a monthly property management report for the Project, showing the number of inquiries made and rental applications received from tenants or prospective tenants and deposits received from tenants and any other information requested by LHC; and

(viii) such other financial information and schedules as may be requested by LHC from time to time pertaining to the Project, in its reasonable discretion.

(b) Each of the statements, schedules and reports required by Section 8.9 shall be certified to be complete and accurate by an individual having authority to bind Borrower, and shall be in such form and contain such detail as LHC may reasonably require. LHC also may require that any statements, schedules or reports be audited at Borrower's expense by independent certified public accountants acceptable to LHC.

(c) If Borrower fails to provide in a timely manner the statements, schedules and reports required by Section 8.9, LHC shall have the right to have Borrower's books and records audited, at Borrower's expense, by independent certified public accountants selected by LHC in order to obtain such statements, schedules and reports, and all related reasonable costs and expenses of LHC shall become immediately due and payable and shall become an additional part of the indebtedness due under this Agreement.

(d) If an Event of Default has occurred and is continuing, Borrower shall deliver to LHC upon written demand all books and records relating to the Project or its operation.

(e) Borrower authorizes LHC to obtain a credit report on Borrower at any time.

(f) If an Event of Default has occurred and LHC has not previously required Borrower to furnish a quarterly statement of income and expense for the Project, LHC may require Borrower to furnish such a statement within forty-five (45) days after the end of each fiscal quarter of Borrower following such Event of Default.

11.10 Borrower to Maintain Bookkeeping System. Borrower shall maintain a bookkeeping system for the Project in form and content sufficient for LHC to conduct reviews, inspections, certifications and reports required by this Agreement. LHC shall have full access during normal business hours to the books, records and contracts pertaining to the Project.

11.11 Further Assurances and Preservation of Security. Borrower will perform all acts and execute all documents for the better and more effective carrying out of the intent and purposes of this Agreement as LHC shall reasonably require from time to time, and will perform such other acts necessary or desirable to preserve and protect the collateral at any time securing or intending to secure the Note as LHC may reasonably require.

11.12 Use of Loan Proceeds. Borrower will use the proceeds of the Loan solely to support the development, restoration, replacement, rehabilitation, and construction of the Project in accordance with the Application, and the terms and conditions of the Loan Documents. The Loan shall be used solely to reimburse actual costs already expended on Project costs that LHC, in its sole and reasonable discretion, determines to be eligible for CDBG reimbursement.

11.13 Current Projections. Until such time as the Loan has been fully funded by LHC, whenever there has been any material change in Borrower's estimates of development costs and/or stabilized cash flow for the Project, including timing of equity pay-ins, Borrower shall provide LHC with current financial projections for the Project. Borrower shall promptly provide to LHC a copy of every financial communication that Borrower provides to, or receives from, any other provider of funding for the Project.

11.14 Costs and Expenses. Borrower shall pay all and reasonable costs and expenses incurred in connection with this Agreement and the Loan, whether or not the Loan is funded, including by way of illustration and not limitation: actual and reasonable fees of LHC's attorneys and consultants, recording fees, title insurance costs related to the lender's title policy in favor of LHC, escrow fees, flood zone determination fees, survey fees, appraisal costs, environmental and historic property review, and site inspection fees. This obligation shall survive any termination, avoidance or cancellation of this Agreement.

SECTION 12 NEGATIVE COVENANTS OF BORROWER

12.1 Until the Indebtedness is paid in full, Borrower shall not, without the prior written consent of LHC, create, effect, consent to, attempt, contract for, agree to make, suffer or permit:

(a) except as provided in Section 2.2 herein, any conveyance (other than leases for portions of the Project in the ordinary course of business), sale, assignment, or transfer of all or any interest in the Project, unless the purchaser, transferee or assignee assumes all of Borrower's obligations under the Loan Documents, and is approved by LHC, or

(b) any lien, pledge, mortgage, security interest, encumbrance or alienation of, the Project, or any interest in or portion of the Project, or any interest in Borrower, or any partner, shareholder or member of Borrower, or any change of ownership or control of Borrower or any member, partner or shareholder of Borrower, which is effected directly, indirectly, voluntarily, involuntarily, or by operation of law or otherwise, other than Borrower's Permanent Mortgage Loan Documents encumbering the Project, if any, and the Permitted Exceptions, or

(c) any consolidation with or merger into any other partnership, limited partnership, corporation or limited liability company, or permit another partnership, limited partnership, corporation or limited liability company to merge into it, or voluntarily or involuntarily fail to maintain its current status, or

(d) any disposition of all or substantially all of its property, accounts, assets or business of Borrower or any Guarantor, or

(e) any change in Borrower's business as presently conducted, or

(f) (i) any change in the identity or ownership percentages of the owners of Borrower (except as expressly permitted in Section 2.2(b)), (ii) any change in the identity of the General Partner, Chief Executive Officer or Chief Financial Officer of Borrower, or (iii) any transfer, encumbrance or pledge of any interest in Borrower (except as expressly permitted in Section 2.2(b)), or (iv) any "**change in control**" of Borrower or any subsidiary or Affiliate of Borrower. However, notwithstanding the foregoing, the removal of the general partner of Borrower as general partner of Borrower in accordance with the terms of the Organizational Documents of Borrower without LHC consent shall be allowed provided that (1) Borrower shall provide LHC with written notice of any such change and (2) the entity replacing the general partner of Borrower is under direct or indirect common control or management, or has a Controlling Interest in, the Investor; or

(g) any purchase, creation or acquisition of any interest in any other enterprise or entity, or incur any obligation as surety or guarantor other than in the ordinary course of business.

12.2 Other than the Senior Loan (if any) and indebtedness to LHC contemplated or permitted by this Agreement, without the prior written consent of LHC, no indebtedness of the Borrower or the Project may be incurred, no other indebtedness of the Borrower or any other person or entity may be secured by the Project, and, other than operating expenses, no indebtedness of the Borrower (whether secured or unsecured) may be payable except from positive annual Surplus Cash that is actually distributed to Borrower. Borrower shall obtain from the holder of any interim construction financing approved by LHC, a subordination of the interim construction financing mortgage to the Mortgage and the CDBG Regulatory Agreement.

SECTION 13 MISCELLANEOUS PROVISIONS

13.1 Assignment. Except for any interest transferred in connection with an action provided for under Section 2.2 herein, Borrower shall not assign or transfer any interest in this Agreement without the prior written consent of LHC. Any attempt to do so shall be deemed null and void.

13.2 No Grant of Vested Rights. This Agreement shall not be construed as granting or assuring or vesting any land use, zoning, development approvals, permission or rights with respect to property owned by Borrower.

13.3 No partnership or agency. Nothing in this Agreement is intended to, or shall be construed in any manner, as creating or establishing the relationship of master/servant, principal/agent, employer/employee or joint venture partner between LHC and Borrower. Borrower agrees and acknowledges that it shall be responsible for and shall pay any and all applicable compensation, insurance and taxes, including but not limited to Federal income taxes and Social Security on the salary of any positions funded in whole or in part with the proceeds of the Loan.

13.4 Severability. This Agreement shall be construed in accordance with the laws of the State of Louisiana. It is agreed by and between the parties that if any covenant, condition, provision contained in this Agreement is held to be invalid by any court of competent jurisdiction, such invalidity shall not affect the validity of any other covenants, conditions or provisions herein contained.

13.5 Solidary Liability. If Borrower consists of more than one natural persons and/or entities, the liability of each of them for Borrower's obligations under the Loan Documents shall be solidary.

13.6 Entire Agreement/Modification. This Agreement and all its attachments, and all other Loan Documents supersede (a) all prior agreements between LHC and the Borrower with respect to the Indebtedness and the Award and (b) any other agreements, all representations or statements heretofore made by LHC or any of its employees, whether oral or verbal or written, with respect to the Indebtedness and the Award. This Agreement may only be modified in writing, signed by both of the parties hereto. In the event of a conflict between the terms of this Agreement and any other Loan Document, the terms of this Agreement shall control.

13.7 Notices. All notices and other communications to be made or permitted to be made hereunder shall be in writing and shall be delivered to the addresses shown below or to such other addresses that the parties may provide to one another in accordance herewith. Such notices and other communications shall be given by any of the following means: (a) personal service; (b) national express air courier, provided such courier maintains written verification of actual delivery; or (c) facsimile. Any notice or other communication given by the means described in subsection (a) or (b) above shall be deemed effective upon the date of receipt or the date of refusal to accept delivery by the party to whom such notice or other communication has been sent. Any notice or other communication given by the means described in subsection (c) above shall be deemed effective the date on which the facsimile transmission occurs or if such date is not a business day on the business day immediately following the date on which the facsimile transmission occurs.

LHC: Louisiana Housing Corporation
2415 Quail Drive
Baton Rouge, LA 70808
Facsimile: (225) 763-8710
Attention: Robby Bizot

With a copy to:
Foley & Judell, L.L.P.
One Canal Place, Suite 2600
365 Canal Street
New Orleans, LA 70130
Facsimile: (504) 565-3900
Attention: Wayne J. Neveu

Borrower:

With a copy to:

Investor:

With a copy to:

Guarantor:

With a copy to:

Any addressee may change its address by giving the other parties hereto notice of such change of address in accordance with the foregoing provisions.

13.8 Performance on Legal Holidays. In any case where the date of maturity of interest on or principal of the Note shall not be a business day, then payment of such interest and principal, need not be made on such date but may be made on the next succeeding business day with the same force and effect as if made on the date of maturity or the date fixed for redemption or purchase, and no interest on such payment shall accrue for the period after such date.

13.9 JURY WAIVER. LHC AND THE BORROWER HEREBY WAIVE THE RIGHT TO ANY JURY TRIAL IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER THE LHC OR THE BORROWER AGAINST THE OTHER WHETHER RELATING OR ARISING OUT OF THIS AGREEMENT, THE LOAN DOCUMENTS, OR OTHERWISE.

13.10 Time is of the Essence. Time is of the Essence of this Agreement.

13.11 No Third Party Beneficiaries. No creditor of any party to this Agreement and no other person shall be a third party beneficiary of this Agreement or any other Loan Document or any obligation, account, covenant or agreement created or contemplated under this Agreement or any other Loan Document. Nothing contained in this Agreement shall be deemed or construed to create an obligation on the part of LHC to any third party nor shall any third party have a right to enforce against LHC any right that Borrower may have under this Agreement. Nothing contained in this Agreement shall be deemed or construed to create an obligation on the part of Borrower to a third party (other than a successor or assignee of LHC) nor shall any third party (other than a successor or assignee of LHC) have a right to enforce against Borrower any right LHC has under this Agreement.

[END OF DOCUMENT – SIGNATURES PAGES TO FOLLOW]

IN WITNESS WHEREOF, LHC has executed this Loan Agreement on this ____ day of _____ 1, 2019, at Baton Rouge, Louisiana, in the presence of the undersigned witnesses and Notary Public after due reading of the whole.

WITNESSES:

LOUISIANA HOUSING CORPORATION

By: _____

By: _____

Print Name: _____

Name: Edselle Keith Cunningham, Jr.

Title: Executive Director

By: _____

Print Name: _____

NOTARY PUBLIC

DRAFT

Print Name: _____
Bar Roll/Notary No.: _____
My Commission Expires: _____

IN WITNESS WHEREOF, Borrower has executed this Loan Agreement on this ____ day of _____ 1, 2019, at New Orleans, Louisiana, in the presence of the undersigned witnesses and Notary Public after due reading of the whole.

WITNESSES:

[TAXPAYER/OWNER]

By: _____

By: _____

Print Name: _____

Name: _____

Title: _____

By: _____

Print Name: _____

NOTARY PUBLIC

Print Name: _____

Bar Roll/Notary No.: _____

My Commission Expires: _____

DRAFT

Schedule 1.2(h)
CURRENT CONTRACTS WITH IDENTITY OF INTEREST ENTITIES

DRAFT

Schedule 7.14
OTHER FINANCING

<u>SOURCE</u>	<u>AMOUNT</u>
----------------------	----------------------

DRAFT

EXHIBIT A
PROPERTY DESCRIPTION

DRAFT

EXHIBIT B
PERMITTED EXCEPTIONS

DRAFT

EXHIBIT C
TOTAL DEVELOPMENT COSTS

DRAFT

**LOUISIANA HOUSING CORPORATION
2019 PIGGYBACK/CDBG-DR PROGRAM
PROMISSORY NOTE**

US \$ _____

_____, 1, 201_

FOR VALUE RECEIVED, the undersigned (“**Borrower**”) promises to pay to the order of **LOUISIANA HOUSING CORPORATION** (“**LHC**” or “**Lender**”) or any future holder, the principal sum of _____ and 00/100 Dollars (\$ _____.00), together with interest thereon accruing at the Interest Rate (defined below) on the unpaid principal balance from the date hereof until fully paid in accordance with the terms of this Louisiana Multifamily Piggyback CDBG-DR Program Promissory Note (this “**Note**”) and the Loan Agreement (defined below).

1. **Defined Terms.** In addition to the defined terms found elsewhere in this Note, as used herein, the following definitions shall apply. Capitalized terms not otherwise defined herein shall have the meaning given to such terms in the Loan Agreement.

(a) **Business Day:** Any day other than a Saturday, Sunday or any other day on which Lender is not open for business.

(b) **Default Rate:** A rate of ten percent (10%) per annum, compounded monthly.

(c) **Guarantor:** a person or entity, acceptable to LHC, which has an economic interest in Borrower or which will otherwise obtain a material financial benefit from the Loan, and which agrees to guaranty certain obligations of Borrower under this Note, including Larry Hoss and Our Plan B, Inc., and its approved successors and assigns.

(d) **Indebtedness:** the principal of, interest on, or any other amounts due at any time under the Loan (including that evidenced by this Note), the Loan Agreement, the Mortgage or any other Loan Document, late charges, default interest, and advances to protect the security of the Mortgage under the terms of the Mortgage, reasonable attorney’s fees and court costs, and other fees and costs due and payable under the Loan Documents.

(e) **Interest Rate:** Prior to the occurrence of an Event of Default, the Interest Rate shall be zero percent (0%) per annum and from and after the occurrence of an Event of Default, the principal amount shall bear interest at the Default Rate.

(f) **Lender:** The holder of this Note, including without limitation, initially, LHC.

(g) **Loan:** the Affordable Rental Program loan from LHC to Borrower, as evidenced by this Note.

(h) **Loan Agreement:** The Loan Agreement between Borrower and LHC dated of even date herewith governing the terms and conditions of the Loan, as modified, amended, or supplemented from time to time in accordance with its terms.

(i) **Maturity Date:** the earliest to occur of (i) sale or refinancing of the Project not expressly permitted in the Loan Agreement; (ii) acceleration following an Event of Default under the Loan Documents that is not cured within any applicable grace or cure period; or August 1, 2049.

(j) **Property Jurisdiction:** the State of Louisiana.

(k) **Surplus Cash:** any cash (excluding tenant security deposits) remaining at the end of each fiscal year of the Borrower after: (A) payment of all Operating Expenses for the Project for such fiscal year and (B) payment of all sums due or currently required to be paid under the terms of any Senior Loan. Surplus Cash will be computed by the Borrower's accountant (or such other representative of Borrower tasked with such computation), generally in accordance with HUD's requirements for calculating Surplus Cash in HUD's multifamily programs. The accountant's computation of Surplus Cash shall be included in the annual audited financial statements of the Project and will be subject to LHC's review and concurrence. Operating deficit loans/advances made to the Borrower as required under this Agreement shall not be eligible for repayment from operating funds of the Project, but may (at the option of the Borrower) be repaid from any portion of Surplus Cash that has been earned and received by the Borrower, but only after all required payments to LHC have been made. Repayment of all other voluntary operating deficit loans/advances shall not be considered as Operating Expenses for the purpose of calculating Surplus Cash unless Borrower shall have received approval from LHC of (1) the amount and terms of the voluntary operating deficit loan/advance prior to the time made, and (2) treatment of the repayment of voluntary operating deficit loan/advance as Operating Expenses for the purpose of calculating Surplus Cash.

2. **Address for Payment.** All payments due under this Note shall be payable to the order of LHC at the offices of the Louisiana Housing Corporation, 2019 CDBG-DR Loan #_____, Attention: Chief Financial Officer, 2415 Quail Drive, Baton Rouge, Louisiana 70808, or such other place as may be designated by written notice to Borrower from or on behalf of LHC, or such other place as may be designated by written notice to Borrower from or on behalf of Lender.

3. **Payment of Principal and Interest.** Principal and interest shall be paid as follows:

(a) **Interest Computation.** Interest under this Note shall be computed on the basis of a 360 day year consisting of twelve 30-day months.

(b) **Annual Installments; Place of Payment.** The Loan shall be repaid in annual installments (each, an "Annual Installment") on or before April 1 (the "Payment Date") of each calendar year of the Term (the "Payment Date") in an amount equal to 50% of Surplus Cash with the balance due in thirty-five (35) years on April 1, 20____ ("Maturity Date"). There will be no deferral of amounts due based on the Deferred Developer Fee. Loans will become due upon the earlier of (a) the Maturity Date; (b) sale or refinancing of the property; or (c) acceleration as the result of material noncompliance with the terms of the Loan. Payments shall be made in immediately available US funds to the order of LHC at the offices of the Louisiana Housing Corporation, 2019 CDBG-DR Loan #_____, Attention: Chief Financial Officer, 2415 Quail Drive, Baton Rouge, Louisiana 70808, or such other place as may be designated by written notice to Borrower from or on behalf of the LHC.

(c) **Payment from Surplus Cash.** Each Annual Installment shall be paid solely from Surplus Cash to the extent Surplus Cash is generated from the operation of the Project. The amount of each Annual Installment shall be equal to 50% of Surplus Cash. Notwithstanding the requirement of repayment from Surplus Cash, the Loan shall not be construed as a joint venture, partnership or other association between Borrower and LHC, other than a debtor/creditor relationship. LHC's right to be paid from Surplus Cash shall terminate at such time as the principal and interest amounts due on the Note are paid in full. If Surplus Cash is negative in any year during the Term of the Loan, no Annual Installment shall be due for that year, but interest shall continue to accrue at the Interest Rate on the principal balance of the Note.

Notwithstanding the requirement of repayment from Surplus Cash, the Loan shall not be construed as a joint venture, partnership or other association between Borrower and LHC, other than a

debtor/creditor relationship. LHC's right to be paid from Surplus Cash shall terminate at such time as the principal and interest amounts due on the Note are paid in full. If Surplus Cash is negative in any year during the Term of the Loan, no Annual Installment shall be due for that year, but interest shall continue to accrue at the Interest Rate on the principal balance of the Note.

(d) **Maturity.** The Loan shall mature on the earliest to occur of (i) sale or refinancing of the Project not expressly permitted by the Loan Documents; (ii) acceleration following an Event of Default under the Loan Documents that is not cured within any applicable grace or cure period; or (iii) the Maturity Date.

4. **Application of Payments.** If at any time Lender receives, from Borrower or otherwise, any amount applicable to the Indebtedness which is less than all amounts due and payable at such time, Lender may apply that payment to amounts then due and payable in any manner and in any order determined by Lender, in Lender's discretion. Borrower agrees that neither Lender's acceptance of a payment from Borrower in an amount that is less than all amounts then due and payable nor Lender's application of such payment shall constitute or be deemed to constitute either a waiver of the unpaid amounts or an accord and satisfaction.

5. **Security.** The Indebtedness is also evidenced by the Loan Agreement, and secured, among other things, by the Mortgage, and reference is made to the Mortgage for other rights of Lender concerning the collateral for the Indebtedness. All of the terms, covenants and conditions contained in the Loan Agreement, the Mortgage and the other Loan Documents are hereby made part of this Note to the same extent and with the same force as if they were fully set forth herein. In the event of a conflict or inconsistency between the terms of this Note and the Loan Agreement, the terms and provisions of the Loan Agreement shall govern.

6. **Acceleration.** If an Event of Default has occurred and is continuing, the entire unpaid principal balance, any accrued interest and all other amounts payable under this Note and any other Loan Document shall at once become due and payable, at the option of Lender, without any prior notice to Borrower. Lender may exercise this option to accelerate regardless of any prior forbearance.

7. **Late Charge.** If any amount payable under this Note or under the Mortgage or any other Loan Document is not received by Lender within ten (10) days after the date such amount is due, counting from and including the date such amount is due, Borrower shall pay to Lender, immediately and without demand by Lender, a late charge equal to five percent (5%) of such amount due. Borrower acknowledges that its failure to make timely payments will cause Lender to incur additional expenses in servicing and processing the Loan and that it is extremely difficult and impractical to determine those additional expenses. Borrower agrees that the late charge payable pursuant to this Paragraph represents a fair and reasonable estimate, taking into account all circumstances existing on the date of this Note, of the additional expenses Lender will incur by reason of such late payment. The late charge is payable in addition to, and not in lieu of, any interest payable at the Default Rate pursuant to Paragraph 8.

8. **Default Rate.** From and after the date of an occurrence of an Event of Default, the principal amount of this Note shall bear interest at the Default Rate. Not in limitation of the foregoing, if the unpaid principal balance and all accrued interest are not paid in full upon demand after an Event of Default, the unpaid principal balance and all accrued interest shall bear interest from the date of demand at the Default Rate. Borrower agrees that the increase in the rate of interest payable under this Note to the Default Rate represents a fair and reasonable estimate, taking into account all circumstances existing on the date of this Note, of the additional costs and expenses Lender will incur by reason of the Borrower's delinquent payment and the additional compensation Lender is entitled to receive for the increased risks of nonpayment associated with a delinquent loan.

9. **Limits on Personal Liability.** The provisions of Section 3.1 of the Loan Agreement are hereby incorporated by reference into this Note to the same extent and with the same force as if fully set forth herein.

10. **Prepayments.** Borrower may prepay this Note in whole or in part with or without notice to Lender and without prepayment penalty.

11. **Costs and Expenses.** Borrower shall pay on demand all reasonable expenses and costs, including reasonable fees and out-of-pocket expenses of attorneys and expert witnesses and costs of investigation, incurred by Lender as a result of any default under this Note or in connection with efforts to collect any amount due under this Note, or to enforce the provisions of any of the other Loan Documents, including those incurred in post-judgment collection efforts and in any bankruptcy proceeding (including any action for relief from the automatic stay of any bankruptcy proceeding) or judicial or non-judicial foreclosure proceeding.

12. **Forbearance.** Any forbearance by Lender in exercising any right or remedy under this Note, the Mortgage, or any other Loan Document or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of that or any other right or remedy. The acceptance by Lender of any payment after the due date of such payment, or in an amount which is less than the required payment, shall not be a waiver of Lender's right to require prompt payment when due of all other payments or to exercise any right or remedy with respect to any failure to make prompt payment. Enforcement by Lender of any security for Borrower's obligations under this Note shall not constitute an election by Lender of remedies so as to preclude the exercise of any other right or remedy available to Lender.

13. **Waivers.** Presentment, demand for payment, notice of nonpayment, notice of dishonor, notice of protest, notice of acceleration, notice of intent to demand or accelerate payment or maturity, presentment for payment, notice of nonpayment, grace, and diligence in collecting the Indebtedness are waived by Borrower, for and on behalf of itself and each Guarantor, and all endorsers and guarantors of this Note and all other third party obligors or others who may become liable for the payment of all or any part of the Indebtedness.

14. **Loan Charges.** Borrower agrees to pay an effective rate of interest equal to the sum of the interest rate provided for in this Note and any additional rate of interest resulting from any other charges of interest or in the nature of interest paid or to be paid in connection with the loan evidenced by this Note and any other fees or amounts to be paid by Borrower pursuant to any of the other Loan Documents. Neither this Note nor any of the other Loan Documents shall be construed to create a contract for the use, forbearance or detention of money requiring payment of interest at a rate greater than the maximum interest rate permitted to be charged under applicable law. If any applicable law limiting the amount of interest or other charges permitted to be collected from Borrower in connection with the Loan is interpreted so that any interest or other charge provided for in any Loan Document, whether considered separately or together with other charges provided for in any other Loan Document, violates that law, and Borrower is entitled to the benefit of that law, that interest or charge is hereby reduced to the extent necessary to eliminate that violation. The amounts, if any, previously paid to Lender in excess of the permitted amounts shall be applied by Lender to reduce the unpaid principal balance of this Note. For the purpose of determining whether any applicable law limiting the amount of interest or other charges permitted to be collected from Borrower has been violated, all Indebtedness that constitutes interest, as well as all other charges made in connection with the Indebtedness that constitute interest, shall be deemed to be allocated and spread ratably over the term of the Note. Unless otherwise required by applicable law, such allocation and spreading shall be effected in such a manner that the rate of interest so computed is uniform throughout the term of the Note.

15. **Commercial Purpose.** Borrower represents that the Indebtedness is being incurred by Borrower solely for the purpose of carrying on a business or commercial enterprise, and not for agricultural, personal, family or household purposes.

16. **Counting of Days.** Except where otherwise specifically provided, any reference in this Note to a period of "days" means calendar days, not Business Days.

17. **Governing Law.** This Note shall be governed by the law of the Property Jurisdiction.

18. **Captions.** The captions of the paragraphs of this Note are for convenience only and shall be disregarded in construing this Note.

19. **Notices.** All notices, demands and other communications required or permitted to be given by Lender to Borrower pursuant to this Note shall be given in accordance with the notice section of the Loan Agreement.

20. **Consent to Jurisdiction and Venue.** Borrower and each Guarantor each agree that any controversy arising under or in relation to this Note shall be litigated exclusively in the Property Jurisdiction. The state and federal courts and authorities with jurisdiction in the Property Jurisdiction shall have exclusive jurisdiction over all controversies which shall arise under or in relation to this Note. Borrower and each Guarantor each irrevocably consent to service, jurisdiction, and venue of such courts for any such litigation and waive any other venue to which it might be entitled by virtue of domicile, habitual residence or otherwise.

21. **WAIVER OF TRIAL BY JURY.** BORROWER, EACH GUARANTOR AND LENDER EACH (A) AGREE NOT TO ELECT A TRIAL BY JURY WITH RESPECT TO ANY ISSUE ARISING OUT OF THIS NOTE OR THE RELATIONSHIP BETWEEN THE PARTIES AS LENDER, GUARANTORS AND BORROWER THAT IS TRIABLE OF RIGHT BY A JURY AND (B) WAIVE ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO SUCH ISSUE TO THE EXTENT THAT ANY SUCH RIGHT EXISTS NOW OR IN THE FUTURE. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS SEPARATELY GIVEN BY EACH PARTY, KNOWINGLY AND VOLUNTARILY WITH THE BENEFIT OF COMPETENT LEGAL COUNSEL. NOTWITHSTANDING THE FOREGOING, NOTHING IN THIS NOTE OR IN ANY OTHER LOAN DOCUMENT IS TO BE CONSTRUED AS WAIVING THE STATE'S RIGHT TO PLEAD SOVEREIGN IMMUNITY UNDER THE LAWS AND THE CONSTITUTION OF THE STATE OF LOUISIANA AND THE UNITED STATES OF AMERICA.

22. **SOLIDARY LIABILITY.** IF MORE THAN ONE PERSON OR ENTITY EXECUTES THIS NOTE AS BORROWER, THE OBLIGATIONS AND LIABILITIES OF EACH SUCH PERSON AND ENTITY HEREUNDER SHALL BE SOLIDARY AND IN SOLIDO.

23. **Receipt of Loan Documents.** Borrower acknowledges receipt of a copy of each of the Loan Documents.

[END OF DOCUMENT - SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, Borrower has signed and delivered this Note or has caused this Note to be signed and delivered by its duly authorized representative.

[TAXPAYER]

DRAFT

**LOUISIANA HOUSING CORPORATION
2019 PIGGYBACK/CDBG-DR PROGRAM
REGULATORY AGREEMENT**

[PROJECT OWNER]

[PROJECT NAME]

[COMPLETE PROJECT ADDRESS]

DRAFT

1, 201_

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Attachment A	Description of Participating Party Activities
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Attachment C	Description of Owner Activities
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Attachment L	CDBG Reporting Requirements
Attachment M	Property Standards
Exhibit A	Property Description – Land

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**2019 PIGGYBACK CDBG-DR PROGRAM
REGULATORY AGREEMENT**

This **2019 PIGGYBACK CDBG-DR PROGRAM REGULATORY AGREEMENT** (the “**CDBG Regulatory Agreement**”) is made as of the 1st day of _____, 201_____, between

LOUISIANA HOUSING CORPORATION
(hereinafter referred to as the “**LHC**” or “**Corporation**”)

and

[PROJECT OWNER]
(hereinafter referred to as the “**Owner**” or “**Borrower**”)

and constitutes a legally binding agreement (the “**CDBG Written Agreement**”) for the expenditure of CDBG Funds.

WITNESSETH

A. **WHEREAS**, LHC has released a Notice of Funding Availability and Program Implementation Guideline (“**NOFA**” or “**2019 CDBG-DR Program Description**”) for the preliminary commitment of **\$25,000,000.00** of Community Development Block Grant Disaster Recovery funds (“**CDBG-DR Funds**”) in parishes impacted (“**Disaster Impacted Parishes**”) by Hurricanes Katrina and Rita to provide funding for the new construction or acquisition/rehabilitation development of multifamily affordable housing developments on the Disaster Impacted Parishes; and

B. **WHEREAS**, the NOFA provided that successful applicants for the CDBG funds were required to utilize CDBG-DR funds with (4%) Low Income Housing Tax Credits (“**LIHTCs**”) which are allowable from the issuance of LHC Multifamily Revenue Bonds (“**LHC Tax-Exempt Bonds**”) in accordance with the requirements of Section 42(h)(4) of the Internal Revenue Code of 1986, as amended (“**Code**”); and

C. **WHEREAS**, Borrower has submitted to LHC a LIHTC Application and an application for CDBG-DR Funds (collectively, the “**CDBG-DR Application**”) and LHC agreed to allow \$_____ of LIHTCs and to make the award of CDBG-DR Funds in accordance with the terms and conditions of the CDBG-DR Funds award letter dated _____, 2019, for the project described therein; and

D. **WHEREAS**, LHC has agreed to provide to Borrower a loan (“**Loan**”) for the development, rehabilitation, replacement, restoration and/or construction of a _____ unit multifamily residential rental project (the “**Project**”) located on certain immovable property in _____ Parish, Louisiana, as more fully described on **Exhibit A - Property Description** attached hereto (the “**Land**”); and

E. **WHEREAS**, in order to secure the Loan and all of Borrower’s and all of Guarantor’s obligations to LHC under the Loan Documents (defined below), the parties have entered into a certain Mortgage, Assignment of Leases and Rents and Security Agreement (the “**Mortgage**”) securing the collateral described therein (the “**Mortgaged Property**”); and

F. **WHEREAS**, in connection with the LIHTCs that will be allowable from LHC Tax-Exempt Bonds issued to finance the Mortgaged Property in accordance with Section 42(h)(4) of the Code, a Tax Credit Regulatory Agreement (“**Tax Credit Regulatory Agreement**”) will be executed and recorded as a

covenant running with the land that will be enforceable against the Borrower and its successors that will require rent restrictions and income occupancy restrictions for a minimum 15 year compliance period (“**Compliance Period**”) and rent restrictions for an additional 15 years (“**Extended Use Period**”) following the Compliance Period;

G. **WHEREAS**, the Owner has agreed to certain commitments regarding number of affordable units, affordability levels, permanent supportive housing, and market rate units; and

H. **WHEREAS**, the 2019 CDBG-DR Program Description, the Application and the Notice to Proceed restrict the use and operation of the Project in certain respects; and

J. **WHEREAS**, to insure that the Project will be constructed, used and operated in accordance with these requirements, the Owner and LHC have agreed to enter into this CDBG-DR Regulatory Agreement (this “**Agreement**”).

NOW, THEREFORE, in consideration of the mutual covenants and undertakings set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, LHC and the Owner hereby contract and agree as follows:

ARTICLE I. PROJECT DESCRIPTION

SECTION 1.1 Project-Specific Provisions

(A) Sources of Funds:

First Lien Permanent Loan:	[\$_____]
LIHTC Equity:	[\$_____]
LHC CDBG Funds Loan:	[\$_____]
Deferred Developer Fee:	[\$_____]
Total:	[\$_____]

(B) CDBG Loan Leveraging Ratio: _____

(C) Minimum Project Term From Completion Date: _____ years (No. of Years)

(D) Project Type:

- New Construction
 Substantial Rehabilitation
 Acquisition and Rehabilitation

(E) Total Development Budget:

Land Acquisition:	[\$_____]
Construction Costs:	[\$_____]
Soft Costs:	[\$_____]
Developer Fees:	[\$_____]
Initial Operating Reserves:	[\$_____]
Total:	[\$_____]

(F) Rental Unit Description Configuration:

	0 BR	1 BR	2 BR	3 BR	4/More	Total
§504 Accessible Units						
LIHTC Units						
Market Units						

The Project shall contain the number of Market Rate Units, and the number of Contract Units by type, for each of the following Area Median Income (“AMI”) levels and Market Rates:

Unit Type	≤ 20% AMI	≤ 30% AMI	≤ 40% AMI	≤ 50% AMI	> 50%, ≤ 60% AMI	≤ 80% AMI	Market Rate	Total Units
0 BR								
1 BR								
2 BR								
3 BR								
4 BR								
Total Units								
PSH Units								

Permanent Supportive Housing. Projects must set aside and provide at least five-percent (5%) of total units (“PSH Units”) for Permanent Supportive Housing (“PSH”). Such mandatory PSH Units are strongly preferred to be one-bedroom units. Project-based vouchers (“PBV”) (rents set at 110% of FMR) are reserved for PSH Units in awarded projects and PBV contracts covering PSH units will be awarded to properties receiving an award of CDBG-DR under this Program. However, because such vouchers may only be used for PSH households and because there is no guarantee that PSH households will occupy those units, PSH Units have been underwritten at 20% AMI, which is the default level of affordability.

(G) Project Construction/Rehabilitation Start Date: _____, 201____

(H) Estimated Completion Schedule From Start Date:

Ten Percent (10%):	_____	, 201____
Twenty-Five Percent (25%):	_____	, 201____
Fifty Percent (50%):	_____	, 201____
Seventy-Five Percent (75%):	_____	, 201____
One Hundred Percent (100%):	_____	, 201____

(I) Project Performance Schedule: The Borrower certifies that the Project Performance Schedule in **Attachment D** reflects the Borrower’s reasonable expectations based upon the underwriting of the Project by the Investor.

(J) Project Description:

Project Address: _____
 City/State: _____

Percentage of Commercial Space _____

Project's Gross Floor Area (GFA) _____

Net Rentable Area _____

Commercial As Percent of GFA _____

Was project constructed pre 1978: Yes ___ No ___

(J) Name and Contact Information of Project Owner

Owner Name: _____

Owner Address: _____

Contact Person: _____

Phone: _____

E-Mail: _____

SECTION 1.2 Definitions.

Unless otherwise expressly provided herein or unless the context clearly requires otherwise, the following terms shall have the respective meanings set forth below for purposes of this Agreement. Capitalized terms appearing herein but not defined in this Agreement have the meanings assigned to them in the CDBG Loan Agreement.

(a) **Affordability Percentage:** the percentage of Area Median Income at which the rent and occupancy of a Contract Unit are restricted pursuant to Section 1.1(F) hereof,

(b) **Affordable Rent:** the Area Median Income for the Imputed Household Size, of the Contract Unit multiplied by the Affordability Percentage with respect to a Contract Unit, divided by twelve (12), multiplied by 30%, and rounded down to the nearest dollar. The Affordable Rent shall be calculated without making any adjustment for tenant-paid utilities. For example: for a two-bedroom unit affordable at 20% AMI, if the annual area median income for the Imputed Household Size of three persons is \$45,000, the Affordable Rent would be $\$45,000 \times 20\% = \$9,000 \div 12 = \$750 \times 30\%$, rounded down to the nearest dollar = \$225. In this example, the household would pay no more than \$225 per month for rent plus utilities.

(c) **Application:** together, the LIHTC Application and an application for CDBG-DR Funds.

(d) **Approved Budget:** means the Project Development Budget attached hereto as **Exhibit B**.

(e) **Area Median Income:** the area median income for the Metropolitan Statistical Area (or non-MSA Parish) in which the Project is located, as published annually by HUD.

(f) **Asset Management Electronic Compliance Model or AMEC Model:** means the electronic model that must be completed by the Owner/Borrower on or before closing and updated by the Owner/Borrower as of the placed in service date of the Project to reflect change orders and/or revisions to the Approved Budget.

(g) **Bonds:** The Multifamily Housing Bonds in the original aggregate principal amount of \$_____ issued by the Louisiana Housing Corporation as Issuer ("Issuer") and purchased by _____ ("Bond Purchaser").

(h) **Business Day:** Any day other than a Saturday, Sunday or any other day on which the LHC is not open for business;

(i) **Cash Developer Fee:** the total fee to be paid to the developer less any portion projected to be deferred; provided that not more than thirty percent (30%) of such Cash Developer Fee shall be paid out at Closing, not more than thirty percent (30%) of the non-deferred portion of the Developer Fee will be paid out when construction is complete, and the remaining 40% of the Cash Developer Fee will be disbursed from the final draw subject to conditions outlined in the closing documents.

(j) **Code:** the Internal Revenue Code of 1986, as amended.

(k) **Completed Project** - Projects are considered complete only after all units are a 100% construction complete and certificates of occupancy have been issued.

(l) **Compliance Period:** the period specified in the Tax Credit Regulatory Agreement as the Compliance Period.

(m) **Construction Completion:** that date that all necessary title transfer requirements and construction work have been performed and the final drawdown of CDBG-DR Funds has been disbursed for the project.

(n) **Construction Costs:** the construction costs shown on **Attachment B**.

(o) **Contract Unit:** a unit of housing within the Project other than Market Rate Units.

(p) **Controlled by, under common control with, or controlling interest:** means (i) the direct or indirect power (under contract, equity ownership, the right to vote or determine a vote, or otherwise) to direct the financial, legal, beneficial or other interests of a company (or other entity) and includes the definition of "control" in 24 CFR 401.310(a)(2); or (ii) the power to vote, directly or indirectly, 25 percent (25%) or more of any class of the voting stock of a company; or (iii) the ability to direct in any manner the election of a majority of a company (or other entity's) directors or trustees; or (iv) the ability to exercise a controlling influence over the company or entity's management and policies. For purposes of this definition, a general partner of a limited partnership is presumed to be in control of that partnership, and a managing member of a limited liability company is presumed to be in control of that limited liability company.

(q) **Credit Period:** means the period specified in the Tax Credit Regulatory Agreement as the Credit Period.

(r) **Deferred Developer Fee:** the actual deferred developer fee for the Project as determined by LHC during the subsidy layering review and Cost Certification, excluding interest paid on the deferred developer fee.

(s) **Developer Fee:** an amount determined by LHC to be a developer fee in accordance with the 2018 QAP.

(t) **Draw Request:** A request for disbursement of a portion of the proceeds of the Loan to provide funds for the payment of Total Development Costs; each such Draw Request shall be deemed to be an advance under the Note. The Draw Request shall contain claims for labor and materials to the date of the last inspection by the Inspector, and not for labor and materials rendered thereafter, and contain the Inspector's

determination or confirmation of the percentage of completion of the Project for the purposes of the Draw Request.

(u) **Eligible Costs:** costs of the Project other than Ineligible Costs.

(v) **Eligible Household:** a resident household or applicant household, which, at the time of the initial lease:

(i) has an adjusted income (as defined under 24 CFR Part 5) not greater than the Income Limit applicable to the Contract Unit in which such household resides (or, with respect to an applicant household, proposes to reside); and

(ii) whose lease (or, with respect to an applicant household, proposed lease) with the Owner specifies a rent that (when increased by the amount of any applicable Utility Allowance) does not exceed the Affordable Rent; and

(iii) with respect to an applicant household, is acceptable to the Owner in accordance with the Owner's nondiscriminatory resident selection criteria.

(w) **Green Building Standards:** All new construction must meet an industry-recognized standard that has achieved certification under at least one of the following programs: (i) ENERGY STAR (Multifamily High-Rise), (ii) Enterprise Green Communities; (iii) LEED (New Construction, Homes, Midrise, Existing Buildings Operations and Maintenance, or Neighborhood Development), (iv) ICC-700 National Green Building Standard, (v) EPA Indoor AirPlus (ENERGY STAR a prerequisite), or (vi) any other equivalent comprehensive green building program acceptable to HUD. For rehabilitation, applicants must follow the guidelines specified in the HUD CPD Green Building Retrofit Checklist. When older or obsolete products are replaced as part of the rehabilitation work, rehabilitation is required to use ENERGY STAR-labeled, WaterSense-labeled, or Federal Energy Management Program (FEMP)-designated products and appliances. For example, if the furnace, air conditioner, windows, and appliances are replaced, the replacements must be ENERGY STAR-labeled or FEMP-designated products; WaterSense-labeled products (e.g., faucets, toilets, showerheads) must be used when water products are replaced. Rehabilitated housing may also implement measures recommended in a Physical Condition Assessment (PCA) or Green Physical Needs Assessment (GPNA)

(x) **Guarantors:** One or more persons or entities acceptable to LHC, which may include the general partner of Borrower's limited partnership or the managing member of Borrower's limited liability company, or other Affiliate of Borrower, which has an economic interest in Borrower, or which will otherwise obtain a material financial benefit from the Loan, and which will be required to execute the Operating Deficit Guaranty, the Performance and Completion Guaranty (if applicable), and the Guaranty of Exceptions to Non-Recourse Liability, including but not limited to _____, and each of their successors and assigns..

(y) **Identity of Interest:** An identity of interest relationship exists if any officer, director, board member, or authorized agent of any Project team member (consultant, general contractor, supplier, vendor, vendee, attorney, management agent, seller of the land, etc.): (i) is also an officer, director, board member or authorized agent of any other Project team member; (ii) has any control over or any financial interest in any other Project team member's firm or corporation; (iii) is a business partner of an officer, director, board member, or authorized agent of any other Project team member; (iv) has a family relationship through blood, marriage or adoption with an officer, director, board member, or authorized agent of any Project team member; or (v) advances any funds or items of value to the Borrower.

(z) **Imputed Household Size:** (i) in the case of a Contract Unit that does not have a separate bedroom, one (1) individual; (ii) in the case of a Contract Unit that has one or more separate bedrooms, 1.5 individuals for each separate bedroom.

(aa) **Income Limit:** the Affordability Percentage (set forth in Section 1.1(F) hereof) with respect to a Contract Unit, multiplied by the annual Area Median Income applicable to the actual household size of an applicant or resident.

(bb) **Ineligible Costs:** any costs enumerated at 24 CFR §570.207, with the exception of those costs which are permitted under the State's waiver, which permits the use of CDBG-DR for new construction.

(cc) **Investor:** the Tax Credit Investor investing equity in the amount shown in **Attachment A** in return for an equity interest in the Borrower, as described in the Organizational Documents, and its successors and assigns.

(dd) **LIHTC:** any low-income housing tax credit allowed pursuant to Section 42(h)(4) of the Code.

(ee) **Loan:** the loan made to Borrower by LHC pursuant to the Loan Documents.

(ff) **Loan Agreement:** the 2019 PIGGYBACK/CDBG-DR Program Loan Agreement between the Borrower and the LHC.

(gg) **Loan Documents:** the Loan Agreement, the Note; this CDBG Regulatory Agreement; the CDBG Mortgage; UCC-Financing Statements covering the fixtures and personal property located at the Project; the CDBG Loan Agreement; the Operating Deficit Guaranty; Guaranty of Exceptions to Non-Recourse Liability; and such other documents, agreements, instruments or certificates as LHC and its counsel may require, including such documents as LHC in its sole discretion deems necessary or appropriate to evidence or secure the Loan.

(hh) **Low Income Unit:** A unit as defined in Section 42(i)(3) of the Code.

(ii) **Note:** the CDBG 2019 CDBG-DR Piggyback Program Promissory Note by Borrower payable to LHC evidencing the Loan.

(jj) **Organizational Documents:** the documents required or existing setting forth the organization and operation of the Borrower.

(kk) **Property Standards:** the Property Standards evidenced in **Attachment M** which includes the Uniform Physical Property Condition Standard and Green Building Standards for the Minimum Project Term.

(ll) **QAP:** the Qualified Allocation Plan pursuant to which LIHTCs are allowed in accordance with Section 42(h)(4) of the Code

(mm) **Rental Housing:** housing units made available for rental, and not ownership, and, with respect to Contract Units, only to Eligible Households who are members of the general public, each of which units shall contain complete living facilities that are to be used other than on a transient basis and facilities that are functionally related and subordinate to the living facilities. The housing units shall at all times be constructed or substantially rehabilitated and maintained in substantial accordance with Property Standards.

(nn) **Senior Lender:** _____.

(oo) **Senior Loan:** either (1) the loan of Bond proceeds being provided to Borrower by the LHC in an amount not to exceed \$_____ during the construction phase, and/or (2) the permanent loan entered into upon completion of construction, in the maximum principle amount of \$_____, which loan is secured by the Senior Mortgage.

(pp) **Senior Loan Documents:** any and all documents evidencing, securing or describing the Senior Loan.

(qq) **State:** the State of Louisiana.

(rr) **Subordinate Lender:** the lenders listed in **Exhibit A** secured by liens subordinate to the CDBG Mortgage.

(ss) **Surplus Cash:** any cash (excluding tenant security deposits) remaining at the end of each fiscal year of the Borrower after: (A) payment of all Operating Expenses for the Project for such fiscal year and (B) payment of all sums due or currently required to be paid under the terms of any Senior Loan. Surplus Cash will be computed by the Borrower's accountant (or such other representative of Borrower tasked with such computation), generally in accordance with HUD's requirements for calculating Surplus Cash in HUD's multifamily programs. The accountant's computation of Surplus Cash shall be included in the annual audited financial statements of the Project and will be subject to LHC's review and concurrence. Operating deficit loans/advances made to the Borrower as required under this Agreement shall not be eligible for repayment from operating funds of the Project, but may (at the option of the Borrower) be repaid from any portion of Surplus Cash that has been earned and received by the Borrower, but only after all required payments to LHC have been made. Repayment of all other voluntary operating deficit loans/advances shall not be considered as Operating Expenses for the purpose of calculating Surplus Cash unless Borrower shall have received approval from LHC of (1) the amount and terms of the voluntary operating deficit loan/advance prior to the time made, and (2) treatment of the repayment of voluntary operating deficit loan/advance as Operating Expenses for the purpose of calculating Surplus Cash.

(tt) **Tax Credit Regulatory Agreement:** the Tax Credit Regulatory Agreement with the Louisiana Housing Corporation related to the Project.

(uu) **Term of this Agreement:** the term determined pursuant to Section 8 hereof.

(vv) **Total Development Costs:** The Acquisition Cost, Development Hard Costs, and Soft Costs as shown in the **Attachment B**. The actual cost of the Project, including labor, materials, demolition, improvements, utility installation, architectural and engineering services, and other work to be performed and costs to be incurred in connection with the construction, rehabilitation and/or completion of the Project in accordance with the Plans and Specifications and this Agreement, shall not to exceed the Total Development Costs. The term "Total Development Costs" shall include all hard and soft costs associated with the acquisition, financing, improvement, rehabilitation and construction of the Project.

(ww) **Utility Allowance:** the estimated monthly tenant-paid utilities associated with a Contract Unit, established in accordance with applicable requirements of LHC.

SECTION 1.3 Incorporation by Reference

The provisions of the Application and certifications and sources and uses therein, are hereby incorporated by reference into this CDBG Regulatory Agreement and the contents of the Application, including the certifications contained therein shall constitute a material part of this CDBG Regulatory Agreement and shall be deemed to have served as the inducement to the Corporation to award the CDBG Funds referred to herein and shall have the same effect as they would otherwise have if fully set forth herein. The Rent Mechanism shall be the Affordable Rents for Contract Units contained in the AMEC Model referenced as **Attachment I**.

SECTION 1.4 Supplemental Provisions

The Corporation and the Owner may include in this CDBG Regulatory Agreement provisions in addition to those stated herein, provided that such supplemental provisions are not in conflict with CDBG Program requirements. Such supplemental provisions shall be included as **Attachment J** to this CDBG Regulatory Agreement.

SECTION 1.5 Schedule of Attachments

The following attachments are appended to this Agreement and are hereto incorporated by reference:

- Attachment A.** Description of Participating Party Activities
- Attachment B.** Project Development Budget
- Attachment C.** Description of Owner Activities
- Attachment D.** Project Performance Schedule
- Attachment E.** Recordkeeping and Reporting
- Attachment F.** Construction and Expenditure Schedule by Month
- Attachment G.** CDBG Mortgage and CDBG Note
- Attachment H.** CDBG Federal Grant Requirements
- Attachment I.** Initial AMEC Model
- Attachment J.** Supplemental Provisions
- Attachment K.** CDBG Loan Term Sheet
- Attachment L.** CDBG Reporting Requirements
- Attachment M.** Property Standards

ARTICLE II. PROJECT DEVELOPMENT AND MANAGEMENT

SECTION 2.1 General Provisions

(A) The Corporation will enforce the Owner's obligations both through this CDBG Regulatory Agreement, the Tax Credit Regulatory Agreement, and in accordance with the CDBG Federal Grant Requirements set forth in **Attachment H** as covenants running with the land. The covenants shall be in effect following Construction Completion for at least the Minimum Project Term referenced in Section 1.1(c) herein and shall be binding upon the Owner and its successors, assigns, heirs, grantees or lessees to the land or the Project for the Minimum Project Term, unless earlier terminated in accordance with the provisions set forth in the CDBG Federal Grant Requirements as **Attachment H** of this Agreement.

(B) The Corporation will monitor the Owner's performance and will take legal action, as appropriate, including specific performance to enforce the covenants, compliance and other responsibilities of the Owner's under this CDBG Regulatory Agreement.

(C) Any duly authorized representative of the Corporation, HUD or OMB shall, at all reasonable times, have access to any portion of the Project.

(D) The Owner/Borrower acknowledges and agrees that the Owner/Borrower repay to the Corporation all of the CDBG Funds loaned to the Owner/Borrower that were used (i) for ineligible costs, (ii) if the Project is never completed or (iii) if the Project fails to meet the requirements of Section 42 of the Code so that the Project is never considered a "qualified low-income housing project" under Section 42(g) of the Code. Therefore, Owner/Borrower acknowledges and agrees to indemnify and to hold the Corporation harmless from the consequences of using CDBG Funds to pay for Ineligible Costs or if the Project is never completed or fails to meet the requirements of Section 42 of the Code. The Owner/Borrower agrees that its Guarantors shall likewise hold the Corporation harmless from such consequences. Prior to seeking repayment of the CDBG Loan for the foregoing improper expenditures or failure to satisfy Section 42 requirements, the Corporation will first seek specific performance.

(E) The Owner/Borrower acknowledges and agrees that the CDBG Funds are awarded to the Project in the same manner and subject to the same limitations (including rent, use restrictions and compliance monitoring) as required by the Corporation with respect to an award of low-income housing credits under Section 42 of the Code. The provisions of the Tax Credit Regulatory Agreement are hereby incorporated into the terms of this CDBG Regulatory Agreement.

(F) No CDBG Funds shall be disbursed and the Owner shall not request disbursement of CDBG Funds until the CDBG Funds are needed for the payment of Eligible Costs. The CDBG Funds shall not exceed the actual costs incurred and CDBG Funds shall not be placed into escrow accounts or lump sums to the Owner. Unless specifically approved in advance, CDBG Funds will be disbursed in proportion to the share of CDBG Funds to other funds required in the Development Budget, exclusive of Reserve Funds.

SECTION 2.2 Development Phase

(A) The Owner shall carry out the activities set forth as the Owner's responsibilities in **Attachment C** to this CDBG Regulatory Agreement. Participating Parties shall carry out their responsibilities in **Attachment A** to this CDBG Regulatory Agreement and the Corporation shall carry out its obligation to advance CDBG Funds in accordance with the Project Development Budget set forth in **Attachment B** of this CDBG Regulatory Agreement.

(B) The Owner shall execute the CDBG Note and CDBG Mortgage in the forms attached hereto as **Attachment G** which constitutes a security instrument to secure the Owner's compliance with its obligations under this CDBG Regulatory Agreement. The terms of the security instrument shall be set by the Owner and the Corporation, but at a minimum the instrument shall evidence that the CDBG Funds are a debt on the Project, which may be called in the event of an Event of Default in accordance with the CDBG Mortgage. The CDBG Note and CDBG Mortgage shall incorporate the provisions of the CDBG Loan Term Sheet attached hereto as **Attachment K** and terms of the CDBG Loan Term Sheet are incorporated into this CDBG Regulatory Agreement.

(C) Development of the Project shall commence at the time specified in Section 1.1(G) of this CDBG Regulatory Agreement and shall continue to Construction Completion within the time periods specified in Section 1.1(H) of this Agreement. The Construction and Expenditure Schedule by month for the

Development Budget is set forth in **Attachment F**. Said Construction and Expenditure Schedule evidences the expenditure of CDBG Funds in a manner consistent with the expenditure rates to ensure compliance, at a minimum, with expenditure deadlines required by LHC. Deviations from the expenditure rates of the lower of five percent (5%) on a line item basis evidenced in the cumulative expenditures by month or \$50,000 shall require a written explanation from the Owner/Borrower for the deviation and an appropriate change order if the expenditure deviation is not covered by construction reserves.

(D) The Project shall be developed in accordance with the applicable State and local building codes, rehabilitation standards, ordinances and zoning ordinances or, in the absence of these codes, with the International Residential Code or International Building Code of the International Code Council and shall satisfy the Property Standards contained in **Attachment M**.

(E) The Owner shall comply with Title VIII of the Civil Rights Act of 1968, 42 U.S.C. 3601-19 (Public Law 90-284) and implementing regulations; Executive Order 11063 and regulations at 24 CFR Part 107; Title VI of the Civil Rights Act of 1964 (Public Law 88-352) and regulations at 24 CFR Part 1; the Age Discrimination Act of 1975 (42 U.S.C 6101-07); Section 504 of the Rehabilitation Act of 1973, 29 U.S.C 794 and implementing regulations at 24 CFR Part 8; Executive Order 11246 and regulations at 41 CFR Chapter 60; and the requirements of Section 3 of the Housing and Urban Development Act of 1968 and implementing regulations at 24 CFR Part 135.

SECTION 2.3 Management Phase

(A) During the Minimum Project Term, units in the Project shall be for Rental Housing and shall not be converted to condominium ownership or to a form of cooperative ownership that is not eligible to receive CDBG Funds for Rental Housing projects.

(B) During the Minimum Project Term, the Owner shall not discriminate against prospective tenants on the basis of their receipt of or eligibility for housing assistance under any Federal, State or local housing assistance program or, except for an elderly housing project or units specifically identified in Section 1.1 of this Agreement as designated for the elderly, on the basis that they have a minor child or children who will be living with them.

(C) The number of units by bedroom distribution specified in Section 1.1 of this Agreement shall be occupied or available, through the Owner's best efforts, for occupancy by households whose incomes do not exceed the percentage limitations specified in Section 1.1 during the Minimum Project Term.

(D) Low Income Units shall be leased only to tenants who comply with the set-aside requirements under Section 42 of the Code.

(E) Rents and tenant income shall be determined in accordance with the Affordability Percentages and in accordance with respect to Low Income Units the requirements of Section 42 of the Code.

(F) In the event that reexamination of household income indicates that the tenant of a Low Income Unit no longer qualifies as a lower income household, the Owner shall take appropriate action in accordance with Section 42 of the Code.

(G) The Owner must assure that the type and numbers of units specified in Section 1.1 of this Agreement are occupied or are available for occupancy by households in the income classes specified during the Minimum Project Term. The Rent Mechanism shall include, at a minimum, provisions that: (1) the Corporation shall review and approve any schedule of rents proposed by the Owner for low income units,

the Corporation acknowledges that any rent schedule, which shall include utility allowances, if utilities are tenant paid, submitted by the Owner, (within the permissible maximum allowed by Section 42), will be deemed approved unless the Corporation informs the Owner, within 60 days after receiving the schedule, that it is disapproved because the schedule is not consistent with the Rent Mechanism, and (3) the initial monthly allowance for utilities and services to be paid by low income households shall be as approved in the Application, with subsequent calculations of this allowance approved by the Corporation in connection with its review and approval of rent schedules.

(H) The Owner shall, at least annually on the date specified in the Corporation Rent Mechanism (and at any other time as required by the Corporation in the Rent Mechanism), recalculate the maximum monthly rent to be charged. The first rent recalculation shall be submitted by the Owner to the Corporation no later than 60 days prior to initial occupancy.

(I) Marketing shall be done in accordance with the all fair housing and equal opportunity requirements.

(J) Local requirements shall not be permitted. Local residency preferences will be allowed to the extent that they are not inconsistent with affirmative fair housing marketing objectives. With respect to any residency preference, persons expected to reside in the community as a result of current or planned employment will be treated as residents.

(K) All management and maintenance functions shall be performed in compliance with applicable equal opportunity requirements, as specified in **Attachment H** "CDBG Federal Grant Requirements".

(L) The Corporation and the Owner agree that nothing contained in this CDBG Regulatory Agreement shall preclude enforcement by the Federal Government of the Act, civil rights statutes, or other provisions of law that apply.

(M) Upon completion of the Project and resolution of any findings of the final audit, the Owner shall submit to the Corporation a written certification, in the format prescribed by the Corporation, executed by an authorized representative of the Owner, stating that all development-related activities required to be completed by the Owner in accordance with **Attachment C** of this CDBG Regulatory Agreement have been completed consistent with the terms of this CDBG Regulatory Agreement, and specifying the date of completion and the actual cost to the Owner of labor, materials and necessary services for the construction of physical improvements for the Project.

(N) The Owner shall arrange to have the Project audited by an independent Certified Public Accountant (CPA) within 60 days of the end of each fiscal year and shall remit a copy of such independent audit to the Corporation within 120 days of the end of each fiscal year.

(O) The Owner acknowledges and agrees that the Corporation will perform asset management of the Project to ensure compliance with Section 42 of the Code and the long term viability of the Project. The AMEC Model includes expenses to be paid from the Project's revenues for the Corporation or the Corporation's Agent to perform these asset management functions. The AMEC Model provides the framework for monitoring the performance of the Project over the initial Compliance Period under Section 42 of the Code and will serve as the basis for reporting (i) financial performance of the asset evidenced in annual audits of the Project in comparison to the pro forma in the AMEC Model. A combination of on-site inspections by the Corporation and independent 3rd party reviews will enable the Corporation to ensure the long term viability of the Project by taking appropriate action when performance problems arise.

ARTICLE III. THIRD PARTY CONTRACTS

SECTION 3.1 Labor Standards

The Owner shall comply with all CDBG Funds Requirements and regulations pertaining to labor standards. Project budget costs for rehabilitation, renovation or new construction must be based on the prevailing wage rates consistent with Davis Bacon Prevailing Wage Compliance.

SECTION 3.2 Assurance of Governmental Approvals

(A) The Owner warrants that it has obtained, or has reasonable assurance that it will obtain all Federal, State and local governmental approvals and reviews required by law to be obtained by the Owner for the Project. Any such approvals which have not been obtained shall be specified in **Attachment J** of this CDBG Regulatory Agreement.

(B) The Owner warrants that it has not and shall not take any action which might have an adverse environmental effect, would limit the choices among competing environmental alternatives or might alter environmental premises on which the Corporation's environmental findings were based.

SECTION 3.3 Completion of the Project

The Owner acknowledges that the Corporation, in selecting the Owner for the award of CDBG Funds, relied in material part upon the assured completion of the Project and that the Owner assures the Corporation that the activities to be completed by the Owner shall be completed in accordance with **Attachment C** of this CDBG Regulatory Agreement.

SECTION 3.4 Maintaining Records, Right to Inspect and Copy and Reporting

(A) The Owner shall keep and maintain books, accounts, reports, files, records and other documents relating to the receipt and disbursement of CDBG Funds as described in **Attachment E** for the longer of the fifteen (15) year Compliance Period under Section 42 of the Code or the Minimum Project Term.

(B) Any duly authorized representative of the Corporation, HUD, and HUD Inspector General, at all reasonable times, shall have access to and the right to inspect, copy, audit, and examine all such books, records and other documents of the Project and of a Participating Party, until the completion of all close-out procedures respecting this award of CDBG Funds and the final settlement and conclusion of all CDBG Program issues.

(C) The Owner agrees to submit reports to enable the Corporation to comply with the CDBG reporting requirements. The current reports, including the data required, as well as the format, frequency and duration of submission in order for the Corporation to comply with the reporting requirements established by HUD or OMB are enumerated in **Attachment L**. The Owner agree to provide such additional reports as may be required from time to time by HUD or OMB.

SECTION 3.5 No Assignment or Succession

The Owner acknowledges that a commitment of CDBG Funds by the Corporation to the Owner is not nor shall be deemed to be an assignment of CDBG Funds.

SECTION 3.6 Approval of Amendments

This CDBG Regulatory Agreement shall not be amended in any material respect after its approval and acceptance, without the prior written approval of the Corporation. “Material” shall be defined as anything, in the control of any Participating Party, which cancels or reduces any developmental or financial obligation of any Participating Party by more than ten (10) percent, changes the sites or character of any development activity, or increases any time for performance by a party by more than thirty (30) days.

SECTION 3.7 Disclaimer of Relationships

Nothing contained in this CDBG Regulatory Agreement or in the contract between the parties, nor any act of the Corporation or any of the parties, shall be deemed or construed by any of the parties, or by third persons, to create any relationship of third party beneficiary, principal and agent, limited or general partnership, joint venture, or any association or relationship involving the Corporation.

SECTION 3.8 Conflict of Interest

No person (i) who is an employee, agent, consultant, officer or elected or appointed official of the unit of general local government in which the Project is located (and the State where the State is the applicant) (or of any designated public agencies) that received CDBG Funds and who exercises or has exercised any functions or responsibilities with respect to assisted development activities or (ii) who is in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain personal or financial interest or benefit from the activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds thereunder, either for themselves or those with whom they have family or business ties, during their tenure or for one year thereafter.

SECTION 3.9 Scope of Article III Provisions

The Corporation and the Owner shall include each of the provisions of this Article in their contracts both with Participating Parties and with other persons, firms, corporations, or public or private entities, including contractors and subcontractors that have agreed to provide financial or other resources to carry out the Project.

ARTICLE IV. MISCELLANEOUS

SECTION 4.1 Successors Bound and Enforcement

All provisions of this CDBG Regulatory Agreement shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors in interest and assigns of each of the parties. The provisions of this CDBG Regulatory Agreement may be enforced by the Corporation, HUD and residents of the Project.

SECTION 4.2 Remedies Not Impaired

No delay or omission by the Corporation in exercising any right or remedy available under this CDBG Regulatory Agreement shall impair any such right or remedy or constitute a waiver of any default.

SECTION 4.3 Severability

The invalidity of any article, section, subsection, clause or provision of this CDBG Regulatory Agreement, including its exhibits, shall not affect the validity of the remaining articles, sections, subsections, clauses or provisions hereof.

SECTION 4.4 Entire Agreement

This CDBG Regulatory Agreement constitutes the entire agreement between the Corporation and the Owner with respect to the matters contained herein and supersedes all prior oral and written agreements and all subsequent oral agreements between the Owner and Corporation with respect to such matters.

SECTION 4.5 Execution in Counterparts

This CDBG Regulatory Agreement may be executed in any number of counterparts. All such counterparts shall be deemed to be originals and together shall constitute one and the same instrument.

SECTION 4.6 Table of Contents, Titles and Headings

Any table of contents, the title of any Articles, and headings of the sections and subsections set forth herein are not a part of this Agreement and shall not be deemed to affect the meaning or construction of any of its provisions.

SECTION 4.7 Rules of Interpretation

(A) This CDBG Regulatory Agreement shall be interpreted in accordance with and governed by the laws of the State of Louisiana.

(B) The words “herein” and “hereof” and words of similar import, without reference to any particular section or subdivision, refer to this CDBG Regulatory Agreement as a whole rather than to any particular section or subdivision hereof.

(C) Any amendment to this CDBG Regulatory Agreement executed in accordance with Section 3.6 of this CDBG Regulatory Agreement shall have the same force and effect upon the Owner and the Corporation as does this CDBG Regulatory Agreement.

SECTION 4.8 Consideration

The Corporation has allocated CDBG Funds to the Project, all for the purpose, among others, of inducing the Owner to construct or acquire, renovate, equip and operate the Project. In consideration of the CDBG Funds awarded by the Corporation, the Owner has entered into this CDBG Regulatory Agreement and has agreed to restrict the uses to which the Project can be put for the Minimum Project Term.

SECTION 4.9 Reliance

The Owner hereby recognizes and agrees that the representations and covenants set forth herein by the Owner may be relied upon by all persons interested in the Project. In performing its duties and obligations hereunder, the Corporation may rely upon statements and certificates of the Owner and upon audits, provided by others, of the books and records of the Owner pertaining to occupancy of the Project. In addition, the Corporation may consult with counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Corporation hereunder in good faith and in conformity with such opinion.

SECTION 4.10 Sale or Transfer of the Project

The Owner hereby covenants and agrees not to sell, transfer or otherwise dispose of the Project, or any portion thereof, without obtaining the prior written consent of the Corporation, which consent shall be promptly given and conditioned solely upon receipt by the Corporation of (i) evidence reasonably satisfactory to the Corporation that the Owner's purchaser or transferee has assumed in writing and in full, and is reasonably capable of performing and complying with, the Owner's duties and obligations under this Agreement and (ii) an opinion of counsel of the transferee that the transferee has duly assumed the obligations of the Owner under this CDBG Regulatory Agreement and that such obligations and this Agreement are binding on the transferee. It is hereby expressly stipulated and agreed that any sale, transfer or other disposition of the Project in violation of this Section 4.10 shall be null, void and without effect, shall cause a reversion of title to the Owner, and shall be ineffective to relieve the Owner of its obligations under this CDBG Regulatory Agreement.

SECTION 4.11 Termination

This CDBG Regulatory Agreement shall become effective upon its execution and delivery. This CDBG Regulatory Agreement shall remain in full force and effect for a term and period equal to the Minimum Project Term. Notwithstanding the immediately preceding sentence, this CDBG Regulatory Agreement, and all and several of the terms hereof, shall terminate and be of no further force and effect in the event of involuntary non-compliance with the provisions of this CDBG Regulatory Agreement caused by foreclosure by a lender or other transfer in lieu of foreclosure if the foreclosure or other transfer recognizes any contractual or legal rights of public agencies, non-profit sponsors, or others to take actions that would avoid the Affordability requirements at 24 CFR 92.252. Upon the termination of all and several of the terms of this CDBG Regulatory Agreement, the parties hereto agree to execute, deliver and record appropriate instruments of release and discharge of the terms hereof; provided, however, that the execution and delivery of such instruments shall not be necessary or a prerequisite to the termination of this CDBG Regulatory Agreement in accordance with its terms. This CDBG Regulatory Agreement shall be revived according to the original Minimum Project Term, however, if during the original Minimum Project Term the Owner before the foreclosure or other transfer, or any entity that includes the Owner or those with whom the Owner has or had family or business ties, obtains an ownership interest in the Project or Project Site.

SECTION 4.12 Covenants to Run with the Land

The Owner hereby subjects the Project (including the Project Site) to the covenants, reservations and restrictions set forth in this CDBG Regulatory Agreement. The Corporation and the Owner hereby declare their express intent that the covenants, reservations and restrictions set forth herein shall be deemed covenants running with the land to the extent permitted by law and shall pass to and be binding upon the Owners' successors in title to the Project throughout the term of this CDBG Regulatory Agreement. Each and every contract, deed, mortgage or other instrument hereafter executed affecting or conveying the Project or any

portion thereof shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations and restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instrument.

SECTION 4.13 Burden and Benefit

The Corporation and the Owner hereby declare their understanding and intent that the burden of the covenants set forth herein touch and concern the land in that the Owner's legal interest in the Project is rendered less valuable thereby. The Corporation and the Owner hereby further declare their understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Project by qualified tenants occupying Low-Income Units, the intended beneficiaries of such covenants, reservations and restrictions, and by furthering the public purposes for which the CDBG Fund allocation was made by the Corporation.

SECTION 4.14 Uniformity; Common Plan

The covenants, reservations and restrictions hereof shall apply uniformly to the entire Project in order to establish and carry out a common plan for the use, development and improvement of the Project Site.

SECTION 4.15 Enforcement

If the Owner defaults in the performance or observation of any covenant, agreement or obligation of the Owner set forth in this CDBG Regulatory Agreement, and if such default remains uncured for a period of thirty (30) days after written notice thereof shall have been given by the Corporation to the Owner, then the Corporation, HUD and residents of the Project, acting on the Owner's behalf or on behalf of the Corporation, or the Corporation shall declare an "Event of Default" to have occurred hereunder, and, at its option, may take any one or more of the following steps:

(A) By mandamus or other suit, action or proceeding at law, including injunctive relief, require the Owner to perform its obligations and covenants hereunder or enjoin any acts or things which may be unlawful or in violation of the rights of the Corporation hereunder;

(B) Have access to and inspect, examine and make copies of all the books and records of the Owner pertaining to the Project; or

(C) Take such other action at law as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Owner hereunder.

All fees, costs and expenses of the Corporation incurred in taking any action pursuant to this Section 4.15 shall be the sole responsibility of the Owner, and the Owner, as security for the payment of any such fees, costs and expenses, hereby grants, bargains, sells and conveys to the Corporation, a lien on the Project.

SECTION 4.16 Recording and Filing

The Owner shall cause this CDBG Regulatory Agreement, all amendments and supplements hereto and thereto, to be recorded and filed in the conveyance and mortgage property records of the Parish and in

such other places as the Corporation may reasonably request. The Owner shall pay all fees and charges incurred in connection with any such recording.

SECTION 4.17 Governing Law

This CDBG Regulatory Agreement shall be governed by the laws of the State of Louisiana and such Federal laws and regulations as may be applicable to the enforcement of this CDBG Regulatory Agreement under the Act and CDBG Funds Regulations, including the enforcement of this CDBG Regulatory Agreement by tenants and/or former or prospective tenants of the Project.

[END OF DOCUMENT - SIGNATURE PAGE FOLLOWS]

DRAFT

IN WITNESS WHEREOF, the parties execute this CDBG Regulatory Agreement as of the date first above written, and warrant that they possess all of the requisite power and authority to enter into this Agreement.

WITNESSES:

LOUISIANA HOUSING CORPORATION

By: _____

By: _____

Print Name: _____

Name: Edselle Keith Cunningham, Jr.

Title: Executive Director

By: _____

Print Name: _____

DRAFT

NOTARY PUBLIC

Print Name: _____
Bar Roll/Notary No.: _____
My Commission Expires: _____

IN WITNESS WHEREOF, the parties execute this CDBG Regulatory Agreement as of the date first above written, and warrant that they possess all of the requisite power and authority to enter into this Agreement.

WITNESSES:

[TAXPAYER/OWNER]

By: _____

By: _____

Print Name: _____

Name: _____

Title: _____

By: _____

Print Name: _____

NOTARY PUBLIC

Print Name: _____

Bar Roll/Notary No.: _____

My Commission Expires: _____

DRAFT

ATTACHMENT A

DESCRIPTION OF ACTIVITIES OF PARTICIPATING PARTIES

- First Lien Permanent Lender (_____) will loan \$_____ to Borrower
- LHC will loan Borrower \$_____ CDBG Funds as Second Lien Permanent Lender
- Tax Credit Investor (_____) will invest \$_____
- Developer will defer \$_____ of its Developer Fee
- Subordinate Lender will loan \$_____ CDBG Funds as Second Lien Permanent Lender

DRAFT

ATTACHMENT B

DESCRIPTION OF DEVELOPMENT BUDGET AND ESTIMATED SOURCES OF FUNDS FOLLOWING CONSTRUCTION

Upon receipt and approval by the Corporation's designated asset manager of a requisition for CDBG Funds from the electronic requisition form from the AMEC Model (including all appropriate back-up invoices and receipts), the Corporation will disburse within ten (10) Business Days to the Owner CDBG Funds (less retainage) along with other sources of funds as evidenced in the Approved Budget to be used by the Owner to pay for the following Eligible Costs:

(A) Development Hard Costs

DESCRIPTION	COST
Construction Costs ⁽¹⁾	
TOTAL	

(B) Acquisition (Soft) Costs

DESCRIPTION	COST
Land	
TOTAL	

(C) Related Soft Costs

DESCRIPTION	COST
Developer Fee	
Architectural Fee	
Survey & Engineering	
Financing Costs / Loan Fees	
Interest During Construction	
Closing Costs & Legal Fees	
Contingency for Project	
TOTAL	

(D) TOTAL

TOTAL of (A) (B) and (C)	
---------------------------------	--

The estimate sources of permanent funds are as follows:

DESCRIPTION	AMOUNT
Permanent Loan from:	
Equity	
CDBG Loan from Corporation	
Owner Capital Contribution	
Deferred Developer Fee	
TOTAL DEVELOPMENT COSTS	

⁽¹⁾Construction Contract dated _____ for \$_____

⁽²⁾Architect Agreement dated _____ for \$_____

ATTACHMENT C

DESCRIPTION OF OWNER ACTIVITIES

Taxpayer/Owner shall execute and deliver the following CDBG Loan Documents (as defined in the CDBG Loan Agreement) on or prior to closing:

- i. CDBG Loan Agreement
- ii. CDBG Promissory Note
- iii. CDBG Mortgage
- iv. CDBG Regulatory Agreement
- v. CDBG Performance and Completion Guaranty
- vi. CDBG Guaranty of Exceptions To Non-Recourse Liability

DRAFT

ATTACHMENT D
PROJECT PERFORMANCE SCHEDULE

I

(a) The evidentiary materials described below must be submitted to the Corporation by the Owner not later than _____, 201__.

(b) Upon notification to the Owner of the approval by the Corporation of the evidentiary materials required by subparagraph (a) above, Owner shall be authorized to requisition CDBG Funds in accordance with the procedures and other provisions of this Agreement.

II

The Corporation shall approve Draw Requests in accordance with the Approved Budget described in **Attachment B** of this Agreement and the Owner's Activities described in **Attachment C** of this Agreement shall be commenced and completed in accordance with the following schedule:

<u>Corporation Activity</u>	<u>Date</u>
Execute Agreement	_____
<u>Owner Activity</u>	<u>Date</u>
Start Construction	_____
Complete Construction	_____
Initial Occupancy	_____
10 Percent Occupancy	_____
50 Percent Occupancy	_____
100 Percent Occupancy	_____

DISBURSEMENT PROCEDURES

FOR

MULTI-FAMILY PROJECTS

Below are the disbursement procedures or the way in which CDBG Funds and Private funds will be made available. All disbursements must be evidenced each month on the electronic Requisition Form for the Project prepared by the LHC at closing.

1. Requests for hard costs must be accompanied by a notarized Application and Certificate for Payment.
2. Requests for soft costs must be accompanied by receipts, canceled checks, invoices, bills, etc., or any relevant documentation evidencing expenditure.

Private Source Funds

1. Developer must provide the LHC with a copy of the owner's requisition when funds are requested from other sources.
2. If funds are requested from other sources, an authorized representative (Bank or Syndicator) must provide Corporation with certification letter on amount paid.

Cost Certification

1. An independent auditor (CPA) must perform cost certification (audit) in accordance with Generally Accepted Auditing Standards (GAAS) and in accordance with Generally Accepted Accounting Procedures (GAAP).
2. Independent auditor's report must be attached.
3. Estimate and certificate of actual cost must be used when certifying costs.
4. All costs must be itemized as per division number for vendors. All funding sources must be identified and certified separately.

Retainages

1. Retainages are held on all projects.
2. Upon completion of the project, the Corporation must receive a completion report, a cost certification for the total development cost, Syndication Information (appendix II of Tax Credit Application) and the Tax Credit Financial Certification. Retainage will only be released upon completion of subsidy layering review.

ATTACHMENT E
RECORDKEEPING AND REPORTING

- Taxpayer/Owner shall maintain books and records as required by the CDBG Loan Documents and Tax Credit Regulatory Agreement.
- Taxpayer/Owner shall provide to the Corporation such reports as required by the CDBG Loan Documents and Tax Credit Regulatory Agreement.

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ATTACHMENT F

CONSTRUCTION AND EXPENDITURE SCHEDULE BY MONTH

[BORROWER TO PROVIDE]

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ATTACHMENT G

CDBG NOTE AND CDBG MORTGAGE

Not Attached – CDBG Note held by Louisiana Housing Corporation and copy of recorded CDBG Mortgage included in the CDBG transcript

DRAFT

ATTACHMENT H
CDBG FEDERAL GRANT REQUIREMENTS
CERTIFICATE OF OWNER

The undersigned, duly authorized representative off the Owner, hereby certifies that the CDBG Federal Grant Requirements enumerated as **Exhibit A** hereto have been reviewed and that the Owner has complied with or will comply with all said requirements by executing this certification. The Owner further certifies that neither it nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation by HUD in transactions such as the Project.

WITNESSES:

[TAXPAYER/OWNER]

By: _____

By: _____

Print Name: _____

Name: _____

Title: _____

By: _____

Print Name: _____

NOTARY PUBLIC

Print Name: _____

Bar Roll/Notary No.: _____

My Commission Expires: _____

EXHIBIT A to ATTACHMENT H
CDBG FEDERAL GRANT REQUIREMENTS

A. Equal Opportunity and Fair Housing

- (a) ***Equal opportunity.*** No person in the United States shall on the grounds of race, color, national origin, religion, or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with CDBG Funds. In addition, the Project must be operated and managed in accordance with the following:
- (1) The requirements of the **Fair Housing Act** (42 U.S.C. 3601-19) and implementing regulations at 24 CFR part 100; and the regulations at 24 CFR Part 107 (Equal Opportunity in Housing); and **Title VI of the Civil Rights Act of 1964** (42 U.S.C. 2000d) (Nondiscrimination in Federally Assisted Programs) and implementing regulations at 24 CFR Part 1;
- (2) The prohibitions against discrimination on the basis of age under the **Age Discrimination Act of 1975** (42 U.S.C. 6101-07) and implementing regulations at 24 CFR part 146 Nondiscrimination on the Basis of Age in HUD Programs or Activities Receiving Financial Assistance, and the prohibitions against discrimination against handicapped individuals under section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and implementing regulations at 24 CFR part 8;
- (3) The requirements of Executive Order 11246 (3 CFR 1964-65, Comp. p. 339) (Equal Employment Opportunity) and the implementing regulations issued at 41 CFR chapter 60;
- (4) The requirements of section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 170lu) the purpose of which is to ensure that the employment and other economic opportunities generated by Federal financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed toward low- and very-low income persons, particularly those who are recipients of government assistance for housing.
- (5) The requirements of Executive Orders 11625 and 12432 (concerning Minority Business Enterprise), and 12138 (concerning Women's Business Enterprise). Consistent with HUD's responsibilities under these Orders, the Owner must make efforts to encourage the use of minority and women's business enterprises in connection with CDBG funded activities. The Owner must prescribe procedures acceptable to the Corporation to establish and oversee a minority outreach program within its jurisdiction to ensure the inclusion, to the maximum extent possible, of minorities and women, and entities owned by minorities and women, including, without limitation, real estate firms, construction firms, appraisal firms, management firms, financial institutions, investment banking firms, underwriters, accountants, and providers of legal services, in all contracts entered into by the Owner with such persons or entities, public and private, in order to facilitate the activities of the Owner to provide affordable housing authorized under the Housing Act or any other federal housing law applicable to such jurisdiction.

- (b) ***Fair housing.*** In accordance with the certification made with its housing strategy, the Owner must affirmatively further fair housing.
- (c) ***Section 504 of the Rehabilitation Act of 1973 29 U.S.C. 794 and implementing regulations at 24 CFR Part 8.*** Nondiscrimination Based on Handicap in Federally Assisted Programs and Activities apply to all projects with CDBG Funds.

For new construction projects and projects undergoing substantial rehabilitation, five percent (5%) of the units must be accessible to persons with mobility impairments and two percent (2%) of the units must be accessible to persons with hearing impairments. (See 24 CFR 6.22.) Substantial rehabilitation for a multifamily rental project is defined in Section 24 CFR 8.23 as a project with fifteen (15) or more units for which alterations would equal more than seventy-five percent (75%) of the replacement cost for the facility.

Modifications to projects to comply with Section 504 requirements are Eligible Costs under CDBG. However, compliance with Section 504 requirements may be infeasible or impractical for some projects, depending on where they are in the development process. *If a new construction or substantial project is underway or has already been completed, and it cannot be modified to meet the accessibility requirements established by Section 504, it is ineligible to receive CDBG assistance.*

For projects in which rehabilitation would not be considered substantial, the Section 504 provisions are applicable only to the maximum extent feasible, i.e., not required if it would impose undue financial and administrative burden. See 24 CFR 8.23.

B. Affirmative Marketing

- (a) The Owner must adopt affirmative marketing procedures and requirements. Affirmative marketing steps consist of actions to provide information and otherwise attract eligible persons from all racial, ethnic, and gender groups in the housing market area to the available housing. (The affirmative marketing procedures do not apply to families with housing assistance provided by the PHA). The Owner must annually assess the affirmative marketing program to determine the success of affirmative marketing actions and any necessary corrective actions.
- (b) The affirmative marketing requirements and procedures adopted must include:
- (1) Methods for informing the public and potential tenants about federal fair housing laws and the Owner's affirmative marketing policy (e.g., the use of the Equal Housing Opportunity logotype or slogan in press releases and solicitations, and written communication to fair housing and other groups);
 - (2) Requirements and practices each owner must adhere to in order to carry out the Owner's affirmative marketing procedures and requirements (e.g., use of commercial media, use of community contacts, use of Equal Housing Opportunity logotype or slogan, and display of fair housing poster);
 - (3) Procedures to be used by the Owner to inform and solicit applications from persons in the housing market area who are not likely to apply for the housing without

special outreach (e.g., use of community organizations, places of worship, employment centers, fair housing groups, or housing counseling agencies);

- (4) Records that will be kept describing actions taken by the Owner to affirmatively market units and records to assess the results of these actions; and
- (5) A description of how the Owner will assess the success of affirmative marketing actions and what corrective actions will be taken where affirmative marketing requirements are not met.

C. **Displacement, Relocation, and Acquisition** – Borrower shall comply with 24 CFR Section 570.606 and shall keep all records demonstrating compliance with these requirements including, but not limited to, those records required in 24 CFR Section 570.506. Borrower must comply with applicable requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 as amended (49 CFR Part 24) and Section 104(d) of the Housing and Community Development Act of 1974 as amended. These requirements are explained in HUD Handbook 1378 and specify the procedures for the acquisition of property and the treatment of tenants located in the Project.

D. **Labor** – Davis-Bacon wage and reporting requirements applies to projects funded directly by or assisted in whole or in part with CDBG Funds. There are no exemptions or thresholds beyond the standard Davis-Bacon Act \$2,000 threshold that applies to the total value of the project construction, not just the amount of the CDBG assistance. Davis-Bacon will only apply prospectively to a project for which the construction contract was awarded and/or for which construction started prior to the date that the Corporation announced and invited applications for CDBG assistance.

- (a) *General.* Any contract for the construction (rehabilitation or new construction) of affordable housing must contain a provision requiring that not less than the wages prevailing in the locality, as predetermined by the Secretary of Labor pursuant to the Davis-Bacon Act (40 U.S.C. 276a-5), will be paid to all laborers and mechanics employed in the development of affordable housing involved, and such contracts must also be subject to the overtime provisions, as applicable, of the Contract Work Hours and Safety Standards Act (40 U.S.C. 327-332). Owners, contractors, subcontractors, and other participants must comply with regulations issued under these Acts and with other federal laws and regulations pertaining to labor standards and HUD Handbook 1344.1 (Federal Labor Standards Compliance in Housing and Community Development Programs), as applicable. The Owner certifies or will certify to compliance with the provisions of this section before making any payment under such contract.
- (b) *Volunteers.* The prevailing wage provisions of paragraph (a) of this section do not apply to an individual who receives no compensation or is paid expenses, reasonable benefits, or a nominal fee to perform the services for which the individual volunteered and who is not otherwise employed at any time in the construction work.
- (c) *Sweat equity.* The prevailing wage provisions of paragraph (a) of this section do not apply to members of an eligible family who provide labor in exchange for acquisition of a property for homeownership or provide labor in lieu of, or as a supplement to, rent payments.

E. **Lead-based paint** - Housing assisted with CDBG Funds constitutes HUD-associated housing for the purpose of the Lead-Based Paint Poisoning Prevention Act of 1992 and the Residential Lead-Based

Paint Hazard Reduction Act of 1992 and implementing regulations at 24 CFR part 35. The status of lead-based paint abatement, mitigation and/or removal plans in connection with rehabilitation of pre-1978 residential properties known or presumed to have lead-based paint must be submitted by the Owner and must include the applicable worker training programs and, as required, appropriate certifications. If rehabilitation is over \$25,000 per unit, contractor firms must be certified as abatement firms, and workers must be certified as abatement workers. See HUD's at 24 CFR 25.1325 and EPA's at 40 CFR 745.226(c) and (f), respectively. If the CDBG assistance is \$25,000 per unit or less, workers must be trained in a HUD-accepted lead safe work practices course. See HUD lead safe work practices training requirement at 24 CFR 35.1330(a)(4). See www.hud.gov/offices/lead/training

F. **Conflict of interest**

(a) *Applicability.*

- (1) In the procurement of property and services by the Owner, the conflict of interest provisions in 24 CFR 85.36 and OMB Circular A-110, respectively, apply.
- (2) In all cases not governed by 24 CFR 85.36 and OMB Circular A-110, the provisions of this section apply. These cases include the acquisition and disposition of real property and the provision of assistance by the Owner, by subrecipients, or to individuals, housing developers, and other private entities under eligible activities which authorize such assistance (e.g., rehabilitation of housing).¹

¹ See §92.505 concerning the applicability of OMB Circulars.

(b) *Conflicts prohibited.* No persons described in paragraph (c) of this section who exercise or have exercised any functions or responsibilities with respect to activities assisted with CDBG Funds or who are in a position to participate in a decision making process or gain inside information with regard to these activities, may obtain a financial interest or benefit from a CDBG Funds assisted activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds thereunder, either for themselves or those with whom they have family or business ties, during their tenure or for one year thereafter.

(c) *Persons covered.* The conflict of interest provisions of paragraph (b) of this section apply to any person who is an employee, agent, consultant, officer, or elected official or appointed official of the Corporation, or sub-recipient which are receiving CDBG Funds.

(d) *Exceptions: Threshold requirements.* Upon the written request of the Corporation, HUD may grant an exception to the provisions of paragraph (b) of this section on a case-by-case basis when it determines that the exception will serve to further the purposes of the CDBG Funds Investment Partnerships Program and the effective and efficient administration of the Corporation's program or project. An exception may be considered only after the Corporation has provided the following:

- (1) A disclosure of the nature of the conflict, accompanied by an assurance that there has been public disclosure of the conflict and a description of how the public disclosure was made; and
- (2) An opinion of the Corporation's attorney that the interest for which the exception is

sought would not violate state or local law.

- (e) *Factors to be considered for exceptions.* In determining whether to grant a requested exception after the Corporation has satisfactorily met the requirements of paragraph (d) of this section, HUD will consider the cumulative effect of the following factors, where applicable:
- (1) Whether the exception would provide a significant cost benefit or an essential degree of expertise to the program or project which would otherwise not be available;
 - (2) Whether the person affected is a member of a group or class of low-income persons intended to be the beneficiaries of the assisted activity, and the exception will permit such person to receive generally the same interests or benefits as are being made available or provided to the group or class;
 - (3) Whether the affected person has withdrawn from his or her functions or responsibilities, or the decision making process with respect to the specific affected activity in question.
 - (4) Whether the interest or benefit was present before the affected person was in a position as described in paragraph (c) of this section;
 - (5) Whether undue hardship will result either to the Owner or the person affected when weighed against the public interest served by avoiding the prohibited conflict; and
 - (6) Any other relevant considerations.

G. Flood insurance

- (a) Under the Flood Disaster Protection Act of 1973 (42 U.S.C. 4001-4128), CDBG Funds may not be used with respect to the acquisition, new construction, or rehabilitation of a project located in an area identified by the Federal Emergency Management Agency (FEMA) as having special flood hazards, unless:
 - (1) The community in which the area is situated is participating in the National Flood Insurance Program (see 44 CFR parts 59 through 79), or less than a year has passed since FEMA notification regarding such hazards; and
 - (2) Flood insurance is obtained as a condition of approval of the commitment.
- (b) The Owner of a Project located in an area identified by FEMA as having special flood hazards are responsible for assuring that flood insurance under the National Flood Insurance Program is obtained and maintained.

H. National Environmental Policy (NEPA) and Related Laws – The National Environmental Policy Act of 1969 (NEPA) and related environmental laws and authorities apply to projects receiving CDBG Funds. The implementing regulations are **24 CFR Part 58** “environmental Review Procedures for Entities Assuming HUD Environmental Responsibilities” must be completed before any CDBG Funds are committed to the project. The Environmental Review Process was completed

with respect to the _____ Project on _____, 20 by the U.S. Department of Housing and Urban Development Office of Community Planning and Development.

- I. **Anti-Lobbying Restrictions** – CPD Notice 09-03 states that 24 CFR Part 87, New Restrictions on Lobbying applies to CDBG Funds. Every person who requests or receives CDBG Funds exceeding \$100,000 must submit a certification, and a SF-LLL Disclosure of Lobbying Activities form (if required), at the time that person requests or receives CDBG Funds, if that person has made or agreed to make a payment using non-Federally appropriated funds for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with CDBG Funds.

Based upon the foregoing and by executing this CDBG Regulatory Agreement, the Owner/Borrower hereby certifies, to the best of its knowledge and belief, that:

- (1) *No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.*
- (2) *If any funds other than Federal appropriated funds have been paid or will be paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or any employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, “Disclosure Form to Report Lobbying,” in accordance with its instructions.*
- (3) *The undersigned shall require that the language of this certification be included in the award documents for all subcontracts and contracts under grants, loans, and cooperative agreements and that all subrecipients shall certify and disclose accordingly.*

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

- J. **Non-procurement Debarment and Suspension** – In compliance with subpart C of 2 CFR Part 180, as required by 2 CFR Part 2424, the Owner/Borrower shall not award a contract to a contractor who is debarred, suspended, or otherwise excluded from or ineligible for participation in federal assistance programs.
- J. **Required Signage** – The Owner/Borrower agrees to post signage in a manner consistent with criteria established by HUD. The signage requirements must be posted not later than five (5) days prior to the execution of this CDBG Regulatory Agreement. By executing this CDBG Regulatory Agreement, the Owner/Borrower hereby certifies that such signage has been posted at the Project location.

- K. **Section 3 of the Housing and Urban Development Act of 1968** – Borrower agrees to comply with the provisions of Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. §1701u) and implementing regulations contained in 24 CFR Part 135 regarding economic opportunities for low and very low income persons. Borrower shall also keep records demonstrating compliance with the foregoing regulations, including without limitation the provisions of 24 CFR Section 570.506(g)(5).

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ATTACHMENT I

AMEC MODEL

Not attached – on file with Louisiana Housing Corporation

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ATTACHMENT J
SUPPLEMENTAL PROVISIONS

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ATTACHMENT K
CDBG LOAN TERM SHEET

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ATTACHMENT L

CDBG REPORTING REQUIREMENTS

The Taxpayer/Owner shall provide periodic reports on a quarterly basis not later than January 5, April 5, July 5 and October 5 commencing January 5, 201_ providing the following information in the following format:

Taxpayer Name: _____

Taxpayer EIN: #_____

Name of Project: _____

Location of Project: City/County: _____
State: _____
Zip Code: _____

Description of Project: _____

Project Completion Status: _____
NB: Not Begun; **ST:** Stalled; **CN:** Completed
not occupied; **CO:** Completed and occupied

Construction Jobs Created: _____ full-time equivalent jobs directly involved in constructing or rehabilitating the Project.

Non-construction Jobs Created: _____ full-time equivalent jobs directly involved in operating the Project

Construction Jobs Retained: _____ full-time equivalent jobs directly involved in constructing or rehabilitating the Project.

Non-construction Jobs Retained: _____ full-time equivalent jobs directly involved in operating the Project

Newly Constructed Housing Units: _____ units to be built at the site as a result of CDBG Award

Rehabilitated Housing Units: _____ units to be rehabilitated at the site as a result of CDBG Award

Newly Constructed Low-income Units: Of the housing units to be built at site, _____ of such newly built housing units to be occupied by

qualified low-income families

Rehabilitated Low-income Units:

Of the housing units to be rehabilitated at site,
_____ of such rehabilitated housing units to be
occupied by qualified low-income families

The Taxpayer/Owner agrees to provide such other reports as shall be deemed necessary to comply with guidance by HUD.

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ATTACHMENT M

PROPERTY STANDARDS

As required by the LHC architectural review and contained in (i) the schedule of values approved by the LHC and (ii) the Uniform Physical Property Condition Standard, the Green Building Standards, and property standards required by the Tax Credit Regulatory Agreement for the Minimum Project Term.

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EXHIBIT A

PROPERTY DESCRIPTION - LAND

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SUBORDINATION AGREEMENT

THIS SUBORDINATION AGREEMENT (this “**Agreement**”) is entered into by and among the **LOUISIANA HOUSING CORPORATION** (the “**LHC**”), whose address is 2415 Quail Drive, Baton Rouge, Louisiana 70808; _____ whose address is _____ (the “**Senior Lender**”); and _____, a _____ (the “**Borrower**”), whose address is _____. This Agreement document was executed in counterparts and is to be considered as one and the same instrument when properly executed by all parties hereto, and shall be considered dated as of _____, 201_ (the “**Effective Date**”).

PRELIMINARY RECITALS:

A. **WHEREAS**, LHC has released a Notice of Funding Availability and Program Implementation Guideline (“**NOFA**” or “**2019 CDBG-DR Program Description**”) for the preliminary commitment of **\$25,000,000.00** of Community Development Block Grant Disaster Recovery funds (“**CDBG-DR Funds**”) in parishes impacted (“**Disaster Impacted Parishes**”) by Hurricanes Katrina and Rita to provide funding for the new construction or acquisition/rehabilitation development of multifamily affordable housing developments on the Disaster Impacted Parishes; and

B. **WHEREAS**, the NOFA provided that successful applicants for the CDBG funds were required to utilize CDBG-DR funds with (4%) Low Income Housing Tax Credits (“**LIHTCs**”) which are allowable from the issuance of LHC Multifamily Revenue Bonds (“**LHC Tax-Exempt Bonds**”) in accordance with the requirements of Section 42(h)(4) of the Internal Revenue Code of 1986, as amended (“**Code**”); and

C. **WHEREAS**, Borrower has submitted to LHC a LIHTC Application and an application for CDBG-DR Funds (collectively, the “**CDBG-DR Application**”) and LHC agreed to allow \$_____ of LIHTCs and to make the award of CDBG-DR Funds in accordance with the terms and conditions of the CDBG-DR Funds award letter dated ____, 2019, for the project described therein; and

D. **WHEREAS**, LHC has agreed to provide to Borrower a loan (“**CDBG-DR Loan**”) for the development, rehabilitation, replacement, restoration and/or construction of a _____ unit multifamily residential rental project (the “**Project**”) located on certain immovable property in _____ Parish, Louisiana, as more fully described on **Exhibit A - Property Description** attached hereto (the “**Land**”); and

E. **WHEREAS**, in order to finance the CDBG-DR Loan and all of Borrower’s obligations to LHC, the documents (the “**CDBG-DR Loan Documents**”) described in **Exhibit B** have been executed; and

F. **WHEREAS**, Senior Lender has agreed to finance a mortgage loan (the “**Senior Loan**”) to Borrower, evidenced by the documents described on **Exhibit C – Senior Loan Documents**, and the Borrower’s obligation to repay the Senior Loan is or will be secured by one or more senior mortgages described in the Senior Loan Documents (the “**Senior Mortgage**”), which shall constitute a mortgage lien on the Property senior to the CDBG-DR Loan Documents;

G. **WHEREAS**, Senior Lender has agreed to permit the LHC to make the CDBG-DR Loan (the “**Subordinate Loan**”) and to place the CDBG-DR Mortgage as a subordinate mortgage lien against the Property subject to all of the conditions contained in this Agreement;

NOW, THEREFORE, in order to induce Senior Lender to permit the LHC as the Subordinate Lender to make the Subordinate Loan to the Borrower, and to place a subordinate mortgage lien against the Property, and in consideration thereof, Senior Lender, LHC as Subordinate Lender and the Borrower agree as follows:

1. Recitals and Defined Terms. The recitals set forth above are true and correct and are incorporated herein and made a part of this Agreement. Notwithstanding any definition to the contrary contained herein, the following additional terms shall have the following meanings:

(a) **Affiliate:** any corporation, partnership, joint venture, limited liability company, limited liability partnership, trust or individual controlled by, under common control with, or which has a controlling interest in Borrower; and (b) “**controlled by**”, “**under common control with**”, or which has a “**controlling interest**” means (i) the direct or indirect power (under contract, equity ownership, the right to vote or determine a vote, or otherwise) to direct the financial, legal, beneficial or other interests of a company (or other entity) and includes the definition of “control” in 24 CFR 401.310(a)(2); or (ii) the power to vote, directly or indirectly, 25 percent or more of any class of the voting stock of a company; or (iii) the ability to direct in any manner the election of a majority of a company’s (or other entity’s) directors, Senior Lenders or members; or (iv) the ability to exercise a controlling influence over the company’s or entity’s management and policies. For purposes of this definition, a general partner of a limited partnership is presumed to be in control of that partnership, and a managing member of a limited liability company is presumed to be in control of that limited liability company.

(b) **Borrower:** the Person named as such in the first paragraph of this Agreement and any other Person (other than the Senior Lender and Subordinate Lender) who acquires title to the Property after the date of this Agreement.

(c) **Business Day:** any day other than Saturday, Sunday or a day on which the Senior Lender is not open for business.

(d) **Default Notice:** (i) a copy of the written notice from the Senior Lender to the Borrower stating that a Senior Loan Default has occurred under the Senior Loan Documents or that there exists or has occurred any act, event or other circumstance which, with the giving of notice or the passage of time or both, would constitute a Senior Loan Default; or (ii) a copy of the written notice from the Subordinate Lender to the Borrower stating that a Subordinate Loan Default has occurred under the Subordinate Loan Documents. Each Default Notice shall specify the default upon which such Default Notice is based.

(e) **LHC:** the Louisiana Housing Corporation.

(f) **Person:** an individual, estate, trust, partnership, corporation, limited liability company, limited liability partnership, governmental department or agency or any other entity which has the legal capacity to own property.

(g) **Tax Credit Regulatory Agreement:** the Tax Credit Regulatory Agreement executed by and between LHC and Borrower.

(h) **Senior Lender:** _____, a _____ banking corporation.

(i) **Senior Loan Default:** the occurrence of an “Event of Default” as that term is defined in the Senior Loan Documents.

(j) **Senior Loan Documents:** each of Senior Loan Documents described in **Exhibit C** hereto.

(k) **Senior Loan Mortgage:** the mortgage described in **Exhibit C** hereto.

(l) **Senior Loan Note:** the note described in **Exhibit C** hereto.

(m) **Subordinate Lender:** the LHC.

(n) **Subordinate Loan:** the CDBG-DR Loan described in the preamble hereto.

(o) **Subordinate Loan Default:** a default by the Borrower in performing or observing any of the terms, covenants or conditions in the Subordinate Loan Documents to be performed or observed by it, which continues beyond any applicable period provided in the Subordinate Loan Documents for curing the default.

(p) **Subordinate Loan Documents:** the CDBG-DR Loan Documents described in **Exhibit B** hereto, and all other documents evidencing, securing or otherwise executed and delivered in connection with the Subordinate Loan. However, the parties agree that the Tax Credit Regulatory Agreement shall not be subordinated in any way to the Senior Loan Documents and shall retain its existing ranking with respect to the Senior Loan Documents and is not and shall not be subject to the terms of this Agreement.

(q) **Subordinate Mortgage:** the CDBG-DR Mortgage described in **Exhibit B** encumbering the Property as security for the CDBG-DR Loan.

(r) **Subordinate Note:** the CDBG-DR Note described in **Exhibit B**.

2. Permission to Place Mortgage Lien Against Property. The Senior Lender agrees, notwithstanding the prohibition against inferior liens on the Property contained in the Senior Loan Documents and subject to the provisions of this Agreement, to permit the Subordinate Lender to record the Subordinate Mortgage and other recordable Subordinate Loan Documents against the Property (which, other than the Tax Credit Regulatory Agreement, are subordinate in all respects to the lien of the Senior Loan Mortgage) to secure the Borrower's obligation to repay the Subordinate Note and all other obligations, indebtedness and liabilities of the Borrower to the Subordinate Lender under and in connection with the Subordinate Loan.

3. Borrower's and Subordinate Lender's Representations and Warranties. Unless otherwise expressly qualified in this Section 3, the Subordinate Lender makes the following representations and the Borrower makes the following representations and warranties to the Senior Lender:

(a) **Relationship of Borrower to Subordinate Lender and Senior Lender.** The Subordinate Lender is not an Affiliate of the Borrower and is not in possession of any facts that would lead it to believe that the Senior Lender is an Affiliate of the Borrower.

(b) **Term.** The term of the CDBG-DR Note is 35 years.

(c) **Subordinate Loan Documents.** The executed Subordinate Loan Documents are substantially in the same forms as those submitted to and approved by Senior Lender prior to the date of this Agreement. Upon execution and delivery of the Subordinate Loan Documents, Borrower shall

deliver to Senior Lender executed copies of each of the Subordinate Loan Documents, certified to be true, correct and complete.

(d) **Senior Loan Documents.** The executed Senior Loan Documents are substantially in the same forms as those submitted to Subordinate Lender prior to the date of this Agreement. Upon execution and delivery of the Senior Loan Documents, Borrower shall deliver to Subordinate Lender an executed copy of each of the Senior Loan Documents, certified to be true, correct and complete.

4. Terms of Subordination.

(a) **Agreement to Subordinate.** The Senior Lender and the Subordinate Lender agree that: (i) the indebtedness evidenced by the Subordinate Loan Documents is and shall be subordinated in right of payment, to the extent and in the manner provided in this Agreement to the prior payment in full of the indebtedness evidenced by the Senior Loan Documents, and (ii) the Subordinate Mortgage and the other Subordinate Loan Documents are and shall be subject and subordinate in all respects to the liens, terms, covenants and conditions of the Senior Loan Mortgage and the other Senior Loan Documents and to all advances heretofore made or that may hereafter be made pursuant to the Senior Loan Mortgage and the other Senior Loan Documents (including but not limited to, all sums advanced for the purposes of (1) protecting or further securing the lien of the Senior Loan Mortgage, or curing defaults by the Borrower under the Senior Loan Documents or (2) constructing, renovating, repairing, furnishing, fixturing or equipping the Property).

(b) **Subordination of Subrogation Rights.** The Subordinate Lender agrees that if, by reason of its payment of real estate taxes or other monetary obligations of the Borrower, or if by reason of its exercise of any other right or remedy under the Subordinate Loan Documents it acquires by right of subrogation or otherwise a lien on the Property which (but for this subsection) would be senior to the lien of the Senior Loan Mortgage, then, in that event, such lien shall be subject and subordinate to the lien of the Senior Loan Mortgage.

(c) **Payments Before Senior Loan Default.** Notwithstanding subparagraph (a) of this Section, the Subordinate Lender shall be entitled to retain for its own account all payments made under or pursuant to the Subordinate Loan Documents until the Subordinate Lender receives a Default Notice from the Senior Lender.

(d) **Payments After Senior Loan Default.** The Borrower agrees that, after it receives notice (or otherwise acquires knowledge) of a Senior Loan Default, it will not make any payments under or pursuant to the Subordinate Loan Documents (including but not limited to principal, interest, additional interest, late payment charges, default interest, attorney's fees, or any other sums secured by the Subordinate Mortgage) without the Senior Lender's prior written consent. The Subordinate Lender agrees that, after it receives a Default Notice from the Senior Lender with written instructions directing the Subordinate Lender not to accept payments from the Borrower on account of the Subordinate Loan, it will not accept any payments under or pursuant to the Subordinate Loan Documents (including but not limited to principal, interest, additional interest, late payment charges, default interest, attorney's fees, or any other sums secured by the Subordinate Mortgage) without the Senior Lender's prior written consent. After the Subordinate Lender has received written notice from the Senior Lender of any Senior Loan Default that gives rise to the Subordinate Lender's obligation not to accept payments, Senior Lender shall make commercially reasonable efforts to notify Subordinate Lender in writing whether such default has been cured, waived, or otherwise suspended by the Senior Lender. In the event of such cure, waiver or suspension, the restrictions on payment to the Subordinate Lender in this Section 4 shall terminate, and the Senior Lender shall have no right to any subsequent payments made to the Subordinate Lender by the

Borrower prior to the Subordinate Lender's receipt of a new Default Notice from the Senior Lender in accordance with the provisions of this Section 4(d).

(e) **Remitting Subordinate Loan Payments to Senior Lender.** If, after the Subordinate Lender receives a Default Notice from the Senior Lender in accordance with subsection (d) above, the Subordinate Lender receives any payments under the Subordinate Loan Documents, the Subordinate Lender agrees that such payment or other distribution will be received and held in trust for the Senior Lender and unless the Senior Lender otherwise notifies the Subordinate Lender in writing, will be promptly remitted, in kind to the Senior Lender, properly endorsed to the Senior Lender, to be applied to the principal of, interest on and other amounts due under the Senior Loan Documents in accordance with the provisions of the Senior Loan Documents. By executing this Agreement, the Borrower specifically authorizes the Subordinate Lender to endorse and remit any such payments to the Senior Lender, and specifically waives any and all rights to have such payments returned to the Borrower or credited against the Subordinate Loan. Borrower and Senior Lender acknowledge and agree that payments received by the Subordinate Lender, and remitted to the Senior Lender under this Section 4, shall not be applied or otherwise credited against the Subordinate Loan, nor shall the tender of such payment to the Senior Lender waive any Subordinate Loan Default which may arise from the inability of the Subordinate Lender to retain such payment or apply such payment to the Subordinate Loan.

(f) **Agreement Not to Commence Bankruptcy Proceeding.** The Subordinate Lender agrees that during the term of this Agreement it will not commence, or join with any other creditor in commencing, any bankruptcy reorganization, arrangement, insolvency or liquidation proceedings with respect to the Borrower, without the Senior Lender's prior written consent.

5. Default Under Subordinate Loan Documents.

(a) **Notice of Default and Cure Rights.** The Subordinate Lender shall deliver to the Senior Lender a Default Notice within five Business Days in each case where the Subordinate Lender has given a Default Notice to the Borrower. Failure of the Subordinate Lender to send a Default Notice to the Senior Lender shall not prevent the exercise of the Subordinate Lender's rights and remedies under the Subordinate Loan Documents, subject to the provisions of this Agreement. The Senior Lender shall have the right, but not the obligation, to cure any Subordinate Loan Default within sixty (60) days following the date of such notice; provided, however that the Subordinate Lender shall be entitled, during such 60-day period, to continue to pursue its rights and remedies under the Subordinate Loan Documents as set forth below. All amounts paid by the Senior Lender in accordance with the Senior Loan Documents to cure a Subordinate Loan Default shall be deemed to have been advanced by the Senior Lender pursuant to, and shall be secured by the lien of, the Senior Loan Mortgage, with preference and priority over the Subordinate Loan Documents.

(b) **Subordinate Lender's Exercise of Remedies After Notice to Senior Lender.** If a Subordinate Loan Default occurs and is continuing, the Subordinate Lender agrees that, without the Senior Lender's prior written consent, it will not commence foreclosure proceedings with respect to the Property under the Subordinate Loan Documents or accelerate the Subordinate Loan, collect rents, or appoint (or seek the appointment of) a receiver unless and until it has given the Senior Lender at least sixty (60) days' prior written notice; provided, however, that during such 60-day period the Subordinate Lender shall be entitled to exercise and enforce all other rights and remedies available to the Subordinate Lender under the Subordinate Loan Documents and/or under applicable laws, including without limitation, rights to enforce covenants and agreements of the Borrower relating to income, rent, or affordability restrictions contained in the Tax Credit Regulatory Agreement between Borrower and Subordinate Lender which shall retain its existing ranking with respect to the Senior Loan Mortgage.

(c) **Cross Default.** The Borrower and the Subordinate Lender agree that a Subordinate Loan Default shall constitute a Senior Loan Default under the Senior Loan Documents and the Senior Lender shall have the right to exercise all rights or remedies under the Senior Loan Documents in the same manner as in the case of any other Senior Loan Default. If the Subordinate Lender notifies the Senior Lender in writing that any Subordinate Loan Default of which the Senior Lender has received a Default Notice has been cured or waived, as determined by the Subordinate Lender in its sole discretion, then provided that Senior Lender has not conducted a sale of the Property pursuant to its rights under the Senior Loan Documents, any Senior Loan Default under the Senior Loan Documents arising solely from such Subordinate Loan Default shall be deemed cured, and the Senior Loan shall be reinstated, provided, however, that the Senior Lender shall not be required to return or otherwise credit for the benefit of the Borrower any default rate interest or other default-related charges or payments received by the Senior Lender during such Senior Loan Default (including any payment resulting from Senior Lender's exercise of a right of offset or any payment resulting from Senior Lender's collection of rents).

6. Default Under Senior Loan Documents.

(a) **Notice of Default and Cure Rights.** The Senior Lender shall deliver to the Subordinate Lender a Default Notice within five Business Days in each case where the Senior Lender has given a Default Notice to the Borrower. Failure of the Senior Lender to send a Default Notice to the Subordinate Lender shall not prevent the exercise of the Senior Lender's rights and remedies under the Senior Loan Documents, subject to the provisions of this Agreement. The Subordinate Lender shall have the right, but not the obligation, to cure any such Senior Loan Default within thirty (30) days following the date of the Default Notice; provided, however, that the Senior Lender shall be entitled during such 30-day period to continue to pursue its remedies under the Senior Loan Documents. Subordinate Lender may have up to sixty (60) days from the date of the Default Notice to cure a non-monetary default if during such 60-day period Subordinate Lender keeps current all payments required by the Senior Loan Documents. In the event that such a non-monetary default creates an unacceptable level of risk relative to the Property, or to Senior Lender's secured position relative to the Property, as determined by Senior Lender in its sole discretion, then Senior Lender may exercise during such 60-day period all available rights and remedies to protect and preserve the Property and the rents, revenues and other proceeds from the Property. All amounts paid by the Subordinate Lender to the Senior Lender to cure a Senior Loan Default shall be deemed to have been advanced by the Subordinate Lender pursuant to, and shall be secured by the lien of, the Subordinate Mortgage.

In the event that Senior Lender institutes foreclosure or collection proceedings during any applicable cure period provided for in this subsection, the Senior Loan Default that precipitated such foreclosure or collection proceedings shall not be considered to have been cured unless and until (i) Senior Lender is reimbursed all attorney's fees, court costs and sheriff's costs incurred in connection with the Senior Loan Default and/or such foreclosure or collection proceedings, and (ii) Borrower and/or Subordinate Lender pay to each sheriff or other seizing officer all commissions due on account of any seizure of the Property.

(b) **Cross Default.** Subordinate Lender agrees that, notwithstanding any contrary provision contained in the Subordinate Loan Documents, a Senior Loan Default shall not constitute a default under the Subordinate Loan Documents if no other default occurred under the Subordinate Loan Documents until either (i) the Senior Lender has accelerated the maturity of the Senior Loan, or (ii) the Senior Lender has taken affirmative action to exercise its rights under the Senior Loan Mortgage to collect rent, to appoint (or seek the appointment of) a receiver or to foreclose on (or to exercise a power of sale contained in) the Senior Loan Mortgage. At any time after a Senior Loan Default is determined to constitute a default under the Subordinate Loan Documents, the Subordinate Lender shall be permitted to pursue its remedies for default under the Subordinate Loan Documents, subject to the restrictions and limitations of

this Agreement. If at any time the Borrower cures any Senior Loan Default to the satisfaction of the Senior Lender, as evidenced by written notice from the Senior Lender to the Subordinate Lender, any default under the Subordinate Loan Documents arising from such Senior Loan Default shall be deemed cured and the Subordinate Loan shall be retroactively reinstated as if such Senior Loan Default had never occurred.

(c) **Right to pay Senior Loan.** Notwithstanding anything to the contrary contained herein, in the event of a Senior Loan Default, Subordinate Lender may pay Senior Lender any prepayment premium, and the outstanding balance due under the Senior Loan, in principal, interest, costs and attorneys' fees, and, in such event Senior Lender shall, at the option of Subordinate Lender (i) cancel, release or discharge the Senior Loan; or (ii) assign, without warranty or recourse of any nature, all of its right, title and interest in and to the Senior Loan (including without limitation the assignment of the Senior Loan Documents to Subordinate Lender) to Subordinate Lender in order for Subordinate Lender to acquire Senior Lender's lien position in the Property under the Senior Loan Documents.

7. **Conflict.** The Borrower, the Senior Lender and the Subordinate Lender each agree that, in the event of any conflict or inconsistency between the terms of the Senior Loan Documents, the Subordinate Loan Documents and the terms of this Agreement, the terms of this Agreement shall govern and control solely as to the following: (a) the relative priority of the security interests of the Senior Lender and the Subordinate Lender in the Property, and the rents, leases and other proceeds thereof; (b) the timing of the exercise of remedies by the Senior Lender and the Subordinate Lender under the Senior Loan Mortgage and the Subordinate Mortgage, respectively; and (c) solely as between the Senior Lender and the Subordinate Lender, the notice requirements, cure rights, and the other rights and obligations which the Senior Lender and the Subordinate Lender have agreed to as expressly provided in this Agreement. Borrower acknowledges that the terms and provisions of this Agreement shall not, and shall not be deemed to: (x) extend Borrower's time to cure any Senior Loan Default or Subordinate Loan Default, as the case may be; (y) give the Borrower the right to notice of any Senior Loan Default or Subordinate Loan Default, as the case may be other than that, if any, provided, respectively under the Senior Loan Documents or the Subordinate Loan Documents; or (z) create any other right or benefit for Borrower as against Senior Lender or Subordinate Lender.

8. **Rights and Obligations of the Subordinate Lender Under the Subordinate Loan Documents and of the Senior Lender under the Senior Loan Documents.** Subject to each of the other terms of this Agreement, all of the following provisions shall supersede any provisions of the Subordinate Loan Documents covering the same subject matter:

(a) **Protection of Security Interest.** The Subordinate Lender shall not, without the prior written consent of the Senior Lender in each instance, take any action which has the effect of increasing the indebtedness outstanding under, or secured by, the Subordinate Loan Documents, except that the Subordinate Lender shall have the right to advance funds to cure Senior Loan Defaults pursuant to Section 6(a) above and advance funds pursuant to the Subordinate Mortgage for the purpose of paying real estate taxes and insurance premiums, making necessary repairs to the Property and curing other defaults by the Borrower under the Subordinate Loan Documents.

(b) **Condemnation or Casualty.** In the event of: a taking or threatened taking by condemnation or other exercise of eminent domain of all or a portion of the Property (collectively, a "Taking"); or the occurrence of a fire or other casualty resulting in damage to all or a portion of the Property (collectively, a "Casualty"), at any time or times when the Senior Loan Mortgage remains a lien on the Property the following provisions shall apply:

(i) The Borrower hereby agrees to provide Senior Lender and Subordinate Lender with notice of any proceeding or action relating to a Taking and/or Casualty. The Senior Lender agrees that Subordinate Lender may participate in any proceeding or action related to a Taking and/or a Casualty, or participate or join in any settlement of, any claims resulting from a Taking or a Casualty. Subordinate Lender's rights otherwise shall be and remain subordinate in all respects to the Senior Lender's rights under the Senior Loan Documents with respect thereto, and the Subordinate Lender shall be bound by any adjustment of a claim resulting from a Taking or a Casualty made by the Senior Lender, approved in writing by the Subordinate Lender, which approval shall not be unreasonably withheld, conditioned, or delayed, it being understood by all parties hereto that Senior Lender at all times has first priority to the proceeds of such settlement or adjustment for the payment of any outstanding indebtedness under the Senior Loan Documents as set forth in Section 9(b)(ii) below and that Subordinate Lender may not condition its approval of a proposed settlement or adjustment upon payment of any such proceeds to Subordinate Lender prior to the payment in full of all outstanding indebtedness owing under the Senior Loan Documents. Nothing contained in this subsection and/or anything contained in this Agreement shall limit the rights of the Subordinate Lender to file any pleadings, documents, claims or notices with the appropriate court with jurisdiction over the proposed Taking and/or Casualty; and

(ii) all proceeds received or to be received on account of a Taking or a Casualty, or both, shall be applied (either to payment of the costs and expenses of repair and restoration or to payment of the Senior Loan) in the manner determined by the Senior Lender in its sole discretion; provided, however, that if the Senior Lender elects to apply such proceeds to payment of the principal of, interest on and other amounts payable under the Senior Loan, any proceeds remaining after the satisfaction in full of the principal of, interest on and other amounts payable under the Senior Loan shall be paid to, and may be applied by the Subordinate Lender in accordance with the applicable provisions of the Subordinate Loan Documents; provided, however, the Senior Lender agrees to consult with the Subordinate Lender in determining the application of Casualty proceeds, and provided further that in the event of any disagreement between the Senior Lender and the Subordinate Lender over the application of Casualty proceeds, the decision of the Senior Lender, in its sole discretion, shall prevail.

(iii) Notwithstanding any provision to the contrary, Borrower, Senior Lender and Subordinate Lender agree that if proceeds are sufficient to rebuild any destroyed or condemned units, such proceeds will be used to rebuild such units.

(c) **No Modification of Subordinate Loan Documents.** The Borrower and the Subordinate Lender each agree that, except as otherwise provided in this Agreement, until the principal of, interest on and all other amounts payable under the Senior Loan Documents have been paid in full, it will not, without the prior written consent of the Senior Lender in each instance, increase the amount of the Subordinate Loan, increase the required payments due under the Subordinate Loan, decrease the term of the Subordinate Loan, increase the interest rate on the Subordinate Loan, or otherwise amend the Subordinate Loan terms in a manner that creates an adverse effect upon the Senior Lender under the Senior Loan Documents. Any unauthorized amendment of the Subordinate Loan Documents or assignment of the Subordinate Lender's interest in the Subordinate Loan without the Senior Lender's consent shall be void *ab initio* and of no effect whatsoever. Subordinate Lender agrees that it shall not transfer or assign the Subordinate Loan or the Subordinate Loan Documents without the prior written consent of the Senior Lender, which consent shall not be unreasonably withheld, conditioned, or delayed, and that any transfer or assignment of the Subordinate Loan or the Subordinate Loan Documents shall be made expressly subject to all terms and provisions of this Agreement, with the assignee or transferee assuming all obligations of Subordinate Lender arising under this Agreement after the date of the assignment or transfer.

(d) Non-Revolving Credit Facility. All parties acknowledge their understanding that the Senior Loan is a non-revolving credit facility. The agreements made in this Agreement by Subordinate Lender shall apply in equal measure to both amounts owing under the Senior Loan on the date of this Agreement as well as all future advances made by Senior Lender under the Senior Loan.

9. Modification or Refinancing of Senior Loan. The Subordinate Lender consents to any agreement or arrangement in which the Senior Lender waives, postpones, extends, reduces or modifies any provisions of the Senior Loan Documents, including any provision requiring the payment of money, subject to the terms of this Agreement. Subordinate Lender further agrees that: (a) its agreement to subordinate hereunder shall extend to any new mortgage debt for the purpose of refinancing all or any part of the Senior Loan in compliance with this Paragraph 9 (including reasonable and necessary costs associated with the closing and/or the refinancing); (b) all the terms and covenants of this Agreement shall inure to the benefit of any holder of any such refinanced debt; (c) such holder shall assume the obligations of the Senior Lender hereunder; and (d) all references to the Senior Loan, the Senior Loan Note, the Senior Loan Mortgage, the Senior Loan Documents and Senior Lender shall mean, respectively, the refinance loan, the refinance note, the mortgage securing the refinance note, all documents evidencing securing or otherwise pertaining to the refinance note and the holder of the refinance note. Senior Lender and Subordinate Lender agree that: (x) the refinancing or replacement of all or any part of the Senior Loan shall not require Subordinate Lender to modify the terms of its Subordinate Loan Documents or otherwise extend the term of the Subordinate Loan; and (y) the aggregate principal amount of the Senior Loan may not increase beyond the amount necessary to cover reasonable and necessary costs associated with the closing and/or refinancing.

10. Default by the Subordinate Lender or Senior Lender. If the Subordinate Lender or Senior Lender defaults in performing or observing any of the terms, covenants or conditions to be performed or observed by it under this Agreement, the other, non-defaulting lender shall have the right to all available legal and equitable relief.

11. Notices. Each notice, request, demand, consent, approval or other communication (hereinafter in this Section referred to collectively as “**notices**” and referred to singly as a “**notice**”) that the Senior Lender or the Subordinate Lender is required or permitted to give to the other party pursuant to this Agreement shall be in writing and shall be deemed to have been duly and sufficiently given if: (a) personally delivered with proof of delivery thereof (any notice so delivered shall be deemed to have been received at the time so delivered); (b) sent by Federal Express (or other similar national overnight courier) designating early morning delivery (any notice so delivered shall be deemed to have been received on the next Business Day following receipt by the courier); or (c) sent by United States registered or certified mail, return receipt requested, postage prepaid, at a post office regularly maintained by the United States Postal Service (any notice so sent shall be deemed to have been received two days after mailing in the United States), addressed to the respective parties as follows:

Senior Lender:

With a copy to:

Subordinate Lender:

Louisiana Housing Corporation
2415 Quail Drive
Baton Rouge, Louisiana 70808
Attention: Edselle Keith Cunningham, Jr.

With a copy to: Foley & Judell, L.L.P.
One Canal Place, Suite 2600
365 Canal Street
New Orleans, Louisiana 70130
Attention: Wayne J. Neveu

Borrower:

With a copy to:

Either party may, by notice given pursuant to this Section, change the person or persons and/or address or addresses, or designate an additional person or persons or an additional address or addresses for its notices, but notice of a change of address shall only be effective upon receipt. Notices sent by Senior Lender or Subordinate Lender to Borrower shall continue to be sent in the manner and to the addresses specified in the Senior Loan Documents and Subordinate Loan Documents, respectively.

12. General.

(a) **Assignment/Successors.** This Agreement shall be binding upon the Borrower, the Senior Lender and the Subordinate Lender and shall inure to the benefit of the respective legal successors and assigns of the Senior Lender and the Subordinate Lender.

(b) **No Partnership or Joint Venture.** The Senior Lender's permission for the placement of the Subordinate Loan Documents does not constitute the Senior Lender as a joint venturer or partner of the Subordinate Lender. Neither party hereto shall hold itself out as a partner, agent or Affiliate of the other party hereto.

(c) **Senior Lender's and Subordinate Lender's Consent.** Wherever the Senior Lender's consent or approval is required by any provision of this Agreement, such consent or approval may be granted or denied by the Senior Lender in its sole and absolute discretion, unless otherwise expressly provided in this Agreement. Wherever the Subordinate Lender's consent or approval is required by any provision of this Agreement, such consent or approval may be granted or denied by the Subordinate Lender in its sole and absolute discretion, unless otherwise expressly provided in this Agreement.

(d) **Further Assurances.** The Subordinate Lender, the Senior Lender and the Borrower each agree, at the Borrower's expense, to execute and deliver all additional instruments and/or documents reasonably required by any other party to this Agreement in order to evidence that the Subordinate Mortgage are subordinate to the lien, covenants and conditions of the Senior Loan Mortgage, or to further evidence the intent of this Agreement.

(e) **Amendment.** This Agreement shall not be amended except by written instrument signed by Senior Lender and Subordinate Lender. Borrower's consent to an amendment to this Agreement shall not be necessary, provided, however, that an amendment to this Agreement executed without the joinder of Borrower shall not have the effect of enlarging any of Borrower's obligations under this Agreement.

(f) **Governing Law.** This Agreement shall be governed by the laws of the State of Louisiana. Notwithstanding anything to the contrary contained herein, or in any other loan document, nothing in this Section 12(f) is to be construed as waiving the State's right to claim sovereign immunity under the laws and constitution of the State of Louisiana or of the United States of America.

(g) Severable Provisions. If any provision of this Agreement shall be invalid or unenforceable to any extent, then the other provisions of this Agreement shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

(h) Term. The term of this Agreement shall commence on the date hereof and shall continue until the earliest to occur of the following events: (i) the payment of all of the principal of, interest on and other amounts payable under the Senior Loan Documents, except in the case of a refinancing pursuant to Section 9 hereof; (ii) the payment of all of the principal of, interest on and other amounts payable under the Subordinate Loan Documents, other than by reason of payments which the Subordinate Lender is obligated to remit to the Senior Lender pursuant to Section 4 hereof; (iii) the acquisition by the Senior Lender of title to the Property pursuant to a foreclosure or a deed in lieu of foreclosure of, or the exercise of a power of sale contained in, the Senior Loan Mortgage; or (iv) the acquisition by the Subordinate Lender of title to the Property pursuant to a foreclosure or a deed in lieu of foreclosure of, or the exercise of a power of sale contained in, the Subordinate Mortgage, but only if such acquisition of title does not violate any of the terms of this Agreement.

(i) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be considered an original for all purposes; provided, however, that all such counterparts shall together constitute one and the same instrument.

[END OF DOCUMENT - SIGNATURE PAGES TO FOLLOW]

DRAFT

IN WITNESS WHEREOF, Borrower has executed this Subordination Agreement on this ____ day of _____, 201_____, at _____, Louisiana , in the presence of the undersigned competent witnesses and Notary Public, after due reading of the whole.

WITNESSES:

[TAXPAYER/OWNER]

By: _____

By: _____

Print Name: _____

Name: _____

Title: _____

By: _____

Print Name: _____

NOTARY PUBLIC

Print Name: _____

Bar Roll/Notary No.: _____

My Commission Expires: _____

DRAFT

IN WITNESS WHEREOF, Senior Lender has executed this Subordination Agreement on this _____ day of _____, 201_____, at _____, Louisiana, in the presence of the undersigned competent witnesses and Notary Public, after due reading of the whole.

WITNESSES:

[SENIOR LENDER]

By: _____

By: _____

Print Name: _____

Name: _____

Title: _____

By: _____

Print Name: _____

NOTARY PUBLIC

Print Name: _____

Bar Roll/Notary No.: _____

My Commission Expires: _____

DRAFT

IN WITNESS WHEREOF, Subordinate Lender has executed this Subordination Agreement on this ____ day of _____, 201_____, at Baton Rouge, Louisiana, in the presence of the undersigned competent witnesses and Notary Public, after due reading of the whole.

WITNESSES:

LOUISIANA HOUSING CORPORATION

By: _____

By: _____

Print Name: _____

Name: Edselle Keith Cunningham, Jr.

Title: Executive Director

By: _____

Print Name: _____

NOTARY PUBLIC

Print Name: _____

Bar Roll/Notary No.: _____

My Commission Expires: _____

DRAFT

EXHIBIT A
PROPERTY DESCRIPTION

DRAFT

EXHIBIT B
CDBG-DR LOAN DOCUMENTS

1. Conditional Commitment of 2019 Piggyback/CDBG-DR Funds
2. 2019 Piggyback/CDBG-DR Funds Loan Agreement by and between the Borrower and the LHC
3. 2019 Piggyback/CDBG-DR Promissory Note in principal amount of \$_____ from the Borrower to the LHC
4. 2019 Piggyback/CDBG-DR Regulatory Agreement by and between the LHC and the Borrower;
5. 2019 Piggyback/CDBG-DR Mortgage, Pledge of Leases and Rents and Security Agreement from the Borrower to the LHC
6. 2019 Piggyback/CDBG-DR Guaranty of Exceptions to Non-Recourse Liability in favor of the LHC
7. 2019 Piggyback/CDBG-DR Performance and Completion Guaranty in favor of the LHC
8. 2019 Piggyback/CDBG-DR Asset Management Agreement by and between the Borrower and the LHC;
9. UCC-1 Financing Statement by the Borrower in favor of the LHC.

DRAFT

EXHIBIT C
SENIOR LOAN DOCUMENTS

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