
**MULTIFAMILY RESTORATION LOAN FUNDING PROGRAM
LOAN AGREEMENT**

BY AND BETWEEN

**LOUISIANA HOUSING CORPORATION,
AS LENDER,**

AND

_____,
AS BORROWER

_____, 201_

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**GREAT FLOODS OF 2016
MULTIFAMILY RESTORATION LOAN FUNDING PROGRAM
LOAN AGREEMENT**

THIS MULTIFAMILY RESTORATION LOAN FUNDING PROGRAM LOAN AGREEMENT (this “**Agreement**”) is entered into on the ___ day of ___, 201_ (the “**Effective Date**”) by and between Louisiana Housing Corporation, its successors and assigns (“**LHC**”) and _____, a Louisiana _____ (the “**Borrower**”).

PRELIMINARY RECITALS:

A. WHEREAS, the State of Louisiana, Division of Administration, Office of Community Development (“**OCD**”) is providing funds from the United States of America, HUD Community Development Block Grant (“**CDBG**”) Program to the Borrower through the LHC in accordance with the CDBG Action Plan known as “Master Action Plan For The Utilization Of Community Development Block Grant Funds In Response To The Great Floods Of 2016” as amended(the “**Action Plan**”); and

B. WHEREAS, pursuant to the Action Plan, the Multifamily Restoration Loan Funding Program (the “**MRLF Program**”) is to be administered by the LHC on behalf of OCD; and

C. WHEREAS, LHC has adopted certain Application and Program Implementation Guidelines dated May __, 2017 (the “**MRLF Program Guidelines**”), describing the requirements of the MRLF Program

D. WHEREAS, the primary objectives of MRLF Program are as follows:

1. For Existing Multifamily Housing with Existing Affordability Commitments: MRLF Program’s objective is to finance the rehabilitation of flood-impacted multifamily housing units in developments located within FEMA Disaster-Declared Parishes and HUD Designated Most Impacted Parishes.

2. For Existing Non-Affordable Housing Without an Existing Affordability Commitment: MRLF Program’s objectives are as follows:

a. to finance the rehabilitation of flood-impacted multifamily housing units in developments located within FEMA Disaster-Declared Parishes and HUD Designated Most Impacted Parishes;

b. to ensure physical and economic viability of such developments throughout a period to be required by a new Restoration Affordability Commitment; and

c. to increase Affordable Housing Units within the FEMA Disaster-Declared Parishes and HUD Designated Most Impacted Parishes; and

E. WHEREAS, Borrower submitted an application to LHC, and pursuant to the Borrower’s completed printed application, and all written responses to any requests for clarification or requests for additional information, and all written attachments, addenda, and amendments pertaining thereto (collectively, the “**Application**”), LHC agreed to make the award described in and in accordance with the terms and conditions of the letter dated _____, 201_, for the project described therein; and

F. WHEREAS, LHC has agreed to provide to Borrower a loan of \$ _____ (“**Loan**”) for the development, rehabilitation, replacement, and/or restoration 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

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

H. 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 MRLF Program Guidelines; 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:

SECTION 1. DEFINITIONS AND LOAN AMOUNT AND USE OF FUNDS

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

1.1 **Recitals and Defined Terms.** The recitals set forth above are true and correct and are incorporated herein and made a part of this Agreement. As used in this Agreement and the MRLF Legal 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) **Affordability Commitment:** An agreement as to residential rental units in a Qualified Project being Income Restricted and Rent Restricted which is or may be recorded as a covenant running with the land that is enforceable against the property owner and all successors and assigns for a period of at least five (5) years from Closing and which is superior to all debt as a condition of an Award.

(c) **Affordable:** The maximum rent, including tenant paid utilities, that may be charged so that such rent paid by a tenant is at or below 30% of the applicable Imputed Income Limit, based on the bedroom size of the Qualified Unit.

(d) **Affordable Rent:** The maximum rent for the applicable Income Limit(s) for each Qualified Unit by bedroom size published by LHC by parish location for each Qualified Project but reduced by the Utility Allowance for each Qualified Unit.

(e) **AMI:** The Area Median Income published annually by HUD as adjusted by household size.

(f) **Borrower:** A Single Asset Entity, which may be either a private for-profit or non-profit property owner organized or authorized to do business under Louisiana law or a PHA that will rehabilitate a Qualified Project that is or will be owned and operated by the Borrower.

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

(h) **Cash Developer Fee:** The total fee to be paid to the developer less any portion projected to be deferred.

(i) **Closing:** The date on which (i) all MRLF Program Legal Documents are executed and (ii) a title policy with appropriate endorsements is released to the LHC.

(j) **Completion Date:** The earliest date following Closing on which each Qualified Unit within the Project (excluding any Market Rate Units) shall have been initially occupied for a lease term of not less than twelve months.

(k) **Compliance Period:** For properties with Existing Affordability Commitments, the remaining duration of time over which the Existing Affordability Commitment occurs but not less than five (5) years from Closing; for Existing Non-Affordable Housing, a period of twenty (20) years commencing with the date of Closing.

(l) **Construction Contract:** A contract with a Louisiana licensed contractor to complete rehabilitation or renovation of a Qualified Project.

(m) **Construction Costs:** 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, Construction Contract, and this Agreement, not to exceed the Total Permitted Costs. The term "Construction Costs" shall include all hard and soft costs associated with the acquisition, financing, improvement, rehabilitation and construction of the Project.

(n) **"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.

(o) **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.

(p) **Developer Fee:** A fee equal to the lesser of five percent (5.0 %) of Total Permitted Costs or \$5,000 per Set-Aside Unit. A Developer Fee will only be permitted and paid in connection with the Affordability Commitment with respect to Existing Non-Affordable Housing and which has been awarded MRLF Program Funds to pay for the Eligible Costs.

(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 be 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 Construction 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:** The following costs:

(i) Development hard costs. The actual cost of rehabilitating a Qualified Project.

(ii) Related soft costs. Other reasonable and necessary costs incurred by the Borrower, including a Developer Fee, associated with the financing a Qualified Project with MRLF Program Funds

(iii) Required operating and replacement reserves. Only the amount required to fund operating and replacement reserves in conjunction with new debt and the viability requirements applicable to Existing Non-Affordable Housing.

(iv) Refinancing costs: Only an amount required to pay down an existing 1st mortgage to implement the Restoration Affordability Commitment in connection with Existing Non-Affordable Housing.

(t) **Existing Affordability Commitment:** Any enforceable Affordability Commitment which was entered into prior to 2017 by and between the Borrower and a governmental entity that remains in effect as of the date an Application is submitted and with respect to which at least fifty-one percent (51%) of the residential rental units are Rent Restricted and Income Restricted for the Compliance Period.

(u) **Existing Affordable Housing:** Any otherwise qualifying project which at the time of Application is subject to an Existing Affordability Commitment.

(v) **Existing Non-Affordable Housing:** Any otherwise qualifying project which does have an Existing Affordability Commitment in place, but which would enter into a Restoration Affordability Commitment as a condition of an Award of MRLF Program Funds.

(w) **FEMA Disaster-Declared Parishes:** The following forty-one (41) parishes affected by DR-4263 or DR-4277 floods in which FEMA Individual Assistance was available, which are not otherwise defined as HUD Designated Most Impacted: Allen, Avoyelles, Beauregard, Bienville, Bossier, Caddo, Calcasieu, Caldwell, Catahoula, Claiborne, DeSoto, East Carroll, East Feliciana, Evangeline, Franklin, Grant, Iberia, Iberville, Jackson, Jefferson Davis, LaSalle, Lincoln, Madison, Morehouse, Natchitoches, Pointe Coupee, Rapides, Red River, Richland, Sabine, St. Helena, St. James, St. Landry, St. Martin, Union, Vernon, Webster, West Baton Rouge, West Carroll, West Feliciana and Winn.

(x) **Financing Certificate:** A certificate from the Borrower following the Completion Date as to all sources and uses to renovate and rehabilitate the Qualified Project.

(y) **Great Floods of 2016:** One or both of the floods identified by DR-4263 or DR-4277 floods in which FEMA Individual Assistance has been provided.

(z) **Gross Potential Rent:** The maximum amount of money a property would generate if such property was 100% occupied and every residential rental paid the scheduled rent on time and in full.

(aa) **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 Performance and Completion Guaranty (if applicable), and the Guaranty of Exceptions to Non-Recourse Liability, including but not limited to _____, a _____, and _____, a Louisiana _____, and each of their successors and assigns.

(bb) **HUD Designated Most Impacted Parishes:** The following ten (10) Parishes: Ascension, Acadia, East Baton Rouge, St. Tammany, Lafayette, Vermilion, Livingston, Washington, Ouachita, and Tangipahoa.

(cc) **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.

(dd) **Imputed Income Limit:** Each bedroom is assumed to be occupied by a household at Income Limits specified in the Affordability Commitment with not more than 1.5 persons occupying each bedroom. An efficiency is assumed to be occupied by one person.

(ee) **Income Limit:** The maximum household income for a tenant occupying a Qualified Unit to be a Qualified Household.

(ff) **Income Restricted:** Residential rental units reserved for occupancy for the duration of the Compliance Period by households with household incomes at or below 80% AMI at initial occupancy.

(gg) **Indebtedness:** The principal of, interest on, or any other amounts due at any time under the MLRF Note, this Agreement, the MLRF Mortgage or any other MLRF 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 MRLF Legal Documents.

(hh) **Ineligible Projects:** Properties which (i) are located in a Special Flood Hazard Area and which did not carry flood insurance, (ii) are not structured as a single asset entity, (iii) have fewer than 20 units, (iv) are not located in either a FEMA Disaster-Declared Parish or a HUD Designated Most Impacted Parish, or (v) did not incur damage as a result of the Great Floods of 2016.

(ii) **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.

(jj) **Lender:** the LHC as the holder of the MLRF Note.

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

(ll) **Market Rate Unit:** a residential rental unit that is neither Rent Restricted nor Income Restricted.

(mm) **Market Rent:** The amount of money that a given residential rental unit would command if it were open for leasing without any Affordability Commitment; provided that the Market Rents may not exceed the rent charged for the unit in Existing Non-Affordable Housing as reflected in the Qualified Project's financials prior to calendar year 2016.

(nn) **MRLF Mortgage:** the Mortgage, Pledge of Leases and Rents, and Security Agreement, which shall (a) constitute a subordinate lien to the Senior Mortgage upon the Project, and (b) constitute a subordinate 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 MRLF Legal Documents.

(oo) **MRLF Program Legal Documents:** the MRLF Program Legal Documents posted to the LHC's website and consist of the following documents:

(i) MRLF Loan Agreement

(ii) MRLF Program Note

(iii) MRLF Program Mortgage

(iv) MRLF Regulatory Agreement

(v) MRLF Intercreditor and Subordination Agreement

(pp) **MRLF Regulatory Agreement:** a 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 MRLF Program..

(qq) **MRLF Note:** the Promissory Note by Borrower payable to LHC evidencing the Loan.

(rr) **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, 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).

(ss) **Operating Deficit Guaranty:** any guaranty from the Guarantor covering operating deficits of Borrower and as may be set forth in an Operating Deficit and Completion Guaranty executed by Borrower and Guarantor in favor of Lender .

(tt) **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 Senior 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.

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

(vv) **PHA:** A local public housing authority established pursuant to La. R.S. 40:391 Or 392 and a regional or consolidated housing authority established pursuant to La. R.S. 40:411.

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

(xx) **Qualified Household:** A tenant household in which the household income at initial occupancy of a Qualified Unit does not exceed the lower of 80% of AMI published by HUD as adjusted by family size or such lower amount for Set-aside Units as provided for in the Application.

(yy) **Qualified Project:** An existing multifamily housing development (i) which is not an Ineligible Project, (ii) which is located in one of the FEMA Disaster Declared Parishes or one of the HUD Designated Most Impacted Parishes, (iii) which contains at least 20 units, and (iv) in which at least one multifamily unit was rendered uninhabitable by the Great Floods of 2016.

(zz) **Qualified Unit:** A residential rental unit in a Qualified Project that is Income Restricted and Rent Restricted.

(aaa) **Rent Restricted:** Residential rental units in which Qualified Households pay Affordable Rents that are Affordable to Qualified Households.

(bbb) **Restoration Affordability Commitment:** The requirement specified in MRLF Program Legal Documents that a specified number of units in Existing Non-Affordable Housing to become Affordable following an Award by requiring such units to be Income Restricted and Rent Restricted. Affordability will be achieved by requiring rents on such units to be reduced to the lesser of (a) 30% of 80% of the applicable Imputed Income Limit or (b) a rent which is Affordable to households at ten percent below the Gross Potential Rents for the MRLF Mortgaged Property.

(ccc) **SAE:** A single asset entity authorized to do business in the State of Louisiana.

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

(eee) **Senior Lender:** Any lender with a mortgage senior to the MRLF Mortgage.

(fff) **Senior Loan:** The loan which is secured by a Senior Mortgage.

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

(hhh) **Set-Aside Units:** A specified number of units in a Qualified Project to be occupied initially by Qualified Households.

(iii) **Special Flood Hazard Area:** Flood hazard areas identified on the Flood Insurance Rate Map labeled as Zone A, Zone AO, Zone AH, Zones A1-A30, Zone AE, Zone A99, Zone AR, Zone AR/AE, Zone AR/AO, Zone AR/A1-A30, Zone AR/A, Zone V, Zone VE, and Zones V1-V30.

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

(kkk) **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 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.

(lll) **Targeted End Date of Compliance Period:**

(i) With Respect to Existing Affordable Housing: the date that is five years after the Completion Date as determined in the sole and reasonable discretion of LHC.

(ii) With Respect to Existing Non-Affordable Housing: twenty years after the Completion Date as determined in the sole and reasonable discretion of LHC.

(mmm) **Total Permitted Costs:** the total costs to develop and construct the Project as set forth on Exhibit C - Total Permitted Costs attached hereto, as modified and amended from time to time with the consent of the Investor and LHC as described below:

(i) For Existing Affordable Housing: Costs include only the only costs to rehab and restore flood-impacted units, and certain soft costs.

(ii) For Existing Non-Affordable Housing: Costs include the costs to rehabilitate and restore flood-impacted units, other immediate physical needs, pay down of the 1st mortgage, fund reserves, third-party costs, and developer fee.

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

1.2 **Principal Amount and Interest.** The principal amount of the Loan is _____ and 00/100 DOLLARS (\$ _____), bearing zero percent (____%) 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 _____, 20__ ("**Maturity Date**"), or any earlier date on which the unpaid principal balance and accrued interest becomes due and payable by acceleration or otherwise.

1.3 **Repayment Term.** The Loan shall be to the order of “LOUISIANA HOUSING CORPORATION” and shall be repaid on the Maturity Date.

(a) **Audit of Surplus Cash.**

(i) **Determination of Surplus Cash.** Annually, within one hundred twenty (120) days after the end of Borrower’s fiscal year, the 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.

(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 amounts withdrawn from any reserve account or escrow account shall be deposited directly to the Operating Account.

(C) 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.

(D) 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.

(E) 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.

(b) **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 MRLF Legal Documents that is not cured within any applicable grace or cure period; or (iii) the Maturity Date.

1.4 **Discretion in Determining Compliance.** It is specifically understood, agreed and acknowledged by Borrower that in addition to LHC’s right to determine in its sole and reasonable

discretion whether the Borrower and the Project have maintained compliance throughout the Compliance Period, LHC has the right to insist on compliance for a period of consecutive years without any interim period of noncompliance. Borrower specifically understands, agrees and acknowledges that if Borrower or the Project at any time falls out of compliance with the requirements stipulated in MRLF Regulatory Agreement and the other MRLF Legal 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 MRLF Legal Documents (including the right to accelerate the Maturity Date of the Loan) to: (a) ignore any period of time for which Borrower and the Project have been in compliance and require compliance for a period of consecutive years without any interim period of noncompliance or (b) extend the Targeted End Date of 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 MRLF Regulatory Agreement and the other MRLF Legal Documents is on Borrower.

1.5 **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 MRLF Program Guidelines and the MRLF Legal Documents. The Loan shall be used solely to reimburse actual Construction Costs already expended that LHC, in its sole but reasonable discretion, determines to be eligible for reimbursement. Borrower shall use the proceeds of the Loan only for the payment of Eligible Costs constituting 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 MRLF 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.

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

1.7 **Note.** The Loan shall be evidenced by the MRLF Note.

1.8 **Cost Certification.** Borrower acknowledges and agrees that the principal amount of the Loan was calculated based upon estimated Construction 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 Construction 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.

1.9 **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 Construction Costs incurred by Borrower were less than the estimated Construction 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 Construction Costs incurred by Borrower 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.

1.10 **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.

(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 MRLF Legal Documents; and

(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(b), unless such transaction results in a sale of more than 51% of the Investor interest in Borrower.

SECTION 3. LIABILITY AND RESTRICTION ON USE

3.1 Nonrecourse Loan.

(a) Notwithstanding anything to the contrary contained in the MRLF Legal Documents, except as set forth in this Section 3.1, neither Borrower nor any of its general or limited partners or affiliates shall have personal liability under the MRLF Legal Documents for the repayment of the Indebtedness or for the performance of any other obligations of Borrower under the MRLF Legal 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 MRLF Legal 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 MRLF Legal 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) any transfer that is an Event of Default under the Mortgage; or

(v) failure of Borrower to commence construction of the Project within six (6) 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 MRLF Regulatory Agreement in LHC's sole and reasonable discretion for a period of at least five (5) years following the Completion Date; 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 MRLF Legal 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 MRLF Legal 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 the first to occur of (a) generation of positive Surplus Cash for the Project for two (2) consecutive Project fiscal years, and (b) the end of the Compliance Period, 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. Unless otherwise cured through a draw from an Operating Deficit Escrow Account, 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 MRLF Regulatory Agreement.

(a) As a condition to disbursement of Loan proceeds, Borrower will be required to execute and deliver to LHC the MRLF Regulatory Agreement. The MRLF 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 MRLF Regulatory Agreement shall have a stated term of twenty (20) years but may be terminated beginning the sixth year of the Compliance Period upon payment in full of MRLF Note.

(c) It is specifically understood and agreed by Borrower that the MRLF Regulatory Agreement will not be terminated upon a pre-payment of the Loan by Borrower within the first five (5) years of the Compliance Period if there has been noncompliance by the Borrower and the Project with the requirements stipulated in MRLF Regulatory Agreement and the other MRLF Legal Documents during the Compliance Period.

SECTION 4. CLOSING AND CONDITIONS TO DISBURSEMENT

4.1 **Closing.** As used herein, “**Closing**” shall mean that day on which all of the MRLF Legal Documents are executed and delivered by Borrower and the Mortgage and the MRLF Regulatory Agreement are filed for record with the appropriate clerk and recorder of the parish where the Project is located. Funding of the Loan will not occur until all of the conditions to funding the Loan have been satisfied.

4.2 **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 (ii) []% 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 the Cash Developer Fee may be only be received from the final Draw Request.

4.3 **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 MRLF Legal Documents (including a Loan disbursement statement), in form and substance acceptable to LHC.

(b) Construction of the Qualified Project is complete or commencement of construction of the Project has occurred or will occur immediately upon at 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 Construction Costs, including hard and soft costs, approved by the Investor, along with a sources and uses of funds in the amount of the Total Permitted 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: (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 MRLF Legal Documents have been duly authorized, executed and delivered by Borrower; the enforceability of the MRLF Legal 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 MRLF Legal Documents.

(l) 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.

4.4 **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 MRLF Legal 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 MRLF Legal 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 committed sources, 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 MRLF Legal Documents are correct and true, in all material respects, all the covenants, terms and conditions of the MRLF Legal 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 MRLF Legal 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 MRLF 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 MRLF Legal Documents are true and correct in all material respects as of the Disbursement Date, and Borrower has performed all of its obligations under the MRLF Legal 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 MRLF Legal 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.

4.5 **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 MRLF Legal 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 until required reserves are funded from other sources in accordance with the terms of the MRLF Legal 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 build 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 MRLF 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 MRLF Program Guidelines, this Agreement and the other MRLF Legal 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 a Financing Certificate and a 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) 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; (c) 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; (d) a certificate of Borrower evidencing compliance with all applicable Davis-Bacon requirements; (e) 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) A certificate of Borrower reaffirming the representations and warranties contained in the MRLF Legal Documents.

(p) 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.

(q) 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.

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

4.6 **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.

4.7 **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 Construction 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 Construction 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 Construction Costs and soft 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 5. LOAN COMPLIANCE REQUIREMENTS

5.1 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.

5.2 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.

5.3 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.

5.4 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 MRLF 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.

5.5 Religious and Political Activities. Borrower is prohibited from using Loan proceeds or personnel employed in the administration of the MRLF 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).

5.6 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).

5.7 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.

5.8 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.

5.9 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.

5.10 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.

5.11 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.

5.12 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.

5.13 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.

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

5.15 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.

5.16 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.

5.17 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.

5.18 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.

5.19 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.

5.20 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.

5.21 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.

5.22 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.

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

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

5.25 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 MRLF Regulatory Agreement, LHC may require that Borrower replace the current manager with a new manager satisfactory to LHC.

5.26 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 6. SENIOR LOAN DOCUMENTS

6.1 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 MRLF 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 MRLF Legal Documents or otherwise extend the term of its Loan, or have a material or adverse effect on the Loan.

6.2 Senior 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 Senior Mortgage Loan Documents.

(b) The terms and conditions of the Senior Loan shall acknowledge and permit the Loan, shall be subject to the MRLF Regulatory Agreement, and shall consent to the existence of, execution and delivery of the MRLF Legal 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 Senior Mortgage MRLF Legal Documents, and an opportunity (but not the obligation) to cure such default on behalf of the Borrower before foreclosing on the Project under the Senior Mortgage MRLF Legal Documents.

(d) To the extent the Senior Mortgage MRLF Legal 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 Senior Mortgage MRLF Legal Documents shall satisfy any similar reserve requirements contained in the MRLF Legal Documents.

SECTION 7. DEFAULTS AND REMEDIES

7.1 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 MRLF Legal 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 to the Guarantor;

(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 MRLF Legal 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 MRLF Legal 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 Senior Mortgage MRLF Legal Documents, if applicable, and fails to cure the same within the time periods granted in such Senior Mortgage MRLF Legal 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 MRLF Regulatory Agreement and the other MRLF Legal Documents or fails upon request by LHC to provide sufficient documentation to demonstrate compliance with the MRLF Regulatory Agreement and the other MRLF Legal 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.

7.2 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 12.7 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.

7.3 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.

7.4 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 MRLF Legal 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 MRLF Program Guidelines; (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; (p) ignore any period of time for which Borrower and the Project have been in compliance and require compliance for a period of five (5) consecutive years without any interim period of noncompliance; or (q) extend the Targeted End Date of Compliance Period by a period of time equal to or greater than period of non-compliance thereby requiring compliance for a period of more than five (5) cumulative years. 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 8. INDEMNIFICATION AND INSURANCE

8.1 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 MRLF Legal Documents to the contrary, this indemnification provision shall survive the termination and/or release and/or satisfaction of this Agreement and the other MRLF Legal 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.

8.2 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 MRLF Legal 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 MRLF Legal 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 MRLF Legal Documents (whether or not executed), (B) any waiver, amendment or consent thereunder or thereto, (ii) the administration of any operations under the MRLF Legal Documents, (iii) consulting with respect to any matter in any way arising out of, relating to, or connected with, the MRLF Legal 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 MRLF Legal 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 MRLF Legal Documents) and the prosecution or defense thereof, in any way arising under, related to, or connected with, the MRLF Legal Documents or the relationship established hereunder and thereunder, (vii) any governmental investigation arising out of, relating to, or in any way connected with the MRLF Legal 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 MRLF Legal Documents.

8.3 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 8.3, 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.

8.4 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 MRLF Legal 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 MRLF Legal 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 9. BORROWER'S REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants to LHC, as follows:

9.1 Organization and Standing. Borrower is a _____ 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 MRLF Legal Documents and to carry out the transactions contemplated hereby.

9.2 Authority. The execution, delivery and performance by Borrower of the MRLF Legal Documents, and the consummation by Borrower of the transactions contemplated by the MRLF Legal Documents, have been duly authorized by all necessary partners. The MRLF Legal 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.

9.3 Noncontravention. The execution of and performance of the transactions contemplated by the MRLF Legal 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, arbitrational 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.

9.4 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 MRLF Legal Documents.

9.5 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.

9.6 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.

9.7 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.

9.8 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.

9.9 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.

9.10 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.

9.11 Priority of Lien on Personalty. 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.

9.12 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 MRLF Legal 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.

9.13 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.

9.14 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.

9.15 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.

9.16 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.

9.17 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.

9.18 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.

9.19 No Default. There is no default on the part of Borrower under this Agreement or the MRLF Legal Documents, or any Senior Mortgage MRLF Legal 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.

9.20 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 MRLF Legal Documents and the other obligations shall have been fully paid.

SECTION 10. AFFIRMATIVE COVENANTS OF BORROWER

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

10.1 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.

10.2 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 MRLF Legal Documents.

10.3 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 MRLF Legal 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.

10.4 Performance. Borrower shall abide by, perform and be governed and restricted by, each and every one of the terms and provisions of (a) the MRLF Legal 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 Senior Mortgage MRLF Legal Documents, if applicable.

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

10.6 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.

10.7 Title to Personalty. 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.

10.8 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.

10.9 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 schedule of rents charged Qualified Households occupying each Qualified Unit in the Qualified Project showing the name of each Qualified Household 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 10.9 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 10.9, 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.

10.10 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.

10.11 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.

10.12 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 MRLF Legal 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.

10.13 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.

10.14 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 11. SECTION 11 NEGATIVE COVENANTS OF BORROWER

11.1 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 MRLF Legal 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 Senior Mortgage MRLF Legal 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) 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.

11.2 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 MRLF Regulatory Agreement.

SECTION 12. MISCELLANEOUS PROVISIONS

12.1 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.

12.2 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.

12.3 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.

12.4 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.

12.5 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 MRLF Legal Documents shall be solidary.

12.6 Entire Agreement/Modification. This Agreement and all its attachments, and all other MRLF Legal 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.

12.7 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
Attention:

With a copy to:

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.

12.8 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.

12.9 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 MRLF LEGAL DOCUMENTS, OR OTHERWISE.

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

12.11 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.

[Remainder of Page Intentionally Blank – Signature pages follow]

IN WITNESS WHEREOF, LHC has executed this Loan Agreement on this ____ day of _____, 201_, 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: _____

Print Name: _____

By: _____

Name: Edselle Keith Cunningham, Jr.

Title: Executive Director

By: _____

Print Name: _____

NOTARY PUBLIC

Print Name: _____

Bar Roll/Notary No.: _____

My Commission Expires: _____

IN WITNESS WHEREOF, Borrower has executed this Loan Agreement on this ____ day of _____, 201_, at _____, Louisiana, in the presence of the undersigned witnesses and Notary Public after due reading of the whole.

WITNESSES:

[BORROWER]

By: _____

By: _____

Print Name: _____

Name: _____

Title: _____

By: _____

Print Name: _____

NOTARY PUBLIC

Print Name: _____

Bar Roll/Notary No.: _____

My Commission Expires: _____

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

Schedule 7.14
OTHER FINANCING

EXHIBIT A
PROPERTY DESCRIPTION

EXHIBIT B
PERMITTED EXCEPTIONS

EXHIBIT C
TOTAL PERMITTED COSTS