

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming continuing compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes, except for interest on any Bond for any period during which such Bond is held by a "substantial user" of the facilities financed by the Bonds or a "related person" within the meaning of Section 147(a) of the Code and interest on the Bonds is not a specific preference item or included in adjusted current earnings of corporations for purposes of the federal alternative minimum tax. Bond Counsel is further of the opinion that interest on the Bonds is exempt from State of California taxation, excepting inheritance and gift taxes. For a more complete description, see "TAX MATTERS" herein.

\$3,240,000
CITY OF LOS ANGELES
MULTIFAMILY HOUSING REVENUE BONDS
(DUDLEY OAKS APARTMENTS)
SERIES 2016Q-1

Dated: Date of Delivery**Maturity: As shown below**

The Multifamily Housing Revenue Bonds (Dudley Oaks Apartments) Series 2016Q-1 (the "Bonds") will be issued under the provisions of the Trust Indenture dated as of February 1, 2017 (the "Indenture"), between the City of Los Angeles (the "Issuer") and U.S. Bank National Association, as trustee (the "Trustee"). The Bonds will be issued for the purpose of making a loan (the "Loan") to Dudley Oaks Apartments LP, a California limited partnership (the "Borrower") to finance a portion of the costs of acquiring, rehabilitating, equipping and otherwise improving an existing 20-unit (including one manager unit) apartment complex, as more fully described under "THE PROJECT AND THE PRIVATE PARTICIPANTS" herein.

The Bonds will be issued as fully registered bonds in book entry form and book entry interests in the Bonds will be available for purchase in principal amounts of \$5,000 or any integral multiple thereof. Interest on the Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2017. Owners of book entry interests in the Bonds will not receive physical delivery of bond certificates. The Depository Trust Company, New York, New York ("DTC") will act as a securities depository for the Bonds. DTC, or its nominee, will receive all payments with respect to the Bonds from the Trustee. DTC is required by its rules and procedures to remit such payments to participants in DTC for subsequent disbursement to the owners of book entry interests. See "THE BONDS—Book Entry System" herein.

The Bonds, when, as and if issued will be special obligations of the Issuer, payable solely from the revenues and other moneys assigned by the Indenture to secure that payment, which include the payments required to be made by the Borrower under the Loan Agreement dated as of February 1, 2017 (the "Loan Agreement") between the Borrower and the Issuer.

At all times the Bonds will be secured by Eligible Investments and Available Moneys sufficient, without need for reinvestment, to pay all of the interest on the Bonds when due and to pay the principal of the Bonds at maturity or date of earlier redemption, as further described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

THE BONDS ARE ISSUED PURSUANT TO THE LAW AND IN ACCORDANCE WITH THE ACT, AND ARE LIMITED OBLIGATIONS OF THE ISSUER. NEITHER THE CITY COUNCIL OF THE ISSUER NOR ANY OFFICIAL OR EMPLOYEE OF THE ISSUER NOR ANY PERSON EXECUTING THE BONDS SHALL BE LIABLE PERSONALLY ON THE BONDS OR SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THEIR ISSUANCE. THE BONDS AND THE INTEREST THEREON ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM THE TRUST ESTATE (AS DEFINED IN THE INDENTURE) AND ANY OTHER REVENUES, FUNDS OR ASSETS PLEDGED UNDER THE INDENTURE AND NOT FROM ANY OTHER REVENUES, FUNDS OR ASSETS OF THE ISSUER. NEITHER THE ISSUER, THE STATE OF CALIFORNIA (THE "STATE") NOR ANY OTHER POLITICAL CORPORATION OR SUBDIVISION OR AGENCY THEREOF SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF THE BONDS OR THE INTEREST THEREON OR OTHER COSTS INCIDENT THERETO EXCEPT FROM THE MONEY PLEDGED THEREFOR. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE NOR ANY POLITICAL CORPORATION OR SUBDIVISION OR AGENCY THEREOF NOR THE FAITH AND CREDIT OF THE ISSUER IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR OTHER COSTS INCIDENT THERETO. THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA.

The Bonds are subject to optional redemption prior to their stated maturity. See "THE BONDS – Optional Redemption" herein.

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

MATURITY SCHEDULE

<u>Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP</u>
August 1, 2018	\$3,240,000	1.25%	100%	544582 WT2

The Bonds are offered, subject to prior sale, when, as and if issued by the Issuer and accepted by the Underwriter, subject to, among other things, the approving opinion of Kutak Rock LLP, Omaha, Nebraska, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by Eichner Norris & Neumann PLLC, Washington, D.C., for the Issuer by the Los Angeles City Attorney's Office, Los Angeles, California, and for the Borrower by Kantor Taylor Nelson Evatt & Decina PC, Seattle, Washington. It is expected that the Bonds will be available for delivery in definitive form on or about February 23, 2017 through the services of DTC against payment therefor.

Citigroup

The date of this Official Statement is February 14, 2017.

REGARDING THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds identified on the cover hereof. No person has been authorized to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information and expression of opinions herein are subject to change without notice and neither the delivery of this Official Statement nor the sale of any of the Bonds shall, under any circumstances, create any implication that the information herein is correct as of any time subsequent to the date hereof.

Information herein has been obtained from the Issuer (only as to the Sections labeled “The Issuer” and “No Litigation” as it pertains to the Issuer) and the Borrower and other sources believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriter.

The Issuer has not confirmed, and assumes no responsibility for, the accuracy, completeness, sufficiency or fairness of any statements in the Official Statements or any amendments thereof or supplements thereto, other than in the Sections labeled “The Issuer” and “No Litigation” as it pertains to the Issuer, or in any reports, financial information, offering or disclosure documents or other information relating to the Underwriter, the Project, the Borrower, or the history, businesses, properties, organization, management, financial condition, market area or any other matter relating to the Borrower or contained otherwise in the Official Statement.

The Trustee has neither reviewed nor participated in the preparation of this Official Statement, except for the contents of the Section labeled “THE TRUSTEE.”

The Underwriter has provided the following sentence for inclusion in this Official Statement:

The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Upon issuance, the Bonds will not be registered by the Issuer under the Securities Act of 1933, as amended, or any state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency will have passed upon the accuracy or adequacy of this Official Statement or, other than the Issuer (to the extent described herein) approved the Bonds for sale.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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CITY OF LOS ANGELES

Eric Garcetti, Mayor

CITY COUNCIL OF THE CITY OF LOS ANGELES

Gilbert Cedillo	Marqueece Harris-Dawson
Paul Krekorian	Curren D. Price, Jr.
Bob Blumenfield	Herb J. Wesson, Jr.
David E. Ryu	Mike Bonin
Paul Koretz	Mitchell Englander
Nury Martinez	Mitch O'Farrell
[Council District 7 Seat Vacant]	Jose Huizar
Joe Buscaino	

CITY OFFICIALS

Michael Feuer, *City Attorney*
Ron Galperin, *City Controller*
Miguel A. Santana, *City Administrative Officer*
Claire Bartels, *City Treasurer*
Holly L. Wolcott, *City Clerk*

LOS ANGELES HOUSING AND COMMUNITY INVESTMENT DEPARTMENT

Rushmore D. Cervantes, *General Manager*
Helmi A. Hisserich, *Assistant General Manager*

OFFICE OF THE CITY ATTORNEY

Craig Takenaka, *Managing Assistant City Attorney*
Gayle Takahashi, *Deputy City Attorney*

OFFICIAL STATEMENT

\$3,240,000
CITY OF LOS ANGELES
MULTIFAMILY HOUSING REVENUE BONDS
(DUDLEY OAKS APARTMENTS)
SERIES 2016Q-1

INTRODUCTION

This Official Statement, including the Appendices, is furnished in connection with the original issuance and sale by the City of Los Angeles (the “Issuer”) of its Multifamily Housing Revenue Bonds (Dudley Oaks Apartments) Series 2016Q-1 (the “Bonds”). The Bonds are being issued by the Issuer pursuant to a Trust Indenture (the “Indenture”) dated as of February 1, 2017 between the Issuer and U.S. Bank National Association, as Trustee (the “Trustee”). The Trustee is expected to also serve as Registrar. Capitalized terms used but not otherwise defined herein are defined in Appendix A.

The Issuer will loan the proceeds of the sale of the Bonds to Dudley Oaks Apartments LP, a California limited partnership (the “Borrower”), pursuant to the Loan Agreement (the “Loan Agreement”) dated as of February 1, 2017, between the Issuer and the Borrower to pay a portion of the costs of acquiring, rehabilitating and equipping an existing 20-unit (including one manager unit) apartment complex presently known as Dudley Oaks Apartments (the “Project”), to be owned by the Borrower. See “THE PROJECT AND THE PRIVATE PARTICIPANTS.” Pursuant to the Loan Agreement, the Borrower has agreed to make payments to the Issuer in amounts sufficient to pay the principal of and interest on the Bonds when due (the “Bond Debt Service Charges”) to the extent that amounts otherwise available for such payment are insufficient therefor. The Loan will be evidenced by a promissory note relating to the Bonds in the original principal amount of \$3,240,000 (the “Note”) from the Borrower to the Issuer. The Loan Agreement, except for Unassigned Issuer’s Rights, and the Note will be assigned under the Indenture without recourse by the Issuer to the Trustee.

It is anticipated that the aggregate funds on deposit in the Project Fund and the Collateral Fund will, at all times, equal the principal amount of Bonds then outstanding. It is anticipated that interest on the Bonds will be paid from amounts on deposit in the Bond Fund and that the Bond Debt Service Charges of the Bonds will otherwise be paid first from amounts on deposit in the Initial Deposit Account of the Bond Fund, second, from amounts on deposit in the Collateral Fund, and third, from amounts on deposit in the Project Fund (such foregoing funds, collectively, the “Special Funds”), and investment earnings thereon. Amounts on deposit in the Special Funds will be invested in Eligible Investments. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein.

The Bonds shall bear interest on the outstanding principal amount thereof at a rate equal to 1.25% per annum from their date, payable on each February 1 and August 1, commencing August 1, 2017 (each an “Interest Payment Date”).

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

The Bonds are special obligations of the Issuer, and the principal of and interest thereon will be payable solely from the revenues and other moneys assigned by the Indenture to secure such payment. **At all times the Bonds will be secured by Eligible Investments and Available Moneys sufficient, without need for reinvestment, to pay all of the interest on the Bonds when due and to pay the principal of the Bonds at maturity or date of earlier redemption, as further described herein. See**

“SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” and “PLAN OF FINANCING” herein.

The Borrower will be required to operate the Project in compliance with a Regulatory Agreement and Declaration of Restrictive Covenants (the “Regulatory Agreement”) dated as of February 1, 2017, by and among the Borrower, the Issuer and the Trustee. The Regulatory Agreement requires that the Project be operated as a qualified residential rental project with at least 20% of the completed units of the Project occupied by Low Income Tenants (i.e., individuals or families whose aggregate incomes do not exceed 50% of the applicable median gross income (adjusted for family size) for the area in which the Project is located) during the Qualified Project Period (as defined in the Regulatory Agreement), in accordance with Section 142(d) of the Code. The Regulatory Agreement further requires that the rents paid by the Low Income Tenants for such units shall not exceed 30% of 50% of area median income, adjusted for family size. Failure to comply with these requirements could result in the loss of the federal tax exemption of the Bonds retroactive to their date of issuance. See “TAX MATTERS” and “APPENDIX E - SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT.” In addition to the rental restrictions imposed upon the Project by the Regulatory Agreement, the Project will be further encumbered by a tax credit restrictive covenant, to be executed by the Borrower in connection with the low-income housing tax credits (the “LIHTCs”) anticipated to be granted for the Project and in compliance with the requirements of Section 42 of the Code. See “THE PROJECT AND THE PRIVATE PARTICIPANTS.”

The Borrower will execute a Regulatory Agreement for Multifamily Projects required by FHA (the “HUD Regulatory Agreement”) with respect to the Project in order to provide for, among other things, a reserve fund for replacements, which will be held by PNC Bank, N.A., a national banking association (the “FHA Lender”). The FHA Lender will hold a reserve for replacements as well as escrows for taxes, insurance and mortgage insurance premiums. In the event of conflict between the provisions of the FHA-Insured Note (Multistate) (the “FHA Note”) secured by a first-lien priority Multifamily Deed of Trust, Assignment of Leases and Rents and Security Agreement (the “FHA Mortgage”) on the Project, the HUD Regulatory Agreement and certain other documents required by FHA or the FHA Lender (collectively, the “FHA Loan Documents”) and the Indenture, the Loan Agreement, the Note or the Regulatory Agreement, the FHA Loan Documents will control.

Brief descriptions of the Issuer, the Project, the Borrower, the use of proceeds of the Bonds and the Bonds together with summaries of the Indenture, the Loan Agreement and the Regulatory Agreement are provided below. All information with respect to the Borrower and the Project contained in this Official Statement has been furnished by the Borrower. The descriptions and summaries of the Loan Agreement, the Indenture and the Regulatory Agreement and other documents contained herein do not purport to be comprehensive or definitive and are qualified in their entirety by reference to those documents, and all references to the Bonds are qualified in their entirety by the definitive forms thereof included in the Indenture. See “MISCELLANEOUS” for the availability of those documents.

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THE ISSUER

The following information has been provided by the Issuer for use herein. While the information is believed to be reliable, none of the Trustee, the Borrower, the Underwriter, the FHA Lender nor any of their respective counsel, members, officers or employees make any representations as to the accuracy or sufficiency of such information.

General Description

The Issuer is a municipal corporation and charter city originally incorporated in 1850. Under the Act, the Issuer is empowered to issue revenue bonds for the purpose, among others, of financing and refinancing multifamily residential rental developments.

The Issuer is governed by the Mayor and the City Council (the “Council”). The Mayor is elected at large for a four-year term. As executive officer of the Issuer, the Mayor supervises the administrative process of the Issuer and works with the Council in matters relating to legislation, budget and finance. The Mayor recommends and submits the annual budget to the Council and passes upon subsequent appropriations and transfers, approves or vetoes ordinances, and appoints certain city officials and commissioners. As prescribed by the Issuer’s Charter and City ordinances, the Mayor operates an executive department, of which he is the ex-officio head. The current Mayor, Eric Garcetti, was elected to his first term in the May 2013 election.

The Council, the governing body of the Issuer, is a full time council and enacts ordinances subject to the approval or veto of the Mayor. The Council may override the veto of the Mayor by a two-thirds vote. The Council orders elections, levies taxes, authorizes public improvements, approves contracts, adopts zoning, and other land use controls and adopts traffic regulations. The Council adopts or modifies the budget proposed by the Mayor and provides the necessary funds, facilities, equipment and supplies for the budgetary departments and offices of the Issuer. The Council creates positions, fixes salaries and authorizes the number of employees in budgetary departments. The Council consists of 15 members elected by district for four-year terms.

The other two elective offices of the Issuer are the Controller and the City Attorney, both elected for four-year terms. The Controller is the chief accounting officer for the Issuer. The current Controller, Ron Galperin, was elected in the May 2013 election. The City Attorney is attorney and legal advisor to the Mayor, the Council and all officers, boards and departments of the Issuer, and prosecutes misdemeanors. The current City Attorney, Michael N. Feuer, was elected in the May 2013 election.

The City Administrative Officer, appointed by the Mayor and confirmed by the Council, is the chief financial advisor to the Mayor and Council and reports directly to both. Miguel A. Santana is serving as the City Administrative Officer.

The City Treasurer, appointed by the Mayor and confirmed by the Council, receives and is the custodian of funds of the Issuer and affiliated entities. Claire Bartels is serving as the City Treasurer.

The Issuer has 43 departments, bureaus, commissions and offices for which operating funds are annually budgeted by the Council. In addition, five departments (the Departments of Water and Power, Harbor, Airports and the two pension systems) and the Housing Authority are under the control of boards appointed by the Mayor and confirmed by the Council.

Los Angeles Housing and Community Investment Department

The Los Angeles Housing and Community Investment Department (the “HCIDLA”) includes the Housing Development Bureau, the Regulatory Compliance and Code Bureau, the Administration Bureau, and the Community Services and Development Bureau. The HCIDLA is under the management of a General Manager appointed by the Mayor and approved by the Council.

The Housing Development Bureau designs, implements and administers a variety of programs to provide quality housing for very low-, low- and moderate-income residents within the Issuer’s jurisdiction. The Housing Development Bureau is funded mainly through the HOME Investment Partnerships Program (HOME), and the Community Development Block Grant Program (CDBG). The Housing Development Bureau concentrates its efforts on the rehabilitation, production and preservation of affordable housing units.

The goal of the Housing Development Bureau is to provide newly constructed and rehabilitated affordable housing units for rent or sale to very low-, low- or moderate-income households. This is accomplished through the coordination of public and private sector resources, including the use of the Affordable Housing Trust Fund, HUD-subsidized programs, land write-down assistance, tax-exempt bond financing and other available resources.

Affordable Housing Commission

Concurrently with the creation of the HCIDLA, the Issuer created an Affordable Housing Commission (the “Commission”) consisting of seven members appointed by the Mayor. The Commission advises the Mayor, the Council and the General Manager of the HCIDLA on housing matters, including rent stabilization and rent control. The Commission may conduct public meetings and hearings to obtain information and input on housing issues and, in turn, make recommendations on housing policies and goals to meet the Issuer’s affordable housing needs.

Prior Bond Issues of the Issuer

The Issuer has previously issued and may in the future issue bonds to finance multifamily housing projects unrelated to the Project. Such bonds may have been, currently are or may be in the future, in default. Such bonds are unrelated to the Bonds or the Project and revenues pledged to secure such bonds do not secure the Bonds and the revenues pledged to secure the Bonds do not secure the payment of any other bonds of the Issuer.

Limited Obligations

THE BONDS ARE ISSUED PURSUANT TO THE LAW AND IN ACCORDANCE WITH THE ACT, AND ARE LIMITED OBLIGATIONS OF THE ISSUER. NEITHER THE CITY COUNCIL OF THE ISSUER NOR ANY OFFICIAL OR EMPLOYEE OF THE ISSUER NOR ANY PERSON EXECUTING THE BONDS SHALL BE LIABLE PERSONALLY ON THE BONDS OR SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THEIR ISSUANCE. THE BONDS AND THE INTEREST THEREON ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM THE TRUST ESTATE AND ANY OTHER REVENUES, FUNDS OR ASSETS PLEDGED UNDER THE INDENTURE AND NOT FROM ANY OTHER REVENUES, FUNDS OR ASSETS OF THE ISSUER. NEITHER THE ISSUER, THE STATE NOR ANY OTHER POLITICAL CORPORATION OR SUBDIVISION OR AGENCY THEREOF SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF THE BONDS OR THE INTEREST THEREON OR OTHER COSTS

INCIDENT THERETO EXCEPT FROM THE MONEY PLEDGED THEREFOR. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE NOR ANY POLITICAL CORPORATION OR SUBDIVISION OR AGENCY THEREOF NOR THE FAITH AND CREDIT OF THE ISSUER IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR OTHER COSTS INCIDENT THERETO. THE BONDS ARE NOT A DEBT OF THE UNITED STATES OF AMERICA.

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

The Issuer has previously issued and may in the future issue bonds to finance multifamily housing projects unrelated to the Project. Such bonds may have been, currently are or may be in the future, in default. Such bonds are unrelated to the Bonds or the Project and revenues pledged to secure such bonds do not secure the Bonds and the revenues pledged to secure the Bonds do not secure the payment of any other bonds of the Issuer.

PLAN OF FINANCING

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

Sources of Funds	
FHA Insured Mortgage Loan	\$5,065,200
Seller Financing	1,500,000
Low Income Housing Tax Credit Equity	4,308,381
NOI During Construction	241,939
Deferred Developer Fee	244,095
Total	<u>\$11,359,615</u>
Uses of Funds	
Land Costs	\$499,960
Acquisition Cost	5,300,040
Hard Costs Rehabilitation	2,330,917
Hard Costs Contingency	466,183
Soft Costs	641,225
Financing Costs	741,592
Reserves	81,527
Developer Fee	1,298,171
Total	<u>\$11,359,615</u>

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

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

Sources of Funds

Bond Proceeds	\$3,240,000
FHA Insured Mortgage Loan Proceeds	3,240,000
Proceeds of Q-2 Bond	58,275
Total	<u>\$6,538,275</u>

Uses of Funds

Deposit to Project Fund	\$3,240,000
Deposit to Collateral Fund	3,240,000
Initial Deposit Account of Bond Fund [†]	58,275
Total	<u>\$6,538,275</u>

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

Simultaneously with the closing and issuance of the Bonds, the Borrower will close a mortgage loan on the Project (the “FHA Insured Mortgage Loan”) in the amount of \$5,065,200 with the FHA Lender to provide construction and permanent financing for the Project as further described below. In addition, on the Closing Date as described under the caption “Investor Limited Partner” below, the Borrower expects to sell to an affiliate or affiliates of Wells Fargo Affordable Housing Community Development Corporation, a North Carolina corporation (the “Investor Limited Partner”) a 99.99% ownership interest in the Borrower. Pursuant to that sale, the funding of the LIHTCs is expected to total approximately \$4,308,381 when fully funded.

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

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

The FHA Insured Mortgage Loan. The Project will utilize an FHA Insured Mortgage Loan insured by the Federal Housing Administration (“FHA”) under Section 221(d)(4) of the National Housing Act of 1934, as amended, and applicable regulations promulgated thereunder. The FHA Insured

Mortgage Loan is expected to be in the original principal amount of \$5,065,200 and is to bear interest at the rate of 3.10% per annum. The FHA Insured Mortgage Loan proceeds will be disbursed by the FHA Lender to the Borrower based upon FHA-approved advances. Such advances will be evidenced by the FHA Note, secured by the FHA Mortgage on the Project, and the FHA Lender will issue, with respect to the FHA Note, fully amortized mortgage-backed securities (“GNMA Securities”) guaranteed as to timely payment of principal and interest by the Government National Mortgage Association (“GNMA”).

Seller Loan. Simultaneously with the closing of the Bonds, Dudley Oaks Housing LP (the “Seller”) will be making a seller loan to the Borrower in the amount of \$1,500,000 (the “Seller Loan”), pursuant to a promissory note in the original principal amount of \$1,500,000, at the rate of 2.81% per annum and will have a term of 55 years. The Seller Loan will be secured by a subordinate deed of trust on the Project and is repayable from residual receipts.

Q-2 Bond. Simultaneously with the closing of the Bonds, the Issuer will issue \$2,654,640 in aggregate principal amount of its Multifamily Housing Revenue Bond (Dudley Oaks Apartments), Series 2016Q-2 (the “Q-2 Bond”). The Q-2 Bond will be placed with Wells Fargo Bank, N.A. at closing. The Q-2 Bond will mature 15 months from the date of delivery of the Bonds, will bear interest at a rate which is equal to the sum of the 30-day LIBOR rate plus 2.25%, and will be subordinate in all respects to the Bonds. The Q-2 Bond will be payable solely from future LIHTC contributions, and secured by a security interest in Safran’s (as defined below) interests in the Borrower, and payment and completion guaranties. A portion of the proceeds of the Q-2 Bond will fund the Initial Deposit to the Initial Deposit Account of the Bond Fund on the Closing Date. The Q-2 Bond will be separately secured from the Bonds and is not being offered pursuant to this Official Statement.

THE PROJECT AND THE PRIVATE PARTICIPANTS

The Project

The Project, known as Dudley Oaks Apartments, is located at 2119-2127 South Oak Street in Los Angeles, California. The Project contains 20 units (including one manager unit) located in two three-story walk-up buildings. Rehabilitation of the Project is anticipated to commence in February 2017 and be completed within 12 months thereafter.

The buildings are wood frame construction with stucco exteriors and flat roofs. Common amenities include a laundry room, security cameras, and an outdoor barbeque and playground. There are 20 open parking spaces for tenant use. Unit amenities include blinds, vinyl flooring in the living room, bedroom, kitchen and bathroom, wall heating, a refrigerator and garbage disposal.

The unit mix of the Project is as follows:

<u>Unit Type</u>	<u>Number</u>	<u>Square Feet</u>
1 Bedroom	5	596
2 Bedroom	15	773
Total	20	

The HAP Contract

The Borrower will receive the benefit of a Section 8 Housing Assistance Payment Contract (the “HAP Contract”) covering all of the units at the Project. The HAP Contract to be in effect contemporaneously with the issuance of the Bonds will be a 20-year renewal contract that expires on the 20-year anniversary of the Closing Date.

Funding under the HAP Contract is subject to annual Congressional appropriations, as more particularly described below. The Section 8 project-based housing assistance payment program (the “Section 8 Program”) is authorized by Section 8 of the United States Housing Act of 1937, as amended, and in the case of Section 8 contracts is administered by local public housing authorities. Renewals of Section 8 HAP contracts are governed by the Multifamily Housing Mortgage and Assistance Restructuring Act, as amended (“MAHRA”). The Section 8 Program authorizes housing assistance payments to owners of qualified housing for the benefit of low-income families (defined generally as families whose incomes do not exceed 80% of the area median income for the area as determined by HUD), and very low-income families (defined generally as families whose income do not exceed 50% of the AMI as determined by HUD). Section 8 housing assistance payments generally represent the difference between the “contract rent” for the unit approved by HUD and the eligible tenant’s contribution, which is generally 30% of income, as adjusted for family size and certain expenses, subject to a minimum rent contribution. The rents approved by HUD for the Project, as they may be adjusted from time to time with procedures set forth in MAHRA and the HAP Contract, are the “contract rents” for the Project. The HAP Contract will require the Borrower to maintain the Project in decent, safe and sanitary condition and to comply with other statutory and regulatory requirements governing the operation of the Project, use of project funds, and other matters. If the Borrower fails to comply with the terms of the HAP Contract, HUD or the contract administrator could seek to abate or terminate the payments under the HAP Contract, or take other sanctions. MAHRA requires that upon the request of the Borrower, HUD shall renew the HAP Contract under the Section 8 Program. However, because the HAP Contract is subject to receipt of annual appropriations by Congress, there is no assurance that the HAP Contract will be renewed or replaced upon its expiration. Funding for HAP contracts is appropriated by Congress on an annual basis, and there is no assurance that adequate funding will be appropriated each year during the term of the HAP Contract. Since payments received under the HAP Contract constitute a primary source of revenues for the Project, the expiration of the HAP Contract, or the failure of Congress to appropriate funds sufficient to fund the HAP Contract during each year of its term, would have a material adverse effect on the ability of the Project to generate revenues.

Regulatory Restrictions

The Project will be operated as a qualified residential rental project with at least 20% of the residential units in the Project occupied by Low Income Tenants during the Qualified Project Period, in accordance with Section 142(d) of the Code. The Regulatory Agreement further requires that the rents paid by the Low Income Tenants for such units shall not exceed 30% of 50% of area median income, adjusted for family size. See “APPENDIX E – SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT” herein.

In Connection with the LIHTCs, the Project will also be encumbered by a tax credit restrictive covenant in compliance with the requirements of Section 42 of the Code, which will restrict the income levels of 100% (excluding one manager’s unit) of the units in the Project (the “Tax Credit Units”). Eighteen (18) of the Tax Credit Units shall be held available for rental to persons whose adjusted family income is equal to or less than 50% of the area median income adjusted for family size, and one (1) of the Tax Credit Units shall be held available for rental to persons whose adjusted family income is equal to or less than 60% of the area median income adjusted for family size. The rents which may be charged for occupancy of such units in the Project will be restricted to not more than 30% of 50% or 60%, as applicable, of area median income, adjusted for family size.

The Borrower will execute the HUD Regulatory Agreement with respect to the Project in order to provide for, among other things, a reserve fund for replacements, which will be held by the FHA Lender. The FHA Lender will hold a reserve for replacements as well as escrows for taxes, insurance and mortgage insurance premiums. In the event of conflict between the provisions of the FHA Loan

Documents and the Indenture, the Loan Agreement, the Note or the Regulatory Agreement, the FHA Loan Documents will control. Additional restrictions on rent and occupancy are imposed on the Project pursuant to the HUD Regulatory Agreement.

The Borrower

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

Principals of Safran and its affiliates have been in the business of acquiring, owning and operating apartment complexes since the 1970s, and currently own and operate 54 apartment complexes containing approximately 5,250 units of affordable housing in southern California.

Investor Limited Partner

Prior to the issuance of the Bonds, the Borrower expects to enter into a commitment with the Investor Limited Partner to sell to it a 99.99% ownership interest in the Borrower. Pursuant to the sale, the equity funding arrangements for the funding of the LIHTCs are expected to be approximately \$4,308,381 paid in stages during and after rehabilitation of the Project. These funding levels and the timing of the funding are subject to numerous adjustments and conditions which could result in the amounts funded and/or the timing or even occurrence of the funding varying significantly from the projections set forth above and neither the Issuer nor the Underwriter makes any representation as to the availability of such funds.

Limited Assets and Obligations of Borrower and Administrative General Partner

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

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

The Architect

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

The General Contractor

The general contractor for the Project will be ICON Commercial Contractors, Inc., d/b/a ICON Builders (the “General Contractor”). The General Contractor has built or renovated over 20,700 affordable housing units and completed over \$1.2 billion worth of construction projects.

The Property Manager

The Project will be managed by Thomas Safran & Associates, Inc. (the “Manager”). The Manager has been involved in the management of apartment complexes since 1984. The Manager currently manages more than 50 apartment complexes comprising a total of approximately 5,250 units throughout southern California. The Manager was formed in 1984 and currently has a staff of 20 corporate personnel and 130 site employees. The Manager is affiliated with the Administrative General Partner of the Borrower.

The FHA Lender

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

THE BONDS

General

The Bonds will be dated, will be payable in the amounts and on the dates, will bear interest (computed on the basis of a 360 day year) at the rates and payable on the dates, and will mature as described on the cover page. The Bonds will be issued as fully registered bonds in book entry form and book entry interests in the Bonds will be available for purchase in principal amounts of \$5,000 or any integral multiple thereof.

The Trustee, in its capacity as Registrar, will keep all books and records necessary for registration, exchange and transfer of the Bonds.

Discussion of the Bonds being issued only under the Book Entry System is provided below. Details regarding the procedures for and manner of payment, issuance, exchange and transfer of the Bonds if ever issued in certificated form as provided in the Bond proceedings are also stated below.

Book Entry System

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Borrower believes to be reliable, but the Borrower does not take responsibility for the accuracy thereof.

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

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

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (the book entry interest owner) is in turn to be recorded on the Direct and Indirect Participant's records. Book entry interest owners will not receive written confirmation from DTC of their purchase, but are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the book entry interest owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of book entry interest owners. Book entry interest owners will not receive certificates representing their ownership interests in Bonds,

except in the event that use of the book entry system for the Bonds is discontinued (see “Revision of Book Entry System; Replacement Bonds”).

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in actual ownership. DTC has no knowledge of the book entry interest owners (or beneficial owners) of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the book entry interest owners. Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to book entry interest owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and debt service payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the Issuer or the Trustee, on the payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to book entry interest owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Trustee, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and debt service payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the book entry interest owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

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

Revision of Book Entry System; Replacement Bonds

The Bond proceedings provide for issuance of fully registered Bonds (“Replacement Bonds”) directly to beneficial owners of Bonds other than a Depository, or its nominee, but only in the event that (i) the Depository determines not to continue to act as securities depository for the Bonds (which determination shall become effective no less than 90 days after written notice to such effect to the Issuer and the Trustee); or (ii) the Issuer has advised a Depository of its determination (which determination is conclusive as to the Depository and beneficial owners of the Bonds) that the Depository is incapable of discharging its duties as securities depository for the Bonds; or (iii) the Issuer has determined (which determination is conclusive as to the Depository and the beneficial owners of the Bonds) that the interests of the beneficial owners of the Bonds might be adversely affected if such book-entry only system of transfer is continued. Upon occurrence of any of the foregoing events, the Issuer and the Borrower shall use commercially reasonable efforts to attempt to locate another qualified securities depository. If the Issuer and the Borrower fail to locate another qualified securities depository to replace the Depository, the Issuer and the Borrower, at the Borrower’s expense, shall cause to be authenticated and delivered replacement Bonds, in certificate form, to the beneficial owners of the Bonds. In the event that the Issuer makes the determination noted in (ii) or (iii) above (provided that the Issuer undertakes no obligation to make any investigation to determine the occurrence of any events that would permit the Issuer to make any such determination), and has made provisions to notify the beneficial owners of Bonds of such determination by mailing an appropriate notice to the Depository, it and the Borrower shall cause to be issued replacement Bonds in certificate form to beneficial owners of the Bonds as shown on the records of the Depository provided to the Issuer.

Upon the written consent of one hundred percent (100%) of the beneficial owners of the Bonds, the Trustee shall withdraw the Bonds from any Depository and authenticate and deliver Bonds fully registered to the assignees of that Depository or its nominee. If the request for such withdrawal is not the result of any Issuer action or inaction, such withdrawal, authentication and delivery shall be at the cost and expense (including costs of printing, preparing and delivering such Bonds) of the persons requesting such withdrawal, authentication and delivery; otherwise such withdrawal, authentication and delivery shall be at the cost and expense of the Borrower.

Whenever, during the term of the Bonds, the beneficial ownership thereof is determined by a book entry at a Depository, (i) the requirements in the Indenture of holding, delivering or transferring Bonds shall be deemed modified to require the appropriate Person or entity to meet the requirements of the Depository as to registering or transferring the book entry to produce the same effect and (ii) delivery

of the Bonds will be in accordance with arrangements among the Issuer, the Trustee and the Depository notwithstanding any provision of the Indenture to the contrary.

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

Optional Redemption

The Bonds shall be redeemed, in whole or in part, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption, on any Business Day on and after February 1, 2018 in the event the Borrower exercises any option to prepay the Note and amounts are paid from the proceeds of refunding bonds or otherwise from Available Moneys upon the written direction of the Borrower delivered to the Issuer and the Trustee.

Notice of Redemption

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

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

Further notices of redemption shall be sent by first-class mail or overnight delivery service to any Holder owning, on the date such notice is sent, Bonds in the aggregate principal amount of \$1,000,000 or more. A second notice of redemption shall be sent by the same means as the first such notice not later than 60 days after the redemption date to any Holder who shall not have presented for payment the Bond or Bonds called for redemption within 30 days after such date. In the event the Bonds are called for redemption under circumstances resulting in discharge of the Indenture more than 90 days before the redemption date, additional official and further notice of redemption satisfying the requirements of the Indenture shall be given not less than 30 nor more than 60 days prior to such redemption date.

Any notice of the redemption of Bonds may state that such notice is conditional and that if the conditions for redemption of such Bonds on the scheduled redemption date are not satisfied (including the availability of funds sufficient to redeem such Bonds), such Bonds will not be redeemed on such date and any Bonds tendered for payment on such date will be returned to the Holders thereof.

Notwithstanding the foregoing, as long as the Bonds are in book-entry form notice of redemption will be given in accordance with the requirements of DTC.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

At all times the Bonds will be secured by Eligible Investments and Available Moneys sufficient, without need for reinvestment, to pay all of the interest on the Bonds when due and to pay the principal of the Bonds at maturity or date of earlier redemption, as further described herein.

To the extent provided in and except as otherwise permitted by the Indenture, (i) the Bonds will be special obligations of the Issuer and the Bond Debt Service Charges thereon shall be payable equally and ratably solely from the Issuer Revenues, including but not limited to moneys and investments in the Special Funds, (ii) the payment of Bond Debt Service Charges on the Bonds shall be secured by the assignment of Issuer Revenues under and by the Indenture, and (iii) payments due on the Bonds also shall be secured by the Note. Issuer Revenues include the payments required to be made by the Borrower under the Loan Agreement and the Note; all other moneys received by the Issuer or the Trustee for the account of the Issuer with respect to repayment of the Loan; moneys and investments in or allocated to the Special Funds; and the income and profit from the investment of the Loan Payments and such other moneys, and the investments of those moneys.

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

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

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

THE TRUSTEE

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

U.S. Bank National Association will act as Trustee pursuant to the Indenture. The obligations of the Trustee are described in the Indenture. The Trustee has undertaken only those duties and obligations that are expressly set forth in the Indenture. The Trustee has not independently passed upon the validity of the Bonds, the security of the payment therefor, the value or condition of any assets pledged to the payment thereof, the adequacy of the provisions for such payment, the status for federal or state income tax purposes of the interest on the Bonds, or the investment quality of the Bonds. Except for the contents in this section, the Trustee has not reviewed or participated in the preparation of this Official Statement and has assumed no responsibility for the nature, content, accuracy or completeness of the information included in this Official Statement.

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CERTAIN BONDHOLDERS' RISKS

The following is a summary of certain risks associated with a purchase of the Bonds. There are other possible risks not discussed below. The Bonds are payable from the payments to be made by the Borrower under the Loan Agreement and the Note, and from amounts on deposit in the Special Funds and the interest earnings thereon. The Borrower's obligation to make payments pursuant to the Loan Agreement and the Note are nonrecourse obligations with respect to which the Borrower and its partners have no personal liability (except as otherwise provided in the Note) and as to which the Borrower and its partners have not pledged any of their respective assets.

General

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

Limited Security for Bonds

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

Early Redemption of the Bonds

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

Issuer Limited Liability

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

Enforceability of Remedies upon an Event of Default

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

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

Tax Exemption

In the event the Borrower does not maintain the Project as a “qualified residential rental project” for the Qualified Project Period, the interest on the Bonds may be or become taxable from the date of original issuance to the Holders for federal income tax purposes. Such an event will not constitute an immediate default under the Loan and is not the basis for an increase in the rate of interest payable on the Bonds or give rise to the payment to the owners of the Bonds of any amount denoted as “supplemental interest,” “additional interest,” “penalty interest,” “liquidated damages” or otherwise, in addition to the amounts payable to the owners of the Bonds prior to the occurrence of the event which results in the interest payable on the Bonds being includable, for federal income tax purposes, in the gross income of the owners of the Bonds.

Secondary Markets and Prices

No representation is made concerning the existence of any secondary market for the Bonds. The Underwriter will not be obligated to repurchase any of the Bonds, nor can any assurance be given that any secondary market will develop following the completion of the offering of the Bonds. Further, there can be no assurance that the initial offering prices for the Bonds will continue for any period of time. Furthermore, the Bonds should be purchased for their projected returns only and not for any resale potential, which may or may not exist.

Summary

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

NO LITIGATION

The Issuer

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

The Borrower

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

UNDERWRITING

Pursuant and subject to the terms and conditions set forth in a Bond Purchase Agreement (the “Bond Purchase Agreement”), among Citigroup Global Markets Inc. (the “Underwriter”), the Issuer and the Borrower, the Underwriter has agreed to purchase the Bonds at the price of par (100% of the original principal amount). For its services relating to the transaction, the Underwriter will receive a fee of \$24,300, plus \$35,000 for certain fees and expenses. From its fees, the Underwriter will be obligated to pay certain costs and expenses of the financing, including the fees and expenses of its counsel.

The Underwriter’s obligations are subject to certain conditions precedent, and the Underwriter will purchase all the Bonds, if any are purchased. Pursuant to the Bond Purchase Agreement, the Borrower has agreed to indemnify the Underwriter and the Issuer against certain civil liabilities, including liabilities under federal securities laws. It is intended that the Bonds will be offered to the public initially at the offering price set forth on the cover page of this Official Statement and that such offering price subsequently may change without any requirement of prior notice. The Underwriter may offer the Bonds to other dealers at prices lower than those offered to the public.

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

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

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

TAX MATTERS

In General

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes, except for interest on any Bond for any period during which such Bond is held by a “substantial user” of the facilities financed by the Bonds or a “related person” within the meaning of Section 147(a) of the Code. The opinion described in the preceding sentence assumes compliance by the Issuer and the Borrower with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Bonds. Failure to comply with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Issuer and the Borrower have covenanted to comply with such requirements.

Bond Counsel is further of the opinion that interest on the Bonds is not a specific preference item or included in adjusted current earnings of corporations for purposes of the federal alternative minimum tax.

Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Bonds. The accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the owners of the Bonds. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Bonds.

Back-Up Withholding

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. This reporting requirement does not in and of itself affect or alter the excludability of interest on the Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Changes in Federal Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel have expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

State of California Income Taxation

Bond Counsel is also of the opinion that interest on the Bonds is exempt from State of California taxation, excepting inheritance and gift taxes.

LEGAL MATTERS

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

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

RATING

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

SUBORDINATION TO MORTGAGE LOAN DOCUMENTS AND HUD REQUIREMENTS

The Indenture, the Loan Agreement, the Note and the Regulatory Agreement (the “Bond Financing Documents”) provide that, notwithstanding anything in such documents to the contrary, the Bond Financing Documents will be subordinate to the FHA Loan Documents. The provisions of the Bond Financing Documents are subject to the National Housing Act, all applicable FHA mortgage insurance regulations and related administrative requirements, the FHA Loan Documents, all applicable GNMA Regulations and related administrative requirements and the GNMA Documents (collectively the “HUD Requirements”). In the event of any conflict between the provisions of the Bond Financing Documents and the HUD Requirements, the HUD Requirements will control. Enforcement of the Bond Financing Documents will not result in any claim against the Project, the FHA Insured Mortgage Loan proceeds, any reserve or deposit required by HUD in connection with the FHA Mortgage, or the rents or other income from the Project (except “surplus cash,” as defined in the HUD Regulatory Agreement). No assurance can be made that such provision will not impair the excludability of interest on the Bonds from gross income for federal income tax purposes.

CONTINUING DISCLOSURE

The Borrower will enter into a Continuing Disclosure Agreement dated as of February 1, 2017 (the “Continuing Disclosure Agreement”) with U.S. Bank National Association, acting as the Dissemination Agent, obligating the Borrower to send, or cause to be sent, certain financial information with respect to the Project to certain information repositories annually and to provide notice, or cause

notice to be provided, to the Municipal Securities Rulemaking Board, if any, of certain enumerated events for the benefit of the Beneficial Owners and Holders of any of the Bonds, in order to allow the Underwriter to meet the requirements of Section (b)(5)(i) of Securities Exchange Commission Rule 15c2-12 (the “Rule”).

A failure by the Borrower to comply with the provisions of the Continuing Disclosure Agreement will not constitute a default under the Indenture or the Loan Agreement (although Holders will have any available remedy at law or in equity for obtaining necessary disclosures). Nevertheless, such a failure to comply is required to be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds.

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

MISCELLANEOUS

The foregoing references to and summaries or descriptions of provisions of the Bonds, the Loan Agreement, the Indenture and the Regulatory Agreement, and all references to other materials not stated to be quoted in full are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof. After the Closing Date, copies of the Loan Agreement, the Indenture, the Note and the Regulatory Agreement may be obtained from the Trustee at its designated corporate trust office.

[Remainder of page intentionally left blank]

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

DUDLEY OAKS APARTMENTS LP,
a California limited partnership

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

By: /s/ Ronald H. Olson
Name: Ronald H. Olson
Title: President

By: Dudley Oaks Apartments LLC,
a California limited liability company,
its Administrative General Partner

By: /s/ Andrew Gross
Name: Andrew Gross
Title: President

APPENDIX A

DEFINITION OF CERTAIN TERMS

“Act” means Chapter 7 of Part 5 of Division 31 of the Health and Safety Code of the State of California.

“Additional Payments” means the amounts required to be paid by the Borrower pursuant to the provisions of the Loan Agreement.

“Affiliate” of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, “control” when used with respect to any specified Person means the power to direct the policies of such Person, directly or indirectly, whether through the power to appoint and remove its directors, the ownership of voting securities, by contract, or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Agreement” or “Loan Agreement” means the Loan Agreement dated as of even date with the Indenture, between the Issuer and the Borrower and assigned by the Issuer, except for Unassigned Issuer’s Rights, to the Trustee, as amended or supplemented from time to time.

“Arbitrage Consultant” or “Rebate Consultant” means any accountant, law firm or consultant experienced in the calculation of arbitrage rebate selected by the Borrower and approved by the Issuer.

“Authorized Attesting Officer” means the City Treasurer of the Issuer, or such other officer or official of the Issuer who, in accordance with the laws of the State, the bylaws or other governing documents of the Issuer, or practice or custom, regularly attests or certifies official acts and records of the Issuer, and includes any assistant or deputy officer to the principal officer or officers exercising such responsibilities.

“Authorized Borrower Representative” means the person or persons designated to act on behalf of the Borrower by written certificate furnished to the Issuer and the Trustee containing the specimen signature of such person and signed on behalf of the Borrower by an officer of the administrative general partner of the Borrower, which certificate may designate an alternate or alternates.

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

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

“Authorized Official” means the Mayor or the General Manager, any Interim General Manager, any Assistant General Manager, any Acting General Manager, any Acting Assistant General Manager, Interim Assistant General Manager, the Executive Officer or the Director or Acting Director, Finance and Development Division of the Housing Development Bureau of the Los Angeles Housing and Community Investment Department, and any other officer or employee of the Issuer designated to perform a specified act, to sign a specified document or to act generally, on behalf of the Issuer by a written certificate furnished to the Trustee, which certificate is signed by the Mayor or the General Manager or any Acting

General Manager or any Interim General Manager, any Assistant General Manager, and Acting Assistant General Manager or Interim Assistant General Manager, the Executive Officer or Director, or Acting Director, Finance and Development Division of the Housing Development Bureau of the Los Angeles Housing and Community Investment Department and contains the specimen signature of such other officer or employee of the Issuer. The Borrower may conclusively presume that any of the aforementioned officials or a person designated in a written certificate filed with it as an Authorized Officer is an Authorized Officer until such time as the Issuer files with the Borrower and Trustee a written certificate identifying a different person or persons to act in such capacity.

“Available Moneys” means, as of any date of determination, any of the following, as applicable:

- (a) the proceeds of the Bonds;
- (b) proceeds from the sale of GNMA Securities;
- (c) FHA Lender Funds deposited directly with the Trustee by the FHA Lender;
- (d) the proceeds of the Issuer’s Multifamily Housing Revenue Bonds (Dudley Oaks Apartments) Series 2016Q-2 authorized in the Bond Resolution;
- (e) any other amounts, including the proceeds of refunding bonds, for which the Trustee has received an opinion of counsel to the effect that the use of such amounts to make payments on the Bonds would not violate Section 362(a) of the Bankruptcy Code (or that relief from the automatic stay provisions of such Section 362(a) would be available from the bankruptcy court) or be avoidable as preferential payments under Section 547 of the Bankruptcy Code should the Issuer or the Borrower become a debtor in proceedings commenced under the Bankruptcy Code;
- (f) the proceeds of any letter of credit; or
- (g) investment earnings derived from the investment of moneys described in (a), (b), (c), (d), (e) or (f).

“Bankruptcy Code” means Title 11 of the United States Code entitled “Bankruptcy,” as in effect now and in the future, or any successor statute.

“Board” means the City Council of the Issuer.

“Bond Counsel” shall mean, collectively, Kutak Rock LLP or any other attorney or firm of attorneys designated by the Issuer and approved by a Majority of the Holders of the Bonds and who has a national reputation for skill in connection with the authorization and issuance of municipal obligations under Sections 103 and 141 through 150 (or any successor provisions) of the Code.

“Bond Debt Service Charges” means, for any period or payable at any time, the principal of and interest on the Bonds for that period or payable at that time whether due at maturity or upon redemption or acceleration.

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

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

“Bond Payment Date” means each Interest Payment Date and any other date Bond Debt Service Charges on the Bonds are due, whether at maturity, upon acceleration, redemption or otherwise.

“Bond Purchase Agreement” shall mean that Bond Purchase Agreement dated February 14, 2017, among the Issuer, Borrower and the Underwriter.

“Bond Resolution” means that certain Resolution relating to the Project, adopted by the Board on January 27, 2017.

“Bond Year” means each annual period of twelve months the first of which commences on the date of the original issuance and delivery of the Bonds and ends on January 31, 2018 and the last of which ends on the maturity of the Bonds, except that the first and last Bond Year may be less than twelve months.

“Bonds” means the Issuer’s Multifamily Housing Revenue Bonds (Dudley Oaks Apartments) Series 2016Q-1 authorized in the Bond Resolution and the Indenture in an amount of \$3,240,000.

“Book Entry Form” or “Book Entry System” means, with respect to the Bonds, a form or system, as applicable, under which (i) physical Bond certificates in fully registered form are issued only to a Depository or its nominee, with the physical Bond certificates “immobilized” in the custody of the Depository and (ii) the ownership of book entry interests in Bonds and Bond Debt Service Charges thereon may be transferred only through a book entry made by Persons other than the Issuer or the Trustee. The records maintained by Persons other than the Issuer or the Trustee constitute the written record that identifies the owners, and records the transfer, of book entry interests in the Bonds and Bond Debt Service Charges thereon.

“Borrower” means Dudley Oaks Apartments LP, a California limited partnership, and its lawful successors and assigns to the extent permitted by the Loan Agreement.

“Borrower Documents” has the meaning given to such term in the Loan Agreement.

“Business Day” means a day of the week, other than a Saturday or a Sunday, on which commercial banks located in the city in which the designated corporate trust office of the Trustee are not required or authorized to remain closed.

“Closing Date” means February 23, 2017.

“Code” means the Internal Revenue Code of 1986, as amended, and all applicable regulations (whether proposed, temporary or final) under the Code and the statutory predecessor of the Code, and any official rulings and judicial determinations under the foregoing applicable to the Bonds.

“Collateral Fund” means the Collateral Fund created pursuant to the Indenture.

“Completion Date” means the date of substantial completion of the Project evidenced in accordance with the requirements of the Loan Agreement.

“Construction Period” means the period between the beginning of the acquisition, rehabilitation, remodeling, improving and equipping of the Project and the Completion Date.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement, dated as of February 1, 2017, between the Borrower and U.S. Bank National Association, as Dissemination Agent.

“Contractual Obligation” means for any Person any obligation, covenant, or condition contained in any evidence of Indebtedness or any agreement or instrument under or pursuant to which any evidence of Indebtedness has been issued, or any other material agreement, instrument or guaranty, to which such Person is a party or by which such Person or any of its assets or properties are bound.

“Costs of Issuance Fund” means the Costs of Issuance Fund created pursuant to the Indenture.

“Depository” means, with respect to the Bonds while in Book Entry Form, DTC, until a successor Depository shall have become such pursuant to the applicable provisions of the Indenture, and thereafter, Depository shall mean the successor Depository. Any Depository shall be a securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a Book Entry System to record ownership of book entry interests in the Bonds or Bond Debt Service Charges thereon, and to effect transfers of book entry interests in the Bonds.

“Disbursement Request” shall have the meaning set forth in the Indenture.

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

“DTC” means The Depository Trust Company (a limited purpose trust company), New York, New York, and its successors or assigns.

“DTC Participant” means any participant contracting with DTC under its book entry system and includes securities brokers and dealers, banks and trust companies and clearing corporations.

“Eligible Investments” means any of the following investments which at the time are legal investments for moneys of the Issuer which are then proposed to be invested therein and each of which investments must mature or be guaranteed to be able to be tendered at a price of par prior to February 1, 2018 or, after February 1, 2018, prior to the Maturity Date of the Bonds:

(a) Direct obligations of the United States of America including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America (“Government Obligations”);

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

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

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

“Extraordinary Services” and “Extraordinary Expenses” mean all services rendered and all reasonable expenses properly incurred by the Trustee under the Indenture, other than Ordinary Services

and Ordinary Expenses. Extraordinary Services and Extraordinary Expenses shall specifically include services rendered or expenses incurred by the Trustee in connection with, or in contemplation of, an Event of Default.

“FHA” means the Federal Housing Administration.

“FHA Insurance Commitment” means the commitment for insurance of advances issued by the Federal Housing Commissioner of HUD with respect to the Project, dated October 17, 2016.

“FHA Insurance Regulations” means the FHA Regulations promulgated under the National Housing Act.

“FHA Insured Mortgage Loan” means the mortgage loan in the original principal amount of \$5,065,200 to be advanced by the FHA Lender to the Borrower and insured by FHA under Section 221(d)(4) of the National Housing Act, as amended.

“FHA Lender” means PNC Bank, N.A., a national banking association, its successors and assigns.

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

“FHA Loan Documents” means the documents related to the FHA Insured Mortgage Loan, including the FHA Insurance Commitment, the FHA Note, the FHA Mortgage, the HUD Regulatory Agreement and any and all other documents, agreements, or instruments which evidence, secure or are executed in connection with the indebtedness evidenced by the FHA Note.

“FHA Mortgage” means the first-lien priority Multifamily Deed of Trust, Assignment of Leases and Rents and Security Agreement dated as of February 1, 2017 from Borrower for the benefit of FHA Lender to secure the repayment of the FHA Note.

“FHA Note” means the \$5,065,200 FHA-Insured Note (Multistate) dated as of February 1, 2017 from Borrower to FHA Lender to evidence its indebtedness under the FHA Insured Mortgage Loan.

“Fiscal Year” means, with respect to a Person, that period beginning on January 1 of each year and ending on December 31 of that year or such other fiscal year as shall be designated by such Person as its annual accounting period.

“Force Majeure” means any of the causes, circumstances or events described as constituting Force Majeure in the Loan Agreement.

“GAAP” means generally accepted accounting principles applied on a consistent basis.

“General Partner” means, collectively, Housing Corporation of America, as Managing General Partner of the Borrower and Dudley Oaks Apartments LLC, as Administrative General Partner of the Borrower, together with their permitted successors and assigns.

“GNMA” means the Government National Mortgage Association, a corporate instrumentality of the United States within the United States Department of Housing and Urban Development organized and existing under the National Housing Act.

“GNMA Documents” means the GNMA Guaranty and the documents related to the GNMA Guaranty.

“GNMA Guaranty” means the guaranty made by GNMA pursuant to the provisions of Section 306(g) of Title III of the National Housing Act, as amended, and the regulations promulgated under the National Housing Act.

“GNMA Regulations” means the GNMA Regulations promulgated under the National Housing Act.

“GNMA Security” or “GNMA Securities” means a fully modified pass through security in the form of a CLC or a PLC issued by an approved FHA lender and guaranteed by GNMA as to timely payment of principal of and interest on a PLC and as to timely payment of interest only until maturity and timely payment of principal at maturity on a CLC, pursuant to Section 306(g) of the National Housing Act of 1934, as amended, and the regulations promulgated thereunder.

“Government” shall mean the government of the United States of America, the government of any other nation, any political subdivision of the United States of America or any other nation (including, without limitation, any state, territory, federal district, municipality or possession) and any department, agency or instrumentality thereof; and “Governmental” shall mean of, by, or pertaining to any Government.

“Holder,” “Holders,” or “Holder of a Bond” means the Person in whose name a Bond is registered on the Register.

“HUD” means the United States Department of Housing and Urban Development.

“HUD Regulatory Agreement” means the Regulatory Agreement for Multifamily Projects dated as of February 1, 2017 between the Borrower and HUD, related to the FHA Insured Mortgage Loan.

“Indebtedness” shall mean for any Person (a) all indebtedness or other obligations of such Person for borrowed money or for the deferred purchase price of property or services, (b) all indebtedness or other obligations of any other Person for borrowed money or for the deferred purchase price of property or services, the payment or collection of which such Person has guaranteed (except by reason of endorsement for deposit or collection in the ordinary course of business) or in respect of which such Person is liable, contingently or otherwise, including, without limitation, by way of agreement to purchase, to provide funds for payment, to supply funds to or otherwise to invest in such other Person, or otherwise to assure a creditor against loss, (c) all indebtedness or other obligations of any other Person for borrowed money or for the deferred purchase price of property or services secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien, upon or in property (including, without limitation, accounts and contract rights) owned by such Person, whether or not such Person has assumed or become liable for the payment of such indebtedness or other obligations, (d) all direct or contingent obligations of such Person in respect of letters of credit, (e) all lease obligations which have been or should be, in accordance with GAAP, capitalized on the books of such Person as lessee, and (f) guaranties of any of the foregoing; provided that Indebtedness does not include accounts payable and accrued expenses incurred in the ordinary course of business.

“Indenture” means the Trust Indenture, dated as of February 1, 2017, between the Issuer and the Trustee, as amended or supplemented from time to time.

“Independent” when used with respect to a specified Person means such Person has no specific financial interest direct or indirect in the Borrower or any Affiliate of the Borrower and in the case of an individual is not a director, trustee, officer, partner or employee of the Borrower or any Affiliate of the Borrower and in the case of an entity, does not have a partner, director, trustee, officer, partner or employee who is a director, trustee, officer or employee of any partner of the Borrower or any Affiliate of the Borrower.

“Information Services” means in accordance with then-current guidelines of the Securities and Exchange Commission, the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor entity or entities designated by the Securities and Exchange Commission.

“Initial Deposit” means the deposit of Available Moneys to the Initial Deposit Account in the amount of \$58,275 which the Borrower shall cause to be made from Available Moneys other than the proceeds of the Bonds on the Closing Date.

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

“Interest Payment Date” means each February 1 and August 1, commencing August 1, 2017, and on any date the Bonds are called for redemption prior to maturity.

“Interest Rate” means 1.25% per annum.

“Interest Rate for Advances” means the rate of twelve percent per annum (12%) or the rate per annum which is two percent plus that interest rate announced by the Trustee in its lending capacity as a bank as its “Prime Rate” or its “Base Rate,” whichever is greater and lawfully chargeable, in whole or in part.

“Investor Limited Partner” means Wells Fargo Affordable Housing Community Development Corporation, a North Carolina corporation, its permitted successors and assigns.

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

“Issuer’s Closing Fee” shall mean the Issuer’s issuance fee in the amount of \$14,736.60 payable by the Borrower to the Issuer on or before the Closing Date.

“Issuer’s Fee” means Issuer’s Closing Fee and Issuer’s Ongoing Fee.

“Issuer’s Ongoing Fee” shall mean the annual fee of the Issuer with respect to the Bonds in the amount as set forth in and in accordance with and pursuant to the provisions of the Regulatory Agreement.

“Issuer Revenues” means (a) the Loan Payments, (b) all other moneys received or to be received by the Issuer or the Trustee in respect of repayment of the Loan, including without limitation, all moneys and investments in the Bond Fund, (c) any moneys and investments in the Project Fund and the Collateral Fund, and (d) all income and profit from the investment of the foregoing moneys. The term “Issuer Revenues” does not include any moneys or investments in the Rebate Fund or the Costs of Issuance Fund.

“Law” means Section 248 of the City Charter of the City and Article 6.3 of Chapter 1 of Division 11 of the Los Angeles Administrative Code, as supplemented and amended to the Closing Date.

“Lien” means any mortgage, deed of trust, lien, charge, security interest or encumbrance of any kind upon, or pledge of, any property, whether owned on or acquired after the date of the Indenture, and includes the acquisition of, or agreement to acquire, any property subject to any conditional sale agreement or other title retention agreement, including a lease on terms tantamount thereto or on terms otherwise substantially equivalent to a purchase.

“Loan” means the loan by the Issuer to the Borrower of the proceeds received from the sale of the Bonds.

“Loan Payment Cure Period” means a period of four Business Days following any Loan Payment Date.

“Loan Payment Date” means the fifth Business Day preceding each Bond Payment Date.

“Loan Payments” means the amounts required to be paid by the Borrower in repayment of the Loan pursuant to the provisions of the Note and the Loan Agreement.

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

“Maturity Date” means August 1, 2018.

“Minimum Trustee Rating” means a long term rating of the Trustee’s unsecured obligations with maturities in excess of one year of not less than “A” by S&P, or, if the Trustee does not have such a rating from S&P, it must have a minimum rating of its unsecured obligations with maturities of one year or less of “A-1” from S&P.

“Note” means the Promissory Note, dated as of the Closing Date, in the form attached to the Loan Agreement as an exhibit, in the original principal amount of \$3,240,000, evidencing the obligation of the Borrower to make Loan Payments.

“Opinion of Bond Counsel” means an opinion of Bond Counsel.

“Ordinary Services” and “Ordinary Expenses” mean those services normally rendered, and those expenses normally incurred, by a trustee, registrar, paying agent and authenticating agent under instruments similar to the Indenture. Without limiting the generality of this definition, Ordinary Services and Ordinary Expenses shall include, without limitation, services provided by the Trustee in connection with the redemption of Bonds as provided in the Indenture and in connection with any meetings of Holders of the Bonds as provided the Indenture.

“Outstanding Bonds,” “Bonds outstanding” or “outstanding” as applied to Bonds mean, as of the applicable date, all Bonds which have been authenticated and delivered, or which are being delivered by the Trustee under the Indenture, except:

- (a) Bonds cancelled upon surrender, exchange or transfer, or cancelled because of payment on or prior to that date;

(b) Bonds, or the portion thereof, for the payment or purchase for cancellation of which sufficient money has been deposited and credited with the Trustee or the Paying Agent on or prior to that date for that purpose (whether upon or prior to the maturity of those Bonds);

(c) Bonds, or the portion thereof, which are deemed to have been paid and discharged or caused to have been paid and discharged pursuant to the provisions of the Indenture; and

(d) Bonds in lieu of which others have been authenticated under the Indenture.

“Paying Agent” means the Trustee acting as such, or any other bank or trust company designated as a Paying Agent by or in accordance with the Indenture.

“Person” or words importing persons mean firms, associations, partnerships (including without limitation, general and limited partnerships), joint ventures, societies, estates, trusts, corporations, limited liability companies, public or governmental bodies, other legal entities and natural persons.

“Plans and Specifications” means the plans and specifications describing the Project as now prepared and as they may be changed as provided in the Loan Agreement from time to time.

“Predecessor Bond” of any particular Bond means every previous Bond evidencing all or a portion of the same debt as that evidenced by the particular Bond. For the purposes of this definition, any Bond authenticated and delivered under the Indenture in lieu of a lost, stolen or destroyed Bond shall, except as otherwise provided in the Indenture, be deemed to evidence the same debt as the lost, stolen or destroyed Bond.

“Project” means the acquisition, rehabilitation and equipping of an existing 20 unit (including one manager unit) apartment complex known as Dudley Oaks Apartments, and located at 2119-2127 South Oak Street in Los Angeles, California.

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

“Project Fund” means the Project Fund created in the Indenture.

“Project Purposes” means the operation of the Project in accordance with the Act, the Code and the Regulatory Agreement.

“Rating Agency” means S&P Global Ratings (“S&P”), Moody’s Investors Service, Inc. (“Moody’s”) or any other nationally recognized municipal securities rating agency acceptable to the Underwriter.

“Rebate Fund” means the Rebate Fund created in the Indenture.

“Register” means the books kept and maintained by the Registrar for registration and transfer of Bonds pursuant to the Indenture.

“Registrar” means the Trustee, until a successor Registrar shall have become such pursuant to applicable provisions of the Indenture; each Registrar shall be a transfer agent registered in accordance with Section 17A(c) of the Securities Exchange Act of 1934.

“Regular Record Date” means, the fifteenth day of the calendar month next preceding an Interest Payment Date applicable to that Bond.

“Regulatory Agreement” means the Regulatory Agreement and Declaration of Restrictive Covenants, dated as of even date with the Indenture, among the Issuer, the Trustee and the Borrower.

“Responsible Banking Ordinance” means Ordinance No. 182138 of the City of Los Angeles amending Chapter 5.1 of the Los Angeles Administrative Code.

“Securities Act” means the United States Securities Act of 1933, as in effect on the Closing Date.

“Securities Depositories” means The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax (516) 227 4039 or 4191 or, in accordance with the then current guidelines of the Securities and Exchange Commission to such other addresses and/or such other securities depositories or, as the Issuer may designate in a request of the Issuer delivered to the Trustee, to no such depositories.

“S&P” means S&P Global Ratings.

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

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

“Special Record Date” means, with respect to any Bond, the date established by the Trustee in connection with the payment of overdue interest or principal on that Bond.

“State” means the State of California.

“Supplemental Indenture” means any indenture supplemental to the Indenture entered into between the Issuer and the Trustee in accordance with the Indenture.

“Tax Agreement” means the Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986, dated the Closing Date, executed and delivered by the Issuer and the Borrower.

“Trustee” means U.S. Bank National Association, until a successor Trustee shall have become such pursuant to the applicable provisions of the Indenture, and thereafter, “Trustee” shall mean the successor Trustee.

“Unassigned Issuer’s Rights” means all of the rights of the Issuer, its members, officers, attorneys, accountants, employees, agents and consultants, past, present and future specifically reserved by the Issuer under the Indenture to receive Additional Payments under the Loan Agreement, to be held harmless and indemnified under the Loan Agreement, to be reimbursed for attorney’s fees and expenses under the Loan Agreement, to receive notices pursuant to the Loan Agreement and to give or withhold consent to amendments, changes, modifications, alterations and termination of the Loan Agreement under the Loan Agreement, its rights of access, to enforce the terms of the Regulatory Agreement, and to the extent not included above the rights specifically reserved by the Issuer under the Indenture.

“Underwriter” means Citigroup Global Markets Inc.

APPENDIX B

FORM OF BOND COUNSEL OPINION

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

February __, 2017

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

Citigroup Global Markets Inc.
1225 17th Street, Suite 2102
Denver, CO 80202

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

\$3,240,000
City of Los Angeles
Multifamily Housing Revenue Bonds
(Dudley Oaks Apartments)
Series 2016Q-1

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance on the date hereof by the City of Los Angeles (the “Issuer”) of its Multifamily Housing Revenue Bonds (Dudley Oaks Apartments) Series 2016Q-1 (the “Bonds”) in the aggregate principal amount of \$3,240,000. The Bonds are being issued to fund a loan (the “Loan”) to Dudley Oaks Apartments LP, a California limited partnership (the “Borrower”), to finance a portion of the acquisition, rehabilitation and equipping of a multifamily residential project known as Dudley Oaks Apartments (the “Project”) located within the City of Los Angeles.

The Bonds are being issued pursuant to a Resolution adopted by the Council of the Issuer on January 27, 2017 and concurred with by the Mayor of the Issuer (the “Resolution”) and the Trust Indenture dated as of February 1, 2017 (the “Indenture”) between the Issuer and U.S. Bank National Association, as trustee (the “Trustee”).

In connection with the issuance of the Bonds, we have examined (1) a certified copy of the Resolution, (2) a certified copy of Section 248 of the City Charter of the Issuer and Article 6.3 of Chapter 1 of Division 11 of the Los Angeles Administrative Code (the “Law”) and Chapter 7 of Part 5 of Division 31 of the Health and Safety Code of the State of California (the “Act”), (3) an executed counterpart of the Indenture, (4) the form of Bond, (5) an executed counterpart of the Regulatory Agreement and Declaration of Restrictive Covenants dated as of February 1, 2017 among the Issuer, Trustee and Borrower (the “Regulatory Agreement”) imposing certain operating restrictions on the

Project, (6) an executed counterpart of the Loan Agreement dated as of February 1, 2017 between the Issuer and Borrower (the “Loan Agreement”) setting forth the conditions pursuant to which the Issuer will fund the Loan, (7) the applicable provisions of the Constitution, laws and rules and regulations of the State of California and of the United States of America, (8) the transcript of proceedings relating to the issuance and sale of the Bonds and the opinions, certifications and statements of facts and expectations contained in such transcript and (9) such other documents and materials as we have deemed relevant to the opinion expressed herein.

From an examination of the foregoing, we are of the opinion that:

(a) The Issuer is a municipal corporation and charter city duly organized and existing under the Constitution and laws of the State of California and has the power and authority, under the Constitution and laws of the State of California, including the Law and the Act, to carry out and consummate all transactions contemplated by the Indenture and to pledge the revenues and other amounts out of which the Bonds are payable.

(b) The Bonds have been validly authorized and issued in accordance with the laws of the State of California now in force and constitute the valid, legal and binding limited obligations of the Issuer payable solely from revenues and amounts pledged under the Indenture.

(c) The Indenture has been duly authorized, executed and delivered by the Issuer and, assuming due authorization, execution and delivery by the Trustee, represents the valid, legal and binding agreement of the Issuer enforceable in accordance with its terms.

(d) Under existing laws, regulations, rulings and judicial decisions, the interest on the Bonds is excludable from gross income for federal income tax purposes, except (with respect to the hereinafter defined “substantial user”) during any period when such Bond is held by a “substantial user” of the facilities financed by the Bonds or a “related person” within the meaning of Section 147(a) of the Internal Revenue Code of 1986 (the “Code”). In rendering the opinion in this paragraph (d), we have assumed continuing compliance by the parties thereto with respect to certain covenants in the Loan Agreement, the Regulatory Agreement, the Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 and the Indenture concerning the continuing excludability of interest on the Bonds from gross income for federal income tax purposes.

(e) Interest on the Bonds is not a specific preference item or included in adjusted current earnings for purposes of the federal alternative minimum tax.

(f) Interest on the Bonds is exempt from State of California taxation, excepting inheritance and gift taxes.

(g) the Bonds constitute exempted securities within the meaning of the Securities Act of 1933, as amended, and the Indenture is exempt from application of the Trust Indenture Act of 1939, as amended, and it is not necessary, in connection with the public offering and sale of the Bonds, to register any securities under said Securities Act or to qualify any indenture under said Trust Indenture Act.

The accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend on the recipient’s particular status or other items of income or deduction. We express no opinion regarding such

consequences. The purchasers of the Bonds should consult their tax advisors as to the consequences of purchasing, holding or selling the Bonds.

The obligations of the parties, and the enforceability thereof, with respect to the documents described above are subject to the provisions of the bankruptcy laws of the United States of America and other applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect. Certain of the obligations, and the enforcement thereof, contained in the documents described above are also subject to general principles of equity, which may limit the specific enforcement of certain remedies but which do not affect the validity of such documents.

The opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of the initial draw of the Bonds. We express no opinion as of any date subsequent hereto or with respect to any pending legislation, regulatory initiatives or litigation.

Certain requirements and procedures contained or referred to in the Indenture, the Loan Agreement, the Regulatory Agreement and other relevant documents may be changed, and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of nationally recognized bond counsel. No opinion is expressed as to the Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

This opinion is delivered solely to the addressees hereof. No other party may rely upon this opinion without our express written consent.

We express no opinion as to title to, or the sufficiency of the description of, the Project (as defined in the Indenture) or any other document or instrument or the priority of any liens, charges or encumbrances on the Project.

Very truly yours,

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following, in addition to the information provided under “THE BONDS”, summarizes certain provisions of the Indenture, to which reference is made for the detailed provisions thereof.

Creation of Trust

To secure the payment of Bond Debt Service Charges on the Bonds, the Issuer will assign to the Trustee its right, title and interest in (i) the Issuer Revenues, including, without limitation, all Loan Payments and other amounts receivable by or on behalf of the Issuer under the Loan Agreement in respect of repayment of the Loan, (ii) the Special Funds, including all accounts in those funds and all moneys deposited therein and the investment earnings on such moneys, (iii) all right, title and interest of the Issuer in the proceeds derived from the sale of the Bonds, and any securities in which moneys in the Special Funds are invested, and (except for moneys in the Rebate Fund and otherwise required to be rebated to the United States of America under the Code) the proceeds derived therefrom, and any and all other real or personal property of every name and nature from time to time after the date of the Indenture by delivery or by writing of any kind pledged, assigned or transferred, as and for additional security under the Indenture by the Issuer or by anyone on its behalf, or with its written consent, to the Trustee, which is authorized by the Indenture to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Indenture, (iv) the Loan Agreement, except for the Unassigned Issuer’s Rights, and (v) the Note.

Mutilated, Lost, Wrongfully Taken or Destroyed Bonds

If any Bond is mutilated, lost, wrongfully taken or destroyed, in the absence of written notice to the Issuer or the Registrar that a lost, wrongfully taken or destroyed Bond has been acquired by a bona fide purchaser, the Issuer shall execute, and the Registrar shall authenticate and deliver, a new Bond of like date, maturity, series and denomination as the Bond mutilated, lost, wrongfully taken or destroyed; provided, that (a) in the case of any mutilated Bond, the mutilated Bond first shall be surrendered to the Registrar, and (b) in the case of any lost, wrongfully taken or destroyed Bond, there first shall be furnished to the Registrar evidence of the loss, wrongful taking or destruction satisfactory to the Registrar, together with indemnity satisfactory to the Registrar for the Trustee, the Registrar and the Issuer.

If any lost, wrongfully taken or destroyed Bond shall have matured, instead of issuing a new Bond, the Trustee may pay that Bond without surrender thereof upon the furnishing of satisfactory evidence and indemnity as the Registrar may require, as in the case of issuance of a new Bond. The Issuer, the Registrar and the Trustee may charge the Holder of a mutilated, lost, wrongfully taken or destroyed Bond their reasonable fees and expenses in connection with their actions pursuant to the provisions described under this caption.

Every new Bond issued pursuant to the provisions described under this caption by reason of any Bond being mutilated, lost, wrongfully taken or destroyed (i) shall constitute, to the extent of the outstanding principal amount of the Bond lost, mutilated, taken or destroyed, an additional contractual obligation of the Issuer, regardless of whether the mutilated, lost, wrongfully taken or destroyed Bond shall be enforceable at any time by anyone and (ii) shall be entitled to all of the benefits of the Indenture equally and proportionately with any and all other Bonds issued and outstanding thereunder.

All Bonds shall be held and owned on the express condition that the foregoing provisions described under this caption are exclusive with respect to the replacement or payment of mutilated, lost, wrongfully taken or destroyed Bonds and, to the extent permitted by law, shall preclude any and all other rights and remedies with respect to the replacement or payment of negotiable instruments or other investment securities without their surrender, notwithstanding any law or statute to the contrary existing as of or enacted after the date of the Indenture.

Creation of Funds; Allocation of Bond Proceeds

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

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

The proceeds of the sale of the Bonds (including without limitation, premium, if any, and interest accrued thereon), shall be deposited by the Trustee on the Closing Date to the Project Fund.

On the Closing Date, the Trustee shall deposit \$0 received by or on behalf of the Borrower, from money other than the proceeds of the Bonds, in the Costs of Issuance Fund. In addition, the Trustee shall cause the Initial Deposit to be deposited by the provider thereof to the Initial Deposit Account of the Bond Fund.

Application of Loan Payments

So long as there are any Outstanding Bonds, any payments made by the Borrower pursuant to the Note and the Loan Agreement shall be paid on each Loan Payment Date directly to the Trustee and deposited into the Bond Fund to be used to pay the interest and principal (if any) on the Bonds on the next succeeding Interest Payment Date; provided that so long as there are amounts available therefor, for purposes of paying interest on the Loan and Bonds when due the Trustee shall withdraw from the Initial Deposit Account in the amount of interest due on the Bonds on each Interest Payment Date and transfer the same to the Bond Fund to pay interest due on the Bonds on each Interest Payment Date; and provided further that so long as there are amounts available therefor, for purposes of making principal payments on the Loan and Bonds when due the Trustee shall withdraw from the Collateral Fund and transfer the same to the Bond Fund to pay the principal of the Bonds on the date set for redemption of the Bonds or payment of the Bonds on the Maturity Date.

Disbursements from the Project Fund

(a) Requisitions. Subject to the provisions of the Indenture described in this paragraph and paragraph (b) below, the Trustee shall make disbursements from the Project Fund to pay Project Costs only upon the receipt of a written request of the Borrower signed by an Authorized Borrower Representative and approved by the Issuer, which request shall be in the form attached to the Loan

Agreement, a “Disbursement Request.” To the extent that such Requisition requests amounts corresponding to an advance of FHA Lender Funds, the Trustee shall also receive a written request from the Lender for the disbursement of amounts on deposit in the Project Fund accompanied by a copy of the executed FHA Form 92403 and FHA Lender Funds in the amount requested. The Issuer agrees that if the Issuer has not objected in writing to any disbursement from the Project Fund within five Business Days of receipt by the Issuer with a copy to the Trustee of a request for approval of such disbursement, the Issuer shall be deemed to have approved such disbursement. Furthermore, if the Issuer and the FHA Lender disagree as to whether a particular disbursement from the Project Fund shall be approved or disapproved, they shall meet and confer in good faith, upon the request of either of them in an effort to resolve the matter, which meeting may be by telephonic or electronic means, or may be at a personal meeting. If they fail to agree upon the approval or disapproval of such a disbursement following such good faith efforts, and the Trustee is provided written notice from the FHA Lender of such failure to agree, the FHA Lender can approve the disbursement and the Trustee shall pay it from the Project Fund. With respect to transfers as may be necessary from the Project Fund to the Bond Fund to cover deficiencies, no Disbursement Request is needed and the Trustee shall transfer such funds automatically.

(b) Project Fund. When the Trustee receives a Disbursement Request in accordance with the provisions described in the preceding paragraph and the Loan Agreement, subject to the following paragraph, the Trustee shall confirm that Available Moneys equal to or greater than the sum of (a) the amount set forth in the Disbursement Request and (b) all prior disbursements made from the Project Fund, are on deposit in the Collateral Fund. Upon confirmation of the items above, the Trustee shall, following satisfaction of the requirements of paragraph (a) above, thereafter disburse the funds from the Project Fund to pay Project Costs in the amount pursuant to the Disbursement Request directly to the FHA Lender or at the direction of the FHA Lender as provided in the Loan Agreement to the extent the corresponding deposit of Available Moneys to the Collateral Fund was made by or at the direction of the FHA Lender (as confirmed in the Disbursement Request), which funds shall be used by the FHA Lender to fund the corresponding advance pursuant to the FHA Insured Mortgage Loan. Any investment earnings on the Project Fund shall be credited to the Bond Fund. Neither the Trustee nor the Issuer shall be responsible for the application by the Borrower of moneys disbursed to the Borrower or its designees (if any money is disbursed thereto) in accordance with the provisions described under this caption. Upon receipt of such deposit from the Lender, the Trustee shall be unconditionally and irrevocably obligated to disburse an equal amount from the Project Fund in accordance with the Requisition.

There shall be deposited from time to time in the Collateral Fund Available Moneys in such amounts and at such times as may be necessary to allow the Trustee to disburse funds from the Project Fund, pursuant to the provisions described under this caption, upon the Trustee’s receipt of a Disbursement Request from the Borrower to pay Project Costs. Upon the deposit of FHA Lender Funds into the Collateral Fund, the Trustee shall be irrevocably committed to disburse to or at the direction of the FHA Lender an equal amount from the Project Fund.

(c) Records. The Trustee shall cause to be kept and maintained adequate records pertaining to the Project Fund and all disbursements therefrom as provided in the Indenture. If requested by the Issuer or the Borrower, or the Investor Limited Partner, after the filing by the Borrower of the Completion Certificate with the Trustee as provided in the Indenture, the Trustee shall file copies of the records pertaining to the Project Fund and disbursements therefrom with the Issuer and the Borrower and the Investor Limited Partner.

The proceeds of the Bonds shall be used exclusively to pay costs that (i) are (A) capital expenditures (as defined in Section 1.150-1(a) of the Code’s regulations) and (B) not made for the acquisition of existing property, to the extent prohibited in Section 147(d) of the Code, and (ii) are made exclusively with respect to a “qualified residential rental project” within the meaning of Section 142(d) of

the Code and that for the greatest number of buildings the proceeds of the Bonds shall be deemed allocated on a pro rata basis to the building in the Project and the land on which it is located so that the building and the land on which it is located will have been financed fifty percent (50%) or more by the proceeds of the Bonds for the purpose of complying with Section 42(h)(4)(B) of the Code; provided, however, the foregoing representation, covenant and warranty is made for the benefit of the Borrower and its partners and neither the Trustee nor the Issuer shall have any obligation to enforce this covenant nor shall they incur any liability to any person, including without limitation, the Borrower, the partners of the Borrower, any other affiliate of the Borrower or the holders of the Bonds for any failure to meet the intent expressed in the foregoing representation, covenant and warranty; and provided further, failure to comply with this representation, covenant and warranty shall not constitute a default or Event of Default under the Indenture.

Upon the occurrence and continuance of an Event of Default under the Indenture because of which the principal amount of the Bonds has been declared to be due and immediately payable as described under the caption "Acceleration" below, any moneys remaining in the Project Fund shall be promptly transferred by the Trustee to the Bond Fund.

Bond Fund

There shall be deposited in the Bond Fund (1) the amounts set forth under the caption "Creation of Funds; Allocation of Bond Proceeds" above, (2) interest earnings on the Project Fund and the Collateral Fund, (3) amounts set forth under this caption and (4) amounts transferred pursuant to the provisions described in paragraph (a) under "Disbursements from the Project Fund" above.

The Initial Deposit Account and Eligible Investments therein shall be used solely and exclusively for the payment of Bond Debt Service Charges as they become due and at stated maturity, or upon redemption or acceleration, all as provided in the Indenture and in the Loan Agreement.

The Trustee shall transmit to the Paying Agent, from moneys on deposit in the accounts of the Bond Fund, amounts sufficient to make timely payments of Bond Debt Service Charges on the Bonds. To the extent that the amount needed by the Paying Agent is not sufficiently predictable, the Trustee may make any credit arrangements with the Paying Agent which will permit those payments to be made. The Issuer authorizes and directs the Trustee to cause withdrawal of moneys from the Bond Fund which are available for the purpose of paying, and are sufficient to pay, Bond Debt Service Charges on the Bonds as they become due and payable, for the purposes of paying or transferring moneys to the Paying Agent which are necessary to pay such Bond Debt Service Charges. Amounts credited to or on deposit in the Initial Deposit Account shall be transferred to the Bond Fund on each Loan Payment Date in order to provide for the payment of Bond Debt Service Charges on the Bonds on the next succeeding Bond Payment Date.

In the event that amounts on deposit in the Bond Fund on any Loan Payment Date are insufficient to make the payment of Bond Debt Service Charges due on the Bonds on the next succeeding Bond Payment Date, the Trustee shall transfer funds in the following order to the Bond Fund and use such funds, together with amounts then on deposit in the Bond Fund, to pay the Bond Debt Service Charges due on the Bonds on the next succeeding Bond Payment Date:

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

Investment of Special Funds

On the Closing Date, moneys on deposit in the Project Fund shall be held by the Trustee uninvested until, subject to the provisions of the following paragraph, disbursed to the Borrower on the Closing Date in accordance with an approved Disbursement Request.

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

The Trustee is directed to purchase or subscribe for Government Obligations maturing on or immediately prior to August 1, 2017 with respect to a portion of the amounts on deposit in the Initial Deposit Account of the Bond Fund equal to interest due on the Bonds on such date and Government Obligations maturing on or immediately prior to February 1, 2018 with respect to amounts on deposit in the Collateral Fund and the balance of amounts on deposit in the Initial Deposit Account of the Bond Fund. Upon receipt from time to time of subsequent deposits of FHA Lender Funds for deposit to the Collateral Fund, the Trustee shall invest such amounts in Government Obligations maturing on or immediately prior to February 1, 2018. For the time period between the Closing Date and the first date on which the Government Obligations may be purchased, the Trustee shall hold such amounts in an Eligible Investment specified in subsection (c) of the definition thereof.

Upon maturity of the Government Obligations maturing on or immediately prior to February 1, 2018, the Trustee shall invest such amounts in money market funds specified in subsection (c) of the definition of Eligible Investments.

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

As long as no Event of Default (as defined under the caption “Defaults; Events of Default” below) shall have occurred and be continuing, the Borrower shall have the right to designate the investments to be sold and to otherwise direct the Trustee in the sale or purchase of the investments or the conversion to cash of the investments made with the moneys in the Collateral Fund provided that the Trustee shall be entitled to conclusively assume the absence of any such Event of Default unless it has notice thereof. If there has been an Event of Default, the Trustee shall have said right to select investments, which shall be those Eligible Investments described in subsection (c) of the definition thereof. In the absence of such directions from the Borrower, the Trustee shall invest the proceeds of maturing investments in the Collateral Fund in Eligible Investments having a maturity date not longer than the earlier of thirty (30) days from the date of purchase or the Maturity Date, as applicable; provided that, if applicable, the Trustee shall invest only in United States Treasury Obligations – Time Deposit State and Local Government Series (“SLGS”) (and not in ‘Demand Deposit’ SLGS).

The investments described in each of the above paragraphs shall be made by the Trustee pursuant to the direction provided in the Indenture and in accordance with the written direction of the Borrower to be provided on the Closing Date, which shall remain in effect unless and until further written direction is provided by the Borrower.

Amounts, if any, on deposit in the Costs of Issuance Fund shall be invested at the direction of the Borrower in Eligible Investments until disbursed or returned to the Borrower as described under the caption “Costs of Issuance Fund” below.

Repayment to the Borrower from the Bond Fund

Except as described under the caption “Rebate Fund” below, any amounts remaining in the Bond Fund (i) after all of the Bonds shall be deemed paid and discharged under the provisions of the Indenture, and (ii) after payment of all fees, charges and expenses of the Trustee, the Registrar, the Paying Agents and the Issuer, and of all other amounts required to be paid under the Indenture, the Loan Agreement, the Regulatory Agreement and the Note, shall be paid to the Borrower to the extent that those amounts are in excess of those necessary to effect the payment and discharge of the outstanding Bonds.

Rebate Fund

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

The Trustee shall furnish to the Borrower all information reasonably requested by the Borrower with respect to the Bonds and investments of the funds and accounts maintained by the Trustee under the Indenture. The Trustee shall make deposits to and disbursements from the Rebate Fund (including rebate payments to the United States required to be made by the Tax Agreement), as well as investments of the amounts therein, in accordance with written direction of the Borrower, pursuant to the final report of the Arbitrage Consultant. The Trustee shall have no obligation to pay any amounts required to be rebated pursuant to the provisions described under this caption and the Tax Agreement, other than from moneys held in the Funds created under the Indenture or from other moneys provided to it by the Borrower. Any moneys remaining in the Rebate Fund after redemption and payment of the Bonds and payment and satisfaction of any rebatable arbitrage shall be withdrawn and remitted to the Borrower. Anything in the Indenture to the contrary notwithstanding, the provisions of the Tax Agreement may be superseded or amended by an amendment or supplement to the Tax Agreement effected in accordance with the terms thereof. The Issuer will comply with all provisions of the Tax Agreement, which provisions are incorporated in the Indenture by reference.

The Trustee shall unconditionally be entitled to accept and rely upon the recommendations, advice, calculations and opinions of the Arbitrage Consultant as to actions required or not required to be taken by the Trustee to comply with the provisions of Section 148(f) of the Code. The Trustee agrees to act in accordance with the recommendations, advice and opinions of the Arbitrage Consultant for the purpose of complying with any applicable provision of Section 148(f) of the Code. Notwithstanding any other provision of the Indenture, the obligation to pay rebatable arbitrage to the United States of America and to comply with all other requirements under this caption and the Tax Agreement shall survive the defeasance or payment in full of the Bonds.

Costs of Issuance Fund

The Trustee shall use money on deposit to the credit of the Costs of Issuance Fund to pay the costs of issuance on the Closing Date as provided in the Indenture. Investment earnings on amounts on deposit in the Costs of Issuance Fund shall be retained in such fund. Amounts remaining on deposit in the Costs of Issuance Fund sixty (60) days after the Closing Date shall be remitted by the Trustee to the Borrower. Upon such final disbursement, the Trustee shall close the Costs of Issuance Fund.

Defaults; Events of Default

The occurrence of any of the following events is defined as and declared to be and to constitute an Event of Default under the Indenture:

(a) Payment of any interest on any Bond shall not be made when and as that interest shall become due and payable;

(b) Payment of the principal of any Bond shall not be made when and as that principal shall become due and payable, whether at stated maturity, upon acceleration or otherwise;

(c) Failure by the Issuer to observe or perform any other covenant, agreement or obligation on its part to be observed or performed contained in the Indenture or in the Bonds, which failure shall have continued for a period of 30 days after written notice, by registered or certified mail, to the Issuer, the Borrower and the Investor Limited Partner specifying the failure and requiring that it be remedied, which notice may be given by the Trustee in its discretion and shall be given by the Trustee at the written request of the Holders of not less than 25% in aggregate principal amount of Bonds then outstanding; provided, that if the failure is other than the payment of money and is of such nature that it can be corrected but not within the applicable period, that failure shall not constitute an Event of Default so long as the Issuer, the Borrower or the Investor Limited Partner institutes curative action within the applicable period and diligently pursues that action to completion, which must be resolved within one hundred eighty (180) days after the aforementioned notice; and

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

The term “default” or “failure” means (i) a default or failure by the Issuer in the observance or performance of any of the covenants, agreements or obligations on its part to be observed or performed contained in the Indenture or in the Bonds, or (ii) a default or failure by the Borrower under the Loan Agreement, exclusive of any period of grace or notice required to constitute an Event of Default, as provided above or in the Loan Agreement.

Acceleration

Upon the occurrence of an Event of Default described in (a) and (b) under the caption “Defaults; Events of Default” above, the Trustee may declare, and upon the written request of the Holders of not less than 25% in aggregate principal amount of Bonds then outstanding the Trustee shall declare, by a notice in writing delivered to the Issuer and the Borrower, the principal of all Bonds then outstanding (if not then due and payable), and the interest accrued thereon, to be due and payable immediately. Upon the occurrence of any Event of Default other than those described in (a) and (b) under the caption “Defaults; Events of Default” above, the Trustee, with the written consent of all Holders of Bonds then outstanding, may declare by a notice in writing delivered to the Issuer and the Borrower, the principal of all Bonds then outstanding (if not then due and payable), and the interest accrued thereon, to be due and payable immediately. Upon such declaration, the principal and interest on the Bonds shall become and be due and payable immediately. Interest on the Bonds shall accrue to the date determined by the Trustee for the tender of payment to the Holders pursuant to that declaration; provided, that interest on any unpaid principal of Bonds outstanding shall continue to accrue from the date determined by the Trustee for the tender of payment to the Holders of those Bonds.

The provisions of the preceding paragraph are subject, however, to the condition that if, at any time after declaration of acceleration and prior to the entry of a judgment in a court for enforcement under the Indenture (after an opportunity for hearing by the Issuer and the Borrower),

(a) all sums payable under the Indenture (except the principal of and interest on Bonds which have not reached their stated maturity dates but which are due and payable solely by reason of that declaration of acceleration), plus interest to the extent permitted by law on any overdue installments of interest at the rate borne by the Bonds in respect of which the default shall have occurred, shall have been duly paid or provision shall have been duly made therefor by deposit with the Trustee or Paying Agents, and

(b) all existing Events of Default shall have been cured, then and in every case, the Trustee shall waive the Event of Default and its consequences and shall rescind and annul that declaration. No waiver or rescission and annulment shall extend to or affect any subsequent Event of Default or shall impair any rights consequent thereon.

Other Remedies; Rights of Holders

With or without taking action as described under the caption “Acceleration” above, upon the occurrence and continuance of an Event of Default, the Trustee may pursue any available remedy, including without limitation actions at law or equity to enforce the payment of Bond Debt Service Charges or the observance and performance of any other covenant, agreement or obligation under the Indenture, the Loan Agreement, the Regulatory Agreement or the Note or any other instrument providing security, directly or indirectly, for the Bonds.

If, upon the occurrence and continuance of an Event of Default, the Trustee is requested so to do by the Holders of at least 25% in aggregate principal amount of Bonds outstanding, the Trustee shall exercise any rights and powers conferred upon it by the provisions described under this caption and “Acceleration” above.

No remedy conferred upon or reserved to the Trustee (or to the Holders) by the Indenture is intended to be exclusive of any other remedy. Each remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or otherwise to the Trustee or to the Holders existing as of or after the date of the Indenture.

No delay in exercising or omission to exercise any remedy, right or power accruing upon any default or Event of Default shall impair that remedy, right or power or shall be construed to be a waiver of any default or Event of Default or acquiescence therein. Every remedy, right and power may be exercised from time to time and as often as may be deemed to be expedient.

No waiver of any default or Event of Default under the Indenture, whether by the Trustee or by the Holders, shall extend to or shall affect any subsequent default or Event of Default or shall impair any remedy, right or power consequent thereon.

As the assignee of all right, title and interest of the Issuer in and to the Loan Agreement (except for the Unassigned Issuer’s Rights), the Trustee is empowered to enforce each remedy, right and power granted to the Issuer under the Loan Agreement. In exercising any remedy, right or power thereunder or under the Indenture, the Trustee shall take such action as may be directed by the requisite percentage of the Holders of the Bonds then outstanding, applying the standards described in the Indenture.

Right of Holders to Direct Proceedings

Anything to the contrary in the Indenture notwithstanding, the Holders of a majority in aggregate principal amount of Bonds then outstanding shall have the right at any time to direct, by an instrument or document in writing executed and delivered to the Trustee, the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or any other proceedings under the Indenture; provided, that (i) any direction shall not be other than in accordance with the provisions of law and the Indenture, and (ii) the Trustee shall be indemnified as provided in the Indenture.

Rights and Remedies of Holders

A Holder shall not have any right to institute any suit, action or proceeding for the enforcement of the Indenture or for the execution of any trust under the Indenture or any remedy under the Indenture, unless:

- (a) there has occurred and is continuing an Event of Default of which the Trustee has been notified or of which it is deemed to have notice under the Indenture;
- (b) the Holders of at least 25% in aggregate principal amount of Bonds then outstanding shall have made written request to the Trustee and shall have afforded the Trustee reasonable opportunity to proceed to exercise the remedies, rights and powers provided in the Indenture or to institute the suit, action or proceeding in its own name, and shall have offered indemnity to the Trustee as provided for in the Indenture; and
- (c) the Trustee thereafter shall have failed or refused to exercise the remedies, rights and powers granted under the Indenture or to institute the suit, action or proceeding in its own name.

At the option of the Trustee, that notification (or notice), request, opportunity and offer of indemnity are conditions precedent in every case, to the institution of any suit, action or proceeding described above.

No one or more Holders of the Bonds shall have any right to affect, disturb or prejudice in any manner whatsoever the security or benefit of the Indenture by its or their action, or to enforce, except in the manner provided in the Indenture, any remedy, right or power under the Indenture. Any suit, action or proceedings shall be instituted, had and maintained in the manner provided in the Indenture for the benefit of the Holders of all Bonds then outstanding. Nothing in the Indenture shall affect or impair, however, the right of any Holder to enforce the payment of the Bond Debt Service Charges on any Bond owned by that Holder at and after the maturity thereof, at the place, from the sources and in the manner expressed in that Bond.

Waivers of Events of Default

The Trustee shall waive any Event of Default under the Indenture upon the conditions stated therein and its consequences and may rescind and annul any declaration of maturity of principal or interest on, the Bonds upon the written request of the Holders of (i) at least a majority in aggregate principal amount of all Bonds then outstanding in respect of which an Event of Default in the payment of Bond Debt Service Charges exists or (ii) at least 25% in aggregate principal amount of all Bonds then outstanding, in the case of any other Event of Default. There shall not be so waived, however, any Event of Default described in clause (a) or (b) under the heading “Defaults; Events of Default” above or any

declaration of acceleration in connection therewith rescinded or annulled, unless at the time of that waiver or rescission and annulment payments of the amounts provided under the caption "Acceleration" above for waiver and rescission and annulment in connection with acceleration of maturity have been made or provision has been made therefor. In the case of the waiver or rescission and annulment, or in case any suit, action or proceedings taken by the Trustee on account of any Event of Default shall have been discontinued, abandoned or determined adversely to it, the Issuer, the Trustee and the Holders shall be restored to their former positions and rights under the Indenture, respectively. No waiver or rescission shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

Supplemental Indentures Not Requiring Consent of Holders

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

Without the consent of, or notice to, any of the Holders, the Issuer and the Trustee may enter into indentures supplemental to the Indenture for any one or more of the following purposes: (a) to cure any ambiguity, inconsistency or formal defect or omission in the Indenture; (b) to grant to or confer upon the Trustee for the benefit of the Holders any additional rights, remedies, powers or authority that lawfully may be granted to or conferred upon the Holders or the Trustee; (c) to assign additional revenues under the Indenture; (d) to accept additional security and instruments and documents of further assurance with respect to the Project; (e) to add to the covenants, agreements and obligations of the Issuer under the Indenture, other covenants, agreements and obligations to be observed for the protection of the Holders, or to surrender or limit any right, power or authority reserved to or conferred upon the Issuer in the Indenture; (f) to evidence any succession to the Issuer and the assumption by its successor of the covenants, agreements and obligations of the Issuer under the Indenture, the Loan Agreement and the Bonds; (g) to permit the Trustee to comply with any obligations imposed upon it by law; (h) to specify further the duties and responsibilities of, and to define further the relationship among, the Trustee, the Registrar and any Authenticating Agents or Paying Agents; (i) to achieve compliance of the Indenture with any applicable federal securities or tax law; (j) to make amendments to the provisions of the Indenture relating to arbitrage matters under Section 148 of the Code, if, in the Opinion of Bond Counsel, those amendments would not cause the interest on the Bonds outstanding to be included in gross income of the Holders thereof for federal income tax purposes which amendments may, among other things, change the responsibility for making the relevant calculations, provided that in no event shall such amendment delegate to the Trustee without its consent, in its sole discretion the obligation to make or perform the calculations required under Section 148 of the Code; and (k) to permit any other amendment which, in the judgment of the Trustee (which may be based on an Opinion of Bond Counsel or counsel pursuant to certain provisions of the Indenture), is not materially adverse to the Trustee or the Holders.

The provisions of clauses (h) and (j) shall not be deemed to constitute a waiver by the Trustee, the Registrar, the Issuer or any Holder of any right which it may have in the absence of those provisions to contest the application of any change in law to the Indenture or the Bonds.

Release of Indenture

If (i) the Issuer shall pay all of the Outstanding Bonds, or shall cause them to be paid and discharged, or if there otherwise shall be paid to the Holders of the Outstanding Bonds, all Bond Debt Service Charges due or to become due thereon, and (ii) provision also shall be made for the payment of all other sums payable under the Indenture, the Loan Agreement, the Regulatory Agreement and the Note, then the Indenture shall cease, determine and become null and void (except for those certain provisions surviving pursuant to the Indenture in the event the Bonds are deemed paid and discharged pursuant to the

provisions described under the caption “Payment and Discharge of Bonds” below), and the covenants, agreements and obligations of the Issuer under the Indenture shall be released, discharged and satisfied.

Thereupon, and subject to certain provisions of the Indenture if applicable,

(a) the Trustee shall release the Indenture (except for those certain provisions surviving pursuant to the Indenture in the event the Bonds are deemed paid and discharged pursuant to the provisions described under the caption “Payment and Discharge of Bonds” below), and shall execute and deliver to the Issuer any instruments or documents in writing as shall be requisite to evidence that release and discharge or as reasonably may be requested by the Issuer, and

(b) the Trustee and any other Paying Agents shall assign and deliver to the Issuer any property subject at the time to the lien of the Indenture which then may be in their possession, except amounts in the Bond Fund required (a) to be paid to the Borrower as described under the caption “Repayment to the Borrower from the Bond Fund” above, or (b) to be held by the Trustee and the Paying Agents as described under the caption “Rebate Fund” above or otherwise for the payment of Bond Debt Service Charges.

Payment and Discharge of Bonds

All or any part of the Bonds shall be deemed to have been paid and discharged within the meaning of the Indenture, including, without limitation, the provisions described under the caption “Release of Indenture” above, if (a) the Trustee as paying agent and the Paying Agents shall have received, in trust for and irrevocably committed for such payment, sufficient moneys, or (b) the Trustee shall have received, in trust for and irrevocably committed for such payment, noncallable direct obligations of or obligations guaranteed as to full and timely payment by the United States of America which are certified by an Independent public accounting firm or such other firm experienced with such certifications of national reputation to be of such maturities or redemption dates and interest payment dates, and to bear such interest as will be sufficient together with any moneys to which reference is made in clause (a) under this caption, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom (which earnings are to be held likewise in trust and so irrevocably committed, except as provided in the Indenture), for the payment of all Bond Debt Service Charges on those Bonds at their maturity.

Any moneys held by the Trustee in accordance with the provisions described under this caption may be invested by the Trustee only in noncallable direct obligations of or obligations guaranteed as to full and timely payment by the United States of America having maturity dates, or having redemption dates which, at the option of the Holder of those obligations, shall be not later than the date or dates at which moneys will be required for the purposes described above. To the extent that any income or interest earned by, or increment to, the investments held in accordance with the provisions described under this caption is determined from time to time by the Trustee to be in excess of the amount required to be held by the Trustee for the purposes set forth above, that income, interest or increment shall be transferred at the time of that determination in the manner provided under the caption “Repayment to the Borrower from the Bond Fund” above for transfers of amounts remaining in the Bond Fund.

If any Bonds shall be deemed paid and discharged pursuant to the provisions described under this caption, then within 15 days after such Bonds are so deemed paid and discharged the Trustee shall cause a written notice to be given to each Holder as shown on the Register on the date on which such Bonds are deemed paid and discharged. Such notice shall state the numbers of the Bonds deemed paid and

discharged or state that all Bonds are deemed paid and discharged and shall set forth a description of the obligations held pursuant to clause (b) above.

Amendments Not Requiring Consent of Holders

Without the consent of or notice to the Holders, the Issuer, the Borrower, and the Trustee may consent to any amendment, change or modification of the Loan Agreement, the Regulatory Agreement or the Note as may be required (i) by the provisions of the Loan Agreement, the Regulatory Agreement or the Indenture, (ii) for the purpose of curing any ambiguity, inconsistency or formal defect or omission in the Loan Agreement, the Regulatory Agreement or the Note, (iii) in connection with an amendment or to effect any purpose for which there could be an amendment of the Indenture pursuant to the provisions described under the caption “Supplemental Indentures Not Requiring Consent of Holders” above, or (iv) in connection with any other change therein which is not materially adverse to the Trustee or the Holders of the Bonds, in the judgment of the Trustee.

Amendments Requiring Consent of Holders

Except for the amendments, changes or modifications contemplated under the caption “Amendments Not Requiring Consent of Holders” above, neither the Issuer nor the Trustee shall consent to any amendment, change or modification of the Loan Agreement or the Note which would change the amount or time as of which Loan Payments are required to be paid, without the giving of notice as provided under this caption of the proposed amendment, change or modification and receipt of the written consent thereto of the Holders of all of the then Outstanding Bonds affected by such amendment, change or modification, or any other amendment, change or modification of the Loan Agreement, the Regulatory Agreement or the Note without the giving of notice as provided under this caption of the proposed amendment, change or modification and receipt of the written consent thereto of the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding affected by such amendment, change or modification.

The consent of the Holders shall be obtained as provided in the Indenture with respect to Supplemental Indentures.

If the Issuer or the Authorized Borrower Representative shall request at any time the consent of the Trustee to any proposed amendment, change or modification of the Loan Agreement, the Regulatory Agreement or the Note as contemplated under this caption, upon being indemnified by the Borrower satisfactorily with respect to expenses, the Trustee shall cause notice of the proposed amendment, change or modification to be provided in the manner which is required by the Indenture with respect to notice of Supplemental Indentures. The notice shall set forth briefly the nature of the proposed amendment, change or modification and shall state that copies of the instrument or document embodying it are on file at the designated corporate trust office of the Trustee for inspection by all Holders.

Extent of Covenants; No Personal Liability

No recourse under or upon any obligation, covenant, warranty or agreement contained in the Indenture or in the Bonds, or under any judgment obtained against the Issuer, or the enforcement of any assessment, or any legal or equitable proceedings by virtue of any constitution or statute or otherwise, or under any circumstances under or independent of the Indenture, shall be had against the Mayor, City Council or any of the members, officers, agents or employees of the Issuer, as such, past, present or future of the Issuer, either directly or through the Issuer or otherwise, for the payment for or to the Issuer or any receiver of the Issuer, or for or to the owners of the Bonds, or otherwise, of any sum that may be due and unpaid by the Issuer or its governing body upon the Bonds. Any and all personal liability of every nature

whether at common law or in equity or by statute or by constitution or otherwise of the Issuer's Mayor, the City Council or of any such member, officer, agent or employee, as such, past, present or future of the Issuer by reason of any act or omission on his or her part or otherwise, for the payment for or to the owners of the Bonds or otherwise of any sum that may remain due and unpaid upon the Bonds secured by the Indenture or any of them is, by the acceptance of the Bonds, expressly waived and released as a condition of and in consideration for the execution of the Indenture and the issuance of the Bonds. Anything in the Indenture to the contrary notwithstanding, it is expressly understood by the parties to the Indenture that (a) the Issuer may rely exclusively on the truth and accuracy of any certificate, opinion, notice or other instrument furnished to the Issuer by the Trustee or any Bondholder as to the existence of any fact or state of affairs, (b) the Issuer shall not be under any obligation under the Indenture to perform any recordkeeping or to provide any legal services, it being understood that such services shall be performed or caused to be performed by the Trustee or by any Bondholder and (c) none of the provisions of the Indenture shall require the Issuer to expend or risk its own funds or otherwise to incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers under the Indenture, unless it shall first have been adequately indemnified to its satisfaction against any costs, expenses and liability which it may incur as a result of taking such action. No recourse for the payment of any part of the principal of, premium, if any, or interest on the Bonds or for the satisfaction of any liability arising from, founded upon or existing by reason of the issuance, purchase or ownership of the Bonds shall be had against the Mayor, the City Council or any officer, member, agent or employee of the Issuer, as such, all such liability being expressly released and waived as a condition of and as a part of the consideration for the execution of the Indenture and the issuance of the Bonds. No covenant, stipulation, obligation or agreement of the Issuer contained in the Indenture shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future member, officer, agent or employee of the Issuer or the Mayor of the City Council in other than that person's official capacity. No member, officer, agent or employee of the Issuer shall be individually or personally liable for the payment of the principal or redemption price of or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance of the Bonds.

All covenants, stipulations, obligations and agreements of the Issuer contained in the Indenture are and shall be deemed to be covenants, stipulations, obligations and agreements of the Issuer to the full extent authorized by the Law and the Act and permitted by the Constitution of the State.

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

The following summarizes certain provisions of the Loan Agreement, to which reference is made for the detailed provisions thereof.

The Loan and Loan Payments; Issuance of the Bonds

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

The Borrower will be entitled to a credit against the Loan Payments required to be made with respect to the Bonds, on any date, equal to the amounts, if any, transferred by the Trustee from the Initial Deposit Account, the Project Fund or the Collateral Fund on such date for the payment of Bond Debt Service Charges. It is expected that Bond Debt Service Charges will be paid from funds transferred to the Trustee from the Bond Fund, the Collateral Fund and the Project Fund.

Disbursements from the Project Fund

Subject to the provisions described below and so long as no Event of Default under the Loan Agreement has occurred and is continuing for which the Loan Payments and principal amount of the Bonds has been declared to be immediately due and payable pursuant to the Loan Agreement and the Indenture, respectively, disbursements from the Project Fund shall be made only to pay any of the following Project Costs:

- (a) Costs incurred directly or indirectly for or in connection with the acquisition and rehabilitation of the Project, including costs incurred in respect of the Project for preliminary planning and studies; architectural, legal, engineering, accounting, consulting, supervisory and other services; labor, services and materials; and recording of documents and title work.
- (b) Premiums attributable to any surety bonds and insurance required to be taken out and maintained during the Construction Period with respect to the Project.
- (c) Taxes, assessments and other governmental charges in respect of the Project that may become due and payable during the Construction Period.
- (d) Costs incurred directly or indirectly in seeking to enforce any remedy against any contractor or subcontractor in respect of any actual or claimed default under any contract relating to the Project.
- (e) Subject to the Loan Agreement, financial, legal, accounting, printing and engraving fees, charges and expenses, and all other such fees, charges and expenses incurred in connection with the authorization, sale, issuance and delivery of the Bonds, including, without limitation, the fees and expenses of the Trustee, the Registrar and any Paying Agent properly incurred under the Indenture that may become due and payable during the Construction Period.

- (f) Any other costs, expenses, fees and charges properly chargeable to the cost of acquisition and rehabilitation of the Project.
- (g) Payment of interest on the Bonds during the Construction Period.
- (h) Payments to the Rebate Fund.

Any disbursements from the Project Fund shall be made by the Trustee only as permitted pursuant to the provisions described in “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Disbursements from the Project Fund” and upon the written request of the Borrower executed by an Authorized Borrower Representative substantially in the form attached as an exhibit to the Loan Agreement, and, if required by the Indenture, approved by the Issuer, which requests shall be consecutively numbered and accompanied by invoices or other appropriate documentation supporting the payments or reimbursements requested. No disbursement shall be made by the Trustee upon the basis of any such disbursement request except upon satisfaction of the following conditions and pursuant to the following procedures:

- (i) An executed Certificate of the Borrower substantially in the form attached to the Loan Agreement, related to the deposit of Available Moneys in to the Collateral Fund for the applicable disbursement request.
- (ii) An executed Certificate of the Borrower substantially in the form attached to the Loan Agreement accompanied by a disbursement schedule listing the items for which the disbursement is sought and the total cost of each such item, together with invoices or other appropriate documentation (which may be a copy of an escrow agreement if a disbursement is to be made to an escrow account) for each such item.
- (iii) All Loan Payments that are then due shall have been paid.
- (iv) The disbursement request must be for an amount that allows the Trustee to transfer Eligible Investments from the Project Fund to the Collateral Fund in exchange for funds in such increments as are needed to fund the disbursement request.

Any moneys in the Project Fund remaining after the Completion Date and payment, or provision for payment, in full of the Project Costs, at the direction of the Borrower, promptly shall be paid into the Bond Fund for payment of Bond Debt Service Charges.

Borrower Required to Pay Costs in Event Project Fund Insufficient

If moneys in the Project Fund are not sufficient to pay all Project Costs, the Borrower, nonetheless, will complete the Project in substantial accordance with the Plans and Specifications and shall pay all such additional Project Costs from its own funds (or from other public or private financing sources available to the Borrower). The Borrower shall pay all costs of issuing the Bonds. The Borrower shall not be entitled to any reimbursement for any such additional Project Costs or payment of issuance costs from the Issuer, the Trustee or any Holder; nor shall it be entitled to any abatement, diminution or postponement of the Loan Payments.

Completion Date

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

attached as an exhibit to the Loan Agreement. The Completion Certificate shall be delivered as promptly as practicable after the occurrence of the events and conditions referred to in paragraphs (a) through (d) of the Completion Certificate.

Loan Repayment; Delivery of Note

Upon the terms and conditions of the Loan Agreement, the Issuer will make the Loan to the Borrower. In consideration of and in repayment of the Loan, the Borrower shall deliver or cause to be delivered to the Trustee on or before each Loan Payment Date, Loan Payments, equal to the amount necessary to pay Bond Debt Service Charges due on the next Bond Payment Date. All such Loan Payments shall be paid to the Trustee in accordance with the terms of the Note for the account of the Issuer and shall be held and disbursed in accordance with the provisions of the Indenture and the Loan Agreement.

The Borrower shall be entitled to a credit against the Loan Payments required to be made under the Loan Agreement, on any date, equal to the amounts, if any, transferred by the Trustee from the Initial Deposit Account, the Project Fund or the Collateral Fund on such date for the payment of Bond Debt Service Charges.

To secure the Borrower's performance of its obligations under the Loan Agreement, the Borrower shall execute and deliver, concurrently with the issuance and delivery of the Bonds, the Note and the Regulatory Agreement.

Upon payment in full of the Bond Debt Service Charges on any or all of the Bonds, in accordance with the Indenture, whether at maturity, upon acceleration or otherwise, or upon provision for the payment of all other obligations in the Loan Agreement and Indenture having been made in accordance with the provisions of the Indenture, (i) if with respect to less than all of the Bonds then outstanding, an appropriate notation shall be endorsed on the Note, evidencing the date and amount of the principal payment (or prepayment) equal to the Bonds so paid, or with respect to which provision for payment has been made, and (ii) with respect to all of the Bonds then outstanding, the Note shall be deemed fully paid, the obligations of the Borrower shall be terminated, and the Note shall be surrendered by the Trustee to the Borrower for cancellation. Unless the Borrower is entitled to a credit under express terms of the Loan Agreement or the Note, all payments on the Note shall be in the full amount required thereunder.

The Borrower and the Issuer each acknowledge that neither the Borrower nor the Issuer has any interest in the Bond Fund or the Collateral Fund and any moneys deposited therein shall be in the custody of and held by the Trustee in trust for the benefit of the Holders.

Additional Payments

The Borrower shall pay to the Issuer or the Trustee, as the case may be, as Additional Payments under the Loan Agreement the following:

- (a) To the Issuer, on the Closing Date, and on each February 1 and August 1 thereafter as provided in "APPENDIX E – SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT – Additional Requirements of CDLAC and the Issuer", the Issuer's Fee;
- (b) To the Issuer or the Trustee, as the case may be, whether or not an Event of Default has occurred under the Loan Agreement, as payment for or reimbursement or prepayment of any and all costs, expenses, and liabilities (i) incurred or paid by the Issuer or the Trustee, as

the case may be, in satisfaction of any obligations of the Borrower under the Loan Agreement not performed by the Borrower in accordance with the provisions of the Loan Agreement, or (ii) incurred as a result of a request by the Borrower or of a requirement of any Borrower Document or the Indenture and not otherwise required to be paid by the Borrower under the Loan Agreement, including the fee due to the Issuer as provided in “APPENDIX E – SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT – Additional Requirements of CDLAC and the Issuer”, or (iii) incurred in the defense of any action or proceeding with respect to the Project or any Borrower Document, or in enforcing any Borrower Document, or arising out of or based upon any other document related to the issuance of the Bonds; and

(c) To the applicable party, as payment for or reimbursement or prepayment of: (i) any Ordinary Services and Ordinary Expenses, Ordinary Fees and Expenses and Extraordinary Services and Extraordinary Expenses and Extraordinary Fees and Expenses of the Trustee as trustee, registrar, authenticating agent and paying agent, and of any other paying agent, authenticating agent, and registrar on the Bonds under the Indenture, all as provided in the Indenture, as and when the same become due; provided that the Borrower may, without creating an Event of Default under the Loan Agreement, contest in good faith the necessity for any Extraordinary Services and Extraordinary Expenses and the amount of any such Ordinary Services, Ordinary Expenses, Extraordinary Services or Extraordinary Expenses; provided that fees for Ordinary Services provided for by the respective letter agreements agreed to by the Borrower and the Trustee, the Registrar, and any Paying Agents and Authenticating Agents, respectively, shall be considered to be customary; and (ii) the fees and expenses of the Rebate Consultant for services rendered pursuant to the Indenture.

Upon the payment, prepayment, or incurrence of any such cost, expense, or liability described under this caption by any such party, the Additional Payments in respect thereof shall be payable upon written demand to the Borrower, which demand shall be accompanied by invoices or other appropriate documentation concerning the nature, amount and incurrence of such cost, expense or liability. If the Additional Payments payable as described under this caption are not paid by the Borrower within ten (10) days of the Borrower’s receipt of such demand, such Additional Payments shall bear interest from such tenth (10th) date at the Interest Rate for Advances until the amount due shall have been fully paid.

Special Covenants

At all reasonable times and upon reasonable notice, the Borrower shall allow any duly authorized representative of the Issuer or the Trustee to visit and inspect the Project, to examine and make copies of and from its books of record and account, and to discuss its affairs, finances, and accounts with its officers, and shall furnish to the Issuer and the Trustee any information reasonably required regarding its business affairs and financial condition within a reasonable time after receipt of written request therefor.

The Borrower shall maintain its existence, not dissolve or sell, transfer or otherwise dispose of all or substantially all of its assets and not consolidate with or merge into another entity or permit one or more other entities to consolidate with or merge into it; provided, that it may do so if the surviving, resulting or transferee entity is other than the Borrower, it assumes in writing all of the obligations of the Borrower under the Loan Agreement and the Regulatory Agreement and it has a net worth equal to or greater than that of the Borrower immediately prior to such consolidation, merger, sale or transfer. The Borrower shall not permit one or more other entities to consolidate with or merge into it, without the prior written consent of the Issuer; or take any action or allow any action to be taken to terminate the existence of the Borrower except as provided in the Loan Agreement. Nothing contained in the Loan Agreement shall limit the rights of (i) any direct or indirect owners of interests in the Borrower to (a) transfer, convey, sell or otherwise dispose (a “Transfer”) their ownership interests to any Affiliate, or in

connection with any estate planning, or by operation of law, or (b) make Transfers among and between themselves, or (ii) Borrower to make Transfers as otherwise permitted by (or subject to the terms and conditions set forth in) the Regulatory Agreement.

Notwithstanding anything to the contrary contained in the Loan Agreement or in any other Subordinate Bond Document (as defined in the Indenture), and subject to the consent of HUD prior to each occurrence in accordance with the FHA Loan Documents, the following shall be permitted and shall not, except as may be required by the terms of the Regulatory Agreement, require the prior written approval of Issuer, FHA Lender or Trustee: (a) the transfer by the Investor Limited Partner of its interest in Borrower in accordance with the terms of Borrower's Amended and Restated Agreement of Limited Partnership, as it may be amended from time to time (the "Partnership Agreement"); (b) the removal of the General Partner of the Borrower in accordance with the Partnership Agreement and the replacement thereof with the Investor Limited Partner, or any of its affiliates; (c) the transfer of ownership interests in the Investor Limited Partner or the Special Limited Partner, if applicable; (d) the transfer of the interests of the Investor Limited Partner in Borrower to Borrower's General Partner or any of its affiliates; and (e) any amendment to the Partnership Agreement to memorialize the transfers or removal described above. The parties agree that the provisions contained in the preceding paragraph and this paragraph shall control to the extent of any conflict in any Subordinate Bond Documents.

The Borrower represents that it has taken and caused to be taken, and covenants that it will take and cause to be taken, all actions that may be required of it, alone or in conjunction with the Issuer, for the interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes, and represents that it has not taken or permitted to be taken on its behalf, and covenants that it will not take or permit to be taken on its behalf, any actions that would adversely affect such exclusion under the provisions of the Code.

The Borrower shall maintain and preserve in good working order and condition, ordinary wear and tear and casualty loss excepted, all of its properties which are necessary or useful in the proper conduct of its business, and shall from time to time make all necessary repairs, renewals, replacements, additions and improvements to said properties. All damage to apartment units shall be repaired promptly and apartment units shall be maintained so as to be available at all times for habitation.

The Borrower shall keep adequate records and books of account in which complete entries will be made in accordance with GAAP or indicating deviations therefrom, reflecting all financial transactions. The Borrower shall deliver to the Trustee annually its year-end financial statements accompanied by a written statement of the Borrower's independent public accountants that in making the examination necessary for certification of such financial statements, nothing has come to their attention that would lead them to believe that the Borrower has violated any of the terms, covenants or provisions of the Loan Agreement insofar as it relates to accounting matters.

The Borrower shall promptly pay and discharge: all taxes, assessments, fees, and other Government charges or levies imposed upon it or upon any of its properties, income or profits, before the same shall become delinquent; all lawful claims of materialmen, mechanics, carriers, warehousemen, landlords and other similar Persons for labor, materials, supplies and rentals, which if unpaid might by law become a Lien upon its properties; any Indebtedness incurred before or after the date of the Loan Agreement by it when due, and discharge, perform and observe covenants, provisions and conditions to be discharged, performed and observed by it in connection therewith, or in connection with any agreement or other instrument relating thereto or in connection with any Lien existing at any time upon any of its properties; provided, however, that the Borrower shall not be required to pay any of the foregoing if (a) the amount, applicability or validity thereof shall currently be contested in good faith by appropriate proceedings, (b) the Borrower shall have set aside on its books adequate reserves with respect

thereto, and (c) the title of the Borrower to, and its right to use, its properties is not materially and adversely affected thereby. The Borrower agrees that, in the event it fails to pay or cause to be paid taxes, assessments, fees and other Government charges or levies or the premium on any required insurance and such failure constitutes a default under the FHA Loan Documents, the Trustee may make such payment, but is not obligated to do so, and the Trustee shall be reimbursed by the Borrower therefor with interest on the amount so advanced at the Interest Rate for Advances as provided under the caption "Additional Payments" above.

The Borrower shall at all times maintain, or cause to be maintained, insurance of such types and in such amounts as required by the FHA Loan Documents.

The Borrower shall promptly notify the Issuer and the Trustee in writing of any litigation, arbitration proceeding or administrative investigation, inquiry or other proceeding to which it may become a party or be subject to after the date of the Loan Agreement which may result in a change in the business or assets or in the condition, financial or otherwise, of the Borrower which would materially impair the ability of the Borrower to perform the Loan Agreement, the Regulatory Agreement, the Borrower guaranties or the Note, or any other agreement or instrument therein contemplated.

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

Except to the extent contested in good faith, the Borrower shall perform according to and shall comply with all of its Contractual Obligations and all Requirements of Law if nonperformance thereof would result in a change in the business or assets or in the condition, financial or otherwise, of the Borrower which would materially impair the ability of the Borrower to perform the Loan Agreement, the Regulatory Agreement or the Note or any other agreement or instrument therein contemplated.

The Borrower will take and continue to take prompt action to remedy all environmental pollution and contamination, hazardous waste disposal and other environmental cleanup problems, if any, whether or not such cleanup problems have resulted from the order or request of a municipal, state, federal, administrative or judicial authority, or otherwise. The foregoing covenant shall not constitute or create a waiver of any rights the Borrower may have to pursue any legal rights or remedies against any third party for any environmental claims.

The Borrower shall comply with the applicable nondiscrimination and affirmative action provisions of the laws of the United States of America, the State of California, and the Issuer. The Borrower shall not discriminate in its employment practices against any employee or applicant for employment; denial of family and medical care leave; denial of pregnancy disability leave or reasonable accommodations against any employee or applicant for employment because of such person's race, ancestry, color, citizenship, national origin, religion, sex, sexual orientation, gender identity/expression, transgender status, age (except as permitted in the Regulatory Agreement), marital status, familial status, domestic partner status, physical handicap, mental disability, medical condition, political affiliation or belief. The Borrower shall comply with Executive Order 11246, entitled "Equal Employment Opportunity", as amended by Executive Order 11375, and as supplemented in Department of Labor regulations (41 C.F.R. Part 60). The Borrower shall comply with the provisions of the Los Angeles Administrative Code Sections 10.8 through 10.13, to the extent applicable to the Loan Agreement. The affirmative action program of the Borrower shall include the mandatory contract provisions set forth in the Los Angeles Administrative Code Section 10.8.4, and said provisions are incorporated in the Loan Agreement by this reference. The Borrower shall also comply with all rules, regulations, and policies of the Issuer's Board of Public Works, Office of Contract Compliance relating to nondiscrimination and affirmative action, including the filing of all forms required by the Issuer. Any subcontract entered into

by the Borrower relating to the Loan Agreement, to the extent allowed thereunder, shall be subject to the provisions of the Loan Agreement. No person shall on the grounds of race, ancestry, color, citizenship, national origin, religion, sex, sexual orientation, gender identity/expression, transgender status, age (except as permitted in the Regulatory Agreement), marital status, familial status, domestic partner status, physical handicap, mental disability, medical condition, political affiliation or belief be excluded from participation in, be denied the benefit of, or be subjected to discrimination under the Loan Agreement. For purposes of this paragraph, Title 24 Code of Federal Regulations Part 107 and Section 570.601(b) defines specific discriminatory actions that are prohibited and corrective action that shall be taken in a situation as defined therein.

Additional Indebtedness

So long as no Event of Default or default under the Loan Agreement shall have occurred and be continuing, the Borrower shall be permitted to incur any Indebtedness for any Project Cost or other obligation or payment due under the Loan Agreement, the Indenture or the Regulatory Agreement.

Nature of Business

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

Cooperation in Enforcement of Regulatory Agreement

In order to maintain the exclusion from gross income under federal tax law of interest on the Bonds and to assure compliance with the laws of the State (including the Act), the Borrower agrees that it shall, concurrently with or before the execution and delivery of the Bonds, execute and deliver and cause to be recorded the agreement defined in the Indenture as the "Regulatory Agreement." The Borrower covenants and agrees as follows:

- (a) to comply with all provisions of the Regulatory Agreement;
- (b) to advise the Issuer in writing promptly upon learning of any default with respect to the covenants, obligations and agreements of the Borrower set forth in the Regulatory Agreement;
- (c) upon written direction by the Issuer, to cooperate fully and promptly with the Issuer in enforcing the terms and provisions of the Regulatory Agreement; and
- (d) to file in accordance with the time limits established by the Regulatory Agreement all reports and certificates required thereunder, and the annual certification to the Secretary of the Treasury required by the Regulatory Agreement.

The Issuer shall not incur any liability in the event of any breach or violation of the Regulatory Agreement by the Borrower, and the Borrower agrees to indemnify the Issuer from any claim or liability for such breach pursuant the Loan Agreement.

Tax Exempt Status of the Bonds

It is the intention of the Issuer and the Borrower that interest on the Bonds shall be and remain excludable from gross income for federal income taxation purposes, and to that end the covenants and

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

The Borrower covenants and agrees that it will not (i) use or permit the use of any of the funds provided by the Issuer under the Loan Agreement or any other funds of the Borrower, directly or indirectly, in such manner as would, (ii) enter into, or allow any “related person” (as defined in Section 147(a)(2) of the Code) to enter into, any arrangement, formal or informal, for the purchase of the Bonds that would, or (iii) take or omit to take any other action that would, in each case cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code.

In the event that at any time the Borrower is of the opinion or becomes otherwise aware that for purposes of the provisions under this caption it is necessary to restrict or to limit the yield on the investment of any moneys held under the Indenture or otherwise by the Trustee, the Borrower shall determine the limitations and so instruct the Trustee in writing and cause the Trustee to comply with those limitations under the Indenture.

The Borrower will take such action or actions as may be reasonably necessary in the opinion of counsel to the Issuer, or of which it otherwise becomes aware, to fully comply with Section 148 of the Code as applicable to the Bonds.

The Borrower further warrants and covenants that it has not executed and will not execute any other agreement, or any amendment or supplement to any other agreement, with provisions contradictory to, or in opposition to, the provisions of the Loan Agreement and of the Regulatory Agreement, and that in any event, the requirements of the Loan Agreement and the Regulatory Agreement are paramount and controlling as to the rights and obligations set forth in the Loan Agreement and supersede any other requirements in conflict therewith.

The Borrower will use due diligence to complete the acquisition and rehabilitation of all of the units comprising the Project and reasonably expects to fully expend the entire \$3,240,000 principal amount of the Loan by the earlier of February 1, 2018 or the day before the Maturity Date.

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

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

Useful Life

The Borrower represents and warrants that, within the meaning of Section 147(a)(14) of the Code, the average maturity of the Bonds does not exceed 120 percent of the average reasonably expected economic life of the facilities being financed with the proceeds of the Bonds.

Federal Guarantee Prohibition

The Borrower shall take no action, nor permit nor suffer any action to be taken if the result of the same would be to cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

Prohibited Facilities

The Borrower represents and warrants that no portion of the proceeds of the Loan shall be used to provide any airplane, skybox or other private luxury box, health club facility, facility primarily used for gambling, or store the principal business of which is the sale of alcoholic beverages for consumption off premises, and no portion of the proceeds of the Loan shall be used for an office unless (a) the office is located on the premises of facilities constituting a portion of the Project and (b) not more than a de minimis amount of the functions to be performed at such office is not related to the day-to-day operations of the Project.

Optional Prepayment

The Loan may be prepaid by the Borrower in whole or in part any Business Day occurring on or after February 1, 2018, without penalty at a prepayment price equal to the outstanding principal amount plus any unpaid accrued interest on the Loan. In order to prepay the Loan, the Borrower shall give the Trustee written notice at least twenty-five (25) days prior to the prepayment date to effect an optional redemption of all or a portion of the Bonds pursuant to the Indenture.

Events of Default

The Loan Agreement provides that each of the following shall be an “Event of Default”: (a) The Borrower shall fail to pay any Loan Payment on or prior to the date on which that Loan Payment is due and payable or within the Loan Payment Cure Period; (b) The Borrower shall fail to observe and perform any other agreement, term or condition contained in the Loan Agreement and the continuation of such failure for a period of thirty (30) days after written notice thereof shall have been given to the Borrower and the Investor Limited Partner by the Issuer or the Trustee, or for such longer period as the Issuer and the Trustee may agree to in writing; provided, that if the failure is other than the payment of money and is of such nature that it can be corrected but not within the applicable period, that failure shall not constitute an Event of Default so long as the Borrower institutes curative action within the applicable period and diligently pursues that action to completion, which must be resolved within one hundred eighty (180) days after the aforementioned notice; (c) the Borrower shall: (i) admit in writing its inability to pay its debts generally as they become due; (ii) have an order for relief entered in any case commenced by or against it under the federal bankruptcy laws, as in effect as of or after the date of the Loan Agreement which is not dismissed within ninety (90) days; (iii) voluntarily commence a proceeding under any other federal or state bankruptcy, insolvency, reorganization or similar law, or have such a proceeding commenced against it and either have an order of insolvency or reorganization entered against it or have the proceeding remain undismissed and unstayed for ninety (90) days; (iv) make an assignment for the benefit of creditors; or (v) have a receiver or trustee appointed for it or for the whole or any substantial part of its property which appointment is not vacated within a period of ninety (90) days; (d) any representation or warranty made by the Borrower in the Loan Agreement or any statement in any report, certificate, financial statement or other instrument furnished in connection with the Loan Agreement or with the purchase of the Bonds shall at any time prove to have been false or misleading in any adverse material respect when made or given; and (e) there shall occur an “Event of Default” as defined in the Indenture or the Regulatory Agreement.

Notwithstanding the foregoing, if, by reason of Force Majeure, the Borrower is unable to perform or observe any agreement, term or condition of the Loan Agreement which would give rise to an Event of Default under clause (b) above, the Borrower shall not be deemed in default during the continuance of such inability. However, the Borrower shall promptly give notice to the Trustee and the Issuer of the existence of an event of Force Majeure and shall use commercially reasonable efforts to remove the

effects thereof; provided that the settlement of strikes or other industrial disturbances shall be entirely within its discretion.

The term “Force Majeure” shall mean, without limitation, the following:

(i) acts of God; strikes, lockouts or other industrial disturbances; acts of terrorism or of public enemies; orders or restraints of any kind of the government of the United States of America or of the State or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; civil disturbances; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornados; storms; droughts; floods; arrests; restraint of government and people; explosions; breakage, malfunction or accident to facilities, machinery, transmission pipes or canals; partial or entire failure of utilities; shortages of labor, materials, supplies or transportation; or

(ii) any cause, circumstance or event not reasonably within the control of the Borrower.

The declaration of an Event of Default under clause (c) above, and the exercise of remedies upon any such declaration, shall be subject to any applicable limitations of federal bankruptcy law affecting or precluding that declaration or exercise during the pendency of or immediately following any bankruptcy, liquidation or reorganization proceedings.

Remedies on Default

Whenever an Event of Default shall have happened and be subsisting, any one or more of the following remedial steps may be taken:

(a) If acceleration of the principal amount of the Bonds has been declared pursuant to the provisions described in “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Acceleration”, the Trustee shall declare all Loan Payments to be immediately due and payable together with any other amounts payable by the Borrower under the Loan Agreement and the Note whereupon the same shall become immediately due and payable;

(b) The Trustee may exercise any or all or any combination of the remedies specified in the Loan Agreement;

(c) The Issuer or the Trustee may have access to, inspect, examine and make copies of the books, records, accounts and financial data of the Borrower pertaining to the Project; or

(d) The Issuer or the Trustee may pursue all remedies existing as of or after the date of the Loan Agreement at law or in equity to collect all amounts then due and thereafter to become due under the Loan Agreement, the Regulatory Agreement and the Note or to enforce the performance and observance of any other obligation or agreement of the Borrower under those instruments.

Notwithstanding the foregoing, neither the Issuer nor the Trustee, as assignee of the Issuer, shall be obligated to take any step which in its respective opinion will or might cause it to expend time or money or otherwise incur liability unless and until a satisfactory indemnity bond has been furnished to the Issuer or the Trustee, as applicable, at no cost or expense to the Issuer or the Trustee. Any amounts collected as Loan Payments or applicable to Loan Payments and any other amounts which would be applicable to payment of Bond Debt Service Charges collected pursuant to action taken under this caption

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

The provisions described under this caption are subject to the further limitation that the rescission by the Trustee of its declaration that all of the Bonds are immediately due and payable also shall constitute an annulment of any corresponding declaration made pursuant to paragraph (a) under this caption and a waiver and rescission of the consequences of that declaration and of the Event of Default with respect to which that declaration has been made, provided that no such waiver or rescission shall extend to or affect any subsequent or other default or impair any right consequent thereon.

Amendments, Changes and Modifications of the Loan Agreement

The Loan Agreement and the Note may only be amended as permitted by the Indenture. See “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Amendments Not Requiring Consent of Holders” and “–Amendments Requiring Consent of Holders.”

FHA Federal Laws and Requirements Control

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

The Borrower, the Trustee and the Issuer acknowledge that the Loan Agreement, the Note and all of the Borrower’s obligations thereunder, are subject and subordinate to the FHA Loan Documents. Notwithstanding any provision in the Loan Agreement to the contrary, no obligations of the Borrower thereunder shall be payable except from (i) Surplus Cash (as defined in the HUD Regulatory Agreement) or (ii) funds that are not derived from (A) revenues of the Project (as defined in the FHA Mortgage), (B) any reserve or deposit made with the FHA Lender or any other party as required by HUD in connection with the FHA Loan Documents, or (C) any proceeds of the FHA Note (collectively, “Non Project Sources”). No claims or actions shall be made (or payable) under the Loan Agreement against the Project, the FHA Lender, the proceeds of the FHA Note, or the assets of the Borrower, except from Non-Project Sources. In addition, the rights and obligations of the parties under the Loan Agreement and all other Bond Documents are and shall be subordinated in all respects to the rights and obligations of the parties to and under the FHA Loan Documents. In the event of any conflict between the provisions of (1) the Loan Agreement or any other Bond Document and (2) the provisions of the FHA Loan Documents or the Program Obligations (as defined in the FHA Mortgage), the provisions of the FHA Loan Documents or the Program Obligations shall control. The provisions of described under this caption shall control over any inconsistent provisions in the Loan Agreement or the other Bond Documents.

Any subsequent amendment to the Loan Agreement or the Indenture is subject to prior written approval of HUD (so long as the Project is subject to a mortgage insured or held by HUD). No amendment to the Loan Agreement or the Indenture shall conflict with the provisions of the Program Obligations.

The Bonds are not a debt of the United States of America, HUD, FHA, GNMA or any other agency or instrumentality of the federal government, and are not guaranteed by the full faith and credit of the United States or any agency or instrumentality thereof.

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

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

Nothing contained in the Loan Agreement or the Indenture shall inhibit or impair the right of FHA to require or agree to any amendment, change or modification of any FHA Loan Documents related to the Project for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provision contained therein, or in regard to matters or questions arising under said FHA Loan Documents so long as any such amendment, change or modification shall not adversely affect the payment terms of the Bonds.

Neither the Issuer, the Trustee, nor any of the Holders has or shall be entitled to assert any claim against the Project, any reserves or deposits required by HUD in connection with the Project, or the rents or deposits or other income of the Project.

Proceeds from any condemnation award or from the payment of a claim under any hazard insurance policy relating to the Project will not be payable to the Trustee, but will be payable and applied in accordance with the FHA Loan Documents.

In the event of an assignment or conveyance of the FHA Insured Mortgage Loan to the FHA Commissioner, subsequent to the issuance of the Bonds, all money remaining in all funds and accounts other than the Rebate Fund, and any other funds remaining under the Indenture after payment or provision for payment of debt service on the Bonds and the fees and expenses of the Issuer, Trustee, and other such parties unrelated to the Borrower (other than funds originally deposited by the Borrower or related parties on or before the date of issuance of the Bonds) shall be returned to the FHA Lender.

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APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE REGULATORY AGREEMENT

The following is a brief summary of the Regulatory Agreement. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to such Regulatory Agreement, copies of which are on file with the Trustee.

Definitions

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

“Accessibility Requirements” refers to the accessibility requirements that must be followed in the design, construction or alteration of the Project or an individual housing unit of the Project (including common use elements), based on all the applicable laws and regulations, including: (1) all applicable building codes in effect for the City of Los Angeles Building and Safety Department, including state law; (2) Title II of the Americans with Disabilities Act (“ADA”), 42 U.S.C. §12101, et seq. and the implementing standards (“2010 ADA Standards”) at 28 C.F.R. Part 35 and the 2004 ADA Accessibility Guidelines (“ADAAG”); (3) Section 504 of the Rehabilitation Act of 1973 (“Section 504”), 29 U.S.C. §794, the implementing regulations at 24 C.F.R. Part 8, as well as the requirements of UFAS; and (4) the Fair Housing Act of 1968, as amended (“FHA”), 42 U.S.C. §§3601-3619; and its implementing regulations at 24 C.F.R. Parts 100, 103, 108, 110, and 121.

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

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

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

“Act” means Chapter 7 of Part 5 of Division 31 of the Health and Safety Code of the State of California, as the same may be amended from time to time (but only to the extent any such amendments, by their terms or by appropriate election of the Issuer, apply to the Bonds outstanding as of the effective date of such amendments).

“Adjusted Income” means the adjusted income of a person (together with the adjusted income of all persons who intend to reside with such person in one residential unit) calculated pursuant to Section 142(d)(2)(B) of the Code.

“Affiliated Party” means a limited or general partner or member of the Borrower, a person whose relationship with the Borrower would result in a disallowance of losses under Section 267 or 707(b) of the Code or a person who, together with the Borrower, is a member of the same controlled group of corporations (as defined in Section 1563(a) of the Code, except that “more than 50 percent” shall be substituted for “at least 80 percent” each place it appears therein).

“Agreement” or “Regulatory Agreement” means the Regulatory Agreement and Declaration of Restrictive Covenants, as it may be amended from time to time.

“Area” means the Los Angeles Primary Metropolitan Statistical Area.

“Authorized Borrower Representative” means any person who, at any time and from time to time, may be designated as the Borrower’s authorized representative by written certificate furnished to the Issuer and the Trustee containing the specimen signature of such person and signed on behalf of the Borrower by or on behalf of any authorized general partner of the Borrower if the Borrower is a general or limited partnership, by any authorized managing member of the Borrower if the Borrower is a limited liability company, or by any authorized officer of the Borrower if the Borrower is a corporation, which certificate may designate an alternate or alternates, or in the event that such term shall refer to successors or assigns of the Borrower, any authorized general partner if the successor or the assignee is a general or limited partnership, any authorized managing member if the successor or assignee is a limited liability company or any authorized officer if the successor or the assignee is a corporation. The Trustee may conclusively presume that a person designated in a written certificate filed with it as an Authorized Borrower Representative is an Authorized Borrower Representative until such time as the Borrower files with it (with a copy to the Issuer) a written certificate identifying a different person or persons to act in such capacity.

“Bond Counsel” means an attorney at law or firm of attorneys of nationally recognized standing in matters pertaining to the validity of, and the Tax exempt nature of interest on, obligations issued by states and their political subdivisions, selected by the Issuer and duly admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia but shall not include counsel for the Borrower or the Trustee.

“Bond Documents” means the Indenture, the Loan Agreement, the Regulatory Agreement, the Tax Certificate and any other document executed as of or after the date of the Regulatory Agreement by the Borrower, the Issuer, Trustee or Bondholders in connection with the Bonds.

“Bondholders” or “Owners” or “Holders” means the party or parties identified as the owner(s) of the Bonds on the registration books maintained by the Trustee on behalf of the Issuer.

“Bonds” means, collectively, the Issuer’s Multifamily Housing Revenue Bonds (Dudley Oaks Apartments) Series 2016Q-1 authorized, authenticated and delivered under the Series 2016Q-1 Indenture and the Issuer’s Multifamily Housing Revenue Bond (Dudley Oaks Apartments) Series 2016Q-2 authorized, authenticated and delivered under the Series 2016Q-2 Indenture, as defined in the Regulatory Agreement.

“Borrower” means Dudley Oaks Apartments LP, a California limited partnership, and its successors and assigns.

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

“CDLAC Conditions” has the meaning set forth in the Regulatory Agreement.

“Certificate of Continuing Program Compliance” means the Certificate of Continuing Program Compliance and Statistical Report to be filed by the Borrower with the Issuer and the Trustee at the times specified in the Regulatory Agreement, such report to contain the information set forth in and to be in substantially the form attached as an exhibit to the Regulatory Agreement or such other form as may from time to time be prescribed by the Issuer.

“Closing Date” or “Bond Closing Date” means the date upon which each series of Bonds is initially funded in an amount equal to at least \$50,001.

“Code” means the Internal Revenue Code of 1986; each reference to the Code shall be deemed to include (a) any successor internal revenue law and (b) the applicable regulations whether final, temporary or proposed under the Code or such successor law.

“Completion Date” means the date of the completion of the acquisition, rehabilitation and equipping of the Project, as that date shall be specified in the Rehabilitation Completion Certificate.

“Costs of Issuance” means costs of issuing the Bonds as set forth in the Indenture.

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

“Hazardous Materials Laws” means all federal, state, and local laws, ordinances and regulations and standards, rules, policies and other governmental requirements, administrative rulings and court judgments and decrees in effect as of the date of the Regulatory Agreement or in the future and including all amendments, that relate to Hazardous Materials or the protection of human health or the environment and apply to Borrower or to the Project. Hazardous Materials Laws include, but are not limited to, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601, et seq., the Resource Conservation and Recovery Act of 1976, 42 U.S.C. Section 6901, et seq., the Toxic Substance Control Act, 15 U.S.C. Section 2601, et seq., the Clean Water Act, 33 U.S.C. Section 1251, et seq., and the Hazardous Materials Transportation Act, 49 U.S.C. Section 5101 et seq., and their state analogs.

“Housing Act” means the United States Housing Act of 1937, as amended, or its successor.

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

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

“HUD” means the U.S. Department of Housing and Urban Development and any successor agency.

“Income Certification” means, initially, a Verification of Income in the form attached as an exhibit to the Regulatory Agreement or in such other form as may from time to time be provided by the Issuer to the Borrower and, with respect to recertifications, the Income Certification attached as an exhibit to the Regulatory Agreement, or in the alternative, the California Tax Credit Allocation Committee

Tenant Income Certification Form, or HUD Form 50059, or such other form as may, from time to time, be provided by the Issuer to the Borrower.

“Indenture” means, collectively, the Trust Indenture dated as of February 1, 2017 by and between the Issuer and the Trustee, relating to the issuance of the Series 2016Q-1 Bonds and the Trust Indenture dated as of February 1, 2017 by and between the Issuer and the Trustee, relating to the issuance of the Series 2016Q-2 Bond, each as amended, modified, supplemented or restated from time to time.

“Inducement Date” means July 15, 2016.

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

“Loan” means the loan of the sale proceeds of the Bonds by the Issuer to the Borrower pursuant to the Loan Agreement for the purpose of providing funds for the acquisition, rehabilitation and equipping of the Project.

“Loan Agreement” means, collectively, the Loan Agreement, dated as of February 1, 2017, between the Issuer and the Borrower relating to the loan of the proceeds of the Series 2016Q-1 Bonds and the Loan Agreement, dated as of February 1, 2017, between the Issuer and the Borrower relating to the loan of the proceeds of the Series 2016Q-2 Bond, each, as amended or supplemented from time to time.

“Low Income Tenant” means a tenant whose Adjusted Income does not exceed limits determined in a manner consistent with determinations of lower income families under Section 8 of the Housing Act, except that the percentage of median gross income that qualifies as lower income shall be 50% of median gross income for the Area with adjustments for family size. Except as otherwise provided in the Regulatory Agreement, the occupants of a unit in the Project shall not be considered to be Low Income Tenants if all the occupants of a unit are students (as defined in Section 152(f)(2) of the Code) and any one of those students is not (1) a single parent living with his/her children; (2) a student receiving assistance under Title IV of the Social Security Act (Temporary Assistance for Needy Families); (3) a student enrolled in a job training program receiving assistance under the Job Training Partnership Act or under other similar Federal, State, or local laws; (4) a student who was previously under the care and placement responsibility of a foster care program (under part B or E of Title IV of the Social Security Act) or (5) a student who is married and files a joint return. Single parents described in (1) above may not be dependents of another individual and their children may not be dependents of another individual other than their parents. The determination of a tenant’s status as a Low Income Tenant shall be made by the Borrower upon initial occupancy of a unit in the Project by such Tenant and annually thereafter and at any time the Borrower has knowledge that the number of occupants in that unit has increased, on the basis of an Income Certification executed by the tenant.

“Low Income Units” means the units in the Project required to be rented to, or held available for occupancy by, Low Income Tenants pursuant to the Regulatory Agreement.

“Net Proceeds” means the total proceeds derived from the issuance, sale and delivery of the Bonds, representing the total purchase price of the Bonds, including any premium paid as part of the purchase price of the Bonds, but excluding the accrued interest, if any, on the Bonds paid by the initial purchaser of the Bonds.

“Project” means the Project Facilities and the Project Site.

“Project Costs” means, to the extent authorized by the Code, the Regulations, the Law and the Act, any and all costs incurred by the Borrower with respect to the acquisition and rehabilitation and the credit enhancement fees, if any, attributable to the period of the rehabilitation of the Project, whether paid or incurred prior to or after the Inducement Date, including, without limitation, costs for site preparation, the planning of housing, related facilities and improvements, the acquisition of property, the removal or demolition of existing structures, the construction or rehabilitation of housing and related facilities and improvements, and all other work in connection therewith, including Qualified Project Costs, and all costs of financing, including, without limitation, the cost of consultant, accounting and legal services, other expenses necessary or incident to determining the feasibility of the Project, contractors’ and developer’s overhead and supervisors’ fees and costs directly allocable to the Project, administrative and other expenses necessary or incident to the Project and the financing thereof (including reimbursement to any municipality, county or other entity or person for expenditures made for the Project).

“Project Facilities” means the buildings, structures and other improvements on the Project Site to be acquired, rehabilitated, constructed or improved by the Borrower, and all fixtures and other property owned by the Borrower and located on, or used in connection with, such buildings, structures and other improvements constituting the Project. Project Facilities do not include retail sales facilities, leased office space, commercial facilities or recreational, fitness, parking or business facilities available to members of the general public.

“Project Site” means the parcel or parcels of real property having the street address of 2119-2127 South Oak Street, in the City of Los Angeles, California and all rights and appurtenances thereunto appertaining, as more particularly described in an exhibit to the Regulatory Agreement.

“Qualified Project Costs” means the Project Costs (excluding issuance costs) incurred not earlier than the date 60 days prior to the Inducement Date which either constitute land or property of a character subject to the allowance for depreciation under Section 167 of the Code, or are chargeable to a capital account with respect to the Project for federal income tax and financial accounting purposes, or would be so chargeable either with a proper election by the Borrower or but for the proper election by the Borrower to deduct those amounts; provided, however, that only such portion of the interest accrued on the Bonds during the rehabilitation of the Project shall constitute Qualified Project Costs as bears the same ratio to all such interest or fees, as applicable, as the Qualified Project Costs bear to all Project Costs; and provided further that interest accruing on or after the Completion Date shall not be Qualified Project Costs; and provided finally that if any portion of the Project is being rehabilitated by the Borrower or an Affiliated Party (whether as a general contractor or a subcontractor), “Qualified Project Costs” shall include only (a) the actual out of pocket costs incurred by the Borrower or such Affiliated Party in rehabilitating the Project (or any portion thereof), (b) any reasonable fees for supervisory services actually rendered by the Borrower or such Affiliated Party (but excluding any profit component) and (c) any overhead expenses incurred by the Borrower or such Affiliated Party which are directly attributable to the work performed on the Project, and shall not include, for example, intercompany profits resulting from members of an affiliated group (within the meaning of Section 1504 of the Code) participating in the rehabilitation of the Project or payments received by such Affiliated Party due to early completion of the Project (or any portion thereof). Qualified Project Costs do not include Costs of Issuance. Notwithstanding anything in the Regulatory Agreement to the contrary, no Project Costs relating to the acquisition of the Project or any assets relating thereto (including, without limitation, rights and interests with respect to development of the Project) shall constitute “Qualified Project Costs” unless, at the time Bond proceeds are expended to pay such costs, the Borrower and the seller of such assets are not “related parties” as such term is defined in Section 1.150-1(b) of the Regulations.

“Qualified Project Period” means the period beginning on the first day on which 10% of the dwelling units in the Project are first occupied and ending on the latest of (a) the date which is 15 years

after the date on which 50% of the dwelling units in the Project are first occupied, (b) the first date on which no Tax exempt private activity bond (as that phrase is used in Section 142(d)(2) of the Code) issued with respect to the Project is outstanding or (c) the date on which any assistance provided with respect to the Project under Section 8 of the Housing Act terminates. The CDLAC Conditions apply for a period which, in some cases, exceeds the Qualified Project Period.

“Qualified Rehabilitation Expenditures” means any amount properly chargeable to the Project’s capital account which is incurred no earlier than 60 days prior to the Inducement Date by the person acquiring the building or property (or additions or improvements to property) or by the seller of the property under a sales contract between the Borrower and the seller of the Project to the Borrower in connection with the rehabilitation of a building. In the case of an integrated operation contained in a building before its acquisition, such term includes rehabilitating existing equipment in such building or replacing it with equipment having substantially the same function. “Qualified Rehabilitation Expenditures” do not include any amount which is incurred after the date that is two years after the later of the date on which the building was acquired by the Borrower or the date on which the Bonds were issued. “Qualified Rehabilitation Expenditures” do not include any expenditure described in Section 47(c)(2)(B) of the Code. All amounts constituting Qualified Rehabilitation Expenditures must be depreciated on a straight line basis over 27.5 years (unless otherwise provided in the Code).

“Regulations” means the Income Tax Regulations promulgated or proposed (if deemed appropriate in the opinion of Bond Counsel) by the Department of the Treasury pursuant to the Code from time to time.

“Rehabilitation Completion Certificate” means a written certification signed by an Authorized Borrower Representative confirming that prior to the date which is 24 months after the Closing Date, and that the Borrower has incurred Qualified Rehabilitation Expenditures with respect to the Project in an amount equal to or greater than 15% of the portion of the cost of acquiring the Project (exclusive of any acquisition costs attributable to land) financed with the Net Proceeds of the Bonds.

“Taxability Event” means for the purposes of the Regulatory Agreement, either (a) refusal by the Borrower to consent to any amendment or supplement thereto or to the Indenture which, in the opinion of Bond Counsel, is necessary or advisable to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes; or (b) any of (i) the enactment of applicable legislation of which the Trustee has actual knowledge, (ii) a final judgment or order of a court of original or appellate jurisdiction of which the Trustee has actual knowledge, (iii) a final ruling or decision of the Internal Revenue Service of which the Trustee has actual knowledge or (iv) the filing with the Trustee of an opinion of Bond Counsel, in each case to the effect that the interest on the Bonds (other than interest on a Bond for any period during which such Bond is held by a “substantial user” of any facility financed with the proceeds of the Bonds or a “related person,” as such terms are used in Section 147(a) of the Code) is includable in the gross incomes of all recipients thereof for federal income tax purposes. With respect to the foregoing, a judgment or order of a court or a ruling or decision of the Internal Revenue Service shall be considered final only if no appeal or action for judicial review has been filed and the time for filing such appeal has expired.

“Tax Certificate” means the Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141 150 of the Internal Revenue Code of 1986 dated the Closing Date, executed and delivered by the Issuer and the Borrower, as amended, modified, supplemented or restated from time to time.

“Tax exempt” means, with respect to interest on any obligations of a state or local government, including the Bonds, that such interest is excluded from gross income for federal income tax purposes (other than interest on any Bond for any period during which such Bond is held by a “substantial user” of

any facility financed with the proceeds of the Bonds or a “related person,” as such terms are used in Section 147(a) of the Code); provided, however, that such interest may be includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax, under the Code.

“Trustee” means U.S. Bank National Association, in its capacity as Trustee under the Indenture, together with its successors and assigns.

Residential Rental Property

The Borrower acknowledges and agrees that the Project is to be owned, managed and operated as a “qualified residential rental project” (within the meaning of Section 142(d) of the Code) for a term equal to the Qualified Project Period. To that end, and for the Qualified Project Period, the Borrower represents, covenants, warrants and agrees as follows:

(a) The Project Facilities will be developed for the purpose of providing multifamily residential rental property, and the Borrower will own, manage and operate the Project Facilities as a project to provide multifamily residential rental property comprising a building or structure or several interrelated buildings or structures, together with any functionally related and subordinate facilities, and no other facilities in accordance with Section 142(d) of the Code and Section 1.103 8(b) of the Regulations, the Law and the Act, and in accordance with such requirements as may be imposed thereby on the Project from time to time. For purposes of this paragraph, the term “functionally related and subordinate facilities” includes facilities for use by the tenants (for example, swimming pools, other recreational facilities and parking areas) and other facilities which are reasonably required for the Project, for example, heating and cooling equipment, trash disposal equipment and units for resident managers and maintenance personnel. Substantially all of the Project will contain such units and functionally related and subordinate facilities.

(b) All of the dwelling units in the Project will be similarly constructed units, and each Low Income Unit in the Project will contain complete separate and distinct facilities for living, sleeping, eating, cooking and sanitation for a single person or a family, including a sleeping area, bathing and sanitation facilities and cooking facilities equipped with a cooking range and oven, a sink and a refrigerator. Each of the Accessible Housing Units shall also comply with the requirements set forth in an exhibit to the Regulatory Agreement. Notwithstanding the foregoing, a unit shall not fail to be treated as a residential unit merely because such unit is a single room occupancy unit within the meaning of Section 42(i)(3)(B)(iv) of the Code even though such housing may provide eating, cooking and sanitation facilities on a shared basis.

(c) None of the dwelling units in the Project will at any time be utilized on a transient basis or will ever be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, rest home or trailer court or park. Notwithstanding the foregoing, single room occupancy units provided under Section 42(i)(3)(B)(iv) of the Code shall not be considered to be utilized on a transient basis.

(d) No part of the Project will at any time be owned by a cooperative housing corporation, nor shall the Borrower take any steps in connection with a conversion to such ownership or uses. Other than filing a condominium map and a final subdivision map on the Project and obtaining a Final Subdivision Public Report from the California Department of Real Estate, the Borrower shall not take any steps in connection with a conversion of the Project to condominium ownership during the Qualified Project Period.

(e) All of the dwelling units (which shall not include any manager units) will be available for rental on a continuous basis to members of the general public, and the Borrower will not give preference to any particular class or group in renting the dwelling units in the Project, except to the extent of the following: (1) any dwelling units are required to be leased or rented to Low Income Tenants, (2) the requirements of any regulatory agreement executed between the Borrower and HUD or between the Borrower and a subordinate lender (including the Issuer), (3) the requirements of any Section 8 Housing Assistance Payments Contract with respect to the Project, (4) any preference Borrower gives to a class of persons permitted to be given preference pursuant to the Code, State law and other applicable federal law; and (5) Accessible Housing Units shall be made available to persons with disabilities as provided in an exhibit to the Regulatory Agreement.

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

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

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

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

(j) Should involuntary noncompliance with the provisions of Regulations Section 1.103-8(b) be caused by fire, seizure, requisition, foreclosure, transfer of title by deed in lieu of foreclosure, change in a federal law or an action of a federal agency after the Closing Date which prevents the Issuer from enforcing the requirements of the Regulations, or condemnation or similar event, the Borrower covenants that, within a "reasonable period" determined in accordance with the Regulations, and subject to the provisions of the Indenture and the Loan Agreement, it will either prepay the Loan or apply any proceeds received as a result of any of the preceding events to reconstruct the Project to meet the requirements of Section 142(d) of the Code and the Regulations.

Low Income Tenants; Records and Reports

Pursuant to the requirements of the Code and the Issuer, the Borrower represents, warrants and covenants as follows:

(a) The Project will be developed for the purpose of providing multifamily residential rental property, and the Borrower will own, manage and operate the Project as a project to provide multifamily residential rental property comprising a building or structure or several interrelated buildings or structures, together with any functionally related and subordinate facilities, and no other facilities in accordance with the Law and the Act, and in accordance with such requirements as may be imposed thereby on the Project from time to time. Borrower certifies that on the Closing Date 50% of dwelling units in the Project are occupied by tenants

providing an Income Certification or other certification delivered in connection with a governmental housing subsidy program. Based on the foregoing, the beginning date of the Qualified Project Period is the Closing Date and the earliest ending date of the Qualified Project Period is fifteen years after the Closing Date.

(b) Commencing on the first day of the Qualified Project Period, Low Income Tenants shall occupy at least 20% of all completed and occupied units in the Project (excluding any units occupied by a property manager) before any additional units are occupied by persons who are not Low Income Tenants; and for the Qualified Project Period no less than 20% of the total number of completed units of the Project (excluding any units occupied by a property manager) shall at all times be rented to and occupied by Low Income Tenants. For the purposes of this paragraph (b), a vacant unit which was most recently occupied by a Low Income Tenant is treated as rented and occupied by a Low Income Tenant until reoccupied, other than for a temporary period of not more than 31 days, at which time the character of such unit shall be redetermined. In determining whether the requirements of this subsection (b) have been met, fractions of units shall be treated as entire units.

(c) No tenant qualifying as a Low Income Tenant shall be denied continued occupancy of a unit in the Project because, after admission, such tenant's Adjusted Income increases to exceed the qualifying limit for Low Income Tenants; provided, however, that should a Low Income Tenant's Adjusted Income, as of the most recent determination thereof, exceed 140% of the then applicable income limit for a Low Income Tenant of the same family size, the next available unit of comparable or smaller size must be rented to (or held vacant and available for immediate occupancy by) a Low Income Tenant; and provided further that, until such next available unit is rented to a tenant who is not a Low Income Tenant, the former Low Income Tenant who has ceased to qualify as such shall be deemed to continue to be a Low Income Tenant for purposes of the 20% requirement of paragraph (b) under this caption (if applicable). If the Project consists of more than one building, this requirement shall apply on a building by building basis.

(d) The Borrower will obtain, complete and maintain on file Income Certifications from each Low Income Tenant, including (i) an Income Certification or other certification delivered in connection with a governmental housing subsidy program dated no later than the day prior to the initial occupancy in the Project of such Low Income Tenant and, in the case of tenants residing in the Project as of the date of acquisition thereof (if applicable), dated no later than the day prior to the disbursement of Bond proceeds to fund acquisition and rehabilitation of the Project and (ii) thereafter, annual Income Certifications dated as of the anniversary date of each initial Income Certification or other certification delivered in connection with a governmental housing subsidy program. The Borrower will obtain such additional information as may be required in the future by the State of California, by the Issuer and by Section 142(d) of the Code, as the same may be amended from time to time, or in such other form and manner as may be required by applicable rules, rulings, policies, procedures, Regulations or other official statements promulgated as of or after the date of the Regulatory Agreement, proposed or made by the Department of the Treasury or the Internal Revenue Service with respect to obligations which are Tax exempt under Section 142(d) of the Code. A copy of the most recent Income Certification for Low Income Tenants commencing or continuing occupation of a Low Income Unit (and not previously filed with the Issuer) shall be attached to the Certificate of Continuing Program Compliance which is to be filed with the Issuer no later than the fifteenth day of each month until such report indicates compliance with Section 4(b) and thereafter the fifteenth of each February and August until the end of the Qualified Project Period. The Borrower shall make a good faith effort to verify that the income information provided by an applicant in an Income Certification is

accurate by obtaining the acceptable forms of verification enumerated in Chapter 3 of the most current, amended edition of HUD Handbook 4350.3, or such instruction by HUD that may supersede this handbook, and any additional documentation that the Issuer shall deem relevant, such as the two most recent years' tax returns or other forms of independent verification satisfactory to the Issuer.

(e) The Borrower will use its best efforts to maintain complete and accurate records pertaining to the Low Income Units, and will with reasonable notice permit any duly authorized representative of the Issuer, the Trustee, the Department of the Treasury or the Internal Revenue Service to inspect the books and records of the Borrower pertaining to the Project during regular business hours, including those records pertaining to the occupancy of the Low Income Units.

(f) The Borrower will prepare and submit to the Issuer and the Trustee, no later than the fifteenth day of each month following the receipt by the Trustee of the Rehabilitation Completion Certificate to and including the month in which such report indicates that 20% of the occupied units (excluding any units occupied by a property manager) are occupied by Low Income Tenants, and thereafter no later than the fifteenth day of each February and August, until the end of the Qualified Project Period, a Certificate of Continuing Program Compliance executed by the Borrower stating (i) the percentage of the dwelling units of the Project which were occupied or deemed occupied, pursuant to paragraph (b) above, by Low Income Tenants during such period; (ii) that either (A) no unremedied default has occurred under the Regulatory Agreement, or (B) a default has occurred, in which event the certificate shall describe the nature of the default in detail and set forth the measures being taken by the Borrower to remedy such default; and (iii) that, to the knowledge of the Borrower, no Taxability Event has occurred, or if a Taxability Event has occurred, setting forth all material facts relating thereto.

(g) On or before each February 15 during the Qualified Project Period, the Borrower will submit to the Issuer a draft of the completed Internal Revenue Service Form 8703 or such other annual certification required by the Code to be submitted to the Secretary of the Treasury as to whether the Project continues to meet the requirements of Section 142(d) of the Code. On or before each March 31 during the Qualified Project Period the Borrower will submit such completed form to the Secretary of the Treasury, regardless of whether or not the Issuer has responded to such draft.

(h) Subject to the requirements of any Section 8 Housing Assistance Payments Contract with respect to the Project, each lease or rental agreement pertaining to a Low Income Unit shall contain a provision to the effect that the Borrower has relied on the Income Certification and supporting information supplied by the Low Income Tenant in determining qualification for occupancy of the Low Income Unit and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease or rental agreement. Each such lease or rental agreement shall also provide that the tenant's income is subject to annual certification in accordance with paragraph (c) above and to recertification if the number of occupants in the units changes for any reason (other than the birth of a child to an occupant of such unit) and that if upon any such certification such tenant's Adjusted Income exceeds 140% of the then applicable income limit for a Low Income Tenant of the same family size, such tenant may cease to qualify as a Low Income Tenant, and such tenant's rent is subject to increase. Notwithstanding anything in this paragraph (h) to the contrary, such tenant's rent may be increased only pursuant to paragraph (l) under the caption "Additional Requirements of CDLAC and the Issuer" below.

Tax-Exempt Status of the Bonds

The Borrower and the Issuer make the following representations, warranties and agreements for the benefit of the holders of the Bonds from time to time:

(a) The Borrower and the Issuer will not knowingly take or permit actions within their control, or omit to take or cause to be taken, as is appropriate, any action that would adversely affect the Tax exempt nature of the interest on the Bonds and, if either should take or permit, or omit to take or cause to be taken, any such action, it will take all lawful actions necessary to rescind or correct such actions or omissions promptly upon obtaining knowledge thereof, provided that the Borrower shall not have violated these covenants if the interest on the Bonds becomes taxable to a person solely because such person is a “substantial user” of the Project or a “related person” within the meaning of Section 147(a) of the Code.

(b) The Borrower and the Issuer will take such action or actions as may be necessary, in the written opinion of Bond Counsel filed with the Issuer and the Trustee, with a copy to the Borrower, to comply fully with all applicable rules, rulings, policies, procedures, Regulations or other official statements promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service pertaining to obligations the interest on which is Tax exempt under Section 142(d) of the Code.

(c) The Borrower and the Issuer will file or record such documents and take such other steps as are necessary, in the written opinion of Bond Counsel filed with the Issuer and the Trustee, with a copy to the Borrower, in order to insure that the requirements and restrictions of the Regulatory Agreement will be binding upon all owners of the Project, including, but not limited to, the execution and recordation of the Regulatory Agreement in the real property records of the County of Los Angeles.

(d) The Borrower will not knowingly enter into any agreements which would result in the payment of principal or interest on the Bonds being “federally guaranteed” within the meaning of Section 149(b) of the Code.

(e) Subject to the provisions described under the caption “Term” below, the Borrower covenants to include the requirements and restrictions contained in the Regulatory Agreement in any documents transferring any interest in the Project prior to the expiration of the Qualified Project Period to another person to the end that such transferee has notice of, and is bound by, such restrictions, and to obtain the agreement from any transferee to abide by all requirements and restrictions of the Regulatory Agreement; provided, however, that so long as any former Borrower has no remaining interest in the Project, such former Borrower shall have no obligation to monitor such transferee’s compliance with such restrictions, and such former Borrower shall incur liability if such transferee fails to comply with such restrictions only in proportion to its then remaining interest.

(f) The Borrower and any related party (as defined in Section 1.150-1(b) of the Regulations) thereto shall not acquire the Bonds in an amount related to the amount of the Loan.

Additional Requirements of the Act

In addition to certain requirements set forth in the Regulatory Agreement, and without limiting any additional requirements described under the caption “Additional Requirements of CDLAC and the Issuer” below, during the Qualified Project Period, the Borrower and the Issuer agree to comply with each

of the requirements of the Act, and, without limiting the foregoing, the Borrower specifically agrees to comply with each of the requirements set forth under this caption, as follows:

(a) As provided in Section 52097.5 of the Act, not less than 20% of the total number of units in the Project (excluding any units occupied by a property manager) shall be reserved for occupancy by tenants whose adjusted gross income does not exceed 50% of the median gross income for the Area, adjusted for family size, as determined pursuant to Section 8 of the Housing Act.

(b) The rents paid by the tenant for the units reserved pursuant to paragraph (a) under this caption (excluding any supplemental rental assistance from the State, the federal government, or any other public agency to those occupants or on behalf of those units) shall not exceed the amount derived by multiplying 30% times 50% of the median gross income for the Area, adjusted for family size, as determined pursuant to Section 8 of the Housing Act, assuming a family of one person in the case of a studio unit, two persons in the case of a one bedroom unit, three persons in the case of a two bedroom unit, four persons in the case of a three bedroom unit, and five persons in the case of a four bedroom unit.

(c) During the Qualified Project Period the Borrower shall file Certificates of Continuing Program Compliance in the form and at the time required by paragraphs (d) and (f) under the caption "Low Income Tenants; Records and Reports" above that shall contain sufficient information to allow the Issuer to file any annual report required by the Act or pursuant to California Government Code Section 8855.5 and the Borrower shall provide to the California Debt and Investment Advisory Commission the annual report information required by California Government Code Section 8855(k)(1) until the later of the date the Bond is no longer outstanding or the proceeds of the Bond have been fully spent.

(d) No portion of the Bonds shall be used to finance the acquisition, construction, rehabilitation, refinancing or development of commercial property for lease.

(e) The Borrower shall not apply selection criteria to certificate holders under Section 8 of the United States Housing Act of 1937, as amended, that are more burdensome than the criteria applied to all other prospective tenants.

(f) Following the expiration or termination of the Qualified Project Period with respect to the Project, except in the event of foreclosure and redemption of the Bonds, deed in lieu of foreclosure, eminent domain or action of a federal agency preventing enforcement, units required to be reserved for occupancy pursuant to the Regulatory Agreement shall remain available to any eligible household occupying a reserved unit at the date of expiration or termination, at a rent not greater than the amount set forth in (b) above, until the earliest of any of the following occur:

(i) The household's income exceeds 140% of the maximum eligible income specified in the Regulatory Agreement;

(ii) The household voluntarily moves or is evicted for "good cause." "Good cause" for the purposes of this caption, means the nonpayment of rent or allegation of facts necessary to prove major, or repeated minor, violations of material provisions of the occupancy agreement which detrimentally affect the health and safety of other persons or the structure, the fiscal integrity of the development, or the purposes or special programs of the development;

(iii) Thirty (30) years after the date of the commencement of the Qualified Project Period relative to the Project; and

(iv) The Borrower pays the relocation assistance and benefits to tenants as provided in subdivision (b) of Section 7264 of the California Government Code.

(g) During the three years prior to expiration of the Qualified Project Period, the Borrower shall continue to make available to Low Income Tenants reserved units that have been vacated to the same extent that nonreserved units are made available to tenants other than Low Income Tenants.

Notwithstanding Section 1461 of the California Civil Code, the provisions of the Regulatory Agreement shall run with the land and may be enforced either in law or in equity by any resident, local agency, entity or any other person adversely affected by the Borrower's failure to comply with the Regulatory Agreement.

Additional Requirements of CDLAC and the Issuer

In addition to, and not in derogation of, the requirements set forth in the preceding and following captions of this summary of the Regulatory Agreement, each of which is incorporated under this caption as a specific requirement of CDLAC and the Issuer, whether or not required by California or federal law, the Borrower represents, warrants, covenants and agrees as follows:

(a) The Borrower shall promptly provide to the Issuer such information with respect to the Project or the Bonds as the Issuer shall from time to time request. If available, the Borrower shall provide written notice to the Issuer of receipt of a certificate of occupancy or other official authorization to occupy the Project immediately upon receipt.

(b) The Low Income Units shall be of comparable quality to all other units in the Project, shall be dispersed throughout the Project, and shall offer a range of size and number of bedrooms comparable to those units which are available to other tenants; and Low Income Tenants shall have access to and enjoyment of all common areas and facilities of the Project on the same basis as tenants of other units.

(c) The Borrower agrees that it will not discriminate in the rental of units or in its employment practices against any employee or applicant for employment because of the applicant's race, religion, national origin, ancestry, sex, age, sexual orientation, gender identity/expression, transgender status, disability (except to give priority to persons with disabilities for occupancy of Accessible Housing Units), marital status, domestic partner status or medical condition. All contracts entered into by the Borrower which relate to the Project shall contain a like provision. The Borrower shall comply with the provisions of Sections 10.8.2 and 10.8.4 of the Administrative Code of the Issuer, the provisions of which are incorporated by reference.

(d) The Borrower shall comply with the conditions set forth in Exhibit A to CDLAC Resolution No. 16-158 adopted on October 19, 2016 (the "CDLAC Conditions"), as they may be modified or amended from time to time, which conditions are incorporated in the Regulatory Agreement by reference and made a part thereof and are attached thereto as an exhibit. Following completion of the rehabilitation of the Project, the Borrower will prepare and submit to the Issuer on or before each February 1, until the end of the term of the CDLAC Conditions, a Certificate of CDLAC Program Compliance, in substantially the form attached as an exhibit to

the Regulatory Agreement, executed by an Authorized Borrower Representative. Notwithstanding anything to the contrary contained in the Regulatory Agreement, the provisions of this paragraph (d) shall remain effective for the period specified in the CDLAC Conditions, unless the Regulatory Agreement shall terminate as otherwise provided under the caption “Term” below.

(e) For the Qualified Project Period, the Borrower will comply with the provisions of the Unruh Civil Rights Act, including, without limitation, Section 51.2 and, as applicable, Section 51.3 of the California Civil Code, as amended, and Sections 45.50 et seq. of the Los Angeles Municipal Code, as amended.

(f) The lease to be utilized by the Borrower in renting any residential units in the Project to Low Income Tenants shall provide for termination of the lease and consent by such person to immediate eviction, subject to applicable provisions of California law, for any tenant who fails to qualify as a Low Income Tenant and who has made a material misrepresentation on the Income Certification as to such tenant’s qualification as a Low Income Tenant. All such leases shall contain clauses, among others, wherein each individual lessee (i) certifies the accuracy of the statements made in the Income Certification and (ii) agrees that the family income, family composition and other eligibility requirements shall be deemed substantial and material obligations of the lessee’s tenancy; that the lessee will comply promptly with all requests for information with respect thereto from the Borrower or the Issuer; and that the lessee’s failure to provide accurate information in the Income Certification or refusal to comply with a request for information with respect thereto shall be deemed a violation of a substantial obligation of the lessee’s tenancy and shall be a default thereunder. Additionally, such lease shall contain provisions informing any tenant of the possibility of rental payment increases in accordance with the terms of the Regulatory Agreement.

(g) All Income Certifications will be maintained on file at the Project or, with the prior written consent of the Issuer, at the principal place of business of the Borrower or the property manager of the Project, so long as the Regulatory Agreement is in effect and for five years thereafter with respect to each Low Income Tenant who occupied a residential unit in the Project during the Qualified Project Period.

(h) The Borrower will accept as tenants, on the same basis as all other prospective tenants, persons who are recipients of federal certificates for rent subsidies pursuant to the existing program under Section 8 of the Housing Act, or its successor. The Borrower shall not apply selection criteria to Section 8 certificate or voucher holders that are more burdensome than criteria applied to all other prospective tenants.

(i) The Borrower shall submit to the Issuer (i) at the times specified in paragraphs (d) and (f) under the caption “Low Income Tenants; Records and Reports” above, a Certificate of Continuing Program Compliance, which shall include the information called for therein, including occupancy records for all units in the Project, and (ii) within 15 days after receipt of a written request, any other information or completed forms requested by the Issuer, in each case, in order to comply with reporting requirements of the Internal Revenue Service or the State of California, including, without limitation, information necessary for the Issuer to file any periodic report, or any other information concerning the Project as the Issuer may reasonably request.

(j) All workers performing construction work for the Project employed by the Borrower or by any contractor or subcontractor shall be compensated in an amount no less than the greater of (i) the general prevailing rate of per diem wages (“Prevailing Wages”) as

determined pursuant to Labor Code Sections 1770-1781 and implementing regulations of the Department of Industrial Relations, (ii) the general prevailing rate of per diem wages as determined by the U.S. Labor Department pursuant to the Davis-Bacon Act under 40 U.S.C.S. 3141-3148 and implementing regulations (“Davis-Bacon Wages”), if applicable; and (iii) the “Living Wage” as determined by the policies and procedures of the City of Los Angeles. The Borrower shall comply with all reporting and recordkeeping requirements of the City’s prevailing wage policy. The Borrower shall, and shall cause the contractors and subcontractors to, submit data and documents related to Prevailing Wages or Davis-Bacon Wages, if applicable, using the LCP Tracker or comparable HCIDLA-approved program. The fee for the LCP Tracker, or comparable HCIDLA-approved program, will be in the amount equal to Three One-Hundredths Percent (0.03%) of the total construction cost, which fee shall be paid in full to the City within 30 days of execution of the Regulatory Agreement.

(k) The Issuer may, at its option and at its expense, at any time appoint an administrator to administer the Regulatory Agreement and to monitor performance by the Borrower of the terms, provisions and requirements thereof. Following any such appointment, the Borrower shall comply with any request by the Issuer to deliver to such administrator, in addition to or instead of the Issuer, any reports, notices or other documents required to be delivered pursuant to the Regulatory Agreement, and upon reasonable notice to the Borrower to make the Project and the books and records with respect thereto available for inspection during regular business hours by such administrator as an agent of the Issuer.

(l) If upon the annual certification or recertification required by paragraph (d) under the caption “Low Income Tenants; Records and Reports” above, a tenant’s Adjusted Income exceeds 140% of the then applicable income limit for a Low Income Tenant of the same family size, all rental limits under the Regulatory Agreement previously applicable to the unit occupied for such tenant shall continue to apply until the next available unit is rented to a tenant who is a Low Income Tenant.

(m) The Borrower shall give written notice to Low Income Tenants at the following four points in time:

(i) Upon initial move in/lease execution, Borrower shall give written notice to all tenants of Low Income Units of the duration of the rent restrictions under the Regulatory Agreement. Borrower must maintain, in its files, a copy of each notice containing each tenant’s signed acknowledgement of the notice required under the Regulatory Agreement. The notice shall, at the least, contain language that the rent restrictions under the Regulatory Agreement shall be for a term equal to the later of the expiration of: (a) the Qualified Project Period; or (b) the CDLAC Conditions. Upon termination of the rent restriction period under the Regulatory Agreement, rents may be set at a market rates unless otherwise restricted by some other legal, regulatory, or contractual requirement.

(ii) Twelve months prior to the termination of the rent restriction period under the Regulatory Agreement, Borrower must give written notice to its tenants of the termination of the restrictions on the Low Income Units before their rents may be raised to market rent levels. The Borrower must also give written notice, pursuant to California Government Code Section 65863.10, to the Mayor of the City of Los Angeles, the Housing Authority of the City of Los Angeles, the California Department of Housing and Community Development, and the Los Angeles Housing and Community Investment Department.

(iii) Six months prior to the termination of the rent restriction period under the Regulatory Agreement, Borrower must give written notice to its tenants of the termination of the restrictions on the Low Income Units before their rents may be raised to market rent levels. Borrower must also give written notice, pursuant to California Government Code Section 65863.10, to the Mayor of the City of Los Angeles, the Housing Authority of the City of Los Angeles, the California Department of Housing and Community Development and the Los Angeles Housing and Community Investment Department.

(iv) Ninety days prior to the termination of the rent restriction period under the Regulatory Agreement, Borrower must again give written notice to its tenants of the termination of the restrictions on the Low Income Units before their rents may be raised to market rent levels.

Pursuant to California Government Code 65863.11, prior or concurrent with the twelve month notice referenced above in (ii), the Borrower must provide notice of the opportunity to offer to purchase the assisted housing development to all qualified entities on the list maintained by the California Department of Housing and Community Development as well as to those qualified entities that contact the Borrower directly. The notice shall conform to the requirements of California Government Code 65863.11(h) and shall be sent to the entities by registered or certified, return receipt requested. The Borrower shall also post a copy of the notice in a conspicuous place in the common area of the development.

(n) The Borrower shall, on the Closing Date, pay to the Issuer its initial fee and thereafter pay to the Issuer its ongoing fees with respect to the issuance of the Bonds. The Borrower shall pay the Issuer an initial fee immediately upon issuance of the Bonds equal to \$14,736.60 (.25% of the aggregate maximum principal amount of the Bonds issuable under the Indenture). In addition, the Borrower shall, as compensation for the Issuer's monitoring of the provisions of the Regulatory Agreement, pay to the Issuer, semiannually in arrears prorated for the initial payment (on the first day of each February 1 and August 1, commencing August 1, 2017, for the period from the date of issuance of the Bonds through the later of: (i) the end of the Qualified Project Period; or (ii) termination of the CDLAC Conditions, prorated for the initial and any subsequent partial or over length period, a semiannual amount equal to: (A) during the period from the Closing Date to the date of payment in full of the Bonds, one half of 0.125% of the maximum principal amount of the Bonds (\$5,894,640) issuable under the Indenture, with a minimum semiannual fee of \$1,250 and (B) following the payment in full of the Bonds, \$1,250, or such lesser amount as shall be necessary in the opinion of Bond Counsel to preserve the exemption of interest on the Bonds from gross income for federal income tax purposes. Throughout the term of the Regulatory Agreement, the Trustee, or the Issuer, as applicable, shall provide an invoice to the Borrower at least 30 days prior to the due date of each such payment (and if applicable, a copy of which shall be provided to the Issuer) and shall collect such payments from the Borrower and immediately remit such funds to the Issuer. Upon the prepayment of the Bonds in whole, prior to the later of: (i) the end of the Qualified Project Period; or (ii) termination of the CDLAC Conditions, the Borrower shall, at its election, either: (A) pay to the Issuer, on or before such payment, an amount equal to the present value of the remaining Issuer fees payable under the Regulatory Agreement, as calculated by the Issuer, using a discount rate equal to the yield on the date of prepayment on the United States treasury security maturing on the date nearest the later of: (1) the end of the Qualified Project Period; or (2) the termination of the CDLAC Conditions, or such lesser amount as shall be necessary in the opinion of Bond Counsel to preserve the exemption of interest on the Bonds from gross income for federal income tax purposes; or (B) pay directly to the Issuer on an annual basis, in arrears on

each February 1, the annual fee described above. The Borrower shall not be required to pay the fee described in the preceding sentence if the Bonds are prepaid in whole under circumstances which permit termination of the Regulatory Agreement pursuant to the provisions described under the caption "Term" below.

(o) The Borrower shall pay to the Issuer a processing fee equal to: (A) prior to the payment of the Bonds in full, the greater of: (i) \$5,000; or (ii) 0.125% of the maximum principal amount of the Bonds issuable under the Indenture; and (B) following the payment of the Bonds in full, \$5,000, plus any expenses incurred by the Issuer, including, without limitation, Bond Counsel, City attorney, Issuer attorney and financial advisor fees, as a condition to the consideration and receipt of any consent, approval, amendment, transfer or waiver requested of the Issuer with respect to the Project, the Project Site or the Bonds. The Issuer shall provide an invoice directly to the Borrower for such amounts.

(p) The Borrower shall pay the Issuer its then current fees in connection with any consent, approval, transfer, amendment or waiver requested of the Issuer, together with any expenses incurred by the Issuer in connection therewith.

(q) The Trustee shall report to the Issuer and the Borrower in writing semiannually, within 10 days of each June 30 and December 31, the principal amount of the Bonds outstanding as of such June 30 or December 31, as appropriate.

(r) The Borrower shall promptly provide the Issuer such information with respect to the Project or the Bonds as the Issuer shall from time to time request.

(s) The Borrower shall include the Issuer as an additional insured on all liability insurance policies relating to the Borrower or the Project.

(t) The Borrower shall not rent any Low Income Unit to: (i) any individual who (A) holds an ownership interest in the Borrower, any general partner or member (or owner of such general partner or member) of the Borrower, (B) is an officer, board member, employee or agent of, or consultant to, the Borrower or any general partner or member thereof or owner of such general partner or member or (C) is a developer of the Project (collectively, an "Owner/Developer"); (ii) any Immediate Family Member of an Owner/Developer ("Immediate Family Members" consists of: (A) spouses; (B) children, (C) parents and grandparents, (D) siblings, (E) in-laws, including brother/sister in-law and mother/father in-law and son/daughter in law or (F) significant other or domestic partner); or (iii) any elected official or his or her spouse/partner, who participated in the deliberative process, vote or consideration of legislative action regarding the issuance of the Bonds or other loan in support of the Project, unless such person otherwise qualifies for tenancy under the Regulatory Agreement and such tenancy is approved in writing by the Issuer.

The Borrower shall include a certification in each tenant application that the applicant is not an Owner/Developer, an elected official who participated in the issuance of the Bonds or an Immediate Family Member thereof. The Borrower recognizes and agrees that the penalty for violation of the above covenant shall be a fine of \$5,000 per violation/ per Unit.

(u) Neither the Borrower nor any general partner thereof shall issue any publicity release or other communication to any print, broadcast or on-line media, post any sign or in any other way identify the Issuer as the source of the financing provided for the Project, without the prior written approval of the Issuer (provided that nothing in the Regulatory Agreement shall

prevent the Borrower or any general partner thereof from identifying the Issuer as the source of such financing to the extent that the Borrower or any general partner thereof is required to do so by disclosure requirements applicable to publicly held companies).

Any of the foregoing requirements of the Issuer (except (d) above, which may be expressly waived by CDLAC) may be expressly waived by the Issuer in writing in the Issuer's sole discretion, but (i) no waiver by the Issuer of any requirement under this caption shall, or shall be deemed to, extend to or affect any other provision of the Regulatory Agreement, except to the extent the Issuer has received an opinion of Bond Counsel that any such provision is not required by the Act or the Law and may be waived without adversely affecting the exclusion from gross income of interest on the Bonds for federal income tax purposes; and (ii) any requirement described under this caption shall be void and of no force and effect if the Issuer and the Borrower receive a written opinion of Bond Counsel to the effect that compliance with any such requirement would cause interest on the Bonds to become includable in gross income for federal income tax purposes, if such opinion is accompanied by a copy of a ruling from the Internal Revenue Service to the same effect, or to the effect that compliance with such requirement would be in conflict with the Act or the Law.

Modification of Covenants

The Borrower, the Trustee and the Issuer agree as follows:

(a) To the extent any amendments to the Law, the Act, the Regulations or the Code shall, in the written opinion of Bond Counsel filed with the Issuer, the Trustee and the Borrower, impose requirements upon the ownership or operation of the Project more restrictive than those imposed by the Regulatory Agreement in order to maintain the Tax exempt status of interest on the Bonds, the Regulatory Agreement shall be deemed to be automatically amended, without the consent or approval of any other person, to impose such additional or more restrictive requirements. The parties to the Regulatory Agreement agree to execute such amendment thereto as shall be necessary to document such automatic amendment thereof.

(b) To the extent that the Law, the Act, the Regulations or the Code, or any amendments thereto, shall, in the written opinion of Bond Counsel filed with the Issuer, the Trustee and the Borrower, impose requirements upon the ownership or operation of the Project less restrictive than imposed by the Regulatory Agreement, the Regulatory Agreement may be amended or modified to provide such less restrictive requirements but only by written amendment signed by the Issuer, the Trustee and the Borrower and approved by the written opinion of Bond Counsel to the effect that such amendment is permitted by the Law and the Act and will not affect the Tax exempt status of interest on the Bonds. The Issuer shall be under no obligation to agree to any such amendment, it being understood that each of the requirements of the Regulatory Agreement is a specific requirement of the Issuer, whether or not required by California or federal law.

(c) The Borrower, the Issuer and, if applicable, the Trustee shall execute, deliver and, if applicable, file or record any and all documents and instruments necessary to effectuate the intent of the provisions described under this caption, and the Issuer appoints the Trustee as its true and lawful attorney in fact to execute, deliver and, if applicable, file or record on behalf of the Issuer, as is applicable, any such document or instrument (in such form as may be approved in writing by Bond Counsel) if the Issuer defaults in the performance of its obligations under this paragraph (c); provided, however, that unless directed in writing by the Issuer, the Trustee shall take no action under this paragraph (c) without first notifying the Issuer and without first providing the Issuer an opportunity to comply with the requirements described under this caption.

Nothing in this paragraph (c) shall be construed to allow the Trustee to execute an amendment to the Regulatory Agreement on behalf of the Issuer.

Sale or Transfer of the Project; Equity Interests

The Borrower covenants and agrees not to voluntarily (which term shall not be interpreted to include a foreclosure of any security for the Loan, the granting by the Borrower of a deed in lieu of foreclosure, or any other comparable conversion of the Loan) sell, transfer or otherwise dispose of the Project, or any portion thereof (other than for individual tenant use as contemplated under this caption), equity interests in the Borrower aggregating more than 50% of the equity interest in the Borrower, or any general partner interests in the Borrower, without obtaining the prior written consent of the Issuer, which consent shall not be unreasonably withheld by the Issuer and shall be given by the Issuer if (a) the Borrower is not in default under the Regulatory Agreement or the Loan Agreement; (b) the purchaser or assignee is not in default under any obligations it may have to the Issuer and is not the subject of any legal or enforcement actions by the Issuer, and the purchaser or assignee certifies that the continued operation of the Project will comply with the provisions of the Regulatory Agreement; (c) evidence reasonably satisfactory to the Issuer is presented to establish that the purchaser or assignee is willing to comply and is capable of complying with the terms and conditions of the Regulatory Agreement; (d) either (i) evidence satisfactory to the Issuer is presented to establish that the purchaser or assignee has at least three years' experience in the ownership, operation and management of rental housing projects, without any record of material violations of discrimination restrictions or other state or federal laws or regulations applicable to such projects, (ii) the purchaser or assignee agrees to retain a property management firm which the Issuer determines has the experience and record described in subclause (i) above, or (iii) the Issuer determines that it has no reason to believe that the purchaser or assignee is incapable, financially or otherwise, of complying with, or may be unwilling to comply with, the terms of all agreements binding on such purchaser or assignee and relating to the Project; (e) the Issuer and the Trustee shall have received (i) with respect to any transfer of the Project, reasonable evidence satisfactory to the Issuer that the Borrower's purchaser or transferee has assumed in writing and in full, the Borrower's duties and obligations under the Regulatory Agreement and the Loan Agreement, (ii) with respect to any transfer of the Project to a new Borrower, an opinion of counsel to the transferee that the transferee has duly assumed the obligations of the Borrower under the Regulatory Agreement and that such obligations and the Regulatory Agreement are binding on the transferee, (iii) unless waived by the Issuer, an opinion of Bond Counsel that such transfer will not adversely affect the Tax exempt nature of the interest on the Bonds, (iv) from the Borrower, a Certificate of Continuing Program Compliance (and a "bring down" certificate, if necessary) current as of the date of transfer and (v) evidence satisfactory to the Issuer that the purchaser or assignee does not have pending against it, nor does it have a history of, building or fire code violations as identified by the Issuer, the State of California or federal regulatory agencies; (f) the purchaser or assignee complies with the provisions of the Los Angeles Administrative Code Section 10.8.4, Affirmative Action Program Provisions; (g) the Borrower or transferee pays all costs of the transfer of title, including, but not limited to, the cost of meeting the conditions specified under this caption; and (h) such other conditions are met as the Issuer may reasonably impose to assure compliance by the Project with the requirements of the Regulatory Agreement. It is expressly stipulated and agreed that, except for any such sale, transfer or disposition agreed to by the Issuer in a separate writing, any sale, transfer or other disposition of the Project in violation of the provisions described under this caption shall be null, void and without effect, shall cause a reversion of title to the Borrower, and shall be ineffective to relieve the Borrower of its obligations under the Regulatory Agreement. Upon any sale or other transfer which complies with the Regulatory Agreement, the Borrower shall be fully released from its obligations thereunder, but only to the extent such obligations have been assumed by the transferee of the Project, without the necessity of further documentation. Any transfer of the Project to any entity, whether or not affiliated with the Borrower, shall be subject to the provisions described under this caption.

The Borrower acknowledges and recognizes that in addition to the above requirements the consent of CDLAC, in the manner and to the extent as may at the time be required by CDLAC, among other parties, may be required in connection with any transfer of the Project.

Notwithstanding anything to the contrary contained in the Regulatory Agreement, the respective interests of Borrower's limited partners shall be transferable under the Regulatory Agreement to any affiliate of the limited partners of Borrower, without the consent of the Issuer and/or Trustee but with prior written notice thereto. In addition to the above requirements, the Borrower shall obtain the consent of CDLAC to any transfer of the Project in the manner and to the extent as may at the time be required by CDLAC.

Term

The Regulatory Agreement and all and each of the provisions thereof shall become effective upon its execution and delivery, and shall remain in full force and effect for the periods provided therein and, except as otherwise provided under this caption shall terminate in its entirety at the end of the Qualified Project Period (or in the case of paragraph (d) under the caption "Additional Requirements of CDLAC and the Issuer" above at the times set forth in CDLAC Resolution No. 16-158, which imposes restrictions for a term of at least 55 years), it being expressly agreed and understood that the provisions of the Regulatory Agreement are intended to survive the retirement of the Bonds, discharge of the Loan and termination of the Indenture and the Loan Agreement.

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

The terms of the Regulatory Agreement to the contrary notwithstanding, the Regulatory Agreement and all the requirements set forth therein (except the provisions relating to indemnification) shall terminate and be of no further force and effect in the event of (a) involuntary noncompliance with the provisions of the Regulatory Agreement caused by fire, seizure, requisition, change in a federal law or an action of a federal agency after the Closing Date which prevents the Issuer or the Trustee from enforcing the provisions thereof, or (b) condemnation, foreclosure, delivery of a deed in lieu of foreclosure or a similar event, but only if, within a reasonable period thereafter, either the portion of the Bonds attributable to the affected portion of the Project is retired or amounts received as a consequence of such event are used to provide a project which meets the requirements of the Code set forth in the Regulatory Agreement and provided that, in either case, an opinion of Bond Counsel (unless waived by the Issuer) is delivered to the Trustee to the effect that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected thereby. The provisions of the preceding sentence shall cease to apply and the requirements referred to therein shall be reinstated if, at any time during the Qualified Project Period after the termination of such requirements as a result of involuntary noncompliance due to foreclosure, transfer of title by deed in lieu of foreclosure or similar event, the Borrower or any related party (within the meaning of Section 1.150-1(b) of the Regulations) obtains an ownership interest in the Project for tax purposes. The Borrower agrees that, following any foreclosure, transfer of title by deed in lieu of foreclosure or similar event, neither the Borrower nor any related party as described above will obtain an ownership interest in the Project for tax purposes.

Upon the termination of the Regulatory Agreement, the parties thereto agree to execute, deliver and record appropriate instruments of release and discharge of the terms thereof; provided, however, that

the execution and delivery of such instruments shall not be necessary or a prerequisite to the termination of the Regulatory Agreement in accordance with its terms.

Default; Enforcement

If the Borrower defaults in the performance or observance of any covenant, agreement or obligation of the Borrower set forth in the Regulatory Agreement, and if such default remains uncured for a period of 60 days after notice thereof shall have been given by the Issuer to the Borrower, then the Issuer shall declare an “Event of Default” to have occurred thereunder; provided, however, that if the default stated in the notice is of such a nature that it cannot be corrected within 60 days, such default shall not constitute an Event of Default thereunder so long as (i) the Borrower institutes corrective action within said 60 days and diligently pursues such action until the default is corrected and (ii) in the opinion of Bond Counsel, the failure to cure said default within 60 days will not adversely affect the Tax exempt status of interest on the Bonds. The Trustee consents to any correction of the default by the Issuer on behalf of the Borrower. The Issuer consents to any correction of a default on the part of the Borrower under the Regulatory Agreement made by the Borrower’s limited partners on behalf of the Borrower within the time periods provided under this caption. Copies of any notices sent to the Borrower under the Regulatory Agreement shall simultaneously be sent to Borrower’s limited partners at the address set in the Regulatory Agreement.

Following the declaration of an Event of Default under the Regulatory Agreement, the Trustee, as directed by the Issuer and subject to the provisions of the Indenture relative to the Trustee’s duty to exercise remedies generally, or the Issuer may, at its option, take any one or more of the following steps:

- (a) by mandamus or other suit, action or proceeding at law or in equity, including injunctive relief, require the Borrower to perform its obligations and covenants under the Regulatory Agreement or enjoin any acts or things which may be unlawful or in violation of the rights of the Issuer or the Trustee thereunder;
- (b) have access to and inspect, examine and make copies of all or a portion of the books and records of the Borrower pertaining to the Project; and
- (c) take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Borrower under the Regulatory Agreement.

During the Qualified Project Period, the Borrower grants to the Issuer the option, upon either (a) the expiration of 60 days after the giving of the notice to the Borrower referred to in the first paragraph under this caption of the Borrower’s default under the Regulatory Agreement or (b) the vacancy of a Low Income Unit for more than six months and the submission by the Issuer to the Borrower during such six month or longer period of at least five proposed tenants which meet the qualifications of Low Income Tenants and the qualifications of a reasonable landlord, to lease up to 20% of the units in the Project for a rental of \$1.00 per unit per year for the sole purpose of subleasing such units to Low Income Tenants for a period of not less than six months, but only to the extent necessary to comply with the provisions of the Regulatory Agreement and to insure full occupancy of the Low Income Units. The option granted in the preceding sentence shall be effective only if the Borrower or the Trustee has not instituted corrective action before the end of such 60 day period referenced in (a) above, or the Borrower has not rented the unit during the six month or longer period referenced in (b) above, to a qualified Low Income Tenant. The option and any leases to the Issuer under this provision shall terminate with respect to each default upon the achievement, by the Borrower, the Trustee or the Issuer, of compliance with the requirements of the Regulatory Agreement, and any subleases entered into pursuant to the Issuer’s option shall be deemed

to be leases from the Borrower. The Issuer shall make diligent effort, but shall not be required, to rent Low Income Units to Low Income Tenants at the highest rents practicable, subject to the limits set forth under the captions “Tax-Exempt Status of the Bonds,” “Additional Requirements of the Act” and “Additional Requirements of CDLAC and the Issuer” above. Any rental paid under any such sublease shall be paid to the Borrower after the Issuer has been reimbursed for any reasonable expenses incurred in connection with such sublease, provided that, if the Borrower is in default under the Loan Agreement, such rental shall be paid to the Trustee for credit against payments due under the Loan Agreement. The Trustee shall have the right, as directed by the Issuer, in accordance with the provisions described under this caption and the provisions of the Indenture, to exercise any or all of the rights or remedies of the Issuer under the Regulatory Agreement, provided that prior to taking any such action the Trustee shall give the Issuer written notice of its intended action. All reasonable fees, costs and expenses of the Issuer and the Trustee incurred in taking any action pursuant to the provisions described under this caption shall be the sole responsibility of the Borrower.

After the Indenture has been discharged, the Issuer may act on its own behalf to declare an “Event of Default” to have occurred and to take any one or more of the steps specified above to the same extent and with the same effect as if taken by the Trustee.

The obligations of the Borrower under the Regulatory Agreement are not secured by a lien on the Project and the Loan shall not be accelerated as a result of any default under the Regulatory Agreement. The Borrower agrees that specific enforcement of the Borrower’s agreements contained in the Regulatory Agreement is the only means by which the Issuer may obtain the benefits of such agreements made by the Borrower therein and the Borrower therefore agrees to the imposition of the remedy of specific performance against it in the case of any default by the Borrower thereunder.

The occurrence of a Taxability Event shall not, in and of itself, constitute a default under the Regulatory Agreement.

Amendments

The Regulatory Agreement shall be amended only by a written instrument executed by the parties thereto or their successors in title, and duly recorded in the real property records of the County of Los Angeles, California, and only upon receipt by the Issuer of an opinion from Bond Counsel that such amendment will not adversely affect the Tax exempt status of interest on the Bonds and is not contrary to the provisions of the Law or the Act and with the written consent of the Trustee.

The Issuer, the Trustee and the Borrower agree to amend the Regulatory Agreement to the extent required, in the opinion of Bond Counsel (subject to the approval of the City Attorney of the Issuer), in order that interest on the Bonds remains Tax exempt. The party or parties requesting such amendment shall notify the other parties to the Regulatory Agreement of the proposed amendment, with a copy of such requested amendment to Bond Counsel and the City Attorney of the Issuer and a request that such Bond Counsel render to the Issuer an opinion as to the effect of such proposed amendment upon the Tax exempt status of interest on the Bonds.

Third-Party Beneficiaries

The CDLAC is intended to be and is a third party beneficiary of the Regulatory Agreement, and the CDLAC shall have the right (but not the obligation) to enforce, separately or jointly with the Issuer and/or the Trustee or to cause the Issuer or the Trustee to enforce, the provisions of paragraph (d) under the caption “Additional Requirements of CDLAC and the Issuer” above and to pursue an action for specific performance of such provisions or other available remedy at law or in equity in accordance with

the provisions described under the caption “Default; Enforcement” above, provided that any such action or remedy shall not materially adversely affect the interests and rights of the Bondholders and shall otherwise be subject to the terms, conditions and limitations applicable to the enforcement of remedies under the Regulatory Agreement.

HUD Rider

In the event of any conflict between any provision contained elsewhere in the Regulatory Agreement and any provision contained in the HUD Rider to the Regulatory Agreement (the “HUD Rider”), the provisions contained in the HUD Rider shall govern and be controlling in all respects as set forth more fully below.

The following terms shall have the following definitions:

“Code” means the Internal Revenue Code of 1986, as amended.

“HUD” means the United States Department of Housing and Urban Development.

“HUD Regulatory Agreement” means the Regulatory Agreement for Multifamily Projects between Borrower and HUD with respect to the Project, as the same may be supplemented, amended or modified from time to time.

“Lender” means PNC Bank, N.A., its successors and assigns.

“Mortgage Loan” means the mortgage loan made by Lender to the Borrower pursuant to the Mortgage Loan Documents with respect to the Project.

“Mortgage Loan Documents” means the Security Instrument, the HUD Regulatory Agreement and all other documents required by HUD or Lender in connection with the Mortgage Loan.

“National Housing Act” means the National Housing Act of 1934, as amended.

“Program Obligations” has the meaning set forth in the Security Instrument.

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

“Security Instrument” means the mortgage or deed of trust from Borrower in favor of Lender, as the same may be supplemented, amended or modified.

“Surplus Cash” has the meaning specified in the HUD Regulatory Agreement.

Notwithstanding anything in the Regulatory Agreement to the contrary, with the exception of the requirements of 26 U.S.C. 42(h)(6)(E)(ii), the provisions of the HUD Rider are expressly subordinate to (i) the Mortgage Loan Documents, including, without limitation, the Security Instrument and (ii) Program Obligations (the Mortgage Loan Documents and Program Obligations are collectively referred to as the “HUD Requirements”). Borrower covenants that it will not take or permit any action that would result in a violation of the Code, HUD Requirements or the Regulatory Agreement. In the event of any conflict between the provisions of the Regulatory Agreement and the provisions of the HUD Requirements, HUD shall be and remains entitled to enforce the HUD Requirements. Notwithstanding the foregoing, nothing in the HUD Rider limits the Issuer’s ability to enforce the terms of the Regulatory Agreement, provided

such terms do not conflict with statutory provisions of the National Housing Act or the regulations related thereto. The Borrower represents and warrants that to the best of Borrower's knowledge the Regulatory Agreement imposes no terms or requirements that conflict with the National Housing Act and related regulations.

In accordance with 26 U.S.C. 42(h)(6)(E)(i)(I), in the event of foreclosure (or deed in lieu of foreclosure), the Regulatory Agreement (including without limitation, any and all land use covenants and/or restrictions contained in the HUD Rider) shall automatically terminate with the exception of the requirements of 26 U.S.C. 42(h)(6)(E)(ii) above to the extent applicable, or as otherwise approved by HUD.

Borrower, Trustee and the Issuer acknowledge that Borrower's failure to comply with the covenants provided in the Regulatory Agreement does not and shall not serve as a basis for default under the HUD Requirements, unless a default also arises under the HUD Requirements.

Except for the Issuer's reporting requirement, in enforcing the Regulatory Agreement neither the Issuer nor the Trustee will file any claim against the Project or the Mortgage Loan proceeds, any reserve or deposit required by HUD in connection with the Security Instrument or HUD Regulatory Agreement, or the rents or other income from the property other than a claim against:

- a. Available surplus cash, if the Borrower is a for-profit entity;
- b. Available distributions and Residual Receipts authorized for release by HUD, if the Borrower is a limited distribution entity;
- c. Available Residual Receipts authorized by HUD, if the Borrower is a nonprofit entity; or
- d. A HUD-approved collateral assignment of any HAP contract.

For so long as the Mortgage Loan is outstanding, Borrower and Issuer shall not further amend the Regulatory Agreement, with the exception of clerical errors or administrative correction of non-substantive matters, without HUD's prior written consent.

Subject to the HUD Regulatory Agreement, the Issuer and Trustee may require the Borrower to indemnify and hold the Issuer and Trustee harmless from all loss, cost, damage and expense arising from any claim or proceeding instituted against Issuer or Trustee relating to the subordination and covenants set forth in the Regulatory Agreement, provided, however, that Borrower's obligation to indemnify and hold the Issuer and Trustee harmless shall be limited to available surplus cash and/or Residual Receipts of the Borrower.

No action shall be taken in accordance with the rights granted in the HUD Rider to preserve the tax exemption of the interest on the notes or bonds, or prohibiting the owner from taking any action that might jeopardize the tax-exemption, except in strict accord with Program Obligations.

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APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

\$3,240,000
City of Los Angeles
Multifamily Housing Revenue Bonds
(Dudley Oaks Apartments)
Series 2016Q-1

This Continuing Disclosure Agreement, dated as of February 1, 2017 (this “Continuing Disclosure Agreement”), is executed and delivered by Dudley Oaks Apartments LP, a California limited partnership (the “Borrower”) and U.S. Bank National Association, as dissemination agent (the “Dissemination Agent”) for the above-captioned bonds (the “Bonds”). The Bonds are being issued pursuant to a Trust Indenture, dated as of February 1, 2017 (the “Indenture”) between the City of Los Angeles (the “Issuer”) and U.S. Bank National Association, as trustee (the “Trustee”). Pursuant to the Indenture and the Loan Agreement dated as of February 1, 2017 (the “Loan Agreement”), the Dissemination Agent and the Borrower covenant and agree as follows:

Section 1. Purpose of the Continuing Disclosure Agreement. This Continuing Disclosure Agreement is being executed and delivered by the Borrower and the Dissemination Agent for the benefit of the Holders and in order to assist the Underwriter in complying with the Rule (defined below). The Borrower and the Dissemination Agent acknowledge that the Issuer has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Continuing Disclosure Agreement, and has no liability to any Person, including any holder of the Bonds or Beneficial Owner, with respect to any such reports, notices or disclosures.

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Continuing Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” shall mean any Annual Report provided by the Borrower pursuant to, and as described in, Sections 3 and 4 of this Continuing Disclosure Agreement.

“*Audited Financial Statements*” means, in the case of the Borrower, the annual audited financial statements of the Borrower prepared in accordance with generally accepted accounting principles, if any.

“*Beneficial Owner*” shall mean any Person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including Persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“*Disclosure Representative*” shall mean, with respect to the Borrower, the administrator of the Project or his or her designee, or such other Person as the Borrower shall designate in writing to the Dissemination Agent from time to time.

“*Dissemination Agent*” shall mean U.S. Bank National Association, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Borrower and which has filed with the Trustee a written acceptance of such designation.

“*Material Events*” shall mean any of the events listed in Section 5(a) of this Continuing Disclosure Agreement.

“*MSRB*” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934. All documents provided to the MSRB shall be in an electronic format and accompanied by identifying information, as prescribed by the MSRB. Initially, all document submissions to the MSRB pursuant to this Continuing Disclosure Agreement shall use the MSRB’s Electronic Municipal Market Access (EMMA) system at www.emma.msrb.org.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“*Underwriter*” means Citigroup Global Markets Inc.

Section 3. Provision of Annual Reports. (a) The Borrower will, or will cause the Dissemination Agent to, not later than 180 days following the end of the Borrower’s fiscal year, commencing with the fiscal year ending in 2017, provide to the MSRB an Annual Report which is consistent with the requirements described below. No later than 15 Business Days prior to said date, the Borrower will provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). In each case, the Annual Report of the Borrower may be submitted as a single document or as separate documents comprising a package and may cross reference other information, provided that the audited financial statements for the prior calendar year of the Borrower may be submitted separately from the balance of its Annual Report.

(b) If by 15 Business Days prior to the date specified in subsection (a) for providing an Annual Report to the MSRB, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent will contact the Disclosure Representative to determine if the Borrower is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent will send a notice to the MSRB in substantially the form attached as Exhibit B to this Continuing Disclosure Agreement.

(d) The Dissemination Agent will file a report with the Borrower and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Continuing Disclosure Agreement, stating the date it was provided.

Section 4. Content of Annual Reports. The Borrower’s Annual Report will contain or incorporate by reference the financial information or operating data with respect to the Project, provided at least annually, of the type included in Exhibit A hereto, which Annual Report may, but is not required to, include Audited Financial Statements. If the Borrower’s audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report will contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements will be filed in the same manner as the Annual Report when they become available.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Borrower is an “Obligated Person” (as defined by the Rule), which have been filed with the MSRB. The Borrower will clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Material Events. (a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events (each, a “Material Event”):

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulty;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulty;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) Modifications to rights of Holders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution or sale of property securing repayment of the Bonds, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the Borrower. For purposes of this clause (xii), any such event shall be considered to have occurred when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Borrower in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Borrower, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Borrower;
- (xiii) The consummation of a merger, consolidation, or acquisition involving the Borrower or the sale of all or substantially all of the assets of the Borrower, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) Appointment of a successor or additional trustee or paying agent or the change of the name of a trustee or paying agent, if material.

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

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

(c) If the Dissemination Agent has been instructed by the Borrower to report the occurrence of a Material Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB within three (3) Business Days of the receipt of such instruction, but in no event later than ten (10) Business Days after the occurrence of a Material Event, with a copy of such notice provided by the Dissemination Agent to the Borrower, the Issuer and the Trustee. In addition, notice of Material Events described in subsections (a)(viii) and (ix) of this Section 5 shall be given by the Dissemination Agent under this subsection simultaneously with the giving of the notice of the underlying event to the Holders of the affected Bonds pursuant to the Indenture.

Section 6. Amendment; Waiver. Notwithstanding any other provision of this Continuing Disclosure Agreement, the Borrower and the Dissemination Agent may amend this Continuing Disclosure Agreement and any provision of this Continuing Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions described under paragraph (a) under "Provision of Annual Reports," "Contents of Annual Reports" or paragraph (a) under "Reporting of Material Events," it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of an Obligated Person with respect to the Bonds or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Continuing Disclosure Agreement, the Borrower will describe such amendment or waiver in the next Annual Report and will include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Borrower. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change will be given in the same manner as for a Material Event under Section 5(f) hereof and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 7. Default. In the event of a failure of the Borrower or the Dissemination Agent to comply with any provision of this Continuing Disclosure Agreement, the Borrower or any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including

seeking, or specific performance by court order, to cause the Borrower or the Dissemination Agent, as the case may be, to comply with its obligations under this Continuing Disclosure Agreement. A default under this Continuing Disclosure Agreement will not be deemed an Event of Default under the Indenture or the Loan Agreement, and the sole remedy under this Continuing Disclosure Agreement in the event of any failure of the Borrower or the Dissemination Agent to comply with this Continuing Disclosure Agreement will be an action to compel performance. The Dissemination Agent shall provide the Investor Limited Partner notice of any failure of the Borrower under this Continuing Disclosure Agreement and the Investor Limited Partner shall have the same cure rights provided to the Borrower to cure any such occurrence. The Dissemination Agent shall accept or respect any cure of a default made or tendered by the Investor Limited Partner on the same basis as if made or tendered by the Borrower on its own behalf.

Section 8. Beneficiaries. This Continuing Disclosure Agreement will inure solely to the benefit of the Borrower, the Dissemination Agent, the Underwriter and Holders from time to time of the Bonds and will create no rights in any other Person or entity.

Section 9. Additional Information. Nothing in this Continuing Disclosure Agreement shall be deemed to prevent the Borrower from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Continuing Disclosure Agreement. If the Borrower chooses to include any information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is specifically required by this Continuing Disclosure Agreement, the Borrower shall have no obligation under this Continuing Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 10. Duties, Immunities and Liabilities of Dissemination Agent. Article VI of the Indenture is hereby made applicable to this Continuing Disclosure Agreement as if this Continuing Disclosure Agreement were (solely for this purpose) contained in the Indenture and the Dissemination Agent shall be entitled to the same protections, limitations from liability and indemnities afforded the Trustee thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Continuing Disclosure Agreement, and the Borrower agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their rights, obligations, powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Borrower under this Section shall survive the termination of this Continuing Disclosure Agreement, the resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Borrower, the Holders, or any other party. The Dissemination Agent shall have no liability to the Holders or any other party for any monetary damages or financial liability of any kind whatsoever related to or arising from the breach of this Continuing Disclosure Agreement.

The Dissemination Agent agrees to disseminate the information provided to it hereunder in the form delivered by the Borrower. The Dissemination Agent is acting hereunder solely in an agency capacity and as such is merely a conduit for the Borrower, and shall have no liability or responsibility for the form, content, accuracy or completeness of any information furnished hereunder. Any such information may contain a legend to that effect. The Dissemination Agent has no power to enforce performance on the part of the Borrower under the Continuing Disclosure Agreement.

The Dissemination Agent shall have no obligation to make disclosure concerning the Bonds, the Project or any other matter except as expressly set out herein. The fact that the Dissemination Agent has or may have any banking, fiduciary or other relationship with the Borrower or any other party in connection with the Project or otherwise, apart from the relationship created by the Indenture and this Continuing Disclosure Agreement, shall not be construed to mean that the Dissemination Agent has knowledge or notice of any event or condition relating to the Bonds or the Project except in its respective capacities under such agreements.

No provision of this Continuing Disclosure Agreement shall require or be construed to require the Borrower or the Dissemination Agent to interpret or provide an opinion concerning any information disclosed hereunder.

The Annual Report may contain such disclaimer language as the Borrower may deem appropriate. Any information disclosed hereunder by the Dissemination Agent may contain such disclaimer language as the Dissemination Agent may deem appropriate.

The Borrower hereby agrees to compensate the Dissemination Agent for the services provided and the expenses incurred pursuant to this Continuing Disclosure Agreement, in an amount to be agreed upon from time to time hereunder, and to reimburse the Dissemination Agent upon its request for all reasonable expenses, disbursements and advances incurred by the Dissemination Agent hereunder (including any reasonable compensation and expenses of counsel) except any such expense, disbursement or advance that may be attributable to its negligence or willful misconduct.

The Dissemination Agent may consult with counsel of its choice and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon, it being understood that for purposes of this provision, that such counsel may be counsel to the Borrower.

No provision of this Continuing Disclosure Agreement shall require the Dissemination Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights of powers.

Section 11. Notices. Any notices or communications to or among any of the parties to this Continuing Disclosure Agreement may be given at the addresses set forth in the Indenture. Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices of communications should be sent, effective only upon receipt.

Section 12. Governing Law. This Continuing Disclosure Agreement shall be governed by the laws of the State of California.

Section 13. Termination of this Continuing Disclosure Agreement. This Continuing Disclosure Agreement may be terminated by any party to this Continuing Disclosure Agreement upon thirty days' written notice of termination delivered to the other party or parties to this Continuing Disclosure Agreement; provided the termination of this Continuing Disclosure Agreement is not effective until (i) the Borrower, or its successor, enters into a new continuing disclosure agreement with a dissemination agent who agrees to continue to provide, to the MSRB and the Beneficial Owners of the Bonds, all information required to be communicated pursuant to the rules promulgated by the Securities and Exchange Commission or the MSRB, (ii) a nationally recognized bond counsel or counsel expert in federal securities laws provides an opinion that the new continuing disclosure agreement is in compliance with all applicable state and federal securities laws, and (iii) notice of the termination of this Continuing Disclosure Agreement is provided to the MSRB.

The Dissemination Agent shall be fully discharged at the time any such termination is effective. Also, this Continuing Disclosure Agreement shall terminate automatically upon payment or provisions for payment of the Bonds. This Continuing Disclosure Agreement shall terminate when all of the Bonds are or are deemed to be no longer outstanding by reason of redemption or legal defeasance or at final maturity.

Section 14. Counterparts. This Continuing Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 15. HUD Provision. The Borrower and the Dissemination Agent acknowledge that this Continuing Disclosure Agreement, and all of the Borrower's obligations hereunder, are subject and subordinate to the following documents (collectively, the "FHA Loan Documents"): (i) \$5,065,200 FHA-Insured Note (Multistate) dated as of February 1, 2017 from the Borrower to the FHA Lender, initially endorsed for mortgage insurance by the Secretary of Housing and Urban Development ("HUD") pursuant to Section 221(d)(4) of the National Housing Act, as amended (the "FHA Note"); (ii) first-lien priority Multifamily Deed of Trust, Assignment of Leases and Rents and Security Agreement dated as of February 1, 2017 from the Borrower for the benefit of the FHA Lender to secure the FHA Note (the "FHA Mortgage"); (iii) the Regulatory Agreement for Multifamily Projects dated as of February 1, 2017 between the Borrower and HUD (the "HUD Regulatory Agreement"); and (iv) any and all other documents, agreements, or instruments which evidence or secure the indebtedness evidenced by the FHA Note. Notwithstanding any provision in this Continuing Disclosure Agreement to the contrary, the obligations of the parties under this Continuing Disclosure Agreement are and shall be subordinated in all respects to the obligations of the parties to and under the FHA Loan Documents. In the event of any conflict between the provisions of this Continuing Disclosure Agreement and the provisions of the FHA Loan Documents, the provisions of the FHA Loan Documents shall control. No amendment to this Continuing Disclosure Agreement shall conflict with the FHA Loan Documents.

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[Borrower's Signature Page to Continuing Disclosure Agreement]

DUDLEY OAKS APARTMENTS LP,
a California limited partnership

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

By: _____
Name: Ronald H. Olson
Title: President

By: Dudley Oaks Apartments LLC,
a California limited liability company,
its Administrative General Partner

By: _____
Name: Andrew Gross
Title: President

[Counterpart Signature Page to Continuing Disclosure Agreement]

U.S. Bank National Association,
as Dissemination Agent

By: _____
Name: _____
Title: _____

EXHIBIT A

ANNUAL REPORT

\$3,240,000

City of Los Angeles

Multifamily Housing Revenue Bonds

(Dudley Oaks Apartments)

Series 2016Q-1

Report for Period Ending _____

THE PROJECT

Name: _____
Address: _____
Occupancy _____
Number of Units _____
Number of Units Occupied as of Report Date _____

OPERATING HISTORY OF THE PROJECT

The following table sets forth a summary of the operating results of the Project for fiscal year ended _____, as derived from the Borrower's [un]audited financial statements.

Revenues
Operating Expenses¹
Net Operating Income
Debt Service on the Loan
Net Operating Income/(Loss)
After Debt Service

The average occupancy of the Project for the fiscal year ended [_____] was [_____] %.

¹Excludes depreciation and other non-cash expenses, includes management fee.

EXHIBIT B

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD OF
FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: City of Los Angeles
Name of Bond Issue: \$3,240,000 City of Los Angeles Multifamily Housing Revenue Bonds (Dudley Oaks Apartments) Series 2016Q-1
Name of Borrower: Dudley Oaks Apartments LP, a California limited partnership
Date of Issuance: February 23, 2017

NOTICE IS HEREBY GIVEN that the above-referenced borrower (the “Borrower”) has not provided an Annual Report in connection with the above-named bonds (the “Bonds”) as required by the Continuing Disclosure Agreement, dated as of February 1, 2017 (the “Continuing Disclosure Agreement”), between the above-named Borrower and U.S. Bank National Association, as dissemination agent (the “Dissemination Agent”). The undersigned has been informed by the Borrower that it anticipates that the Annual Report will be filed by _____.

Dated:

U.S. Bank National Association,
as Dissemination Agent

By: _____
Title: _____

cc: Dudley Oaks Apartments LP

HOLLY L. WOLCOTT
CITY CLERK

SHANNON D. HOPPE
EXECUTIVE OFFICER

City of Los Angeles
CALIFORNIA



ERIC GARCETTI
MAYOR

OFFICE OF THE
CITY CLERK

Council and Public Services Division

200 N. SPRING STREET, ROOM 395
LOS ANGELES, CA 90012
GENERAL INFORMATION - (213) 978-1133
FAX: (213) 978-1040

BRIAN E. WALTERS
DIVISION CHIEF

CLERK.LACITY.ORG

When making inquiries relative to
this matter, please refer to the
Council File No.: 16-0930-S1

OFFICIAL ACTION OF THE LOS ANGELES CITY COUNCIL

January 27, 2017

Council File No.: 16-0930-S1
Council Meeting Date: January 27, 2017
Agenda Item No.: 9
Agenda Description: COMMUNICATION FROM THE GENERAL MANAGER, LOS ANGELES HOUSING AND COMMUNITY INVESTMENT DEPARTMENT and RESOLUTION relative to issuing multifamily conduit revenue bonds to help finance the acquisition and rehabilitation of the Dudley Oaks Apartments.

Council Action: COMMUNICATION FROM THE GENERAL MANAGER, LOS ANGELES HOUSING AND COMMUNITY INVESTMENT DEPARTMENT AND RESOLUTION ADOPTED AS AMENDED BY MOTION (CEDILLO - PRICE) - FORTHWITH

Council Vote:

YES	BLUMENFIELD	ABSENT	HARRIS-DAWSON	YES	O'FARRELL
YES	BONIN	YES	HUIZAR	YES	PRICE
YES	BUSCAINO	ABSENT	KORETZ	YES	RYU
YES	CEDILLO	YES	KREKORIAN	YES	WESSON
ABSENT	ENGLANDER	YES	MARTINEZ		

HOLLY L. WOLCOTT
CITY CLERK

Pursuant to Charter/Los Angeles Administrative Code Section(s): 341

FILE SENT TO MAYOR:	<input type="text" value="01/27/2017"/>
LAST DAY FOR MAYOR TO ACT:	<input type="text" value="02/06/2017"/>

x

APPROVED *DISAPPROVED *VETO

MAYOR

1/29/2017
DATE SIGNED

RESOLUTION
CITY OF LOS ANGELES

A RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF BONDS BY THE CITY OF LOS ANGELES DESIGNATED AS ITS MULTIFAMILY HOUSING REVENUE BONDS (DUDLEY OAKS APARTMENTS) SERIES 2016Q-1, SERIES 2016Q-2 and TAXABLE SERIES 2016Q-3 IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$6,894,640 CONSISTING OF UP TO \$5,894,640 OF TAX EXEMPT BONDS AND UP TO \$1,000,000 OF TAXABLE BONDS TO PROVIDE FINANCING FOR THE ACQUISITION, REHABILITATION AND EQUIPPING OF THE MULTIFAMILY HOUSING PROJECT SPECIFIED IN PARAGRAPH 18 HEREOF AND APPROVING AND AUTHORIZING THE EXECUTION AND DELIVERY OF TWO TRUST INDENTURES, A REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS, TWO LOAN AGREEMENTS, A BOND PURCHASE AGREEMENT, AN OFFICIAL STATEMENT AND RELATED DOCUMENTS AND AGREEMENTS AND THE TAKING OF RELATED ACTIONS, INCLUDING THE EXECUTION OF AMENDATORY DOCUMENTS THERETO.

WHEREAS, the City of Los Angeles (the "City") is authorized, pursuant to Section 248, as amended, of the City Charter (the "Charter") of the City and Article 6.3 of Chapter 1 of Division 11 of the Los Angeles Administrative Code, as amended (the "Law"), to issue its revenue bonds for the purposes of providing permanent financing for the acquisition, rehabilitation and development of multifamily rental housing for persons and families of low or moderate income (the "Program") which will satisfy the provisions of Chapter 7 of Part 5 of Division 31 of the Health and Safety Code of the State of California (the "Act"); and

WHEREAS, the City desires to issue pursuant to the Law and in accordance with the Act, its revenue bonds to provide permanent financing for the acquisition, rehabilitation and equipping of that certain multifamily rental housing project described in paragraph 18 below (the "Project"); and

WHEREAS, the Project is located wholly within the City; and

WHEREAS, it is in the public interest and for the public benefit that the City authorize financing for the Project, and it is within the powers of the City to provide for such a financing and the issuance of such bonds; and

WHEREAS, the City proposes to issue, pursuant to the Law and in accordance with the Act, its Multifamily Housing Revenue Bonds (Dudley Oaks Apartments) Series 2016Q-1 (the "Series 2016Q-1 Bonds") Multifamily Housing Revenue Bond (Dudley Oaks Apartments) Series 2016Q-2 (the "Series 2016Q-2 Bond") and Multifamily Housing Revenue Bond (Dudley Oaks Apartments) Taxable Series 2016Q-3 (the "Taxable Series 2016Q-3 Bond" and together with the Series 2016Q-1 Bonds and the Series 2016Q-2 Bond, the "Bonds") in a combined aggregate

principal amount not to exceed \$5,894,640 of Series 2016Q-1 Bonds and Series 2016Q-2 Bond and an aggregate principal amount not to exceed \$1,000,000 of Taxable Series 2016Q-3 Bond; and

WHEREAS, the City proposes to use the proceeds of the Bonds to cause the financing of the Project and, if applicable, to pay certain costs of issuance in connection with the issuance of the Bonds; and

WHEREAS, Citigroup Global Markets Inc. (the "Underwriter"), has expressed the intention of the Underwriter to purchase the Series 2016Q-1 Bonds authorized hereby pursuant to the terms of a Bond Purchase Agreement (the "Bond Purchase Agreement") among the City, the below-defined Owner and the Underwriter; and

WHEREAS, this Council (the "City Council") finds that the public interest and necessity require that the City at this time make arrangements for the sale of such Series 2016Q-1 Bonds; and

WHEREAS, Wells Fargo Bank, National Association (the "Purchaser") has expressed its intention to purchase the Series 2016Q-2 Bond and Taxable Series 2016Q-3 Bond authorized hereby; and

WHEREAS, the City Council finds that the public interest and necessity require that the City at this time make arrangements for the sale of such Series 2016Q-2 Bond and Taxable Series 2016Q-3 Bond; and

WHEREAS, the interest on the Series 2016Q-1 Bonds and Series 2016Q-2 Bond may qualify for a federal tax exemption under Section 142(a)(7) of the Internal Revenue Code of 1986, as amended (the "Code"), only if such Bonds are approved in accordance with Section 147(f) of the Code; and

WHEREAS, pursuant to the Code, the Series 2016Q-1 Bonds and Series 2016Q-2 Bond are required to be approved, following a public hearing, by an elected representative of the issuer of such Bonds and an elected representative of the governmental unit having jurisdiction over the area in which the Project is located; and

WHEREAS, this City Council is the elected legislative body of the City and is the applicable elected representative required to approve the issuance of the Series 2016Q-1 Bonds and Series 2016Q-2 Bond within the meaning of Section 147(f) of the Code; and

WHEREAS, pursuant to Section 147(f) of the Code, the City caused a notice to appear in the *Los Angeles Times*, which is a newspaper of general circulation in the City, on July 21, 2016 to the effect that a public hearing would be held on August 4, 2016 regarding the issuance of such Bonds; and

WHEREAS, the Los Angeles Housing and Community Investment Department held said public hearing on such date, at which time an opportunity was provided to present arguments both for and against the issuance of such Bonds; and

WHEREAS, the minutes of such public hearing, together with any written comments received in connection therewith, have been presented to the City Council;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Los Angeles, as follows:

1. The recitals hereinabove set forth are true and correct, and this City Council so finds. This Resolution is being adopted pursuant to the Law.

2. Pursuant to the Law and in accordance with the Act and the Indenture (as hereinafter defined), revenue bonds of the City, to be designated as "City of Los Angeles Multifamily Housing Revenue Bonds (Dudley Oaks Apartments) Series 2016Q-1, Multifamily Housing Revenue Bond (Dudley Oaks Apartments) Series 2016Q-2 and Multifamily Housing Revenue Bond (Dudley Oaks Apartments) Taxable Series 2016Q-3" in an aggregate principal amount of Series 2016Q-1 Bonds and Series 2016Q-2 Bond together not to exceed \$5,894,640 and an aggregate principal amount of Taxable Series 2016Q-3 Bond not to exceed \$1,000,000, are hereby authorized to be issued. The principal amount of the Bonds to be issued shall be determined by a Designated Officer (as defined below) in accordance with this Resolution.

3. The proposed form of a Trust Indenture (the "Series 2016Q-1 Indenture") by and between the City and such party as shall be designated by the City in the final form of Series 2016Q-1 Indenture, as trustee (the "Trustee") providing for the issuance of the Series 2016Q-1 Bonds, substantially in the form attached hereto, is hereby approved along with any additions or supplements which may, in the determination of a Designated Officer, be necessary to document the issuance of the Series 2016Q-1 Bonds authorized hereunder. The proposed form of a Trust Indenture (the "Series 2016Q-2 and Taxable Series 2016Q-3 Indenture" and together with the Series 2016Q-1 Indenture, the "Indenture") by and between the City and the Trustee, providing for the issuance of the Series 2016Q-2 Bond and Taxable Series 2016Q-3 Bond, substantially in the form attached hereto, is hereby approved along with any additions or supplements which may, in the determination of a Designated Officer, be necessary to document the issuance of the Series 2016Q-2 Bond and Taxable Series 2016Q-3 Bond authorized hereunder. The Mayor of the City, the General Manager, any Acting General Manager, the Interim General Manager or any Assistant General Manager, Acting Assistant General Manager, Interim Assistant General Manager, Executive Officer or Director—Finance and Development Division of the Los Angeles Housing and Community Investment Department (each hereinafter referred to as a "Designated Officer") are hereby authorized and directed to execute and deliver, for and in the name and on behalf of the City, said Indenture with such additions, changes or corrections as the Designated Officer executing the same may approve upon consultation with the City Attorney and Bond Counsel to the City and approval of the City Attorney, provided that such additions or changes shall not authorize an aggregate principal amount of the Bonds in excess of the amounts stated above, such approval by the City Attorney to be conclusively evidenced by the execution and delivery of the Indenture with such additions, changes or corrections.

Any Designated Officer shall be authorized to approve the appointment of the Trustee.

4. The proposed form of the Bonds, as set forth in the Indenture, is hereby approved, and the Mayor and City Treasurer, the Interim City Treasurer or Deputy City Treasurer of the City are hereby authorized and directed to execute, by manual or facsimile signatures of such officers under the seal of the City, and the Trustee or an authenticating agent is hereby authorized and directed to authenticate, by manual signatures of one or more authorized officers of the Trustee or an authenticating agent, the Bonds in substantially such form, and the Trustee is hereby authorized and directed to sell and deliver such Bonds to the Underwriter or Purchaser, as applicable, in accordance with the Indenture and the Loan Agreement (hereinafter defined). The date, maturity date, interest rates (which may be either fixed or variable), interest payment dates, denomination, form of registration privileges, manner of execution, place of payment, terms of redemption, use of proceeds, and other terms of the Bonds shall be as provided in the Indenture as finally executed; provided, however, that the combined principal amount of the Series 2016Q-1 Bonds and Series 2016Q-2 Bond shall not exceed \$5,894,640 and the principal amount of the Taxable Series 2016Q-3 Bond shall not exceed \$1,000,000, the interest rate on the Bonds shall not exceed 12% per annum and the final maturity of the Bonds shall be no later than October 1, 2056. The initial purchase price of the Bonds shall be 100% of the par amount thereof as the purchase or advances are made with respect to the Bonds by the Underwriter or Purchaser, as applicable. The Bonds may, if so provided in the Indenture, be issued as "draw-down" bonds to be funded over time as provided in the Indenture. Such Bonds may be delivered in temporary form pursuant to the Indenture if, in the judgment of the City Attorney, delivery in such form is necessary or appropriate until the Bonds in definitive form can be prepared.

5. The proposed form of Regulatory Agreement and Declaration of Restrictive Covenants (the "Regulatory Agreement") to be entered into by and among the City, the Trustee and the owner of the Project (as set forth in paragraph 18 below, the "Owner"), substantially in the form attached hereto, is hereby approved. Any Designated Officer is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Regulatory Agreement, with such additions, changes and corrections as the Designated Officer may approve upon consultation with the City Attorney and Bond Counsel and approval of the City Attorney, such approval to be conclusively evidenced by the execution of said Regulatory Agreement with such additions, changes or corrections. Any Designated Officer is hereby authorized and directed for and in the name and on behalf of the City to execute amendments to the Regulatory Agreement in order that interest on the Series 2016Q-1 Bonds and Series 2016Q-2 Bond remains tax-exempt.

6. The proposed form of those two Loan Agreements (together, the "Loan Agreement"), each by and between the City and the Owner, in substantially the forms attached hereto, are hereby approved. Any Designated Officer is hereby authorized and directed, for and in the name and on behalf of the City, to execute the Loan Agreement, with such additions, changes or corrections as the Designated Officer executing the same

may approve upon consultation with the City Attorney and Bond Counsel and approval by the City Attorney, such approval to be conclusively evidenced by the execution of the Loan Agreement with such additions, changes or corrections.

7. The proposed form of Bond Purchase Agreement among the City, the Underwriter and the Owner, in substantially the form attached hereto, is hereby approved. Any Designated Officer is hereby authorized and directed, for and in the name and on behalf of the City, to execute the Bond Purchase Agreement, with such additions, changes or corrections as the Designated Officer executing the same may approve upon consultation with the City Attorney and Bond Counsel and approval by the City Attorney, such approval to be conclusively evidenced by the execution of the Bond Purchase Agreement with such additions, changes or corrections.

8. The proposed form of Official Statement, attached hereto (the "Official Statement") is hereby approved. The City Council hereby approves and authorizes the use and distribution by the Underwriter of a Preliminary Official Statement and/or an Official Statement in substantially such form to prospective purchasers of the Series 2016Q-1 Bonds. Any Designated Officer is hereby authorized to execute and deliver, at the time of the sale of the Series 2016Q-1 Bonds, the Official Statement in substantially the form presented thereto, with such additions and changes as the Designated Officer executing the same shall approve upon consultation with the City Attorney, such approval to be conclusively evidenced by the execution of said Official Statement with such additions, changes or corrections.

9. All actions heretofore taken by the officers and agents of the City with respect to the sale and issuance of the Bonds are hereby approved, confirmed and ratified, and each Designated Officer of the City, the City Clerk and other properly authorized officers of the City are hereby authorized and directed, for and in the name and on behalf of the City, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents, including, but not limited to, those described in the Indenture, the Loan Agreement, the Regulatory Agreement and the other documents herein approved, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bonds and the implementation of the Program in accordance with the Act and the Law and this Resolution and resolutions heretofore adopted by the City.

10. The City Clerk of the City or any deputy thereof is hereby authorized to countersign or to attest the signature of any Designated Officer and to affix and attest the seal of the City as may be appropriate in connection with the execution and delivery of any of the documents authorized by this resolution, provided that the due execution and delivery of said documents or any of them shall not depend on such signature of the City Clerk or any deputy thereof or affixing of such seal. Any of such documents may be executed in multiple counterparts.

11. In addition to the Designated Officers, any official of the City, including any official of the Los Angeles Housing and Community Investment Department, as shall be authorized in writing by the Mayor of the City, is hereby authorized for and on behalf

of the City to execute and deliver any of the agreements, certificates and other documents, except the Bonds, authorized by this Resolution.

12. In accordance with procedures established by the City Charter, the City Council, by adoption and approval of this Resolution and with the concurrence of the Mayor, does hereby direct that the proceeds of the Bonds be delivered directly to the Trustee, instead of the City Treasurer, to be deposited into the funds and accounts established under the Indenture.

13. Pursuant to Section 147(f) of the Code, the City Council hereby approves the issuance of the Series 2016Q-1 Bonds and Series 2016Q-2 Bond to finance the Project. It is intended that this Resolution constitute approval of the Series 2016Q-1 Bonds and Series 2016Q-2 Bond by the applicable elected representative of the issuer of the Series 2016Q-1 Bonds and Series 2016Q-2 Bond and the applicable elected representative of the governmental unit having jurisdiction over the area in which the Project is located, in accordance with said Section 147(f).

14. Pursuant to the City Charter all agreements to which the City is a party shall be subject to approval by the City Attorney as to form.

15. Each Designated Officer and other properly authorized officials of the City as specifically authorized under this resolution are hereby authorized, directed and empowered on behalf of the City and this Council to execute any other additional applications, certificates, agreements, documents or other instruments or any amendments or supplements thereto, subject to approval by the City Attorney as to form, or to do and to cause to be done any and all other acts and things as they may deem necessary or appropriate to carry out the purpose of the foregoing authorizations and to address any issues arising with respect to the Bonds or the agreements relating thereto subsequent to their issuance.

16. The Bonds shall contain a recital that they are issued pursuant to the Law and in accordance with the Act.

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

18. The "Project" and "Owner", as used herein, shall have the following meanings:

Project Name	Address	Number of Units	Owner
Dudley Oaks Apartments	2119-2127 South Oak Street, Los Angeles, CA 90007	20 (including 1 manager unit)	Dudley Oaks Apartments LP

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

By _____
Name _____
Title _____

I CERTIFY THAT THE FOREGOING
RESOLUTION WAS ADOPTED BY THE
COUNCIL OF THE CITY OF LOS ANGELES
AT ITS MEETING OF JAN 27 2017
BY A MAJORITY OF ALL ITS MEMBERS.



HOLLY L. WOLCOTT
CITY CLERK

BY [Signature]
DEPUTY