

ALASKA HOUSING FINANCE CORPORATION
BOARD OF DIRECTORS
REGULAR BOD MEETING IN ANCHORAGE

November 23, 2015

10:00 a.m.

Anchorage/Fairbanks/Juneau

- I. ROLL CALL
- II. APPROVAL OF AGENDA
- III. MINUTES: 28, 2015
Next Resolution: #15-31
- IV. PUBLIC COMMENTS
- V. OLD BUSINESS:
- VI. NEW BUSINESS:
 - A. Election of Officers - Board Chair and Vice Chair.
 - B. Consideration of a loan request from Anchorage Neighborhood Housing Services Inc. dba NeighborWorks Alaska in the amount of \$1,500,000 under the Loans to Sponsors Program.
 - C. Consideration of a term loan request in the amount of \$1,920,000 for the long term financing for the acquisition of a 28 unit multifamily project known as "Tolford Apartments" and located in Fairbanks, Alaska.
 - D. Consideration of a resolution authorizing the issuance of not to exceed \$4,000,000 privately placed tax-exempt conduit bonds to finance the Susitna View Apartments low income housing project in Anchorage, Alaska.
 - E. A report from the Resident Advisory Board to the AHFC Board of Directors.
- VII. REPORT OF THE CHAIR
- VIII. BOARD COMMITTEE REPORTS: NONE
- IX. REPORT OF THE EXECUTIVE DIRECTOR
- X. ANY OTHER MATTERS TO PROPERLY COME BEFORE THE BOARD
- X. Monthly Reports – Finance, Mortgage, R2D2, PHD, Meeting Schedules

The Chair may announce changes in the Order of Business during the meeting.

ALASKA HOUSING FINANCE CORPORATION
BOARD OF DIRECTORS

REGULAR MEETING

October 28, 2015

10:00 a.m.

Anchorage/Juneau/Fairbanks

The Board of Directors of Alaska Housing Finance Corporation met October 28, 2015 in the AHFC board room, 4300 Boniface Parkway in Anchorage, AK at 10:00 a.m. Board members present were:

BRENT LEVALLEY

Anchorage

ACTING CHAIR

Member of the Board

CAROL GORE

Anchorage

Member of the Board

ALAN WILSON

Anchorage

Member of the Board

MARTY SHURAVLOFF

Via teleconference

Member of the Board

JERRY BURNETT

Vis teleconference

Designee for Commissioner

Department of Revenue

Member of the Board

TARA HORTON

Anchorage

Designee for Commissioner

Department of Health

& Social Services

Member of the Board

MIKE HLADICK

Anchorage

Commissioner

Department of Commerce,

Community & Economic

Development

Member of the Board

I. **ROLL CALL.** A quorum was declared present and the meeting was duly and properly convened for the transaction of business.

II. **APPROVAL OF AGENDA.** ACTING CHAIR LEVALLEY proposed the agenda be amended to add Item E. Consideration of a resolution expressing official intent to issue bonds to finance the multi-family low-income housing project located at 325 E. 3rd Avenue in Anchorage, Alaska. Seeing and hearing no objections, the agenda was approved as amended.

III. **MINUTES OF AUGUST 26, 2015.** ACTING CHAIR LEVALLEY asked for revisions or acceptance of the minutes. COMMISSIONER CHRIS HLADICK made a motion to accept the minutes as presented. CAROL GORE seconded the motion. Seeing and hearing no objection, the minutes were approved as presented.

IV. **PUBLIC COMMENTS.** In Anchorage: no public were present. In Fairbanks: no public were present. In Juneau: no public were present.

V. **OLD BUSINESS.** No Old Business to discuss with the Board.

VI. **A. CONSIDERATION OF A TERM LOAN REQUEST IN THE AMOUNT OF \$1,890,000 FOR THE LONG TERM FINANCING FOR THE ACQUISITION OF AN EXISTING 49 UNIT MULTIFAMILY PROJECT KNOWN AS "BEAVER LAKE APARTMENTS" AND LOCATED IN NORTH POLE, ALASKA.** BRYAN BUTCHER introduced the item and ERIC HAVELOCK presented. Mr. Havelock stated that **Heritage Investment, LLC and Whitestone Enterprises, LLC.**, have requested term loan financing for the acquisition of 49 unit multi-family apartment complex located at 2555 Mission Road, in North Pole, Alaska. Discussion followed. MARTY SHURAVLOFF made a motion to approve Resolution 2015-26. CAROL GORE seconded the motion. The resolution was unanimously approved. (7-0)

RESOLUTION #2015-26

RESOLUTION APPROVING TERM FINANCING FOR A MULTI-FAMILY HOUSING PROJECT TO HERITAGE INVESTMENT, LLC AND WHITESTONE ENTERPRISES, LLC.

VI. **B. CONSIDERATION OF A LOAN REQUEST FROM HABITAT FOR HUMANITY ANCHORAGE IN THE AMOUNT OF \$1,500,000 UNDER THE LOANS TO SPONSORS PROGRAM.** BRYAN BUTCHER introduced the item and ERIC HAVELOCK presented. Mr. Havelock stated that Habitat for Humanity-Anchorage (HFHA) has applied for \$1,500,000 in sponsor funds for the purpose of continuing their loan program for first and second mortgages and/or down payment and closing costs for borrowers, whose income does not generally exceed 60% of median income for the area, adjusted for family size. Discussion

followed. CAROL GORE made a motion to approve Resolution 2015-27. TARA HORTON seconded the motion. The resolution was unanimously approved. (7-0)

RESOLUTION #2015-27

**RESOLUTION APPROVING A \$1,500,000 LOAN
TO PROVIDE FUNDS UNDER THE
LOANS-TO-SPONSORS PROGRAM.**

VI. C. **CONSIDERATION OF A LOAN REQUEST FROM COOK INLET LENDING CENTER IN THE AMOUNT OF \$1,500,000 UNDER THE LOANS TO SPONSORS PROGRAM.** BRYAN BUTCHER introduced the item and ERIC HAVELOCK presented. Mr. Havelock stated that Cook Inlet Lending Center, Inc. (CILC) has applied for \$1,500,000 in sponsor funds for the purpose of continuing their loan program for first and second mortgages and/or down payment and closing costs for borrowers, whose income does not generally exceed 120% of median income for the area, adjusted for family size. Discussion followed. MARTY SHURAVLOFF made a motion to approve Resolution 2015-28. COMMISSIONER CHRIS HLADICK seconded the motion. The resolution was approved. (6-1) CAROL GORE abstained from voting due to conflict of interest.

RESOLUTION #2015-28

**RESOLUTION APPROVING A \$1,500,000 LOAN
TO PROVIDE FUNDS UNDER THE LOANS-TO-
SPONSORS PROGRAM.**

VI. D. **CONSIDERATION OF A RESOLUTION TO APPROVE THE AHFC'S FY2017 OPERATING AND CAPITAL BUDGETS.** BRYAN BUTCHER introduced the item and LES CAMPBELL presented. Mr. Campbell stated that he had presented the preliminary FY2017 Operating and Capital budgets to the Executive Office and after carefully considering funding levels and changes developed by staff; a "Heads-up/Big Picture" overview was presented to the Office of Management and Budget (OMB) on September 2, 2015. Staff recommends that the FY2017 Operating and Capital budget requests be approved for submission and authorizes the Executive Director to submit these budgets through the Department of Revenue to the Office of Management and Budget for inclusion in the Governor's FY2017 Budget submitted to the State Legislature. Discussion followed. TARA HORTON made a motion to approve Resolution 2015-29. COMMISSIONER CHRIS HLADICK seconded the motion. The resolution was unanimously approved. (7-0)

RESOLUTION #2015-29

RESOLUTION OF THE BOARD OF DIRECTORS OF THE ALASKA HOUSING FINANCE CORPORATION AUTHORIZING AHFC TO SUBMIT THE FY2017 OPERATING AND CAPITAL BUDGETS THROUGH THE DEPARTMENT OF REVENUE TO THE GOVERNOR'S OFFICE FOR SUBMITTAL TO THE STATE LEGISLATURE.

VI. E. CONSIDERATION OF A RESOLUTION EXPRESSING OFFICIAL INTENT TO ISSUE BONDS TO FINANCE THE MULTI-FAMILY LOW-INCOME HOUSING PROJECT LOCATED AT 325 E. 3RD AVENUE IN ANCHORAGE, ALASKA. BRYAN BUTCHER introduced the item and MARK ROMICH presented. Mr. Romick stated that this resolution does not authorize AHFC to issue bonds, and only provides a notice of intent so as to set the 60-day look-back period from which allowable development costs may be paid from bond proceeds. The next step after this is for AHFC to issue the notice of intent to issue the bonds. Staff anticipates returning to the Board at a future meeting for consideration of an authorization to issue the bonds. Discussion followed. COMMISSIONER CHRIS HLADICK made a motion to approve Resolution 2015-30. CAROL GORE seconded the motion. The resolution was unanimously approved. (7-0)

RESOLUTION #2015-30

RESOLUTION OF THE ALASKA HOUSING FINANCE CORPORATION EXPRESSING OFFICIAL INTENT TO ISSUE BONDS TO FINANCE THE FACILITIES DESCRIBED HEREIN AND DETERMINED RELATED MATTERS.

VII. REPORT OF THE CHAIR. ACTING CHAIR LEVALLEY stated that the next AHFC BOD meeting will be held in Anchorage beginning at 10:00am. ACTING CHAIR LEVALLEY also stated that there will also be an ACAH meeting and these are the last meetings of this year.

VIII. BOARD COMMITTEE REPORTS. BRENT LEVALLEY gave an over view of the Audit Committee Meeting that was held at 8:30am today.

IX. REPORT OF THE EXECUTIVE DIRECTOR. BRYAN BUTCHER reported on: 1.) Initial Budget meeting with OMB 9/2; 2.) Energy interviews with various media agencies; 3.) Susitna Square and Ridgeline Terrace discussions; 4.) Meeting with Mayor Berkowitz 9/8; 5.) Building monitoring system discussion with media; 6.) Rashmi Prasad and UAA professors meeting 9/18; 7.) Alaska bankers Association annual meeting 10/1; 8.) Coalition on Housing & Homelessness Annual Conference and board meeting 10/12-10/14; 9.) Prison Re-Entry Statewide Council meeting 10/22; 10.) AHFC Retirements-Steve DeBusk and Roy Range in October; 11.) Natural Disaster Resiliency meetings; 12.) State Homebuilders Annual Conference in Fairbanks 11/4-11/6; 13.) Rural Homeownership Forum 11/30; 14.) Governor’s Housing Summit 1/6/2016.

X. OTHER MATTERS. ACTING CHAIR LEVALLEY asked if there were any other matters to properly come before the board.

1. **Monthly Loan Reports.** Finance, Mortgage, R2D2 Public Housing and GR&PA reports were presented for discussion and review.
2. **Schedule of Board Meetings:**

ACAH Regular BOD Meeting	November 23, 2015	8:30 am	Anchorage
AHFC Regular BOD Meeting	November 23, 2015	10:00am	Anchorage

X. OTHER MATTERS. ACTING CHAIR LEVALLEY asked if there were any other matters to properly come before the board. COMMISSIONER CHRIS HLADICK made a motion to adjourn. Seeing and hearing no objections, the meeting was adjourned at 11:00 a.m.

ATTESTED:

Board Chair

Bryan Butcher
CEO/Executive Director

BOARD CONSIDERATION MEMORANDUM

Date: November 23, 2015

Staff: Melanie Smith

Item: Request for \$1,500,000 from Anchorage Neighborhood Housing Services, Inc. dba NeighborWorks® Alaska (ANHS), under the Loans-to-Sponsors Loan Program (LTSP)

Background:

Established in 1993, the Loans to Sponsor Program (LTSP) provides low cost financing, subject to the availability of funds, to support an eligible Sponsor's homeownership loan program. The intent of the program is to provide financing to lower income individuals or persons who would not otherwise qualify for financing due to income limitations, down payment requirements, loan-to-value, or other considerations.

Under the LTSP, AHFC lends funds to a sponsor that in turn lends the monies to its borrowers (recipients) under terms and conditions approved by AHFC. Eligible sponsors are non-profit corporations, regional housing authorities, an agency of the state or of a municipality in the state, or a municipality in the state. The sponsor's recipients are individuals or families whose income does not generally exceed 120% of the median income for the area, adjusted for family size. Loan funds have historically been offered at zero percent, subject to the availability of funds, to allow a Sponsor to charge a nominal interest rate that covers their administrative overhead. An annual cap on total borrowing was implemented in 2003 limiting Sponsor borrowing to \$625,000 per fiscal year. AHFC takes no oversight responsibilities other than for the Sponsor's compliance with AHFC's regulations and guidelines for the program.

The LTSP was modified in 2014 to charge a nominal interest rate of 1.5%. Feedback from the participating Sponsors indicated support for additional borrowing above the \$625,000 fiscal year limit. In order to accommodate the request for additional borrowing, a revised interest rate structure was implemented to support the additional borrowing as follows: For the first \$500,000 borrowed the rate will be 2.5%; for the second \$500,000 borrowed the rate will be 3.0%; and, for the third \$500,000 borrowed the rate will be 3.5%. Total fiscal year borrowing was therefore increased from \$625,000 to \$1,500,000. The following is the first proposal submitted under this revised pricing structure.

Anchorage Neighborhood Housing Inc. dba NeighborWorks® Alaska has applied for \$1,500,000 in sponsor funds for the purpose of continuing their loan program known as the Homebuyer Affordability Program ("HAP") for first and second mortgage financing for borrowers, in general, earning 120% of median income or less in the Anchorage and Mat-Su area.

Purpose of Request:

Within its application letter ANHS states that AHFC approval of additional funding would allow them to achieve the following:

1. Continuation of their down payment assistance program covering the Anchorage and Mat-Su Valley markets;
2. Funding would provide ANHS with critical funds necessary to meet their allocation plan for providing assistance to borrowers who would not qualify for home ownership due to changes in the market, which include higher housing costs, low inventory in target neighborhoods, and lower interest rate subsidies resulting in an increase in the need for ANHS assistance; and,

3. The continuation of the partnership between ANHS and AHFC to provide assistance to families to help make homeownership possible for low-income borrowers.

Request:

The request is for \$1,500,000 under the current LTSP guidelines. The pertinent terms and conditions for the Sponsor's loan are as follows:

1. Loan Amount: \$1,500,000
2. Interest Rate: 3.0%
3. Loan Amortization: Amortized over 30 years after a one-year draw period;
4. Monthly Payment: Monthly P&I payments;
5. Funding Term: Until November 23, 2016;
6. Repayment Term: Interest only payments shall be due and payable for the first year during the drawdown period. Beginning in year two, the monthly payment will be comprised of interest accrued on the Sponsor's unpaid principal balance during the previous month and principal collections of the recipient loans in the previous month. Any additional principal payments received from the recipient will be paid to AHFC;
7. A Loan Loss Reserve ("the Reserve") will be established and funded in an amount equal to one percent (1%) of each recipient loan closed the first year. The Sponsor's loan loss reserve balance requirement after the first year will be: two percent (2%) on the outstanding Sponsor's balance on the first anniversary; three percent (3%) of the outstanding Sponsor's balance on the second anniversary; four percent (4%) of the outstanding Sponsor's balance on the third anniversary; and five percent (5%) of the Sponsor's balance on the fourth anniversary. The Reserve may be funded from any source chosen by the Sponsor;
8. Recourse: Loan is with recourse to Anchorage Neighborhood Housing Services, Inc. dba NeighborWorks® Alaska (ANHS); and

Other:

1. Security for the Loan: An assignment of the Notes and Deeds of Trust of the loans made to the program recipients;
2. Recipient Loan Funding: Recipient's loans will be funded at the time of their closing;
3. An executed "Summary of Building Inspection" (AHFC Form PUR-102) or an unconditional Certificate of Occupancy unless otherwise approved by AHFC; and
4. Evidence that the construction of the project was in compliance with the thermal and lighting energy standards as required by AS 46.11.040 and the building and energy efficiency standards of AHFC's regulations delineated in 15 AAC 155.010 - 155.030; in the form of a duly completed Building Energy Efficiency Standards (BEES) Certification (AHFC Form PUR-101);

Sponsor Information:

Borrower Organization:

Anchorage Neighborhood Housing Services, Inc. dba NeighborWorks® Alaska (ANHS) is a private, non-profit corporation formed in 1981, consisting of community residents, private lenders, businesses, and local government officials dedicated to community redevelopment through construction, lending, and neighborhood revitalization activities, with specific focus on affordable housing opportunities and job creation. Since the inception of the loan program, ANHS advises that they have closed a total of 834 loans for a total outstanding loan amount of \$23,952,389 or an average loan of approximately \$28,719.89. The LTSP funds have been used to leverage an additional \$100,000,000 in first lien mortgage financing, primarily from the AHFC First Time Homebuyer Program, and leveraged other funds such as HOME funds in the amount of \$2,136,520.

Sponsor's Loan Program to Its Recipients:

- the program will provide up to a 98% loan-to-value;
- a minimum of 2% cash contribution will be required from the recipient;
- interest Rates will range from 4% to 5%, depending on household income;
- maximum term will be 30 years;
- mortgage insurance will not be required (it is anticipated that the Loan Loss Reserve when fully funded, should be adequate to cover any losses);
- ratios: payment/income 33%, and total debt/income 41%; (compensating factors may allow for higher ratios with the approval of senior management);
- loans will be assumable with a qualifying assumption;
- Recipient counseling will provided will be in compliance with the U.S. Department of Housing and Urban Development (HUD) and align with ANHS housing counseling work plan (required by HUD) which includes: providing the customer with an action plan, budgeting, affordability, the rights and responsibilities of home ownership, fair housing, predatory lending, home maintenance and benefits of “green”, and if necessary, foreclosure intervention.

Loan Origination and Servicing:

AHFC will require that the recipient loans be underwritten by ANHS and will be serviced by Wells Fargo Bank or First National Bank Alaska.

Financial Information:

Based on recently submitted audited financial statements and those already on file, staff is of the opinion that ANHS is a financially solvent organization. To date, ANHS has two loans with AHFC with a combine outstanding principal balance of \$5,605,802. This includes 238 active recipient loans, with an average loan amount of \$23,553.

Credit: A recent credit report indicates acceptable credit.

Program Administration:

In accordance with the Loan Agreement, AHFC's internal audit department conducted an audit in March 2014, with no observations. Based on the result of the audit and lack of subsequent observations by AHFC, staff is of the opinion that ANHS is administering the HAP in a professional and satisfactory manner. ANHS will again be audited in 2017 and every subsequent three years.

Loan Relationship:

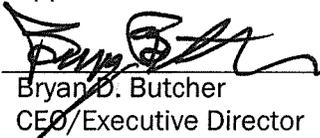
Anchorage Neighborhood Housing Services, Inc. dba NeighborWorks® Alaska has been an active loans-to-sponsor borrower since 1996.

Summary and Recommendation:

The Loans to Sponsor Program (LTSP) was designed to provide housing or improve the quality of housing for persons of lower incomes that would not otherwise have these opportunities. ANHS is competently administering a comprehensive program that meets the definition and intent of the LTSP. The request for additional funds allows ANHS to continue a mutually beneficial program, which has been very successful in facilitating home ownership and improving the quality of housing.

Staff recommends approval of the \$1,500,000 loan subject to the terms and conditions of the Loans to Sponsors Guidelines. In accordance with the fee schedule, a \$7,500 loan fee will be charged.

Reviewed and accepted by senior staff as substantively stated in this memorandum, subject to Board Approval:


Bryan D. Butcher
CEO/Executive Director


Michael Buller
Deputy Executive Director


Michael Strand
Chief Financial Officer

Date: 11-12-15

Date: 11/12/15

Date: 11/12/15

**Alaska Housing Finance Corporation
Resolution No. 2015-**

**Resolution Approving a \$1,500,000 Loan to Provide Funds
Under the Loans-to-Sponsors Program**

BE IT RESOLVED BY THE ALASKA HOUSING FINANCE CORPORATION AS FOLLOWS:

I. Findings:

- A. There is a need to provide housing for and to improve the quality of housing for persons of low to moderate income;
- B. In June, 1996, and at various time thereafter, Anchorage Neighborhood Housing Services, Inc. dba NeighborWorks® Alaska was approved for funding under the Loans to Sponsors Program, to provide funds for its Homebuyer Affordability Program (“HAP”) which assists in the financing of and improvement of housing for persons of low to moderate income;
- C. The Homebuyer Affordability Program (“HAP”) continues to be in demand;
- D. Alaska Housing Finance Corporation has amended the LTSP guidelines to include charging interest on outstanding balances;
- E. Anchorage Neighborhood Housing Services, Inc. dba NeighborWorks® Alaska has applied for \$1,500,000 to fund its Homebuyer Affordability Program (“HAP”) under the new guidelines;
- G. The proposed financing falls within the established Loans to Sponsors’ program regulations; and
- H. The proposed financing is found to be an acceptable risk to Alaska Housing Finance Corporation.

II. Conclusion:

Pursuant to the forgoing findings, the Board hereby approves the request substantively as stated in the November 23, 2015, Board Consideration Memorandum prepared in support of the application.

This resolution shall take effect immediately.

Dated this 23rd day of November, 2015.

Chair

BOARD CONSIDERATION MEMORANDUM
MULTI-FAMILY LOAN PURCHASE PROGRAM

Date: November 23, 2015
Lender: Northrim Bank

Staff: Eric A. Havelock

BORROWER: Tolford Investments, LLC
Co-BORROWER(S): Benjamin D. Ford and Abraham M. Tolman

PROPOSAL OVERVIEW: Term financing for the refinance of a 28 unit multi-family apartment complex located at 980, 990, 1001, 1003, 1007, 1011, and 1015 22nd Avenue in Fairbanks, Alaska.

Loan Amount: \$ 1,920,000

Project Value: \$ 2,400,000

Appraised By: Chris Guinn, MAI, and Connie Horton of Chris Guinn Appraisals (See Appendix I)

Loan to Value Ratio: 80% (Appraised Value)

Loan Terms: Fixed monthly payments based on a 30 year amortization.

Interest Rate: 6.375%

* Rate is determined at the time of underwriting based on what AHFC believes would be the cost of thirty (30) year taxable bond plus administrative and anticipated servicing costs, if it sold bonds at that time;

Debt Service Coverage Ratio: 1.66

(A debt service coverage ratio is the net income available after paying expenses divided by the loan payment and is used as an indication of profitability.)

Sources and Uses of Funds:

Sources:
Loan Amount: \$ 1,920,000
Borrower's Funds: \$ -0-
Total Sources: \$ 1,920,000

Uses:

Pay off existing loan:	\$ 1,838,708
Closing Costs/Prepays:	<u>\$ 81,292</u>
Total Uses:	\$ 1,920,000

BORROWER ORGANIZATION: Description & Background:

Tolford Investments, LLC: is a limited liability company which was created on October 1, 2015 to acquire and retain commercial multi-family real estate. Benjamin Ford holds a 36% member interest and Abraham Tolman holds a 64% member interest with both being listed as managing members.

Benjamin D. Ford: Mr. Ford is the owner of CODEX Construction specializing in residential construction and remodeling. He also owns Portion, LLC dba Portion Properties that specializes in rehabilitation, consulting, and estimating of real estate projects and property management.

Abraham M. Tolman: Mr. Tolman is the owner of Altar Development, a capital development company and general contractor specializing in new construction as well as property maintenance and management. (See Appendix II)

Financial Information:

Tolford Investments, LLC: A multi-family loan application dated September 30, 2015 shows total assets: \$2,453,736; total liabilities: \$1,874,558; for a net worth: \$579,178.

Benjamin D. Ford: A multi-family loan application dated October 6, 2015 shows total assets: \$2,524,840; total liabilities: \$1,668,962; for a net worth: \$855,878. Mr. Ford's average income over the last three years according to his federal income tax returns was \$41,666.

Abraham M. Tolman: A multi-family loan application dated October 14, 2015 shows total assets: \$2,074,472; total liabilities: \$1,385,392; and net worth: \$689,080. Mr. Tolman's average income over the last three years according to his federal income tax returns was \$81,000.

Credit History:

A recent credit report reflects an acceptable credit history for the borrower and the co-borrowers. Neither the borrower nor the co-borrowers have an existing loan with AHFC.

PROJECT CHARACTERISTICS:

Description and Location:

The site is located approximately one and a half miles south of the Fairbanks downtown central business district. The area neighborhood is a mix of residential and commercial uses with commercial uses along the main arterials. The subject site consists of seven contiguous lots containing a total of 76,256 square feet. The site is generally level and at street grade. The parcel is served by all available public utilities which include; water, sewer, electric, and telephone. (See Appendix III)

Project Overview:

Built from 2011 to 2013, the improvements consist of seven, two-story wood-framed buildings containing a total of 28 units. Each building's exterior is covered with T1-11 siding and has an asphalt shingle roof. The unit interiors are finished with painted, textured sheetrock, with carpet, and tile floor coverings. Each building contains four units with unit access through individual interior doors that are accessed from a central stairwell. Each building has one mechanical room containing an oil fired boiler for hot water baseboard heating with individual controls in each unit. Laundry facilities are provided in each unit. All units have the normal assortment of appliances, including dishwashers. The project's unit configuration consists of 28, one-bedroom, one bath units each containing 790 square feet and renting for \$1,250 per unit, per month. Parking is provided by 28 open, paved spaces situated in front of each building with guest parking available. Parking is considered to be adequate for a property of this age and location. The improvements are considered to be a legal conforming use of the site under current zoning. The remaining economic life of the improvements is estimated by the appraiser to be 50 years. (See Appendix IV)

Soil Conditions:

An inspection of the property by the appraiser and lender did not indicate any apparent structural problems. The subject site, as developed, is therefore considered adequate to support the existing improvements.

Environmental Assessment:

The appraiser noted no environmental issues concerning the property or improvements. A VeraCheck environmental report dated October 13, 2015 indicated the environmental risk appears to be low and that the property was free of any contaminants. An environmental assessment questionnaire completed by the owner and dated October 6, 2015 states that there are no environmental concerns with the subject property. Staff concurs with the lender that further investigation is not warranted.

Health and Safety Inspection Report:

A health & safety inspection was completed by Vince Meurlott, P.E. of Meurlott Consulting, Inc. on October 2, 2015 noting six items for repair and stating the property was built to 2009 building codes. All items noted for repair or replacements are in the process of being completed. Satisfactory re-inspection by the original inspector is being made a condition of this commitment. (See Appendix V)

PROJECT OPERATIONS:

Property Income and Expense Statement:

The pro-forma operating statement, as prepared by the appraiser, is believed to reasonably depict the expected performance of the subject property. Rents are based on actual rents. A 4% vacancy and credit loss factor was used by the appraiser based on the project's historical operating experience which was adjusted to 5% for underwriting purposes. A property management expense of 8% was utilized even though the project will be self-managed. The replacement reserve in the amount of \$714.29 per unit, per year is considered to be above average for property of this age, type, location, and condition and will facilitate ongoing property improvements. (See Appendix VI)

Debt Service Coverage Ratio:

The debt service ratio has been established at 1.66, which allows for flexibility with regards to income, expenses, and vacancies. In addition to the 5% vacancy and credit loss factor, income could fall by 24%, or expenses could increase by 59% or some combination of both and there would still be sufficient funds to continue to pay the mortgage. Stated another way, the project could break even at a 28% vacancy rate. The ratio, by industry standards, is considered to be an excellent ratio.

Property Management:

The property will be managed by the co-borrower, Ben Ford, through his business, Portion LLC dba Portion Properties LLC. He has eight years of property management experience overseeing 75 units. Staff concurs with the lender that the co-borrower's credentials are acceptable to successfully manage the project. Additional assurance is provided in the deed of trust, which allows AHFC to take action in order to place a property manager if circumstances warrant.

SUMMARY:

The loan is believed to be an acceptable risk in consideration of the following:

1. The excellent debt service coverage ratio of 1.66: and
2. The loan to value of 80%;

RECOMMENDATION:

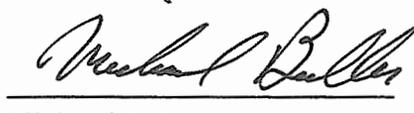
The request comes from Northrim Bank on behalf of the borrowers. Staff recommends approval of this loan based upon: The subject's excellent flow at 1.66 debt coverage; loan to value of 80%; and subject to the conditions noted below:

1. Alaska Housing Finance Corporation (AHFC) to provide long-term financing in an amount not to exceed \$1,920,000;
2. First deed of trust in the amount of \$1,920,000 to be amortized over thirty years. Interest rate to be 6.375% fixed;
3. The Borrower to be : Tolford Investments, LLC
Co-borrower(s) to be: Benjamin D. Ford and Abraham M. Tolman
4. A security position in the appropriate personal property, fixtures, furniture, and contracts, etc. will be taken;
5. Commitment to expire February 23, 2016 and an extension may be considered by staff, subject to extension guideline criteria and applicable extension fees;
6. A loan prepayment limitation to be imposed in accordance with AHFC's financing requirements;

7. Receipt and acceptance by AHFC of the following:
 - a. an updated As-Built Survey, if required by the title company;
 - b. all required certificates and/or binders of insurance;
 - c. ALTA title policy with applicable endorsements;
8. Lender to have a lien interest in all personal property, fixtures, furniture and contracts;
9. Verification that a re-inspection of all life safety and significant repairs listed have been completed in accordance with the home inspection report completed by Vince Meurlott on October 2, 2015;
10. Evidence that the construction of the project was in compliance with the thermal and lighting energy standards as required by AS 46.11.040 and the building and energy efficiency standards of AHFC's regulations delineated in 15 AAC 155.010 - 155.030; in the form of a duly completed Building Energy Efficiency Standards (BEES) Certification (AHFC Form PUR-101);
11. Funds for the establishment of insurance, and property tax reserve accounts to be collected at closing;
12. Monthly loan payment to include funds, as determined by AHFC, for (i) principal and interest, (ii) reserves for taxes, insurance and (iii) replacement reserves. Replacement reserves deposits to be \$1,667 per month;
13. Borrower to pay appropriate costs associated with the loan, including but not limited to recording, title insurance, escrow closing fee, and loan fee;
14. The payment of \$13,450 loan fee; the review fee of \$1,000 will be applied to the payment of this fee; and
15. Other conditions that may arise as determined by AHFC.

Reviewed and accepted by Senior Staff substantively as stated in this Loan Committee Memorandum, subject to Board approval:


 Bryan D. Butcher
 Chief Executive Officer


 Michael Buller
 Deputy Executive Director


 Michael Strand
 Chief Financial Officer

Date: 11-12-15

Date: 11/12/15

Date: 11/12/15

**ALASKA HOUSING FINANCE CORPORATION
RESOLUTION NO. 2015-**

Resolution Approving Term Financing for
the Refinancing of a Multi-Family Housing Project
to Tolford Investments, LLC

BE IT RESOLVED by the Board of Directors of the Alaska Housing Finance Corporation as follows:

I. Findings:

- A. There is need to provide access to safe, quality housing;
- B. Tolford Investments, LLC, Benjamin Ford and Abraham Tolman through Northrim Bank have applied to Alaska Housing Finance Corporation to receive funds under its Multi-Family Loan Purchase Program for term financing for the refinance of a multifamily apartment complex located in Fairbanks, Alaska;
- C. The proposed financing falls within the established program regulations; and,
- D. The proposed financing is found to be an acceptable risk to the Alaska Housing Finance Corporation.

II. Conclusion:

Pursuant to the foregoing findings, the Board hereby approves the request substantively as stated in the November 23, 2015 Board Consideration Memorandum prepared in support of the application.

This resolution shall take effect immediately.

DATED THIS 23rd Day of November, 2015

Chair

The approaches to estimate market value for the subject property are as follows:

"As IS":

Cost Approach	\$2,485,000
Sales Approach	\$2,300,000
Income Approach	\$2,390,000

"As Stabilized":

Cost Approach	\$2,485,000
Sales Approach	\$2,300,000
Income Approach	\$2,390,000

Final Conclusion of Value —

The market value of the subject property "as is" has been estimated as follows with a weighting added to reconcile the various indications of value. Most weight is given to the income approach. Estimated Market Value of the subject property as of September 3, 2015 is as follows:

**Two Million Four Hundred Thousand Dollars
\$2,400,000.00 (R)**

Final Conclusion of Value – “At Stabilization”

The market value of the subject property “at stabilization” has been estimated as follows with a weighting added to reconcile the various indications of value. Most weight is given to the income approach. Estimated Market Value of the subject property as of September 3, 2015 is as follows:

Two Million Four Hundred Thousand Dollars
\$2,400,000.00 (R)

BENJAMIN DAVID FORD

102 State St., Fairbanks, AK 99701. (907) 378-1232. ben@portionproperties.com

REAL ESTATE DEVELOPER AND PROPERTY MANAGER WITH A TRACK RECORD OF SUCCESS

Summary:

- *Real Estate Development & Management*
- *Construction Management & Planning*
- *Project Estimation - Time/Cost analysis*
- *Contract Negotiation*

Key details:

- *Maintained near 0% vacancy in properties managed since 2007*
- *Purchased 22 properties*
- *Completed over \$2.5 million in building rehab*
- *Completed \$2.4 million apartment housing project*

PROFESSIONAL EXPERIENCE

PORTION PROPERTIES (01-2004 - Present)

OWNER

Real-estate Development Company, specializing in rehab, low yield projects, Portion Properties has partnered with many lenders and individuals on numerous small capital projects, as well as medium capital projects including its formation as the restructuring of Mainstay Properties, Inc. since 2004. See portionproperties.com

- 8 years experience managing as many as 75 apartments, overseeing all aspects of management and maintenance. Eg: developing documents, leasing, collecting monthly rents, 7 successful court evictions, Alaska PFD and paycheck confiscation for delinquent accounts, unit inspections, settling tenant disputes, replacing and repairing carpets, wall coverings, fixtures, etc.
- 20+ small scale capital projects. Eg: flipping houses or buy/rehab/hold as rental
- Ownership interest currently held in 58 apartment units
- Consulting and advising for various non-contracted projects
- Consulting, estimating, and executing a medium capital project
- Completed 6 real-estate training courses with Wealth Intelligence Academy

CODEX CONSTRUCTION (01-2014 - Present)

OWNER

Residentially Endorsed General Contracting Company, specializing in residential construction and remodeling, project cost estimation and design and project management. Current with all training and continuing education as required to hold this professional license in the State of Alaska. Grew out of a need to separate real estate ownership functions and third party construction projects. See codexconstruction.com

- Built as ownership partner 7 new fourplexes, valued at \$2.4M (2013 & 2014)
- 75+ small scale capital, addition, remodel and rehab projects for third-party clients

ALASKA PAINTING CONTRACTORS (2003)

Carpentry, Electrical, Painting

SAMSON ELECTRIC (2002-2003)

Electrician

NORTHWEST DESIGN (2002)

Carpenter – Framing

APEX ROOFING (1999 - 2001)

Roofing

BEN'S FIREWOOD SALES (1996-1999)

ABRAHAM M. TOLMAN

1209 Skyline Dr., Fairbanks, AK 99712. (907) 322-7481. Abe@Altardevelopment.com

REAL ESTATE DEVELOPER SPECIALIZING IN LOW COST HIGH YIELD DESIGN

Summary:

- *Real Estate Management*
- *Engineering and Design*
- *Large Scale Project Planning*

Key details:

- *Designed remote housing camps in excess of \$276M*
- *Design, Planning, and Construction Management for field operated district utilities in excess of \$75M*
- *Extensive classroom and field Engineering and Design knowledge*
- *Completed \$2.4M apartment housing project*
- *Managed various private construction projects*

PROFESSIONAL EXPERIENCE

ALTAR DEVELOPMENT (02-2009 - Present)

OWNER

Altar Development is a capital development company and general contractor, specializing in new construction, design and planning, architectural solutions, space management, and cost savings. The majority of Altar Developments projects are in house private investments. Altar Development started as a property management and maintenance company for the owner's properties, and has since grown into a property development company, general contractor, and capital solutions entity.

- Designed and constructed 28 residential housing units valued at \$2.4M (2011 - 2014)
- Design and Consultation on various small and medium scale projects.

PORTION PROPERTIES (07-2013 – Present)

Silent Partner

BLACK GOLD OILFIELD SERVICES (06-2014 – 02-2015)

Project Planning and Development / Real-estate management

PORTION PROPERTIES (06-2010 – 11-2011)

Planning, Design solutions

UAF – DESIGN AND CONSTRUCTION (05-2007 – 06-2010)

CAD Manager / Small project design

KELLOGG BROWN & ROOT (02-2006 – 04-2007)

Senior Designer / Director of Engineering

UAF – DESIGN AND CONSTRUCTION (03-2004 – 02-2006)

Drafter / Designer

TOTEM OCEAN TRAILER EXPRESS (Winter 2003-04)

Dispatcher, Coordinator

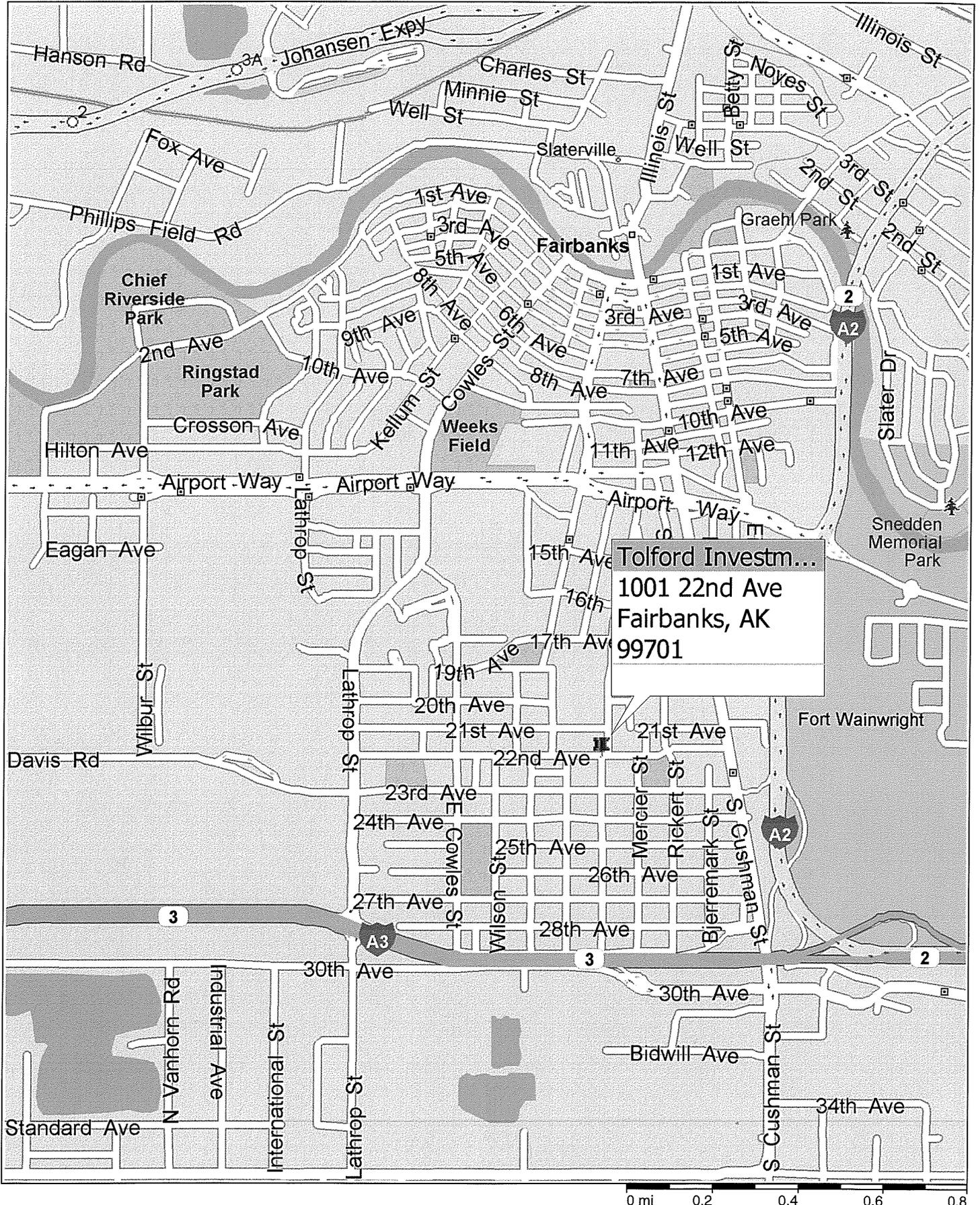
PDC ENGINEERING (Summer 2003)

Drafter

ALASKA PAINTING CONTRACTORS (1999 - 2003)

General Labor, Expeditor, Painter, Heavy Equipment, Carpenter

Fairbanks, Alaska, United States



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NEIGHBORHOOD INFORMATION

The subject property is located on 22nd Avenue on the south side of the Fairbanks urban area. It is about four miles east of the University of Alaska and about one mile south of the central business district. The subject is surrounded by residential properties, mostly single family.

Infrastructure: Major roads in the area are Mitchell Expressway (four lane) south of the subject, the Johansen Expressway on the north, and the New Steese Highway (four lane divided) about a mile east. The Parks Highway (four lane divided) is five miles to the west. Access via these roads to major shopping, employment centers, and government services is good. The access into the subject neighborhood is good. The neighborhood is served by the Golden Heart Utilities System, which provides sewer and water service. Electric power is supplied by Golden Valley Electric Association, a private cooperative which is subject to regulation by the Alaska Public Utilities Commission. Telephone service is provided by GCI and ACS.

Percent Developed: This area began development in the early 1950's as a residential neighborhood. There have been several large apartment complexes built in this area. The commercial strip along South Cushman began in the early 1960's. Newer medical buildings and hospital expansion have been built west of the subject. About 5% of the area is vacant.

Growth Pattern: Infill, mostly renovation of existing construction.

Land Use: There is miscellaneous satellite commercial retail shopping buildings, gas station and C-store, restaurants and fast food services along Cushman Street. There are several office type buildings. The site is located on 22nd Avenue and Turner Street two streets west of South Cushman and one street east of the hospital. There is a mix of mostly residential and multi-family structures surrounding the subject.

Suitability: Suitable for developers, investors, and owner-occupants. The neighborhood is considered to be in a stable mode with stable property values likely to be slowly seen over time. The subject suffers no location or economic obsolescence. Continued stability and generally

C15-0828C

7-4 Plexes 22nd Ave., Fairbanks, AK

stable property values are anticipated for this market for well-maintained properties for the foreseeable future. The subject is competitive with other properties in the neighborhood.

DESCRIPTION OF THE SITE AND IMPROVEMENTS

Address:	980, 990, 1001, 1003, 1007, 1011, 1015 Twenty-second Avenue, Fairbanks, AK
Property Location:	South side of Fairbanks
Legal Description:	Lots 1A&2A Block G Bjorremark and Lots A1-5 St James S/D
Land Area:	76,526sf
Fairbanks North Star Borough Parcel Number:	645536, 645546, 654044, 654054, 654064, 654074, 654084
Taxes:	17.277 mils which is about average for property in the area.
Shape:	Rectangular
Topography:	Level and at grade with existing roadways
Utilities:	Golden Valley Electric Association; electric, and ACS; telephone. Public water and sewer.
Location:	South side of Fairbanks. Airport Way to Gillam Way onto 22 nd Avenue approximately 1 mile from the city center of Fairbanks
Functional Utility:	Good
Flood Status:	The subject property is within Flood Zone X.
Parking:	Gravel surface
Parking Lot Lighting:	Yes
# of Parking Spaces:	1 per unit and guest parking
Adverse Easements:	None noted. The easements are typical utility.
Adverse Soil Conditions:	None Noted No soil logs were made available to me for the subject.
Zoning:	MF Multi-family
Landscaping:	Lawn
Soils:	The soils appear adequate for current use
Flood Plain:	The site is located outside of a flood zone, # 02090C4378J 3/17/2014
Hazard & Nuisance:	None noted, No environmental damage noted.
Overall Rating:	Good. The site is served by all available public utilities and has good access for the current use.

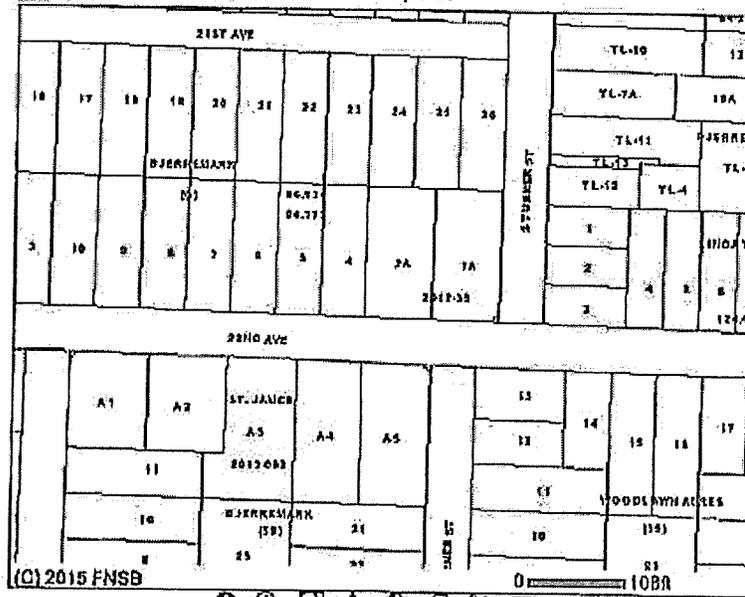
C15-0828C

7-4 Plexes 22nd Ave., Fairbanks, AK

SHAPE

1/2016

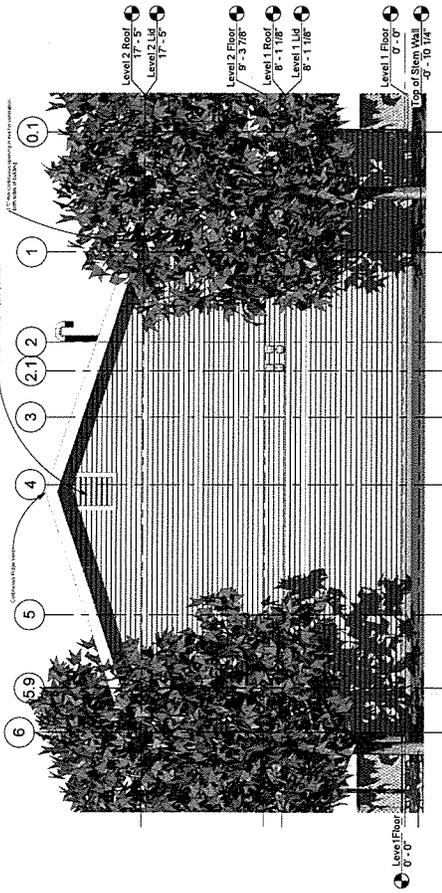
MapFrom



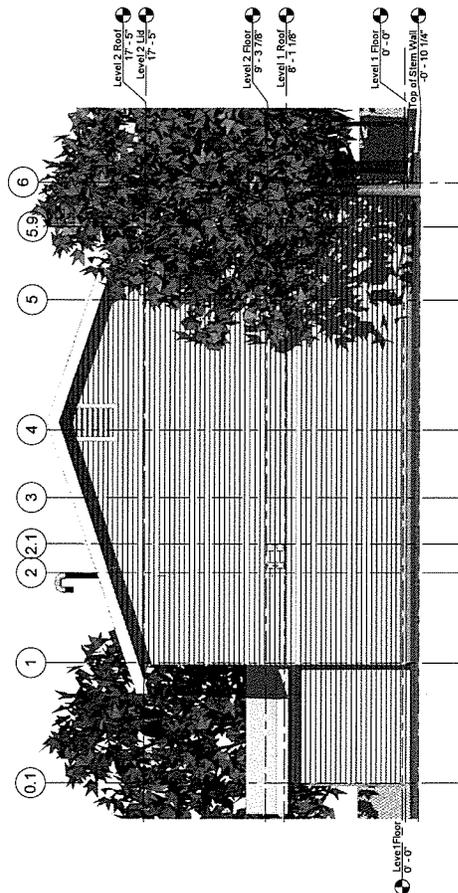
IMPROVEMENT DESCRIPTION

Data Source:	Information furnished to the appraiser from the client and the owner representative.
Building Type:	Seven 4-Plex Apartment Buildings
Square Footage:	Total: 23,744 sf each Building is 3,392sf
No. of Units	28 apartments 28-1 bedroom at \$1,250/unit.
Quality Rating:	Above Average
Year Built:	2011, 2012, & 2013
Remaining Economic Life:	50 +/- Years
Foundation:	All Weather Wood, crawlspace.
Exterior Walls:	2 X6 wood frame R-21 insulation Siding: Vinyl
Roof:	Architectural Shingles, R-60 insulation
Interior Walls:	Drywall
Ceilings:	Sheetrock
Interior flooring:	Carpet and Tile
Bathrooms:	Tile floor and drywall walls, sheetrock, and standard fixtures.
Electrical:	Standard quality conduit wiring for a facility of this type
HVAC:	Central heating/OHWBB of good quality.
Utilities	Electricity, Public water and sewer.
Accessory Improvements	Individual washers and dryers, dishwashers
Comments:	The subject improvements are in above average condition.

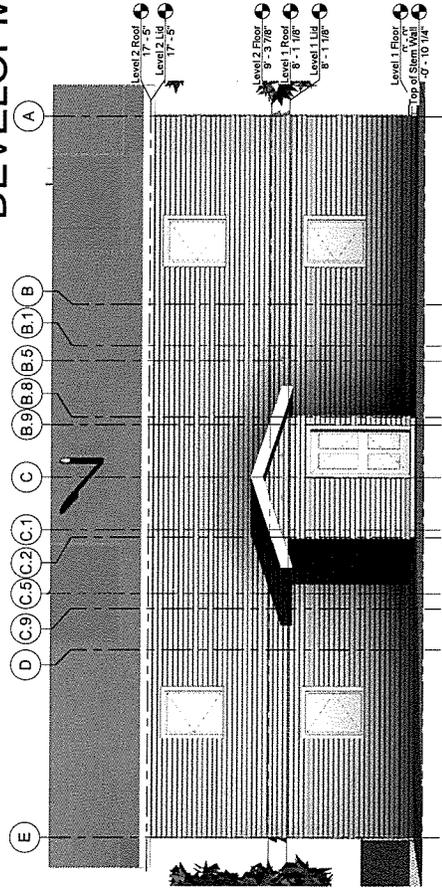
ALTAR DEVELOPMENT



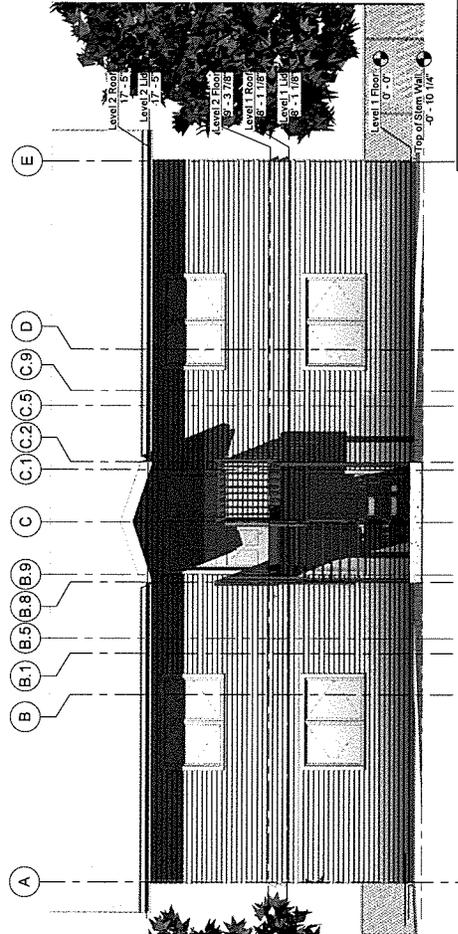
① Elevation - East
1/4" = 1'-0"



② Elevation - West
1/4" = 1'-0"



③ Elevation - North
1/4" = 1'-0"

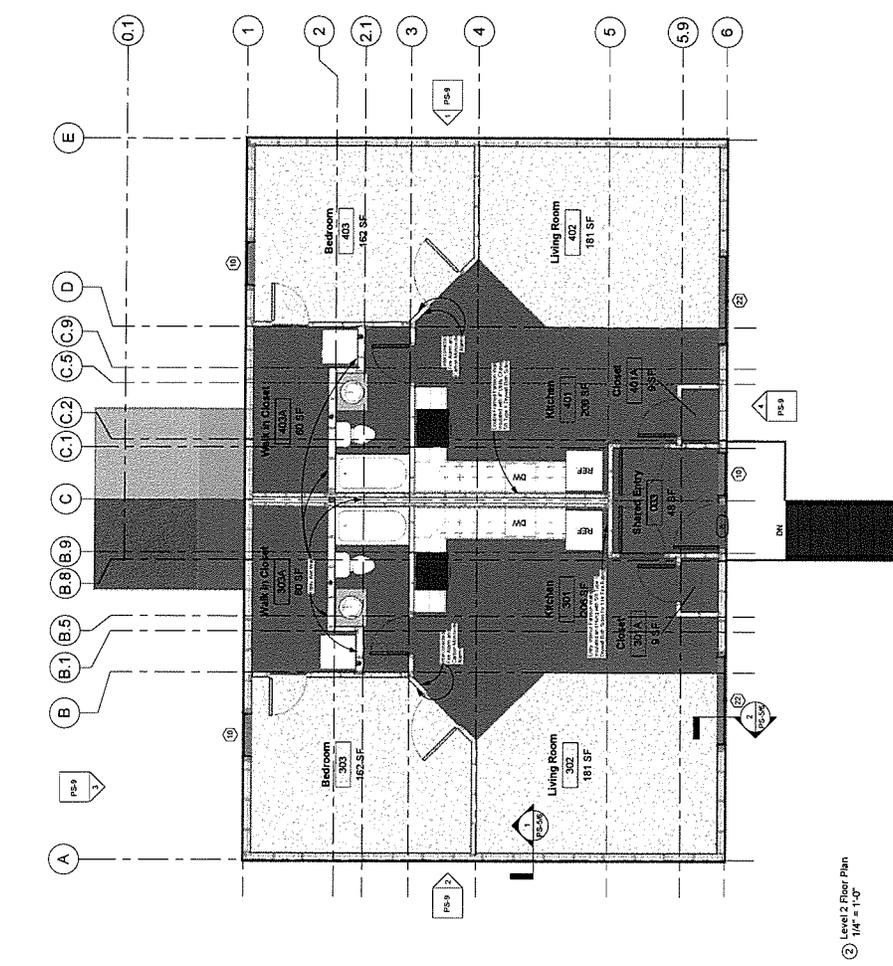
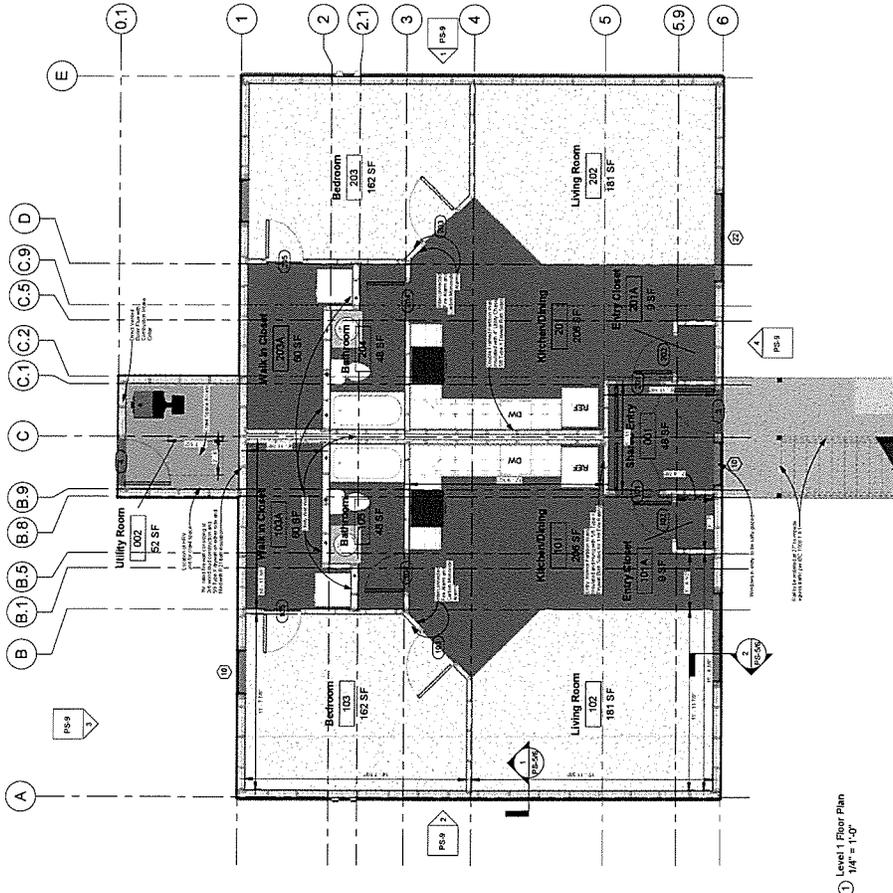


④ Elevation - South
1/4" = 1'-0"

Elevations	
Project number:	AD-110101
Date:	N/A
Drawn by:	Author
Checked by:	Checker
PS-9	
Scale:	1/4" = 1'-0"

ALTAR

DEVELOPMENT



4Plex - Single Bed	
Floor Plan	
Project Number	AD-110101
Drawn by	Altira
Checked by	Checker
Scale	1/4" = 1'-0"

- Notes:**
1. Building will be sprinklered in accordance with IBC 903.2.8. Construction will be discussed with the fire marshal.
 2. All leachable glass doors will have low-e glass in accordance with IBC 703.1.3.1.
 3. Crawlspace will be vented by HRV unit with a CFM no less than required by IBC 1203.3.2.
 4. Windows in entry areas will have safety glazing per IBC 2406.6.
 5. The minimum flame-spread index for wall and ceiling finishes will be 76-200 in accordance with IBC 803.1.1 and IBC 803.9.
 6. The minimum smoke-developed index will be 0-450 in accordance with IBC 803.1.1 and IBC 803.9.

**MEURLOTT CONSULTING INC.
VINCE MEURLOTT, P.E.**



596 ARVITA COURT
FAIRBANKS, ALASKA 99712
(907) 378-4663 Fax (907) 457-4919

Oct. 2, 2015

To: Tolford Investments
C/O: Benjamin Ford

Re: Home inspection/Engineers's report for the following properties:
980 22nd ave, 990 22nd ave, 1001 22nd ave, 1003 22nd ave, 1007 22nd ave, 1011
22nd ave, 1015 22nd ave, Fairbanks Alaska

This report was prepared for you after inspections completed October 2nd, 2015. As the structures are new; constructed with oversight from the City of Fairbanks Building Department, and compliant to 2009 build codes, building positive merits are not reported here. Recommendations for immediate correction are listed:

1. Grasp-able hand rails need to be installed on the exterior stairs of 1001, 1003, and 1007.
2. Draft stop caulking needs to be applied around sprinkler pipe penetrations in the entry spaces of all buildings, where deficient.
3. The copper grounding wire currently is tied to only one side of the incoming water mains. A copper wire and bonding clamp needs to be attached across the meter, and between both incoming mains equal in size to the existing grounding wire. This applies to all buildings
4. Check to ensure that all spray foam along the rim joists in the crawlspace is covered with batt insulation for fire protection
5. Check to ensure Simpson A35 or equivalent angle straps are installed on two opposing sides at the base of all support posts in the crawlspaces for structural hold down.
6. Finish the missing sections of drywall in the utility rooms of 1001, 1003, and 1007 to comply with fire protection.

The inspection was limited to the portions of the building readily accessible, and compliant with Alaska Housing form MF-UND-9. This report may not address every concern that you or another engineer deem applicable.

AHFC #275489

Pro Forma

<u>Rental In.</u>	<u>From</u>		<u># of Units</u>		
market	Bedrooms	Sq.Ft.	Units	Unit Rent	Gross Annual
	1	790	28	\$1,250.00	\$ 420,000.00
		23744			\$ -
Total Rental Income			28		<u>\$ 420,000.00</u>
Other Income					
Gross Potential Income					<u>\$ 420,000.00</u>
			5.0%		\$ 21,000.00
Less Vacancy & Credit Loss					<u>\$ 399,000.00</u>
Effective Gross Income					\$ 399,000.00
Total Adjusted Income					

EXPENSES

Management/Admin	\$43,900	11.00%	%EGI
Insurance	\$5,500	\$ 196	per unit
Taxes	\$30,981		
Utilities	\$39,900	\$ 1.68	per square foot
Maintenance & Repairs	\$20,000	5.01%	%EGI
Replacement/Reserves	<u>\$20,000</u>	\$ 714.29	per unit
Total Expenses	\$160,281		
% of EGI	40.17%	\$ 5,724	per unit
Net Operating Incr	\$238,719		
Mortgage	\$143,740	\$1,920,000 @ 6.375% for 30 years	

DSCR 1.66

Net Cash Flow \$94,979

Income Decrease= 23.80%

Expense Increase= 59.26%

Vacancy Increase= 27.61%

Date: November 23, 2015
To: AHFC Board of Directors
From: Mike Strand, CFO/Finance Director
RE: Proposed Conduit Debt Issuance

An inducement resolution for the 20-unit multi-family low-income and special needs housing project located at 325 E. 3rd Avenue in Anchorage, Alaska, was approved at the last board meeting in October. The funding for the project includes 4% low-income housing tax credits, which require that 50% of the project development costs be funded with tax-exempt bond proceeds. The proposed bond issuance satisfies that IRS requirement and provides the necessary funding source to continue this project.

Structuring an affordable housing financing package that has positive cash flows with traditional debt is very difficult in the current market. Developers have worked closely with lenders and counsel to satisfy the tax-exempt requirement by selling a short-term bond directly to the construction lender. The bond is retired when the construction loan is repaid through tax-credit proceeds, mortgages or other grants.

The proposed bonds will be sold directly to the construction lender and serviced by the borrower, so AHFC will act only as an administrator and no corporate funds will be used. The borrower will use project revenues to pay off the bonds, similar to the Eklutna Estates II affordable senior housing project transaction in 2014. Since the borrower has chosen Wells Fargo as their construction lender, staff is recommending this transaction be done as a private placement to Wells Fargo instead of a public sale.

The resolution and related documents are attached to this memorandum. Staff recommends approval of the attached resolution.

**ALASKA HOUSING FINANCE CORPORATION
RESOLUTION NO. 2015-_____**

**RESOLUTION OF THE ALASKA HOUSING FINANCE CORPORATION
AUTHORIZING THE CORPORATION TO ENTER INTO A LOAN
AGREEMENT TO INCUR REVENUE-BACKED INDEBTEDNESS IN AN
AGGREGATE PRINCIPAL AMOUNT NOT GREATER THAN \$4,000,000
AND TO USE THE PROCEEDS OF THE REVENUE-BACKED
INDEBTEDNESS TO MAKE A LOAN TO 325 E. 3RD LIMITED
PARTNERSHIP TO PAY THE COSTS OF A PROJECT OF SAID
PARTNERSHIP; AND AUTHORIZING AND APPROVING RELATED
MATTERS.**

WHEREAS, the Corporation has determined to issue its Revenue Bond 2015 (Susitna View Apartments Project) in an aggregate principal amount not to exceed \$4,000,000 and secured and payable solely from certain defined revenues as further described herein and not by the general credit or other assets or revenues of the Corporation (the "Bond"); and

WHEREAS, Wells Fargo Bank, National Association, (the "Bank") will purchase the Bond by making a loan to the Corporation pursuant to a Loan Agreement relating to the Bond (the "Loan Agreement"); and

WHEREAS, the Loan Agreement shall be in substantially the form presented to and made part of the records of this meeting and shall be entered into by the Corporation, the Bank, and 325 E. 3rd Limited Partnership (the "Borrower"); and

WHEREAS, pursuant to the terms of the Loan Agreement, the Corporation will lend the proceeds of the Bond to the Borrower, and the Borrower will use the loan made from the proceeds of the Bond to pay (or to reimburse the Borrower for the payment of) the costs of its Susitna View Project consisting of (a) the acquisition, re-use, and rehabilitation of a 4-story office building into 20 units of low-income rental housing located at 325 E. Third Avenue, Anchorage, Alaska, and (b) certain related expenses (the "Project"); and

WHEREAS, the Borrower has represented to the Corporation that it will rent most or all of the units in the Project to low income tenants; and

WHEREAS, the Loan Agreement provides for payments by the Borrower in amounts that will be sufficient to pay principal of and interest on the Bond when due; and

WHEREAS, such payments by the Borrower will be the sole source of revenues for payment of the Bond, and no assets or revenues of the Corporation will be pledged to the payment of the Bond except as expressly set forth in the Loan Agreement;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE ALASKA HOUSING FINANCE CORPORATION AS FOLLOWS:

Section 1. In order to provide funds to finance the Project, the Corporation will enter into the Loan Agreement and, in accordance with and pursuant to the terms of the Loan Agreement, will borrow the "Issuer Loan" (as defined in the Loan Agreement and which, pursuant to the terms of the Loan Agreement may be, and herein is, referred to as the Bond) in a principal amount not to exceed \$4,000,000 and will lend the proceeds of the Bond to the Borrower for the Project; provided, however, that the Bond (1) shall bear interest at a rate or rates determined as set forth in the Loan Agreement, and (2) shall be in substantially the form and content set forth in the Loan Agreement for the "Issuer Loan" but with such changes to form and content as any of the Authorized Officers (as defined below) shall consider necessary or appropriate; and provided, further, that the Bond may not create a general obligation indebtedness of the Corporation but shall be payable solely from the revenues and assets identified in the Loan Agreement.

The Bond does not constitute the indebtedness or other liability of the State of Alaska or any political subdivision thereof, but shall be payable solely from certain of the payments to be made by the Borrower under the Loan Agreement and certain other sources as identified in the Loan Agreement. The Corporation does not pledge the full faith and credit of the Corporation or the State of Alaska or any political subdivision thereof to apply money from, or levy or pledge any form of taxation to, payment of the Bond.

Section 2. The Chairman, the Vice Chairman, the Chief Executive Officer/Executive Director, the Deputy Executive Director, and the Chief Financial Officer/Finance Director (collectively, the “Authorized Officers”) are each authorized to issue the Bond pursuant to this Resolution and to approve, execute, and deliver the final form of the Loan Agreement substantially in the form presented to this meeting, but with such changes as any of the Authorized Officers shall consider necessary or appropriate. The execution of a Loan Agreement by an Authorized Officer is conclusive evidence of approval of any and all changes, modifications, additions, or deletions to that Loan Agreement from the form or content that was presented to this meeting. Each of the Authorized Officers is authorized, empowered, and directed to do all such acts and things and to execute all such documents (the “Ancillary Documents”) as may be necessary, useful, or convenient to carry out the provisions of the Loan Agreement and to issue the Bond, including, but not limited to, executing an assignment of the Corporation’s right, title, and interest in assets and revenues substantially as contemplated by the Loan Agreement (the “Assignment”). This Resolution authorizes the Authorized Officers to issue the Bond and to enter into the Loan Agreement in the discretion of the Authorized Officers within the limitations set forth in this Resolution.

Section 3. The Authorized Officers are each authorized, after execution of the Loan Agreement, to deliver the Loan Agreement, the Assignment, and the Ancillary Documents to the Bank.

Section 4. The Authorized Officers are each authorized for and on behalf of the Corporation to do or cause to be done all acts and things required or desirable to be done by the Corporation (or by any Authorized Officer) under and pursuant to the terms and conditions of the Loan Agreements, the Assignments, or the Ancillary Documents.

Section 5. This Resolution shall take effect immediately.

Dated this 23rd day of November 2015.

Chair

LOAN AGREEMENT

(Susitna View Project)

among

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Lender

and

ALASKA HOUSING FINANCE CORPORATION,
as Issuer

and

325 E. 3RD LIMITED PARTNERSHIP,
as Borrower

dated as of November 1, 2015

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LOAN AGREEMENT

This Loan Agreement, dated as of November 1, 2015 (the “Loan Agreement”), among **Wells Fargo Bank, National Association**, a national banking association (the “Lender”), **Alaska Housing Finance Corporation**, a public corporation and government instrumentality of the State of Alaska, as Issuer (the “Issuer”), and **325 E. 3RD LIMITED PARTNERSHIP**, an Alaska limited partnership (the “Borrower”).

WITNESSETH:

WHEREAS, the Issuer was established for the purpose, among other things, of assisting in the acquisition and development of land and the construction, rehabilitation, financing, management, maintenance, sale, and rental of dwelling units for persons of lower and moderate income in Alaska pursuant to the provisions of Chapters 55 and 56 of Title 18, Alaska Statutes, as amended (the “Act”); and

WHEREAS, the Borrower desires to finance the Project (as further described and defined herein, the “Project”) on the terms and conditions set forth below; and

WHEREAS, the Issuer has determined that the financing of the Project is in furtherance of the purposes of the Issuer set forth above; and

WHEREAS, in order to finance the costs of Project, the Issuer intends to incur indebtedness to the Lender (as further described and defined herein, the “Issuer Loan”), the interest with respect to which shall be excluded from gross income of the Holder (as defined herein) for federal income tax purposes pursuant to 26 U.S.C. 103, as amended to the date hereof (provided, however, that the Lender understands and agrees that the Issuer Loan shall not be a “qualified tax-exempt obligation” for purposes of 26 U.S.C. 265, as amended to the date hereof) and shall be exempt from State taxation, except for transfer, estate, and inheritance taxes; and

WHEREAS, the Issuer intends to lend the proceeds of the Issuer Loan to the Borrower (as further described and defined herein, the “Borrower Loan”); and

WHEREAS, for and in consideration of the Issuer making the Borrower Loan, the Borrower agrees, among other things, to pay when and as due, the principal of, and the premium, if any, and interest on, the Borrower Loan and to pay, when and as due, all other Additional Payments (as defined herein); and

WHEREAS, the Issuer will assign the payments due under the Borrower Loan pursuant to this Loan Agreement (except any payments due to the Issuer pursuant to Reserved Issuer Rights) to the Lender;

WHEREAS, the Borrower shall make Payments (as defined herein, the “Payments”) directly to the Lender as assignee of the Issuer; and

WHEREAS, the Issuer, the Lender, and the Borrower have duly authorized the execution and delivery of this Loan Agreement; and

WHEREAS, the Issuer's obligations and liabilities under this Loan Agreement, including the Issuer Loan, (1) are revenue obligations of the Issuer and are not general obligations of the Issuer and (2) are payable solely from the Payments and other security described in Sections 4.04 and 4.05 herein; and

WHEREAS, the obligations and liabilities of the Issuer under this Loan Agreement, including the Issuer Loan, do not constitute a debt, liability, or obligation of the State or of any political subdivision of the State or a pledge of the faith and credit of the State or of a political subdivision of the State; the obligations and liabilities of the Issuer under this Loan Agreement, including the Issuer Loan, are payable solely from the Payments and other security described in Sections 4.04 and 4.05 herein;

NOW, THEREFORE, in consideration of the payments to be made hereunder and the mutual covenants contained herein, the parties agree as follows:

ARTICLE I

DEFINITIONS

As used in this Loan Agreement, the terms defined in the foregoing recitals have the meanings given therein, and the following terms used herein have the meanings indicated below unless the context clearly requires otherwise.

"Accountant" means an independent certified public accountant or a firm of independent certified public accountants, selected by the Borrower and satisfactory to the Lender.

"Act" means Chapters 55 and 56 of Title 18, Alaska Statutes.

"Additional Payments" means the amounts, other than Payments, payable by the Borrower pursuant to the provisions of this Loan Agreement, including, without limitation, the Issuer Fees and Expenses, the Lender Fees, amounts pursuant to Section 12.03 hereof, indemnity payments and reimbursement of advances due hereunder.

"Affiliate" means an affiliate of the Lender or any related entity, 100% of whose common stock is directly or indirectly owned by the Lender.

"Applicable Loan Rate" means a per annum rate of interest established on each LIBOR Index Reset Date equal to the sum of 200 basis points (2.00%) per annum plus the product of (i) the LIBOR Index multiplied by (ii) 66.80%. The Applicable Loan Rate shall be rounded to the fifth decimal place.

"Assignment Agreement" means the Assignment Agreement dated as of November 1, 2015 between the Issuer and the Lender.

"Authorized Borrower Representative" means the RC 325 Third, LLC, General Partner under First Amended and Restated Limited Partnership Agreement of Borrower executed as of [____], 2015, by and among RC 325 Third, LLC, an Alaska limited liability company, as the general partner, Rural Alaska Community Action Program, Inc., an Alaska nonprofit

corporation, as the withdrawing limited partner, and Wincopin Circle LLLP, a Maryland limited liability limited company, as the substitute limited partner.

“*Bond Counsel*” means the attorney or firm of attorneys selected by the Issuer as its bond counsel.

“*Borrower*” means (a) 325 E. 3RD LIMITED PARTNERSHIP, an Alaska limited partnership; (b) any surviving, resulting or transferee entity thereof permitted pursuant to the terms of this Loan Agreement; and (c) except where the context requires otherwise, any assignee or assignees of the Borrower permitted pursuant to the terms of this Loan Agreement.

“*Borrower Loan*” means the loan of proceeds from the Issuer Loan by the Issuer to the Borrower pursuant to this Loan Agreement.

“*Borrower Loan Proceeds*” means an amount not to exceed \$3,700,000 to be paid or provided by the Issuer to the Borrower as the Borrower Loan.

“*Business Day*” means any day which is not one of the following: (a) a Saturday, Sunday or legal holiday as set forth by the Federal Reserve Bank of San Francisco; (b) any other day on which banks in Anchorage, Alaska, New York, New York or San Francisco, California are authorized or required to be closed by the appropriate regulatory authorities; or (c) a day on which the New York Stock Exchange is authorized or required to be closed.

“*Change in Law*” means the occurrence, after the date of this Loan Agreement regardless of the date enacted, adopted or issued, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any governmental authority, (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any governmental authority, (d) all rules, guidelines or directives under, or issued in connection with, the Dodd-Frank Wall Street Reform and Consumer Protection Act, and (e) all rules, guidelines or directives promulgated by the Bank for International settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States regulatory authorities, in each case pursuant to Basel III.

“*Closing Date*” means November [___], 2015.

“*Code*” means the Internal Revenue Code of 1986, as amended from time to time.

“*Collateral*” means, collectively, the Property (as defined in the Deed of Trust) and the Collateral (as defined in the Security Agreement).

“*Completion Notice*” means a certificate stating that the Improvements are complete and that no further Draw Requests will be submitted.

“*Construction Disbursement Agreement*” means the Construction Disbursement Agreement dated as of the date hereof between Borrower and Lender.

“*Contractor*” means, collectively or severally, as the context thereof shall suggest or require the General Contractor and any other person or entity with whom the Borrower contracts for the construction of the Improvements or any portion thereof.

“*Deed of Trust*” means the Deed of Trust with Absolute Assignment of Rents and Leases, Security Agreement and Fixture Filing, dated as of November 1, 2015, by the Borrower for the benefit of the Issuer.

“*Default*” means an event that, with giving of notice or passage of time or both, would constitute an Event of Default as provided in Article XI hereof.

“*Default Rate*” means the Prime Rate plus 4.00% but not to exceed the highest rate permitted by law.

“*Determination of Taxability*” means any determination, decision, decree or advisement by the Commissioner of Internal Revenue, or any District Director of Internal Revenue or any court of competent jurisdiction, or an opinion obtained by the Lender, of Bond Counsel, that an Event of Taxability has occurred. A Determination of Taxability also shall be deemed to have occurred on the first to occur of the following:

(a) the date when the Borrower files any statement, supplemental statement, or other tax schedule, return or document, which discloses that an Event of Taxability has occurred;

(b) the effective date of any federal legislation enacted or federal rule or regulation promulgated after the date of this Loan Agreement that causes an Event of Taxability; or

(c) the date of the sale or lease of the Facility or the date of any other deliberate action with respect to the Facility within the meaning of Treas. Reg. § 1.141-2(d) if, on or prior to either such date, the Lender has not received an unqualified opinion of Bond Counsel to the effect that such action will not cause interest on the Issuer Loan to become includable in the gross income of the recipient for purposes of federal income taxation;

“*Draw Request*” means a Project Fund Draw Request made by the Borrower substantially in the form attached hereto as Exhibit F.

“*Effective Date*” means the date the Deed of Trust is recorded in the Recorder’s Office in the Alaska Department of Natural Resources.

“*EMMA*” means the Municipal Securities Rulemaking Board’s Electronic Municipal Access System or any service or services established by the Municipal Securities Rulemaking Board (or any of its successors) as a successor to the Electronic Municipal Access System.

“*Environmental Indemnity Agreement*” means, individually or collectively, as the context may imply, (i) Hazardous Materials Indemnity Agreement dated as of the date hereof made by

Borrower in favor of Issuer and Lender, and (ii) each of the Hazardous Materials Indemnity Agreements dated as of the date hereof made by each Guarantor in favor of Issuer and Lender.

“*Environmental Laws*” means any federal, state or local law (whether imposed by statute, or administrative or judicial order, or common law), now or hereafter enacted, governing health, safety, industrial hygiene, the environment or natural resources, or Hazardous Materials, including, such laws governing or regulating the use, generation, storage, removal, recovery, treatment, handling, transport, disposal, control, discharge of, or exposure to, Hazardous Materials.

“*Event of Indirect Taxability*” means the enactment of any federal legislation, or the promulgation of any federal rule or regulation, after the date of this Loan Agreement, that has the effect (no matter how accomplished or implemented) of causing all or any portion of the interest on the Issuer Loan to be taken into account under any provision of the Code in such manner as to cause an increase in the federal income tax liability of the Lender.

“*Event of Taxability*” means: (a) the application of the proceeds of the Issuer Loan, or other amounts treated as “gross proceeds” of the Loan, in such manner that the Issuer Loan becomes an “arbitrage bond” within the meaning of Code Sections 103(b)(2) and 148, with the result that interest on the Issuer Loan is or becomes subject to federal income taxation of the Holder of the Issuer Loan; or (b) if as a result of any act, failure to act, or use of the proceeds of any portion of the Issuer Loan or the Project or any misrepresentation or inaccuracy in any of the representations, warranties or covenants contained in this Loan Agreement or the enactment of any federal legislation or the promulgation of any federal rule or regulation after the date of this Loan Agreement, all or any portion of the interest on the Issuer Loan becomes subject to federal income taxation.

“*Facility*” means collectively (a) all buildings, structures and other improvements situated, placed or constructed on the Land; and (b) all materials, supplies, equipment, apparatus and other items of personal property owned by the Borrower and attached to, installed in or used in connection with the Land, including (without limitation) water, gas, electrical, storm and sanitary sewer facilities and all other utilities whether or not situated in easements.

“*Fiscal Year*” means the period beginning on [August 1 of each year and ending on the next succeeding July 31 or any other 12-month or 52-week period hereafter selected and designated by the Borrower as its official Fiscal Year with the approval of Lender].

“*GAAP*” means generally accepted accounting principles in the United States of America set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession in the United States of America, that are applicable to the circumstances as of the date of determination, consistently applied.

“*General Partner*” means RC 325 Third, LLC, a Alaska limited liability company, the general partner of the Borrower.

“*Guarantor*” means each of (i) V2, LLC, (ii) Trapline, LLC, (iii) Glenn Gellert, and (iv) John McGrew, and their respective successors and assigns.

“*Guaranty Agreement*” means, collectively or individually, as the content may imply, each Guaranty Agreement, described as follows:

- (1) the Repayment Guaranty dated as of November 1, 2015, by V2, LLC in favor of Lender;
- (2) the Completion Guaranty dated as of November 1, 2015, by V2, LLC in favor of Lender;
- (3) the Repayment Guaranty dated as of November 1, 2015, by Trapline, LLC in favor of Lender;
- (4) the Completion Guaranty dated as of November 1, 2015, by Trapline, LLC in favor of Lender;
- (5) the Repayment Guaranty dated as of November 1, 2015, by Glenn Gellert in favor of Lender;
- (6) the Completion Guaranty dated as of November 1, 2015, by Glenn Gellert in favor of Lender;
- (7) the Repayment Guaranty dated as of November 1, 2015, by John McGrew in favor of Lender; and
- (8) the Completion Guaranty dated as of November 1, 2015, by John McGrew in favor of Lender;

“*Gross-Up Rate*” means, with respect to the Loan, an interest rate equal to the Applicable Loan Rate plus a rate sufficient such that the total interest to be paid on any payment date would, after such interest was reduced by the amount of any federal, state and local income tax (including any interest or penalties) actually imposed thereon, equal the amount of interest due with respect to the Loan.

“*Hazardous Materials*” means all explosive or radioactive substances or wastes and all hazardous or toxic substances, materials, contaminants, chemicals, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

“*Holder*” means either the Lender or a Qualified Institutional Buyer to which the Loan is assigned.

“*Improvements*” means the capital improvements to be financed from time to time with a portion of the proceeds of the Borrower Loan and include a [_____] square foot low income

housing project consisting of 20 residential units and other ancillary facilities located at the Property and financed with the Loan.

“*Initial Prepayment Date*” means November [___], 2017.

“*Issuer Fees and Expenses*” means the fees and expenses described in Section 3.04 hereof.

“*Issuer Loan*” means the loan to the Issuer from the Lender made pursuant to this Loan Agreement; for purposes of description of the Issuer Loan in an IRS Form 8038 relating thereto or any other document pertaining to the Issuer Loan, the Issuer may refer to the Issuer Loan as the Alaska Housing Finance Corporation Revenue Bond 2015 (Susitna View Project).

“*Issuer Loan Proceeds*” means an amount not to exceed \$3,700,000 to be paid or provided by the Lender to the Issuer as the Issuer Loan.

“*Land*” means the real property located in the Municipality of Anchorage, Alaska, and as more particularly described on Exhibit A attached hereto, together with any greater estate therein as hereafter may be acquired by the Borrower.

“*Lender*” means (a) Wells Fargo Bank, National Association; (b) any surviving, resulting or transferee corporation of Wells Fargo Bank, National Association; and (c) if this Loan Agreement and the Issuer Loan have been assigned by the Lender pursuant to Section 10.01 hereof, such assignee shall be considered the Lender with respect to this Loan Agreement and the Issuer Loan, subject to Section 10.01.

“*Lender’s Counsel*” means Kutak Rock LLP.

“*Lender Fees*” means, with respect to the Loan Agreement, the fee payable to the Lender for the Lender’s services in connection with the preparation, review and execution of this Loan Agreement, as further defined in Section 12.03.

“*LIBOR Index*” means, for any date of determination, the per annum rate of interest determined on the basis of the rate on deposits in United States dollars of amounts equal to or comparable to the Principal Amount, offered for a term of one month, which rate appears on the display designated as Reuters Screen LIBOR01 Page (or any successor page), determined as of approximately 11:00 a.m., London time, on each Computation Date for effect on the immediately succeeding LIBOR Index Reset Date, or if such rate is not available, another rate determined by the Lender of which the Borrower has received written notice.

“*LIBOR Index Reset Date*” means the first Business Day of each month.

“*Lien*” shall have the meaning set forth in Section 8.01 hereof.

“*Lien Claims*” shall have the meaning set forth in Section 8.01 hereof.

“*Liquid Assets*” means the sum of cash, cash equivalents and all other short-term and long-term investments, net of margin accounts, of the Borrower, less permanently restricted assets and deferred revenues, each as determined in accordance with GAAP.

“*Loan*” means, collectively, the Issuer Loan and the Borrower Loan, each in the aggregate principal amount not to exceed \$3,700,000.

“*Loan Documents*” means, collectively, this Loan Agreement, the Construction Disbursement Agreement, the Deed of Trust, the Environmental Indemnity Agreement, the Security Agreement, the Assignment Agreement, each Guaranty Agreement and the Tax Agreement.

“*Loan Agreement*” means, collectively, this Loan Agreement and the Draw Requests, including the Exhibits hereto, as any of the same may be supplemented or amended from time to time in accordance with the terms hereof.

“*Material Adverse Change*” means the occurrence of any event or change which in the sole reasonable discretion of the Lender results in a material and adverse change in the business, assets, liabilities, condition (financial or otherwise), operations or prospects of the Borrower since the last day of the period reported in the audited annual financial statements of the Borrower dated as of [June 30, 2013], or which in the sole reasonable discretion of the Lender materially and adversely affects (a) the enforceability of this Loan Agreement or any related document, (b) the ability of the Borrower to perform its obligations hereunder or thereunder or (c) the rights of or benefits or remedies available to the Lender under this Loan Agreement or any related documents.

“*Maturity Date*” means November [___], 2040; provided, however, that the Loan shall be prepaid on the Prepayment Date, which date shall be deemed to be the maturity date with respect to the Lender's commitment hereunder, unless the Loan is extended at the option of the Lender pursuant to Section 4.08(e).

“*Net Proceeds*” means any insurance proceeds or condemnation award paid with respect to the Facility, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

“*Obligation*” means Payments and Additional Payments payable by the Borrower pursuant to the provisions of this Loan Agreement.

“*Off-Balance Sheet Liabilities*” means any liability or obligation, absolute, contingent or otherwise, incurred under an “off-balance sheet arrangement” as defined in the Final Rule: Disclosure in Management's Discussion and Analysis about Off-Balance Sheet Arrangements and Aggregate Contractual Obligations, Securities and Exchange Commission 17 CFR Parts 228, 229 and 249, as such rule may be amended or supplemented from time to time.

“*Patriot Act*” means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Title III of Pub. L. 107 56 (signed into law October 26, 2001).

“*Payments*” means payments of principal, interest and prepayment charges with respect to the Loan (excluding, Additional Payments, including, without limitation, the Issuer Fees and Expenses and the Lender Fees payable to the Lender and the Issuer hereunder) payable by the Borrower pursuant to the provisions of this Loan Agreement. Payments shall be payable by the Borrower directly to the Lender as assignee of the Issuer, in the amounts and at the times as set forth in this Loan Agreement.

“*Permitted Encumbrances*” means (a) Liens and security interests securing indebtedness owed by the Borrower to the Issuer and/or the Lender including the Deed of Trust and the Security Agreement; (b) Liens arising by reason of good faith deposits in connection with tenders, leases of real estate, bids or contracts (other than contracts for the payment of borrowed money); (c) any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable the Borrower to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workers’ compensation, unemployment insurance, pensions or profit sharing plans or other social security plans or programs, or to share in the privileges or benefits required for corporations participating in such arrangements; (d) Liens arising by reason of good faith deposits made by or to the Borrower in the ordinary course of business (for other than borrowed money), deposits by the Borrower to secure public or statutory obligations or deposits to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges; (e) attachment or judgment liens not constituting a default hereunder or under the Deed of Trust, or any attachment or judgment lien against the Borrower so long as such judgment is being contested in accordance with the Lien Contest Criteria set forth in Section 8.01 hereof; (f) any claim against the Borrower which does not include any prejudgment right to attachment to, or prejudgment lien rights against, the Collateral or other assets of the Borrower, so long as such claim is being contested in good faith and with due diligence, without regard to the Lien Contest Criteria set forth in Section 8.01 hereof; (g) rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law affecting the Property, to: (1) terminate such right, power, franchise, grant, license, or permit, provided, that the exercise of such right would not materially impair the use of such Property in the ordinary course by the Borrower or materially and adversely affect the value thereof, or (2) purchase, condemn appropriate or recapture, or designate a purchaser of, the Property or any portion thereof; (h) Liens for taxes, assessments, or similar charges either not yet due or being contested in accordance with the Lien Contest Criteria set forth in Section 8.01 hereof; (i) Liens of materialmen, mechanics, warehousemen, or carriers, or other like Liens arising in the ordinary course of business and securing obligations which are not yet delinquent; or which are being contested in accordance with the Lien Contest Criteria set forth in Section 8.01 hereof; (j) easements, rights-of-way, servitudes, restrictions, oil, gas, or other mineral reservations and other minor defects, encumbrances, and irregularities in the title to the Property which do not materially impair the use of such Property in the ordinary course by the Borrower or materially and adversely affect the value thereof; (k) rights reserved to or vested in any municipality or public authority to control or regulate the Property or to use such Property in any manner, which rights do not materially impair the use of such Property or materially and adversely affect the value thereof, to the extent that it affects title to the Property; (l) Liens on property received by

the Borrower through gifts, grants or bequests, such Liens being due to restrictions on such gifts, grants or bequests or the income thereon, so long as the fair market value of any such property is greater than the amount of the indebtedness secured by the Lien on such property; (m) Liens to secure indebtedness permitted by Section 8.06 of this Loan Agreement; (n) the exceptions to coverage of the Title Policy as approved by the Lender and attached hereto as Exhibit E; (o) use or license agreements which are immaterial with respect to use of portions of the Facility for purposes consistent with the Borrower's purpose of providing housing for low and moderate income tenants; and (p) any Liens approved in writing by the Lender.

"Permitted Indebtedness" means the List of Permitted Indebtedness attached hereto as Exhibit D.

"Person" means any legal entity as the context may require.

"Phase I Environmental Report" means the report for the Property dated [_____], prepared by [_____].

"Plans and Specifications" means the Borrower's plans and specifications for the Improvements, as amended from time to time, which include a construction budget for the Improvements and an allocation of the sources and uses of funds for the Improvements.

"Prepayment Date" means (i) the Initial Prepayment Date, and (ii) the date provided by the Lender in response to Borrower's written request for an extension pursuant to Section 4.08(e) hereof.

"Prime Rate" means, for any date of determination, the rate of interest per annum most recently established by Wells Fargo Bank, National Association in its sole discretion as its "prime rate." The parties hereto acknowledge that the rate announced by Wells Fargo Bank, National Association as its prime rate is an index or base rate and shall not necessarily be publically announced or be its lowest or best rate charged to its customers or other banks. If at any time (a) Wells Fargo Bank, National Association ceases to exist or (b) Wells Fargo Bank, National Association ceases to establish or publish a prime rate from which the Prime Rate is then determined, the applicable variable rate from which the Prime Rate is determined thereafter shall be instead the prime rate reported in The Wall Street Journal (or the average prime rate if a high and a low prime rate are therein reported). Each change in the Prime Rate shall be effective without notice as of the opening of business on the day such change in the Prime Rate occurs.

"Prior Interest Payment" means a payment of interest on the Borrower Loan made on or prior to the date of any Determination of Taxability that becomes includible in the gross income of the Holder of the Issuer Loan for purposes of federal income taxation as a result of the Determination of Taxability.

"Project" means the acquisition, construction, rehabilitations, renovation, furnishing and equipping of the Improvements.

"Project Costs" means the cost of the Project and, subject to the limitations set forth in the Tax Agreement, the costs of issuing the Loan incurred by the Borrower.

“*Project Fund*” means that account number [_____] of the Borrower at the Lender.

“*Property*” means collectively, the Land and the Facility.

“*Qualified Institutional Buyer*” shall have the meaning ascribed thereto in Exhibit B-1 attached hereto.

“*Regulatory Agreement*” means that certain Regulatory Agreement, dated as of November 1, 2015.

“*Reserved Issuer Rights*” means the Issuer’s rights to the Issuer Fees and Expenses, indemnification, notices, opinions, certifications, information, inspections and consents pursuant to this Loan Agreement and the Tax Agreement.

“*Security Agreement*” means the Pledge and Security Agreement of even date by and between the Borrower and the General Partner, in favor of the Issuer and the Lender.

“*State*” means the State of Alaska.

“*Statutory Bond Criteria*” has the meaning set forth in Section 8.01 hereof.

“*Tax Agreement*” means the Tax Regulatory Agreement executed and delivered by the Issuer and the Borrower, together with any supplements or certificates related thereto.

“*Title Insurer*” means [Chicago Title Insurance Company].

“*Title Policy*” means an ALTA (or equivalent) mortgagee policy of title insurance with coverage in an amount equal to the principal amount of the Loan, with reinsurance and endorsements as the Lender may require, containing no exceptions to title (other than Permitted Encumbrances) which are unacceptable to the Lender, and insuring that the Deed of Trust is a first-priority lien on the Property.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE ISSUER AND THE BORROWER

Section 2.01. Representations, Warranties and Covenants of the Issuer. The Issuer represents, warrants and covenants for the benefit of the Lender and the Borrower that as of the Closing Date:

(a) The Issuer is a public corporation and government instrumentality of the State and is duly authorized to enter into this Loan Agreement and to perform its obligations under this Loan Agreement.

(b) To the best knowledge of the Issuer, all requirements have been met and procedures have occurred in order to authorize the execution and delivery of this Loan Agreement by the Issuer. To the best knowledge of the Issuer, the Issuer has taken all

necessary action and has complied with all provisions of the law required to make this Loan Agreement a valid and binding limited obligation of the Issuer, and this Loan Agreement is a valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms, except to the extent limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally, by the application of equitable principles regardless of whether enforcement is sought in a proceeding at law or in equity, or by public policy.

(c) This Loan Agreement has been duly authorized, executed and delivered by the Issuer. Nothing in this Loan Agreement shall be construed as requiring the Issuer to provide any financing for the Project other than the proceeds of the Issuer Loan.

(d) To the best knowledge of the Issuer, there is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency or public board or body pending or threatened against the Issuer which (i) affects or seeks to prohibit, restrain or enjoin the origination of the Loan or the lending of the proceeds of the Issuer Loan to the Borrower, or the execution and delivery of this Loan Agreement or the Tax Agreement; (ii) affects or questions the validity or enforceability of this Loan Agreement; or (iii) questions the tax-exempt status of interest of the Issuer Loan.

(e) The Issuer hereby incorporates by reference the certifications made by it in the Closing Certificate of the Issuer delivered on, and dated as of, the Closing Date.

Section 2.02. Representations, Warranties and Covenants of the Borrower. The Borrower represents, warrants and covenants, for the benefit of the Lender and the Issuer that (such representations, warranties and covenants to remain operative and in full effect regardless of any investigations by or on behalf of the Issuer and regardless of the results of any such investigations):

(a) The Borrower is a limited partnership duly organized and in good standing under the laws of the State, has full legal right, power and authority to enter into the Loan Documents, and to carry out all of its obligations under and consummate all transactions contemplated by the Loan Documents, and by proper organizational action has duly authorized the execution, delivery and performance of the Loan Documents by the Borrower.

(b) As of the Closing Date, the officers of the Borrower executing the Loan Documents are duly and properly in office and fully authorized to execute the same.

(c) The Loan Documents have been duly authorized, executed and delivered by the Borrower.

(d) The Loan Documents constitute the legal, valid and binding agreements of the Borrower enforceable against the Borrower by the Lender in accordance with their terms, and any rights of the Issuer and obligations of the Borrower to the Issuer that are not assigned to the Lender constitute the legal, valid, and binding agreements of the Borrower enforceable against the Borrower by the Issuer in accordance with their terms, except, in each case, as enforcement may be limited by bankruptcy, insolvency or other

laws affecting the enforcement of creditors' rights generally, by the application of equitable principles regardless of whether enforcement is sought in a proceeding at law or in equity and by public policy.

(e) The execution and delivery of the Loan Documents, the consummation of the transactions contemplated by the Loan Documents and the fulfillment of or compliance with the terms and conditions of the Loan Documents, will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under the certificate of limited partnership of the Borrower, its partnership agreement, any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, loan agreement, lease, contract or other agreement or instrument to which the Borrower is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Borrower, which conflict, violation, breach, default, lien, charge or encumbrance might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Loan Documents, or the financial condition, assets, properties or operations of the Borrower.

(f) No consent or approval of any trustee or holder of any indebtedness of the Borrower or any guarantor of indebtedness of or other provider of credit or liquidity of the Borrower, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority (except with respect to any state securities or "blue sky" laws) is necessary in connection with the execution and delivery of the Loan Documents, or the consummation of any transaction contemplated by the Loan Documents, or the fulfillment of or compliance with the terms and conditions of the Loan Documents, except as have been obtained or made and as are in full force and effect.

(g) Except as previously disclosed to the Lender and the Issuer, there is no action, suit, proceeding, inquiry or investigation, before or by any court or federal, state, municipal or other governmental authority, pending, or to the knowledge of the Borrower, after reasonable investigation, threatened, against or affecting the Borrower or the assets, properties or operations of the Borrower which, if determined adversely to the Borrower or its interests, would have a material adverse effect upon the consummation of the transactions contemplated by, or the validity of, the Loan Documents, or upon the financial condition, assets, properties or operations of the Borrower, and the Borrower is not in default (and no event has occurred and is continuing which with the giving of notice or the passage of time or both could constitute a default) with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Loan Documents, or the financial condition, assets, properties or operations of the Borrower. All tax returns (federal, state and local) required to be filed by or on behalf of the Borrower have been filed, and all taxes shown thereon to be due, including interest and penalties, except such, if any, as are being actively contested by the Borrower in good faith, have been paid or adequate reserves have been made for the payment thereof which reserves, if any, are reflected in the audited financial statements described therein.

The Borrower enjoys the peaceful and undisturbed possession of all of the premises upon which it is operating its facilities.

(h) No written information, exhibit or report furnished to the Lender by the Borrower in connection with the negotiation of the Loan Documents contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that with respect to projected financial information, the Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

(i) Reserved.

(j) The Borrower has a valid leasehold interest in the property and a good and marketable title to the Facility, in each case free and clear from all encumbrances other than Permitted Encumbrances.

(k) Reserved.

(l) The Borrower complies in all material respects with all applicable Environmental Laws.

(m) Except as disclosed in the Phase I Environmental Report, to the best of the Borrower's knowledge, neither the Borrower nor the Facility are the subject of a federal, state or local investigation evaluating whether any remedial action is needed to respond to any alleged violation of or condition regulated by Environmental Laws or to respond to a release of any Hazardous Materials into the environment.

(n) As of the Closing Date, the Borrower does not have any material contingent liability in connection with any release of any Hazardous Materials into the environment.

(o) Reserved.

(p) Reserved.

(q) No Event of Default or Default under Section 11.01 of this Loan Agreement has occurred and is continuing.

(r) The Borrower is not in default under and is not violating any provision of its certificate of limited partnership or partnership agreement or, to the knowledge of the Borrower after due inquiry, any material provision of any material indenture, mortgage, lien, administrative regulations, order, judgment, decree or other instrument or restriction of any kind or character to which it is a party or by which it is bound or to which it or any of its assets is subject.

(s) The Borrower acknowledges, represents and warrants that it understands the nature and structure of the transactions relating to the Loan; that it is familiar with the

provisions of all of the documents and instruments relating to such financing to which the Borrower is a party or of which it is a beneficiary; that it understands the risks inherent in such transactions; and that it has not relied on the Issuer for any guidance or expertise in analyzing the financial or other consequences of the transactions contemplated by this Loan Agreement or otherwise relied on the Issuer for any advice or otherwise.

(t) All material certificates, approvals, permits and authorizations of applicable local governmental agencies, and agencies of the State and the federal government have been or will be obtained with respect to the acquisition of the Property and the construction and installation of the Project and operation of the Facility, and the Project has been acquired, constructed and installed and the Facility will be operated pursuant to and in accordance with such certificates, approvals, permits and authorizations.

(u) No portion of the Facility financed with the proceeds of the Issuer Loan includes any property used or to be used for sectarian instruction or study, as a place for devotional activities or religious worship, or in connection with any part of the program of a school or department of divinity for any religious denomination.

(v) All financial and other information provided to the Lender by or on behalf of the Borrower and Guarantor in connection with this Loan Agreement is true and correct in all material respects and, as to projections, valuations or pro forma financial statements, present a good faith opinion as to such projections, valuations and pro forma condition and results.

(w) The Borrower is currently in compliance, and in the future will comply, with all applicable nondiscrimination laws.

ARTICLE III

ISSUANCE OF LOAN; APPLICATION OF PROCEEDS

Section 3.01. Loan to Finance the Project.

(a) The Lender hereby agrees to loan up to \$3,700,000 to the Issuer and the Issuer hereby agrees, subject to the limitations set forth herein, to borrow up to such amount from the Lender and to lend the Issuer Loan Proceeds to the Borrower for the purposes of financing the Project. The Loan is non-revolving. Any portion of the Loan repaid may not be re-lent.

(b) The Borrower shall design, acquire, rehabilitate, construct, improve and equip the Improvements with all reasonable dispatch, substantially in accordance with the Plans and Specifications. The Borrower shall (a) pay when due all fees, costs and expenses incurred in connection with the foregoing from funds made available therefor in accordance with this Loan Agreement, or otherwise, unless any such fees, costs or expenses are being contested by the Borrower in good faith and by appropriate proceedings; (b) as the Borrower deems reasonably appropriate and in its best interests, ask, demand, sue for, levy, recover and receive all those sums of money, debts and other

demands whatsoever which may be due, owing and payable under the terms of any contract, order, receipt, writing and instruction in connection with the design, construction and equipping of the Improvements; and (c) as the Borrower deems reasonably appropriate and in its best interests, enforce the provisions of any contract, agreement, obligation, bond or other performance security with respect thereto. The Borrower may revise the Plans and Specifications from time to time, provided that no revision shall be made which would change the purposes of the Improvements in a way that would adversely affect the tax-exempt status of interest on the Issuer Loan or which would change the purposes of the Improvements to purposes that are not permitted by the Act or by the resolution of the Issuer's Board of Directors authorizing the Issuer to enter into this Loan Agreement. Upon the completion of the Improvements, the Borrower shall provide the Lender with a Completion Notice.

(c) Upon fulfillment of the conditions precedent set forth in Section 5.01 hereof, the Lender shall disburse the Issuer Loan Proceeds in the amount of \$50,001 to the Title Insurer. The Title Insurer shall then disburse the portion of the Issuer Loan Proceeds it receives on the Closing Date in accordance with the escrow instructions provided to the Title Insurer by the Lender and the Borrower.

(d) Subject to the terms and conditions in Sections 4.03 and Article V hereof, the Lender shall disburse the Issuer Loan Proceeds from time to time into the Project Fund pursuant to Draw Requests. The aggregate principal amount of the Loan outstanding under this Loan Agreement is set forth in Exhibit G hereto, as such Exhibit G may be amended from time to time pursuant to Section 5.02(b) hereof.

(e) The Issuer's obligation to repay the Issuer Loan and the Borrower's obligation to repay the Borrower Loan shall commence, and interest shall begin to accrue, on the Closing Date.

Section 3.02. Establishment and Application of Project Fund. The Borrower shall establish and maintain an account at Wells Fargo Bank, National Association designated as the "Project Fund" and designated as account number [_____]. The Borrower shall maintain a separate record of the Project Fund on its books and shall account for all deposits and withdrawals from the Project Fund in accordance with the Borrower's accounting procedures. The Lender shall deposit the Issuer Loan Proceeds into the Project Fund to be used and withdrawn by the Borrower as the Borrower Loan pursuant to a Draw Request to pay Project Costs. No moneys in the Project Fund may be used to pay Additional Payments. Amounts in the Project Fund may be invested in Permitted Investments as directed by the Borrower.

Section 3.03. Term. The term of this Loan Agreement shall commence on the Closing Date and shall terminate upon the earliest to occur of any of the following events:

(a) so long as no Event of Default has occurred and is continuing hereunder, the payment by the Borrower of all Payments with respect to the Borrower Loan, any rebate payments and any other payments required to be paid by the Borrower hereunder;

(b) so long as no Event of Default has occurred and is continuing hereunder, the prepayment pursuant to the terms herein of the entire outstanding principal amount, accrued interest and other amounts due hereunder; or

(c) the Lender's election to terminate this Loan Agreement under Article XI due to an Event of Default hereunder.

Section 3.04. Costs and Expenses of the Issuer. The Borrower shall pay to the Issuer the following "Issuer Fees and Expenses":

(a) All taxes and assessments of any type or character charged to the Issuer affecting the amount available to the Issuer from payments to be received hereunder or in any way arising due to the transactions contemplated hereby (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments) but excluding any taxes based upon the capital or income of the Issuer; provided, however, that the Borrower shall have the right to protest any such taxes or assessments and to require the Issuer, at the Borrower's expense, to protest and contest any such taxes or assessments assessed or levied upon them and that the Borrower shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would materially adversely affect the rights or interests of the Issuer, notwithstanding the provisions of Section 8.01;

(b) The reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Issuer to prepare audits, financial statements or opinions or provide such other services as are required in connection with the Loan Documents and the Loan;

(c) Fees and expenses of the Issuer in connection with the Loan, the Loan Documents, or any other documents contemplated by such Loan Documents, including, without limitation, (i) the Issuer's fee payable on the Closing Date of \$50,000; (ii) expenses incurred by Bond Counsel or other counsel to the Issuer in connection with the Loan; (iii) any litigation which may at any time be instituted involving such Loan, the Loan Documents and any other documents contemplated by the Loan Documents for which the Borrower may be liable to indemnify the Issuer pursuant to Section 7.13 hereof or the Environmental Indemnity Agreement; and (iv) an annual administrative fee in the amount of \$2,500; and

(d) Such amounts as may be necessary to satisfy the rebate requirements in accordance with the Tax Agreement and to pay the cost of calculation of such rebate requirements when required by the Code and the Tax Agreement.

The Issuer shall bill the Issuer Fees and Expenses, other than the fee of \$[_____] set forth in (c)(i) and other than any amounts required by (d) above, to the Borrower from time to time, together with a statement of the Issuer certifying, if applicable, that the amount billed has been incurred or paid by the Issuer for one or more of the above items. After such a demand, the Borrower shall pay such amounts so billed within 30 days after receipt of the bill by the

Borrower. The obligation of the Borrower to make payments to the Issuer as set forth in this Section 3.04 shall survive any termination of this Loan Agreement. The obligation of the Borrower to pay the annual administrative fee described in (c)(iv) of this Loan Agreement shall survive any termination of this Loan Agreement and shall continue for so long as the Regulatory Agreement shall remain in effect.

Section 3.05. Limited Obligations of the Issuer; Ability of the Issuer to Incur Debt.

(a) The Issuer Loan is a limited obligation of the Issuer and is not a general obligation of the Issuer. The Issuer Loan shall be payable solely from the Payments provided therefor. The Issuer shall not be obligated to pay the principal of the Issuer Loan or the Prepayment Premium or interest thereon, except from the Payments provided therefor hereunder. The Issuer Loan does not constitute a debt, liability, or obligation of the State or of any political subdivision of the State or a pledge of the faith and credit of the State or of a political subdivision of the State, and neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of principal of, or the Prepayment Premium or interest on, the Issuer Loan. The granting of the Issuer Loan shall not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or pledge any form of taxation or to make any appropriation for their payment. The Issuer has no taxing power.

(b) Nothing in this Loan Agreement is intended, or may be construed, to limit the ability of the Issuer to incur debt. The Issuer may incur debt at any time and without limitation as to security, including the pledging of the general credit of the Issuer or any specific security; provided, however, that the Issuer may not pledge as security for any other such debt any security that is specifically pledged as security for the Issuer Loan under this Loan Agreement.

Section 3.06. Invalidity of the Borrower Loan. If at any time the Borrower Loan is declared to be invalid or unenforceable for any reason, the Borrower Loan will be deemed to be a direct loan from the Lender to the Borrower. All references herein to “Borrower Loan” and “Issuer Loan” shall instead refer to the “Loan,” a direct Loan from the Lender to the Borrower. In such an event, the Lender and the Borrower acknowledge that interest payments with respect to the Loan shall not be excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code or State of Alaska income taxation, and the Issuer thereupon shall be fully released from each and every obligation and liability of the Issuer under this Loan Agreement with the same effect as if the Issuer had never signed this Loan Agreement.

Section 3.07. Conditions Precedent to Construction Draws. Other than the disbursement of Issuer Loan Proceeds on the Closing Date, the Lender’s agreement to disburse funds to the Project Fund shall be subject to the further conditions precedent set forth in Sections 5.03 and 5.04 of this Loan Agreement and that Borrower shall have met the conditions and requirements set forth in the Construction Disbursement Agreement with respect to disbursement of funds to the Project Fund. Upon receipt of a Draw Request to pay for Project Costs from the Borrower and the approval thereof by the Lender, the Lender shall disburse to, or for the account of, the Borrower, Borrower Loan Proceeds to pay Project Costs in accordance with the Draw Request.

ARTICLE IV

REPAYMENT OF THE LOAN

Section 4.01. Interest.

(a) The principal amount of the Loan hereunder outstanding from time to time shall bear interest (computed on the basis of a year of 360 days and the actual number of days elapsed) at the Applicable Loan Rate. Interest shall accrue on the aggregate principal balance of the Loan from the Closing Date to the Maturity Date or earlier prepayment as provided herein, and shall be payable monthly on the first calendar day of each month by the Borrower in arrears on or prior to such date and upon earlier demand in accordance with the terms hereof or prepayment in accordance with Section 4.08 hereof.

(b) Upon the occurrence of a Determination of Taxability, the Borrower shall pay to the Lender, as assignee of the Issuer, future interest payments calculated at the Gross-Up Rate. The Lender's calculation of the Gross-Up Rate shall be conclusive absent manifest error. In addition, the Borrower shall make immediately, upon demand of the Lender, a payment to the Lender sufficient to reimburse the Lender and supplement Prior Interest Payments to equal the Gross-Up Rate, and such obligation shall survive the termination of this Loan Agreement.

(c) Upon the occurrence of an Event of Indirect Taxability, the Lender shall have the option, upon notice to the Borrower and the Issuer, to (i) adjust the Loan Rate with respect to the Issuer Loan so as to provide the Lender with a yield on the Issuer Loan, after taking into account the increase in the Lender's federal income tax liability as a result of such Event of Indirect Taxability, that is equivalent to the yield on the Issuer Loan immediately before such Event of Indirect Taxability, or (ii) to require the Borrower to reimburse the Lender for the increase, if any, in its federal income tax liability caused by such Event of Indirect Taxability. Any change to the Loan Rate with respect to the Issuer Loan shall also be concurrently applicable to the Borrower Loan. Any such change in the Loan Rate shall be subject to the condition that, on or prior to the effective date of such change, the Lender shall have reviewed the calculations of the Lender resulting in the adjusted Loan Rate and the Lender and the Issuer shall have received an opinion of Bond Counsel to the effect that such change complies with the requirements of this Loan Agreement and will not, in and of itself, cause interest with respect to the Issuer Loan to be included in the gross income of the Lender for federal income tax purposes.

Section 4.02. Payments. Subject to Section 3.05 hereof, the Issuer shall pay the principal of, Prepayment Premium, if any, and interest (including any adjustments to interest described in Section 4.01 or elsewhere herein) on the Issuer Loan, but only out of Payments made by the Borrower therefor. The Borrower shall pay to the Lender, as assignee of the Issuer, Payments in the amounts and at such times as set forth Section 4.01, Section 4.08 and Section 4.10 hereof.

Section 4.03. Draws. Until March [___], 2017, the Borrower and the Lender, without the consent of the Issuer, may from time to time, but no more often than once per calendar month, increase the amount of the Loan outstanding by executing Draw Requests substantially in the form set forth in Exhibit F hereto in accordance with Sections 5.02 through 5.06 hereof. Each Draw Request shall reasonably identify the Project Costs that will be paid with (or for which the Borrower will be reimbursed by) such Draw Request. Draw Requests shall be numbered consecutively beginning with “1.” No single Draw Request may provide for an advance of less than \$50,000 (other than the final Draw Request, which may be for a lesser amount). The maximum aggregate amount of the Issuer Loan provided for in all Draw Requests shall be less than or equal to \$3,700,000.

Section 4.04. Security for the Loan. As security for the repayment of the Issuer Loan, the Issuer hereby assigns to the Lender all of its right, title and interest in this Loan Agreement except for the Reserved Issuer Rights, including the Issuer’s rights to receive Payments with respect to the Borrower Loan (and hereby directs the Borrower to make such Payments directly to, or at the direction of, the Lender), to collect the Payments and any other payments due to the Issuer hereunder the receipt of which is not part of Reserved Issuer Rights, and to sue in any court for such Payments or other payments, to exercise all rights hereunder with respect to the Project and the Facility, and to withdraw or settle any claims, suits or proceedings pertaining to or arising out of this Loan Agreement and the Borrower Loan upon any terms (other than any claims related to Reserved Issuer Rights). Such assignment by the Issuer to the Lender shall be an absolute assignment without recourse to the Issuer. Such Payments and other payments the receipt of which is not part of Reserved Issuer Rights shall be made by the Borrower directly to the Lender, as the Issuer’s assignee, without the requirement of notice or demand, at such place as the Lender may from time to time designate in writing, and shall be credited against the Issuer’s payment obligations under the Issuer Loan. No provision, covenant or agreement contained in this Loan Agreement or any obligation herein imposed on the Issuer, or the breach thereof, shall constitute or give rise to or impose upon the Issuer a pecuniary liability, a charge upon its general credit or a pledge of its revenues. In making the agreements, provisions and covenants set forth in this Loan Agreement, the Issuer has not obligated itself except with respect to the application of the Payments to be paid by the Borrower hereunder. All amounts required to be paid by the Borrower hereunder shall be paid in lawful money of the United States of America in immediately available funds. No recourse shall be had by the Lender or the Borrower for any claim based on this Loan Agreement against any director, officer, employee or agent of the Issuer alleging personal liability on the part of such person.

Section 4.05. Further Security.

(a) On or prior to the Closing Date, the Borrower shall, at its expense, record, or cause the recordation of, the Deed of Trust and all amendments thereto in the Recorder’s Office in the Alaska Department of Natural Resources. Within 10 days after request for any confirmation of any filing required by this Section, the Borrower shall deliver to the Lender, as assignee of the Issuer, the signed documents requested or evidence satisfactory to the Lender to the effect that such filing has been duly accomplished. The Borrower hereby authorizes the Lender to file such financing statements (and all amendments or continuations thereto) as may be necessary to perfect the Lender’s security in a form satisfactory to the Lender and the Borrower shall provide

to the Lender, within 60 days of the date of delivery of this Loan Agreement, a UCC-1 search certificate with respect to the Borrower.

The Issuer, the Borrower and the Lender agree that the Deed of Trust, Security Agreement and UCC-1 financing statement may be amended or terminated at any time with the prior written consent of the Lender. The consent of the Issuer shall not be required for any such amendment or termination.

(b) To further secure the payment obligations of the Borrower hereunder, the Borrower has executed the Security Agreement.

(c) As additional security for the Issuer Loan, the Issuer has made a complete assignment to the Lender of all of the Issuer's rights, title, interest and obligations in, to and under the Deed of Trust and the Security Agreement, pursuant to the Assignment Agreement. The Borrower hereby consents to such assignment, as well as the assignment by the Issuer set forth in this Section 4.05.

Section 4.06. Payment on Non Business Days. Whenever any payment to be made hereunder shall be stated to be due on a day which is not a Business Day, such payment may be made on the next succeeding Business Day.

Section 4.07. The Borrower Payments to Be Unconditional. The obligations of the Borrower to make Payments required under this Loan Agreement and to make other payments hereunder and to perform and observe the covenants and agreements contained herein shall be absolute and unconditional in all events, without abatement, diminution, deduction, setoff or defense for any reason, including (without limitation), (a) any damage to, destruction of, or any condemnation or similar taking of the Facility; (b) any restriction or prevention of or interference with any use of the Property; (c) any title defect or encumbrance or any eviction from the Property by superior title or otherwise; (d) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation, or other like proceeding relating to the Lender or the Borrower, or any action taken with respect to the Loan Documents by any trustee or receiver of the Lender or the Borrower, or by any court, in any such proceeding; (e) any claim which the Borrower has or might have against the Lender; (f) any other occurrence whatsoever, whether similar or dissimilar to the foregoing, whether or not the Borrower shall have notice or knowledge of any of the foregoing, (g) any failure of the Facility to be delivered or installed, any defects, malfunctions, breakdowns or infirmities in the Project or Facility or any accident, condemnation, destruction or unforeseen circumstances. Notwithstanding any dispute between the Borrower and any of the Issuer, the Lender or any other person, the Borrower shall make all Payments when due and shall not withhold any Payments pending final resolution of such dispute, nor shall the Borrower assert any right of setoff or counterclaim against its obligation to make such payments required under this Loan Agreement. Except to the extent prohibited by law, the Borrower waives all rights now or hereafter conferred by statute or otherwise to any setoff, abatement, suspension, deferment, diminution or reduction of the Obligations.

Section 4.08. Prepayments.

(a) The Issuer shall, solely to the extent funds are received by the Lender from the Borrower for such purpose, prepay the Issuer Loan and the Borrower may prepay the Borrower Loan in whole or in part on any interest payment date, in advance of the required Payments set forth in Section 4.10 hereof by paying the outstanding principal amount of the Loan (or the portion thereof being prepaid), accrued interest to the prepayment date, and any outstanding and unpaid Additional Payments due under this Loan Agreement; provided, however, that after any partial prepayment, the remaining outstanding principal amount of the Loan shall not be less than \$100,000. The Borrower shall provide the Lender written notice of any such prepayment at least 15 days in advance thereof. Upon any prepayment in part of the Loan, the prepayment shall be applied first to interest accrued thereon and any outstanding and unpaid Additional Payments, and next to the principal component of the Loan in the inverse order of maturity.

(b) The Issuer shall prepay the Issuer Loan solely to the extent that the Borrower shall prepay the Borrower Loan in whole or in part at any time from insurance or condemnation proceeds pursuant to Article IX hereof by paying some or all of the outstanding principal amount of the Loan, accrued interest to the prepayment date, and any outstanding and unpaid Additional Payments due under this Loan Agreement.

(c) The Issuer shall, solely to the extent funds are received from the Borrower, prepay the Issuer Loan and the Borrower shall prepay the Borrower Loan in full immediately upon demand therefor of the Lender to the Issuer after the occurrence of an Event of Default by paying the outstanding principal amount of the Loan, accrued interest to the prepayment date, and any outstanding and unpaid Additional Payments due under this Loan Agreement.

(d) Reserved.

(e) On the Prepayment Date, Issuer shall, to the extent funds are received from Borrower, prepay the Issuer Loan in full and Borrower shall prepay the Borrower Loan in full, together with all unpaid and accrued interest on the Loan to the Prepayment Date, any Additional Payments then due in accordance with this Loan Agreement and all other amounts payable in accordance with this Loan Agreement. Not later than 180 days prior to the Prepayment Date, Borrower may in writing request an extension of the Loan up to and including November [___], 2040. Lender shall, not later than 60 days following receipt of Borrower's written request for an extension, provide a written response to Borrower indicating whether such extension is approved and the new Applicable Loan Rate, repayment schedule and prepayment premium, if any. Any failure of the Lender to respond shall be construed as a denial of the request. If such new Applicable Loan Rate, repayment schedule and prepayment premium, if any, are not acceptable to Borrower, Borrower shall prepay the Loan on the Prepayment Date. In connection with the extension of the Loan, Borrower shall cause to be delivered to Issuer a notice of such extension and the new Applicable Loan Rate, repayment schedule and prepayment premium, if any, and to Issuer and Lender an opinion of Bond Counsel that such extension will not, in and of itself, adversely affect the exclusion of the interest on the Issuer Loan from the gross income of the recipients thereof for purposes of federal income taxation. Lender, Issuer and Borrower shall enter into an amendment to this Loan Agreement to reflect the terms of any extension of the Loan pursuant to this Section.

(f) Reserved

Section 4.09. Restrictions on Transfer of Loan. Notwithstanding any other provision hereof, the Borrower Loan is nontransferable, except in connection with the transfer of the Issuer Loan. The Issuer Loan may be transferred, assigned and reassigned by the Lender without the consent of the Issuer or the Borrower, but solely in accordance with Section 10.01 hereof.

Section 4.10. Repayment. [The Borrower shall make payments of interest and principal pursuant to monthly statements or invoices provided by the Lender and shall repay the Loan in full by the Maturity Date].

Section 4.11. Late Charge. If the Borrower fails to make any Payment and such failure results in the untimely payment of principal and interest on the Loan, or if the Borrower fails to make any Additional Payment when due, in each case, taking into account any grace period allowed for such Additional Payment or Payment, the Borrower shall pay a late charge equal to 5% of the payment past due after the 15th day of each month.

Section 4.12. Reserved.

Section 4.13. Increased Costs. If the Lender determines that any Change in Law shall: (i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by the Lender; (ii) subject the Lender to any tax of any kind whatsoever with respect to this Loan Agreement; or (iii) impose on the Lender or the London interbank market any other condition, cost or expense affecting this Loan Agreement or the Loans; and the result of any of the foregoing shall be to increase the cost to the Lender of making

or maintaining the Loan, to reduce the amount of any sum received or receivable by the Lender under this Loan Agreement (whether of principal, interest or any other amount), or to reduce the rate or return on the Lender's capital or on the capital of the Lender's holding company as a consequence of this Loan Agreement or the Loan to the level below which the Lender or the Lender's holding company would have achieved but for such Change in Law (taking into consideration the Lender's policies and the policies of the Lender's holding company with respect to capital adequacy) then, upon request of the Lender, the Borrower will pay to the Lender within 30 days of written demand (together with a calculation of such amount in reasonable detail) such additional amount or amounts as will compensate the Lender for such additional costs incurred or reduction suffered.

ARTICLE V

CONDITIONS PRECEDENT

Section 5.01. Conditions Precedent to Loan Agreement. The Lender's agreement to enter into this Loan Agreement and provide the financing contemplated hereby shall be subject to the condition precedent that the Lender shall have received or waived the requirement for, all of the following, each in form and substance satisfactory to the Lender:

- (a) this Loan Agreement, properly executed on behalf of the Issuer, the Borrower and the Lender, and, if applicable, each of the Exhibits hereto properly completed;
- (b) the Tax Agreement, properly executed on behalf of the Borrower and the Issuer;
- (c) the Security Agreement, properly executed on behalf of the Borrower;
- (d) the Deed of Trust in recordable form for recordation in the Recorder's Office in the Alaska Department of Natural Resources;
- (e) each Environmental Indemnity Agreement, properly executed on behalf of the Borrower and the Lender;
- (f) each Guaranty Agreement, properly executed by the parties thereto;
- (g) a certificate of the General Partner of the Borrower certifying as to (i) the resolution of the General Partner, and its members, as applicable, authorizing the execution, delivery and performance of Loan Documents and any related documents on behalf of Borrower, (ii) Amended and Restated Limited Partnership Agreement of the Borrower, (iii) the Operating Agreement of the General Partner, and (iv) the signatures of the officers of the General Partner authorized to execute and deliver Loan Documents and other instruments, agreements and certificates on behalf of the Borrower;
- (h) a certificate of each of the Guarantors, certifying as to (i) the resolutions of the Board of Directors, Board of Commissioners, or consents of the members, in the case of limited liability company Guarantors, (ii) the organizational documents of the

Guarantor, and (iii) the signatures of the officers or agents of the Guarantor authorized to execute and deliver the Guaranty and other instruments, agreements and certificates on behalf of the Guarantor;

(i) confirmation from the Issuer that the Project has received allocation of tax credits with respect to the Project;

(j) currently certified copies of the certificate of limited partnership of the Borrower;

(k) a certificate of good standing issued as to the Borrower by the Alaska Department of Commerce, Community, and Economic Development dated not more than 15 days prior to the Closing Date;

(l) reserved;

(m) a resolution adopted by the Issuer authorizing the Borrower Loan and the Issuer Loan and the transactions contemplated hereunder;

(n) a closing certificate of the Issuer in a form acceptable to the Lender's Counsel;

(o) UCC-1 financing statement(s) as required by the Lender to perfect the security interests of the Issuer and assignment to the Lender;

(p) current searches of appropriate filing offices showing that (i) no state or federal tax liens have been filed and remain in effect against the Borrower, and (ii) no financing statements have been filed and remain in effect against the Borrower relating to the Facility except for those which constitute Permitted Encumbrances;

(q) a completed and executed Form 8038 or evidence of filing thereof with the Department of the Treasury, Internal Revenue Service Center;

(r) an opinion of counsel to the Borrower and Guarantor, addressed to the Lender, Lender's counsel and the Issuer, opining on the matters contained in Exhibit C attached hereto in a form approved by the Lender and the Issuer;

(s) an opinion of Bond Counsel, addressed to the Issuer and the Lender, in form and substance acceptable to the Issuer and the Lender;

(t) certificates of the insurance required under Section 7.04 of this Loan Agreement containing the Lender's loss payable clause or endorsement in favor of the Lender;

(u) evidence of payment of the Issuer's issuance fee and the fees of Bond Counsel;

(v) evidence of payment of the Lender's costs and the fees of the Lender's Counsel on the Closing Date, including the Lender's origination fee in the amount of \$[_____];

(w) an investor letter of representation executed by the Lender, in the form attached hereto as Exhibit B;

(x) the Title Policy or evidence satisfactory to the Lender in its sole discretion of the Title Insurer's irrevocable commitment to issue the Title Policy immediately upon closing;

(y) Docket Search of U.S. Bankruptcy Court and United States District Court for the State of Alaska; and

(z) the Construction Disbursement Agreement, properly executed by the parties thereto;

(aa) the Regulatory Agreement, properly executed by the parties thereto;

(bb) [signed agreements and related documents between the Borrower and [_____] with respect to [voucher program], in form and substance reasonably acceptable to Lender, and an assignment of such vouchers to Lenders as security for the Loan in form and substance reasonably acceptable to Lender]; and

(cc) any other documents or items required by the Lender or the Issuer.

Section 5.02. Conditions Precedent to Making of the Borrower Loan. The Issuer's agreement to enter into the Loan Agreement and to provide the financing to the Borrower contemplated hereby shall be subject to the condition precedent that the Issuer shall have received the items listed in Sections 5.01 (other than those items to be provided by the Issuer), in form and substance satisfactory to the Issuer.

Section 5.03. Conditions Precedent to Subsequent Draw Requests. Other than the initial disbursement of Issuer Loan Proceeds on the Closing Date, the Lender's agreement to disburse the Issuer Loan Proceeds shall be subject to the condition precedent that the Lender shall have received or waived the requirement for all of the following for each Draw Request, each in form and substance satisfactory to the Lender:

(a) an updated Exhibit G to this Loan Agreement, as applicable;

(b) a fully executed Draw Request substantially in the form attached hereto as Exhibit F, with all appropriate supporting documents attached thereto;

(c) all of the requirements set forth in the Construction Disbursement Agreement with respect to the amounts and items set forth in the Draw Request have been met;

(d) payment of the Lender Fees, commissions and expenses required by Section 12.03 hereof;

(e) copies of fully executed applications for payments submitted by the General Contractor, and at the Lender's option, from the "Major Subcontractors" (defined for purposes of this section and elsewhere herein as subcontractors performing work in excess of \$50,000.00), on AIA Document 702 and 703, with all supporting documentations required thereby;

(f) The representations and warranties contained herein and in each of the other Loan Documents shall be true on and as of the date of the signing of this Loan Agreement and on the date of each extension of credit by the Lender pursuant hereto, with the same effect as though such representations and warranties had been made on and as of each such date, and on each such date, no Event of Default as defined herein, and no condition, event or act which with the giving of notice or the passage of time or both would constitute such an Event of Default, shall have occurred and be continuing or shall exist; and

(g) such other information and documents as the Lender may reasonably require related to such disbursement request.

Section 5.04. Limitations to Disbursement. Notwithstanding anything to the contrary contained in this Loan Agreement, other than the initial disbursement of Issuer Loan Proceeds on the Closing Date, the Lender need not make any further disbursements pursuant to a Draw Request or allow any withdrawal from the Project Fund at any time if:

(a) the Facility or Improvements are materially damaged by fire or other casualty and not fully repaired and restored, unless the Lender actually receives insurance proceeds or a cash deposit from the Borrower sufficient in the Lender's judgment to pay for the complete repair or replacement of the Improvements in a timely manner;

(b) The Lender reasonably believes that withholding disbursement in whole or in part is required by applicable mechanics' lien or stop notice laws (unless the Borrower has obtained a bond reasonably satisfactory to the Lender sufficient to allow the Lender to make such disbursement in accordance with Alaska law);

(c) The Borrower has not obtained or is not in compliance with all required governmental approvals, including without limitation all necessary building permits, or has not complied with all applicable regulations, laws, ordinances (including without limitation environmental and subdivision map requirements and conditions of approval) to permit the construction of the Improvements according to the Plans and Specifications;

(d) The Borrower fails timely to proceed with completion of construction of the Improvements substantially in accordance with the Plans and Specifications approved by the Lender; or

(e) an Event of Default has occurred under this Loan Agreement, any of the other Loan Documents, any other agreement between the Lender and the Borrower, or the Borrower is in default under any other agreement regarding the development of the Facilities or the Improvements, including without limitation, any subdivision agreement, improvement agreement, or development agreement.

Section 5.05. Reserved.

Section 5.06. Reserved.

ARTICLE VI

SECURITY

Section 6.01. Change in Name or Corporate Structure of the Borrower; Change in Location of the Borrower's Principal Place of Business. The Borrower's chief executive office is located at the address set forth in Section 12.04 hereof, and all of the Borrower's records relating to its business are kept at such location. The Borrower hereby agrees to provide written notice to the Lender and the Issuer of any change or proposed change in its name, corporate structure, state of its incorporation or organization, place of business or chief executive office, or tax identification number at least 30 days in advance of the date that such change or proposed change is planned to take effect.

Section 6.02. Security Interest. The Borrower hereby authorizes the Lender to file any financing statement (and any amendments or continuations to any financing statement) necessary to perfect the security interest granted in this Loan Agreement under the laws of the State. Pursuant to AS 18.56.120, the pledge by the Issuer of the Payments for the repayment of the principal of, and the premium, if any, and interest on, the Issuer Loan is valid and binding from the date of this Loan Agreement, and the Payments are immediately subject to the lien of the pledge without physical delivery or further act. Such lien is valid and binding against all parties having claims of any kind in tort, contract, or otherwise against the Issuer, irrespective of whether those parties have notice of the lien of the pledge. The Issuer represents that it has not made any pledge of the Payments prior to the date of this Loan Agreement.

Section 6.03. Assignment of Insurance. As additional security for the payment and performance of the Borrower's obligations under this Loan Agreement, the Borrower hereby assigns to the Lender, as assignee of the Issuer, any and all moneys (including, without limitation, proceeds of insurance) due or to become due under, and all other rights of the Borrower with respect to, any and all policies of insurance now or at any time hereafter covering the Facility or any evidence thereof or any business records or valuable papers pertaining thereto, and the Borrower hereby directs the Issuer of any such policy to pay all such moneys directly to the Lender. The Borrower hereby assigns to the Lender, as assignee of the Issuer, any and all moneys due or to become due with respect to any condemnation proceeding affecting all or any portion of the Facility. At any time, whether before or after the occurrence of any Event of Default, the Lender may (but need not), in the Lender's name or in the Borrower's name, execute and deliver proof of claim, receive all such moneys, endorse checks and other instruments representing payment of such moneys, and adjust, litigate, compromise or release any claim against the Issuer of any such policy or party in any condemnation proceeding.

ARTICLE VII

AFFIRMATIVE COVENANTS OF THE BORROWER AND TAX COVENANTS

Section 7.01. Maintenance of Facility.

(a) The Borrower shall, at its own expense (including, without limitation, the Borrower's use of any proceeds of the Loan in accordance with the terms hereof), maintain, preserve and keep the Facility in good repair, working order and condition, and shall from time to time make all repairs and replacements necessary to keep the Facility in such condition, and in compliance with state and federal laws, ordinary wear and tear excepted. In the event that any parts or accessories forming part of any item or items of Facility become worn out, lost, destroyed, damaged beyond repair or otherwise rendered unfit for use, the Borrower, at its own expense and expeditiously, will replace or cause the replacement of such parts or accessories by replacement parts or accessories free and clear of all Liens and encumbrances (other than Permitted Encumbrances) and with a value and utility at least equal to that of the parts or accessories being replaced (assuming that such replaced parts and accessories were otherwise in good working order and repair). All such replacement parts and accessories shall be deemed to be incorporated immediately into and to constitute an integral portion of the Facility and, as such, shall be subject to the terms of this Loan Agreement. Neither the Issuer nor the Lender shall have any responsibility in any of these matters, or for the making of repairs or additions to the Facility.

(b) The Borrower shall observe and comply with all legal requirements applicable to the ownership, use and operation of the Facility, including the terms and conditions set forth in this Loan Agreement, the Deed of Trust and the Tax Agreement. The Borrower shall permit the Lender and its agents, representatives and employees, upon reasonable prior notice to the Borrower, to inspect the Facility and conduct such environmental and engineering studies as the Lender may reasonably require, provided such inspections and studies do not materially interfere with the use and operation of the Facility. Such environmental and engineering studies shall be at the Borrower's expense,

provided that the Lender provides the Borrower with evidence of the Lender's reasonable belief that there is an environmental or structural condition at the Facility that could have a material adverse effect on the Lender's security under the Loan Documents.

(c) The Borrower will defend the Property against all claims or demands of all persons (other than the Lender hereunder) claiming the Property or any interest therein, other than claims that constitute Permitted Encumbrances.

Section 7.02. Compliance with Laws and Obligations. The Borrower will comply with the requirements of applicable laws and regulations and material contractual obligations, the noncompliance with which would materially and adversely affect its business or its financial condition. Notwithstanding the prior sentence, nothing in this section shall preclude the Borrower's right to contest in good faith by appropriate proceedings any claim of noncompliance or breach.

Section 7.03. Payment of Taxes and Other Claims. The Borrower will pay or discharge, when due, (a) all taxes, assessments and governmental charges levied or imposed upon it or upon its income or profits, upon any properties belonging to it (including, without limitation, the Property) or upon or against the creation, perfection or continuance of the security interest created pursuant to this Loan Agreement or any of the other Loan Documents, prior to the date on which penalties attach thereto; (b) all federal, state and local taxes required to be withheld by it; and (c) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien or charge upon any properties of the Borrower; provided, that the Borrower shall not be required to pay any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in accordance with the Lien Contest Criteria set forth in Section 8.01 hereof and, as to taxes levied on the Issuer, subject to the provisions of Section 3.04(a). The Borrower will pay, as the same respectively come due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Property, as well as all gas, water, steam, electricity, heat, power, telephone, utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Property.

Section 7.04. Insurance; Indemnity.

(a) The Borrower shall, at its own expense, maintain and keep in force insurance of the types and in amounts customarily carried by housing authorities similar to the Borrower, including but not limited to:

(i) fire and property damage, extended coverage (which shall include coverage for tangible personal property which constitutes collateral under the Security Agreement), in an amount at least equal to the lesser of insurable value and outstanding amount of the Loan,

(ii) public liability, in an amount at least equal to \$1,000,000 per occurrence and \$2,000,000 annual aggregate,

(iii) flood, if the Property is located in a flood zone, and

- (iv) workers' compensation;

with all such insurance carried with companies, in amounts and with deductible amounts reasonably satisfactory to the Lender, and shall deliver to the Lender from time to time at the Lender's request schedules setting forth all insurance then in effect. Alternatively, upon the written approval of the Lender, the Borrower may insure the Facility under a blanket insurance policy or policies which cover not only the Facility, but also other properties of the Borrower or, upon prior written approval of the Lender, may provide self-insurance acceptable to the Lender. All of the insurance policies required hereunder shall be issued by corporate insurers licensed to do business in the State and rated A or better by A.M. Best Company, and shall be in form acceptable to the Lender.

(b) All certificates of insurance and "blanket" insurance policies shall reference the specific project being covered by name and address and shall name the Lender as loss payee. The insurance shall be evidenced by the original policy or a true and certified copy of the original policy, or in the case of liability insurance, by certificates of insurance. The insurance policies (or true and certified copies thereof) or certificates of all insurance required to be maintained hereunder shall be delivered to the Lender contemporaneously with the Borrower's execution of this Loan Agreement. The Borrower shall use its best efforts to deliver originals of all policies and renewals (or certificates evidencing the same), marked "paid" (or evidence satisfactory to the Lender of the continuing coverage) to the Lender at least 15 days before the expiration of existing policies and, in any event, the Borrower shall deliver originals of such policies or certificates to the Lender at least 5 days before the expiration of existing policies. If the Lender has not received satisfactory evidence of such renewal or substitute insurance in the time frame herein specified, the Lender shall have the right, but not the obligation, to purchase such insurance for the Lender's interest only. Nothing contained in this Section shall require the Lender to incur any expense or take any action hereunder, and inaction by the Lender shall never be considered a waiver of any right accruing to the Lender under this Section. If any loss shall occur at any time while an Event of Default shall have occurred and be continuing, the Lender shall be entitled to the benefit of all insurance policies held or maintained by the Borrower, to the same extent as if same had been made payable to the Lender and upon foreclosure hereunder, the Lender shall become the owner thereof. The Lender shall have the right, but not the obligation to make premium payments, at the Borrower's expense, to prevent any cancellation, endorsement, alteration or reissuance of any policy of insurance maintained by the Borrower, and such payments shall be accepted by the insurer to prevent same;

(c) The Borrower shall give to the Lender immediate notice of any material loss occurring on or with respect to the Facility. All insurance proceeds for damage to the Facility shall be payable to the Lender and the Issuer as hereinafter provided. The Borrower shall furnish to the Lender, upon request, certificates of insurance evidencing such coverage while the Loan is outstanding.

(d) Any insurance policy carried or maintained pursuant to this Section (other than the workers' compensation policy) shall be so written or endorsed as to make losses payable to the Lender and the Issuer or the Borrower, as their respective interests may

appear and naming the Lender as additional insured for liability. The Net Proceeds of the insurance required in this Section shall be applied as provided in Article IX hereof. Each property or liability insurance policy provided for in this Section shall contain a provision to the effect that the insurance company providing such policy shall not either cancel the policy or modify the policy materially and adversely to the interest of the Lender without first giving written notice thereof to the Lender at least 30 days in advance of such cancellation or modification (provided that the foregoing shall not release the Borrower of its obligations to comply with the insurance requirements set forth herein).

(e) As among the Lender, the Issuer and the Borrower, the Borrower assumes all risks and liabilities from any cause whatsoever, whether or not covered by insurance, for loss or damage to the Facility, and for injury to or death of any person or damage to any property, whether such injury or death be with respect to agents or employees of the Borrower or of third parties, and whether such property damage be to the Borrower's property or the property of others, except to the extent that any of the foregoing are caused by the gross negligence or willful misconduct of the Lender or the willful misconduct of the Issuer. Whether or not covered by insurance, the Borrower hereby assumes responsibility for and agrees to reimburse the Lender and the Issuer for and will indemnify, defend and hold the Lender and the Issuer and any of their assignees, agents, employees, officers and directors harmless from and against all liabilities, obligations, losses, damages, penalties, claims, actions, costs and expenses (including reasonable attorneys' fees) of whatsoever kind and nature, imposed on, incurred by or asserted against the Lender or the Issuer or their assignees, agents, employees, officers and directors that in any way relate to or arise out of this Loan Agreement or the Loan, the transactions contemplated hereby and thereby and the Facility, including but not limited to, (i) the ownership of the Facility, (ii) the delivery, lease, possession, maintenance, use condition, non-use, return or operation (or lack of operation) of components of the Facility, (iii) the conduct of the Borrower, its officers, employees and agents, (iv) a breach by the Borrower of any of its covenants or obligations hereunder or under any other Loan Documents, and (v) any claim, loss, cost or expense involving alleged damage to the environment relating to the Facility, including, but not limited to investigation, removal, cleanup and remedial costs, except to the extent that any of the foregoing are caused by the gross negligence or willful misconduct of the Lender or the willful misconduct of the Issuer. All amounts payable by the Borrower pursuant to the immediately preceding sentence shall be paid immediately upon demand of the Issuer or the Lender or their assignees, agents, employees, officers and directors, as the case may be. This provision shall survive the termination of this Loan Agreement for any reason.

Section 7.05. Reporting Requirements. The Borrower will deliver, or cause to be delivered, to the Lender, and, if requested by the Issuer, to the Issuer, each of the following, which shall be in form and detail reasonably acceptable to the Lender and, as to information requested by the Issuer, the Issuer:

(a) As soon as available, and in any event within 120 days after the close of each Fiscal Year of the Borrower, the financial statements of the Borrower which shall be audited and reported on without qualification by an Accountant and shall be certified to the Borrower by such Accountant as (i) having been prepared in accordance with GAAP

(applied on a basis consistent with that of the preceding year), and (ii) fairly presenting the financial condition of the Borrower as of the end of such Fiscal Year and reflecting its operations during such Fiscal Year and (iii) showing all material liabilities, direct or contingent, and disclosing the existence of any Off-Balance Sheet Liability, and shall include, without limitation, balance sheets, profit and loss statements and statements of cash flows, together with notes and supporting schedules, all on a consolidated and consolidating basis and in reasonable detail and including a copy of any management letter or audit report provided to the Borrower by such Accountant;

(b) not later than 30 days after March 31 and September 30 of each year, commencing on [_____], management-prepared rent roll with respect to the Project, in a form reasonably acceptable to Lender;

(c) financial statements of each Guarantor in accordance with the Guaranty Agreement;

(d) promptly after the amending thereof, copies of any and all amendments to the Borrower's certificate of limited partnership or partnership agreement;

(e) promptly upon receipt of knowledge thereof by an Authorized Borrower Representative, notice of the violation by the Borrower or Guarantor of any law, rule or regulation, the violation of which would have a material adverse effect on the financial or operating condition of the Borrower or Guarantor;

(f) promptly upon notice thereof, any termination or cancellation of any insurance policy which the Borrower is required to maintain hereunder, or any uninsured or partially uninsured loss through liability or property damage, or through fire, theft or any other cause affecting the Borrower's property in excess of an aggregate of \$100,000;

(g) immediately upon the Borrower's knowledge thereof, notice in writing of all litigation and of all proceedings before any governmental or regulatory agency affecting the Borrower which seek a monetary recovery against the Borrower or Guarantor in excess of \$100,000;

(h) as promptly as practicable (but in any event not later than 10 Business Days) after an Authorized Borrower Representative obtains knowledge of the occurrence of any event that constitutes a Default or an Event of Default under the Loan Documents, notice of such occurrence, together with a detailed statement by an Authorized Borrower Representative of the steps being taken by the Borrower to cure the effect of such Default or Event of Default;

(i) reserved;

(j) promptly upon the occurrence and nature of any Reportable Event or Prohibited Transaction, each as defined in the Employee Retirement Income Security Act of 1974, as amended or recodified from time to time ("ERISA"), or any funding deficiency with respect to any defined employee pension benefit plan (as defined in ERISA) maintained or contributed to by the Borrower;

(k) promptly upon knowledge thereof, notice of any loss or destruction of or damage to any portion of Facility in excess of \$100,000, of any pending or threatened condemnation affecting the Facility, or of any Material Adverse Change in any portion of the Facility;

(l) promptly upon knowledge thereof, notice of any Material Adverse Change;

(m) immediately following any dissemination, distribution or provision thereof to any Person, a copy of any Material Event Notice disseminated, distributed or provided in satisfaction of or as may be required by the provisions of Rule 15c2-12 promulgated pursuant to the Securities Exchange Act of 1934, as amended (17 C.F.R. Sec. 240 15c2-12), or any successor or similar legal requirement;

(n) copies of all filings made by the Borrower with EMMA promptly after such filings are made; and

(o) from time to time such other information as the Lender or the Issuer may reasonably request, which information shall be provided in the forms commonly prepared by the Borrower, including, without limitation, other information with respect to any collateral required hereby.

Section 7.06. Books and Records; Inspection and Examination. The Borrower shall keep accurate books of record and account for itself separate and apart from those of its affiliates, including its officers, pertaining to the Facility and pertaining to the Borrower's business and financial condition and such other matters as the Lender and/or the Issuer may from time to time reasonably request. The Borrower shall make true and complete entries in such books of record and account in accordance with GAAP consistently applied. Upon request of the Lender not more than once per calendar year, at any time after the occurrence of an Event of Default or as often as the Lender reasonably deems necessary to determine whether the Borrower has complied with Environmental Laws, the Borrower shall permit any officer, employee, attorney or accountant for the Lender and/or the Issuer or, at the request of the Issuer, a representative of the Internal Revenue Service, to audit, review, make extracts from, or copy any and all organization and financial books, records and properties of the Borrower and to examine and inspect the Facility and/or the Project, and to discuss the affairs of the Borrower with any of its officers, employees or agents at all times during ordinary business hours (a) within 24 hours of a request by the Lender and/or the Issuer, or (b) at any time after the occurrence of an Event of Default.

Section 7.07. Performance by the Lender. If the Borrower at any time is in Default under the Loan Documents (except for the Tax Agreement), immediately upon the occurrence of such Default, without notice or lapse of time, the Lender may, but need not, perform or observe such covenant on behalf and in the name, place and stead of the Borrower (or, at the Lender's option, in the Lender's name) and may, but need not, take any and all other actions which the Lender may reasonably deem necessary to cure or correct such Default (including, without limitation, the payment of taxes, the satisfaction of security interests, liens or encumbrances, the performance of obligations owed to account debtors or other obligors, the procurement and

maintenance of insurance, the execution of assignments, security agreements and financing statements, and the endorsement of instruments). The Borrower shall thereupon pay to the Lender on demand the amount of all moneys expended and all costs and expenses (including reasonable attorneys' fees and legal expenses) incurred by the Lender in connection with or as a result of the performance or observance of such agreements or the taking of such action by the Lender, together with interest thereon from the date expended or incurred at the Default Rate. To facilitate the performance or observance by the Lender of such covenants of the Borrower, the Borrower hereby irrevocably appoints the Lender, or the delegate of the Lender, acting alone, as the attorney in fact of the Borrower, with a limited power of attorney coupled with an interest, with the right (but not the duty) from time to time to create, prepare, complete, execute, deliver, endorse or file in the name and on behalf of the Borrower any and all instruments, documents, assignments, security agreements, financing statements, applications for insurance and other agreements and writings relating to the Property or the Facility required to be obtained, executed, delivered or endorsed by the Borrower under this Loan Agreement.

Notwithstanding anything herein to the contrary, the Issuer shall have the right to enforce the Borrower's covenants, agreements and representations in the Tax Agreement against the Borrower pursuant to the terms thereof; provided, however, that the obligation to comply with such covenants, agreements, and representations is exclusively and solely the Borrower's, and the Issuer shall have no responsibility or liability whatsoever to the Borrower, the Lender, or any other person for any failure of the Borrower to comply with such covenants, agreements, or representations or for any decision of the Issuer either to elect to enforce or not to elect to enforce such compliance, nor shall the Issuer have any responsibility to pay for or share in the payment of any expenses the Lender may incur if the Lender chooses to enforce such compliance.

Section 7.08. Preservation of Existence. The Borrower will preserve and maintain its existence, its status as a limited partnership, and all of its rights, privileges and franchises necessary or desirable in the normal conduct of its business; and shall conduct its business in an orderly, efficient and regular manner. The Borrower shall hold itself out to the public as a legal entity separate and distinct from any other entity (including any affiliate thereof). So long as the Issuer Loan remains outstanding, the Borrower shall be qualified to transact business in the State and shall be engaged in business in the State.

Section 7.09. No Liability for Consents or Appointments. Whenever any provision herein provides for the giving of consent or direction by the Issuer, the Issuer shall not be liable to the Borrower or to the Lender for the giving of such consent or direction or for the withholding of such consent or direction. The Issuer shall have no liability for appointments which are required to be made by it under this Loan Agreement or any related documents.

Section 7.10. Non-Liability of the Issuer. The Issuer shall not be obligated to pay the principal (or Prepayment Premium) of or interest on the Issuer Loan, except from Payments paid by the Borrower to the Lender pursuant to this Loan Agreement. The Issuer Loan does not constitute a debt, liability, or obligation of the State or of any political subdivision of the State or a pledge of the faith and credit of the State or of a political subdivision of the State, and neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of principal of, or the Prepayment Premium or interest on, the Issuer

Loan. The granting of the Issuer Loan shall not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or pledge any form of taxation or to make any appropriation for their payment. The Issuer has no taxing power. The Issuer and its officer officers, employees, and agents (individually and collectively) shall not be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with this Loan Agreement or the Loan, except only to the extent amounts are received for the payment thereof from the Borrower under this Loan Agreement.

The Borrower and the Lender hereby acknowledge that the Issuer's sole source of moneys to repay the Issuer Loan will be provided by the Payments made by the Borrower to the Lender pursuant to this Loan Agreement, and hereby agree that if the Payments to be made hereunder shall ever prove insufficient to pay all principal (or Prepayment Premium) of and interest (including all gross-ups and other additions to interest hereunder) on the Issuer Loan as the same shall become due (whether by maturity, prepayment, acceleration or otherwise), then upon notice from the Lender, the Borrower shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal (or Prepayment Premium) or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Borrower, the Issuer or any third party, subject to any right of reimbursement from the Issuer or any such third party, as the case may be, therefor.

Section 7.11. Expenses. The Borrower covenants and agrees to pay and indemnify the Issuer against all reasonable fees, costs and charges, including reasonable fees and expenses of attorneys, accountants, consultants and other experts, incurred in good faith and arising out of or in connection with this Loan Agreement, or the other Loan Documents or the Loan, in each case, however, only to the extent not arising from or in connection with any failure by the Issuer to act as required of it under any such Loan Document. These obligations and those in Section 7.13 shall remain valid and in effect notwithstanding repayment of the Loan hereunder or termination of this Loan Agreement.

The Borrower covenants and agrees to pay, and to indemnify the Lender against all reasonable costs, charges and expenses, including fees and disbursements of attorneys, accountants, consultants and other experts, incurred by the Lender in good faith in connection with the Loan Documents, in each case, however, only to the extent not arising from or in connection with any failure by the Lender to act as required of it under any such Loan Document.

Section 7.12. Waiver of Personal Liability.

(a) Neither the Issuer nor its members, officers, directors, agents or employees or their successors and assigns shall be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind or any conceivable theory, under, by reason of or in connection with this Loan Agreement or the Issuer Loan, except only to the extent amounts are received for the payment thereof from the Borrower under this Loan Agreement.

(b) The Borrower hereby acknowledges that the Issuer's sole source of moneys to repay the Issuer Loan will be provided by Payments made by the Borrower

under the Borrower Loan pursuant to this Loan Agreement, and hereby agrees that if the payments to be made hereunder shall ever prove insufficient to pay all principal, Prepayment Premium, if any, and interest on the Issuer Loan as the same shall become due (whether by maturity, redemption, acceleration or otherwise), the Borrower shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Borrower, the Issuer or any third party, subject to any right of reimbursement from the Issuer or any such third party, as the case may be, therefor but solely, in the case of the Issuer, from the revenues, other than with respect to any deficiency caused by the willful misconduct of the Issuer.

(c) No director, member, officer, agent or employee of the Issuer or any director, officer, agent or employee of the Borrower shall be individually or personally liable for the payment of any principal or interest on the Issuer Loan or any other sum, or performance of any covenant, term or condition, hereunder or be subject to any personal liability or accountability by reason of the execution and delivery of this Loan Agreement, but nothing herein contained shall relieve any such member, director, officer, agent or employee from the performance of any official duty provided by law or by this Loan Agreement.

Section 7.13. The Borrower Indemnification of the Issuer. The Borrower covenants and agrees as follows:

(a) to protect, indemnify and save, to the extent permitted by law, the Issuer, and its directors, officers, agents and employees harmless from and against all liability, losses, damages, costs, expenses (including reasonable attorneys' fees), taxes, causes of action, suits, claims, demands and judgments of every conceivable kind, character and nature whatsoever, by or on behalf of any person arising in any manner from the transaction of which this Loan Agreement is a part or arising in any manner in connection with the Project or the Facility or the financing of the Project, including, but not limited to, losses, claims, damages, liabilities or reasonable expenses arising out of, resulting from or in any way connected with (i) the work done on the Project or the Facility or the operation of the Project or the Facility during the term of this Loan Agreement, including, without limitation, any liability for any loss or damage to property or any injury to or death of any person that may be occasioned by any cause whatsoever pertaining to the Project or the Facility, (ii) any violation of contract, agreement or restriction relating to the Project or the Facility, (iii) any violation of law, ordinance or regulation affecting the Project or the Facility or any part thereof or the ownership or occupancy or use thereof, (iv) the issuance, execution, delivery or payment of the Loan or the interest thereon and the carrying out of any of the transactions contemplated by, arising from or relating to the Loan Documents and all related documents, (v) any written statements or representations made by any other person or entity with respect to the Borrower, the Project, the Facility, the Issuer or the Loan, including, but not limited to, statements or representations of facts, any untrue statement or alleged untrue statement of any material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading in any financial information, or (vi) any declaration of taxability of interest on

the Issuer Loan, or allegations that interest on the Issuer Loan is taxable or any regulatory audit or inquiry regarding whether interest on the Issuer Loan is taxable; and

(b) promptly after receipt by an Indemnified Party (as defined below) of notice of the commencement of any action in respect of which indemnification may be sought pursuant to Section 7.13(a), the person in respect of which indemnification may be sought (the "Indemnified Party") shall promptly notify the person against whom such indemnification may be sought (the "Indemnifying Party") in writing, but the omission to so notify the Indemnifying Party will not (i) relieve the Indemnifying Party from any liability which it may have to any Indemnified Party under this Section 7.13 other than to the extent of prejudice caused directly or indirectly by such omission, or (ii) affect any rights it may have to participate in and/or assume the defense of any action brought against any Indemnified Party. In case such action is brought against an Indemnified Party, and such Indemnified Party notifies the Indemnifying Party of the commencement thereof, the Indemnifying Party will be entitled to participate in and, to the extent that it chooses so to do, to assume the investigation and defense thereof (including the employment of counsel selected by the Indemnified Party), and the Indemnifying Party shall assume the payment of all fees and expenses relating to such investigation and defense and shall have the right to negotiate and consent to settlement thereof. Any one or more of the Indemnified Parties shall have the right to employ separate counsel in any such action and to participate in the defense thereof, and after notice from the Indemnifying Party to such Indemnified Party of its election to assume the defense thereof, the fees and expenses of such separate counsel shall be at the expense of the Indemnifying Party if the Indemnified Party determines that a conflict of interest exists or could develop between such party and the Indemnifying Party in connection with such action and in such event the Indemnifying Party shall pay the fees and expenses of the separate counsel necessary to resolve the conflict. The Indemnifying Party shall not be liable for any settlement of any such action effected without its consent, but, if settled with the consent of the Indemnifying Party or if there be a final judgment for the plaintiff in any such action as to which the Indemnifying Party has received notice in writing as hereinabove required, the Indemnifying Party agrees to indemnify and hold harmless the Indemnified Party from and against any loss or liability by reason of such settlement or judgment to the extent provided in this Section 7.13(b).

Notwithstanding the foregoing, the Borrower shall not be liable for any losses, claims, damages, liabilities or reasonable expenses resulting from the willful misconduct of any Indemnified Party.

The rights of any persons to indemnity hereunder shall survive the final payment or prepayment of the Loan. The provisions of this Section shall survive the termination of this Loan Agreement.

Section 7.14. The Borrower Indemnification of the Lender. The Borrower covenants and agrees as follows:

(a) to indemnify and hold harmless, to the extent permitted by law, the Lender and Affiliates, their respective incorporators, members, commissioners, directors, officers, agents and employees against all liability, losses, damages, all costs and charges

(including reasonable fees and disbursements of attorneys, accountants, consultants and other experts), taxes, causes of action, suits, claims, demands and judgments of every conceivable kind, character and nature whatsoever, by or on behalf of any person arising in any manner from the transaction of which this Loan Agreement is a part or arising in any manner in connection with the Project and/or Facility or the financing of the Project, including, but not limited to, losses, claims, damages, liabilities or reasonable expenses arising out of, resulting from or in any way connected with (i) the work done on the Facility or the operation of the Facility during the term of this Loan Agreement, including, without limitation, any liability for any loss or damage to property or any injury to or death of any person that may be occasioned by any cause whatsoever pertaining to the Facility; (ii) any violation of contract, agreement (including this Loan Agreement and the Tax Agreement) or restriction relating to the Facility; (iii) any violation of law, ordinance or regulation affecting the Facility or any part thereof or the ownership or occupancy or use thereof; or (iv) the carrying out of any of the transactions contemplated by this Loan Agreement and all related documents;

(b) promptly after receipt by an Indemnified Person (as defined below) of notice of the commencement of any action in respect of which indemnification may be sought under this Section 7.14, the person in respect of which indemnification may be sought (the "Indemnified Person") shall promptly notify the Borrower in writing, but the omission to so notify the Borrower will not relieve the Borrower from any liability which it may have to any Indemnified Person under this Section 7.14 other than to the extent of prejudice caused directly or indirectly by such omission nor affect any rights it may have to participate in and/or assume the defense of any action brought against any Indemnified Person. In case such claim or action is brought against the Lender or any Affiliate, or their respective incorporators, members, commissioners, directors, officers, agents or employees, and such Indemnified Person notifies the Borrower of the commencement thereof, the Borrower will be entitled to participate in and, to the extent that it chooses so to do, to assume the investigation and defense thereof (including the employment of counsel selected by the Lender), and the Borrower shall assume the payment of all fees and expenses relating to such investigation and defense and shall have the right to negotiate and consent to settlement thereof. The Lender, Affiliates and their respective incorporators, members, commissioners, directors, officers, agents or employees shall have the right to employ separate counsel in any such action and to participate in the defense thereof, and after notice from the Borrower of its election to assume the defense thereof, the fees and expenses of such separate counsel shall be at the expense of such indemnifying party if the Lender, its Affiliates or their respective incorporators, members, commissioners, directors, officers, agents or employees reasonably determines that a conflict of interest exists between such party and the Borrower in connection with such action. The Borrower shall not be liable for any settlement of any such action effected without its consent, but, if settled with the consent of the Borrower or if there be a final judgment for the plaintiff in any such action as to which the Borrower has received notice in writing as hereinabove required, the Borrower agrees to indemnify and hold harmless the Indemnified Person from and against any loss or liability by reason of such settlement or judgment to the extent provided in this Section 7.14; and

(c) notwithstanding the previous provisions of this Section 7.14, the Borrower is not liable for or obligated to indemnify the Lender or any of its Affiliate (or any of their respective incorporators, members, commissioners, officers, employees or agents) or other Indemnified Person (as defined in this Section 7.14) harmless against any loss or damage to property or injury or death to any person or any other loss or liability if and to the extent such loss, damage, liability, injury or death results from the gross negligence or willful misconduct of the Indemnified Person seeking such indemnification, or from the breach by the Lender of this Loan Agreement or other Loan Documents to which the Lender is a party.

(d) All indemnifications by the Borrower in this Section 7.14 shall survive (a) the termination of this Loan Agreement, (b) payment of the indebtedness hereunder, (c) foreclosure or deed in lieu thereof, or reconveyance or cancellation of the Deed of Trust, (d) sale or other transfer of the Property by the Borrower, and (e) the exercise of any of the Lender's other rights and remedies under the Loan Documents or at law

Section 7.15. Disclosure Covenants.

(a) If necessary, the Borrower agrees to (i) file this Loan Agreement with EMMA following the Effective Date, with such redactions as the Lender shall require, and (ii) file this Loan Agreement with any rating agencies, as directed by the Lender.

(b) The Borrower and the Lender hereby agree that this Loan Agreement is exempt from the requirements of Paragraph (b)(5)(i) of the Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, § 240.15c2-12) (the "Rule"). The Borrower hereby covenants and agrees that if this Loan Agreement ceases to be exempt under the Rule, the Borrower will enter into an agreement or contract, constituting an undertaking, to provide ongoing disclosure as may be necessary to comply with the Rule as then in effect.

Section 7.16. Reserved.

Section 7.17. Deposit Relationship. The Borrower and the Lender agree as follows:

(a) *Automatic Payment Authorization.* The Borrower authorizes the Lender to make automatic deductions from the following deposit account ("Account") maintained by the Borrower at the Lender's offices in order to pay, when and as due, all of the Payments that the Borrower is required or obligated to make under this Loan Agreement:

Account No: [_____]

Without limiting any of the terms of the Loan Documents, the Borrower acknowledges and agrees that if the Borrower defaults in its obligation to make a Payment because the collected funds in the Account are insufficient to make such Payment in full on the date that such Payment is due, then the Borrower shall be responsible for all late payment charges and other consequences of such default by the Borrower under the terms of the Loan Documents.

(b) *Revocation of Authorization.* Subject to subparagraph (c) below, this authorization shall continue in full force and effect until the date which is 5 Business Days after the date on which the Lender actually receives written notice from the Borrower expressly revoking the authority granted to the Lender to charge the Account for Payments in connection with the Loan. No such revocation by the Borrower shall in any way release the Borrower from or otherwise affect the Borrower's obligations under the Loan Documents, including the Borrower's obligations to continue to make all Payments required under the terms of this Loan Agreement.

(c) *Termination by the Lender.* The Lender, at its option and in its discretion, reserves the right to terminate the arrangement for automatic deductions from the Account pursuant to this subparagraph (c) of this Section 7.17 at any time effective upon written notice of such election (a "Termination Notice") given by the Lender to the Borrower. Without limiting the generality of the immediately preceding sentence, the Lender may elect to give a Termination Notice to the Borrower if the Borrower fails to comply with any of the Lender's rules, regulations, or policies relating to the Account, including requirements regarding minimum balance, service charges, overdrafts, insufficient funds, uncollected funds, returned items, and limitations on withdrawals.

Section 7.18. Tax Covenants. The Borrower shall comply with the requirements and conditions of the Regulatory Agreement. Without limiting the foregoing and notwithstanding anything to the contrary in this Loan Agreement, the Borrower will not take, or permit to be taken on its behalf, any action which would cause interest on the Issuer Loan to be included in gross income for federal income tax purposes and will take such reasonable action as may be necessary to continue such exclusion from gross income, including:

(a) The Borrower will not use the proceeds of the Loan, or any other funds which may be deemed to be proceeds of the Loan pursuant to Section 148 of the Code, in the manner which will cause the Loan to be an "arbitrage bond" within the meaning of such section, and will comply with the requirements of such Section throughout the term of the Loan;

(b) The Borrower will prepare and file any statements required to be filed by it in order to maintain the exclusion of interest on the Issuer Loan from gross income for federal income tax purposes;

(c) The Borrower will pay to the United States any amount required to be paid by the Issuer or the Borrower pursuant to Section 148(f) of the Code, at the times, in the amounts and at the places required in order to maintain the exclusion of interest on the Issuer Loan from gross income for federal income tax purposes, and the Borrower shall compute, or cause to be computed, such amounts annually so long as required by the Code.

(d) The Borrower shall use not less than ninety five percent (95%) of the net proceeds of the Loan (within the meaning of Section 142(a) of the Code) to pay Qualified Project Costs;

(e) To satisfy the requirements set forth in subpart (4) of the definition of “program investment” that appears in Section 1.148 1(b) of the Treasury Regulations (which requirements must be met in order for the Loan to qualify as a program investment within the meaning of that section), neither the Borrower nor any related person will purchase Loan in amount related to the amount of the Loan;

(f) The Borrower will not make any changes will be made to the Project, or take any other actions or omit to take any actions, the result of which will in any way adversely affect the tax-exempt status of the interest on the Issuer Loan;

(g) If the Borrower becomes aware of any circumstance, event or condition which would result in the interest payable on the Issuer Loan becoming includable in gross income for federal income tax purposes, the Borrower will promptly give written notice of such circumstance, event or condition to the Issuer and the Lender;

(h) The Borrower will apply the full amount of each disbursement from the Loan to pay or to reimburse the Borrower for the payment of Project Costs and, after taking into account any proposed disbursement, (i) at least ninety five percent (95%) of the net proceeds of the Loan (as defined in Section 150 of the Code) will be used to pay Qualified Project Costs to provide a qualified residential rental project (as defined in Section 142(d) of the Code), (ii) less than twenty-five percent (25%) of the net proceeds of the Loan will have been disbursed to pay or to reimburse the Borrower for the cost of acquiring land, (iii) not more than two percent (2%) of the proceeds of the Loan will have been used for Costs of Issuance (as defined in the Regulatory Agreement), and (iv) none of the proceeds of the Loan (as defined for purposes of Section 147(g) of the Code) will be disbursed to provide working capital;

(i) The Borrower will cause all of the residential units in the Project first occupied after the Effective Date and to be rented or available for rental on a basis which satisfies the requirements of the Law, the Act, the Code and the Regulatory Agreement;

(j) The Borrower will assure that all leases for the Project entered into after the Effective Date will comply with all applicable laws and the Regulatory Agreement;

(k) In connection with any lease entered into after the Effective Date or grant by the Borrower of the use of the Project, the Borrower will require that the lessee or user of any portion of the Project not use that portion of the Project in any manner which would violate the covenants set forth in this Loan Agreement or the Regulatory Agreement; and

(l) No portion of the proceeds of the portion 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 (i) the office is located on the premises of the facilities constituting the Project and (ii) 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.

ARTICLE VIII

NEGATIVE COVENANTS OF THE BORROWER

So long as the Borrower Loan shall remain unpaid, the Borrower agrees that:

Section 8.01. Lien. The Borrower shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Property, Facility or other assets of the Borrower (together, “Liens”), other than the rights of the Lender or the Issuer as herein provided and the Permitted Encumbrances. The Borrower shall promptly, at its own expense, take such action as may be necessary duly to discharge or remove any such unpermitted Lien. The Borrower shall reimburse the Lender for any expenses incurred by the Lender to discharge or remove any unpermitted Lien.

“Lien Claims” means all claims (including mechanics liens and claims for labor, services, materials and supplies) that by law have or may become a lien upon any of the Collateral or any other property or assets of the Borrower, or a Lien against funds advanced to or available for advancement to the Borrower (whether or not all conditions with respect to such advancement have been satisfied) pursuant to the Loan Documents, including, without limitation, stop notices and other claims against the Issuer or the Lender pertaining to disbursement of such funds or liability with respect thereto. “Impositions” means all rents, taxes, assessments, premiums, and ground lease rents (if applicable) attributable to the Property.

Notwithstanding anything herein or in any of the other Loan Documents to the contrary, the Borrower shall not be required to pay, discharge or remove any Imposition or Lien Claim so long as the following criteria (the “Lien Contest Criteria”) shall be satisfied as to the same: (i) the Borrower shall contest in good faith the validity, applicability or amount of the Imposition or Lien Claim by an appropriate legal proceeding which operates to prevent the collection of the secured amounts and the sale of the applicable Property, other Collateral, or any portion thereof, and (ii) prior to the date on which such Imposition or Lien Claim would otherwise have become delinquent, the Borrower shall have given the Lender written notice of its intent to contest said Imposition or Lien Claim, and (iii) the Borrower either shall have complied with the Statutory Bond Criteria set forth below or shall have deposited with the Lender (or with a court of competent jurisdiction or other appropriate body approved by the Lender and the Issuer) such additional amounts as are necessary to keep on deposit at all times, an amount equal to at least one hundred twenty five percent (125%) (or such higher amount as may be required by applicable law) of the total of the balance of such Imposition or Lien Claim then remaining unpaid, plus all interest, penalties, costs and charges having accrued or accumulated thereon, and (iv) in the reasonable judgment of the Lender, no risk of sale, forfeiture or loss of any interest in the Property, other Collateral, or any part thereof within 30 days arises at any time, and (v) such contest does not, in the Lender’s reasonable discretion, have a material adverse effect, and (vi) such contest is based on bona fide claims or defenses, and (vii) the Borrower shall prosecute any such contest with due diligence, and (viii) the Borrower shall promptly pay the amount of such Imposition or Lien Claim as finally determined, together with all interest and penalties

payable in connection therewith. Anything to the contrary notwithstanding, the Lender shall have full power and authority, but no obligation, to advance funds or to apply any amount deposited with the Lender under this Section to the payment of any unpaid Imposition or Lien Claim at any time if an Event of Default shall occur, or if the Lender reasonably determines that a risk of sale, forfeiture or loss of any interest in the Property, other Collateral or any part thereof within 30 days has arisen. The Borrower shall reimburse the Lender on demand for all such advances, together with interest thereon at the same rate that is then applicable to principal outstanding hereunder. Any surplus retained by the Lender after payment of the Imposition or Lien Claim for which a deposit was made shall be promptly repaid to the Borrower unless an Event of Default shall have occurred, in which case said surplus may be retained by the Lender and applied by the Lender to any of Obligations, as the Lender may determine in its sole discretion. The "Statutory Bond Criteria" will be deemed satisfied if (x) by statute in the jurisdiction where the Property is located, a bond may be given as security for the particular form of Imposition or Lien Claim in question, with the effect that the Property shall be forever released from any Lien securing such Imposition or Lien Claim, and (y) the Borrower shall cause such a bond to be issued, and the Borrower shall comply with all other requirements of law such that the Property shall be forever released from such Lien, and (z) the Borrower shall provide to the Lender such evidence of the foregoing as the Lender may reasonably request.

Section 8.02. Sale of Assets. The Borrower will not sell, lease, assign, transfer or otherwise dispose of all or substantially all of its assets (other than in the ordinary course of business) or the Property and the improvements thereon or of the Facility or any interest therein (whether in one transaction or in a series of transactions), other than Permitted Encumbrances, without the prior written consent of the Lender (which consent will not be unreasonably withheld) and the delivery to the Issuer and the Lender of an opinion of Bond Counsel to the effect that any such sale, lease, assignment, transfer or other disposition will not cause the interest on the Issuer Loan to be included in gross income of the owners thereof. Notwithstanding the previous sentence, the Issuer Loan and the Borrower Loan shall become due and payable upon the sale, assignment, transfer or other disposition of Facility. The Borrower shall provide the Lender with prior written notice of its intention to sell, lease, assign, transfer or otherwise dispose of the Facility or any interest therein and shall agree in writing to remain liable under the Loan Documents. In the event of a sale, assignment or transfer of the Facility to an affiliate of the Borrower (which shall also be subject to the Lender's prior written consent), such purchaser, assignee or transferee shall assume in writing the Borrower's obligations under the Loan Documents.

Section 8.03. Consolidation and Merger. The Borrower will not consolidate with or merge into any person, or permit any other person to merge into it, or acquire (in a transaction analogous in purpose or effect to a consolidation or merger) all or substantially all of the assets of any other person without the prior written consent of the Lender (which consent will not be unreasonably withheld).

Section 8.04. Accounting. The Borrower will not adopt, permit or consent to any material change in accounting principles other than as required or permitted by GAAP or adopt, permit or consent to any change in its Fiscal Year unless the Borrower provides the Lender restated financial statements in comparative form.

Section 8.05. Transfers. The Borrower will not in any manner transfer any Property, other than transfers made in the ordinary course of business, without prior or present receipt of full and adequate consideration; provided, that, the restriction contained in this Section 8.05 shall not prohibit the Borrower from making transfers in furtherance of its charitable purposes.

Section 8.06. Other Indebtedness. Other than Permitted Indebtedness, the Borrower shall not, without the prior written consent of the Lender, incur any additional indebtedness, secured or unsecured, direct or contingent.

Section 8.07. Other Defaults. The Borrower will not permit any breach, default or event of default to occur beyond any applicable cure period under any note, loan agreement, indenture, lease, mortgage, contract for deed, security agreement or other contractual obligation binding upon the Borrower or any judgment, decree, order or determination applicable to the Borrower. Notwithstanding the previous sentence, the Borrower shall have the right to contest in good faith by appropriate proceedings any breach, default or event of default, so long as such contest shall not, and shall not have the potential to, adversely affect the Lender's or the Issuer's interests hereunder or under any of the other Loan Documents.

Section 8.08. Reserved.

Section 8.09. Use of Facility. The Borrower will not install, use, operate or maintain the Project or the Facility improperly, carelessly, in violation of any applicable law or in a manner in violation of this Loan Agreement, the Regulatory Agreement or the Tax Agreement.

Section 8.10. Maintenance of Business. The Borrower shall not change its business activities in any material respect from the business activities conducted by the Borrower as of the date of this Loan Agreement.

Section 8.11. Most Favored Covenant. In the event that the Borrower has previously entered into or shall hereafter enter into or otherwise consent to any agreement or instrument (or any amendment, supplement or modification thereto) (each a "Relevant Agreement") under which any Person undertakes to make loans, to refinance or restructure existing debt or to extend credit or liquidity to the Borrower, which Relevant Agreement (i) provides such Person with a covenant, provision or agreement which is more restrictive, as to the Borrower, or (ii) gives or grants greater rights or remedies to such Person whether as to timing of payment, priority of payment or Lien or otherwise (each, a "Favored Covenant") than, in the case of (i), are undertaken by the Borrower herein or, in the case of (ii), are given or granted to the Lender herein, then each such Favored Covenant shall automatically be deemed to be incorporated into this Loan Agreement and the Lender shall have the benefits of each such Favored Covenant as if specifically set forth in this Loan Agreement for the duration of such Relevant Agreement. If necessary, the Borrower and the Issuer shall promptly enter into an amendment to this Loan Agreement to include the Favored Covenant; provided that the Lender shall maintain the benefit of such Favored Covenant even if the Borrower and the Issuer fail to provide such amendment; and provided, further, that the Borrower shall pay all costs to the Issuer associated with entering into such amendment. Notwithstanding anything to the contrary contained in this Section, each party hereto agrees that no provision described in this Section shall be deemed incorporated into

this Loan Agreement if such incorporation would cause the interest on the Issuer Loan to be includable in gross income for federal tax purposes.

Section 8.12. Tax Exempt Status. The Borrower will not take any action that would cause the interest on the Issuer Loan to become includable in gross income of the recipient for federal income tax purposes under the Code (including, without limitation, intentional acts under Treas. Reg. § 1.148-2(c) or deliberate action within the meaning of Treas. Reg. § 1.141-2(d)), and the Borrower will take and will cause its officers, employees and agents to take all affirmative actions legally within its power necessary to ensure that the interest on the Issuer Loan does not become includable in gross income of the recipient for federal income tax purposes under the Code (including, without limitation, the calculation and payment of any rebate required to preserve such exclusion).

Section 8.13. Changes in Borrower, Partnership Agreement, Modification of Documents. Borrower covenants not to agree to, make, or suffer, a Prohibited Transfer without the written consent of Lender. “Prohibited Transfer” means transfer, conveyance, or assignment of: (i) any interest of a managing member, general partner, or controlling stockholder of the Borrower; or (ii) a controlling interest in any entity that has a controlling interest in the Borrower, provided, however, that it does not in any event mean or include (x) any transfer by a limited partner of its interest in Borrower, (y) any transfer of any interest within a limited partner of Borrower, and (z) any removal and replacement of a general partner of Borrower in accordance with the Partnership Agreement. Borrower shall not enter into or allow any modification of the Ground Lease, the Partnership Agreement or to any documents evidencing the Permitted Indebtedness except as otherwise permitted in the Subordination Agreement by and among the Lender, [the Alaska Corporation for Affordable Housing], and Borrower of even date herewith, without the prior written consent of Lender which consent shall not be unreasonably withheld, conditioned, or delayed.

ARTICLE IX

DAMAGE, DESTRUCTION AND CONDEMNATION; USE OF NET PROCEEDS

Section 9.01. Eminent Domain. If all or any portion of the Facility shall be taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Net Proceeds of any eminent domain award shall be applied to the prepayment of the Borrower Loan and the Issuer Loan in accordance with Section 9.02 of this Loan Agreement.

Section 9.02. Application of Net Proceeds.

(a) The Net Proceeds of any insurance award resulting from any damage to or destruction of any portion of the Facility by fire or other casualty, as applicable, of any title insurance award, or of any eminent domain award resulting from any event described in Section 9.01 hereof shall be deposited with the Lender, who shall determine the application of such proceeds. Notwithstanding the previous sentence, if no Event of Default has occurred and is continuing under the Loan Documents, the Lender shall

release to the Borrower without further limitations all insurance awards of up to \$50,000 received on behalf of the Borrower in the normal course of business. The Borrower, except as provided below, shall cause the proceeds of such insurance to be utilized for the repair, reconstruction, or replacement of the damaged or destroyed portion of the Facility. Provided that no Default or Event of Default has occurred and is continuing under the Loan Documents, the Lender shall permit withdrawals of the proceeds from time to time upon receiving the written request of the Borrower, stating that the Borrower has expended moneys or incurred liabilities in an amount equal to the amount therein requested to be paid over to it for the purpose of repair, reconstruction or replacement of the Property damaged, destroyed, lost or taken by eminent domain, and specifying the items for which such moneys were expended or such liabilities were incurred. Any balance of the proceeds not required for such repair, reconstruction, or replacement shall be applied by the Lender as provided in Section 4.08 hereof. If an Event of Default has occurred and is continuing hereunder, the Lender may apply any such proceeds to the Borrower's obligations under the Loan Documents in any order of priority elected by the Lender in its sole discretion.

(b) Alternatively, the Borrower, at its option, and if the proceeds of such insurance or eminent domain award, together with any other moneys then available for the purpose are at least sufficient to prepay the Borrower Loan in full pursuant to Section 4.08 hereof, may elect not to repair, reconstruct, or replace the damaged or destroyed portion of the Facility, as applicable, and thereupon shall cause the proceeds to be used for the prepayment of the Borrower Loan in full, but not in part. With the written consent of the Lender, the Borrower may elect not to repair, reconstruct, or replace the damaged, destroyed, lost or taken Property and shall cause such proceeds to prepay the Borrower Loan in part.

(c) There shall be no abatement of Payments during any period in which, by reason of damage or destruction, there is substantial interference with the use and occupancy by the Borrower of the Facility or any portion thereof.

ARTICLE X

ASSIGNMENT, PARTICIPATION, MORTGAGING AND SELLING

Section 10.01. Assignment by the Lender.

(a) *Assignment to an Affiliate Transferee.* The Lender may, at any time, without the necessity of obtaining the consent of the Issuer or the Borrower, sell or otherwise transfer in whole, but not in part, the Issuer Loan and the right to receive Payments and the Prepayment Premium, if any, from the Borrower hereunder, to a Person that is (i) an Affiliate that is a Qualified Institutional Buyer, or (ii) a trust or other custodial arrangement established by the Lender or by an Affiliate that is a Qualified Institutional Buyer, the owners of any beneficial interest in which are Qualified Institutional Buyers (each, an "Affiliate Transferee"). From and after the date of such sale or transfer, Wells Fargo Bank, National Association (and its successors) shall continue to have all of the rights of the Lender hereunder and under the Loan Documents

as if no such transfer or sale had occurred; provided, however, that (A) no such sale or transfer referred to in clause (i) or (ii) of this subsection shall in any way affect the obligations of the Lender hereunder, (B) the Borrower and the Issuer shall be required to deal only with the Lender with respect to any matters under this Agreement and (C) in the case of a sale or transfer referred to in clause (i) or (ii) of this subsection, only the Lender shall be entitled to enforce the provisions of this Agreement against the Borrower. Notwithstanding the foregoing, the Issuer Loan may not be transferred if the principal amount is less than \$250,000 without the prior written consent of the Issuer and the Borrower.

(b) *Assignment to a Non-Affiliate Transferee.* The Lender may, at any time, without the necessity of obtaining the consent of the Issuer or the Borrower, sell or otherwise transfer in whole, but not in part, the Issuer Loan and the right to receive Payments and the Prepayment Premium, if any, from the Borrower hereunder to a transferee who is not an Affiliate Transferee but is a Qualified Institutional Buyer that is a commercial bank having a combined capital and surplus, determined as of the date of any transfer pursuant to this subsection, of not less than \$5,000,000,000 (each, a “Non-Affiliate Transferee”) if (i) written notice of such sale or transfer, including that such sale or transfer is to a Non-Bank Transferee, together with addresses and related information with respect to the Non-Bank Transferee, shall have been given to the Borrower, the Issuer and the Lender (if the Lender is not the Holder) by such selling Holder and Non-Bank Transferee, and (B) the Non-Bank Transferee shall have delivered to the Borrower, the Issuer and the selling Holder, an investment letter in substantially the form attached hereto as Exhibit B. Notwithstanding the foregoing, the Issuer Loan may not be transferred if the principal amount is less than \$250,000 without the prior written consent of the Issuer and the Borrower.

Upon assignment, the Borrower will reflect in a book entry the assignee designated in the written request of assignment or in a written certification of an Affiliate delivered to the Issuer and the Borrower pursuant to this Section, and shall agree to make all payments to the assignee designated in such written request, notwithstanding any claim, defense, setoff or counterclaim whatsoever (whether arising from a breach of this Loan Agreement or otherwise) that the Issuer and the Borrower may from time to time have against the Lender or the assignee. The Issuer agrees to execute all documents, including notices of assignment, which may be reasonably requested by the Lender or its assignee to protect their interest in this Loan Agreement. The Lender or assignee shall pay all reasonable expenses of the Issuer, including reasonable fees and expenses of counsel, in connection with such transfer and assignment and the execution of any documents in connection therewith. Upon a Holder's transfer or assignment of the Issuer Loan and the Borrower Loan, such Holder shall have no further obligation and shall be released from all liability for any act or omission occurring subsequent to the date of such transfer or assignment.

Section 10.02. No Sale, Assignment or Leasing by the Borrower. This Loan Agreement and the interest of the Borrower in the Facility and the other assets may not be sold, assumed, assigned or encumbered by the Borrower other than Permitted Encumbrances. No agreement or interest therein and no improvement shall be subject to involuntary assignment, lease, transfer or sale or to assignment, lease, transfer or sale by operation of law in any manner whatsoever except as expressly provided in this Loan Agreement and except for Permitted Encumbrances, and any such attempted assignment, lease, transfer or sale shall be void and of no effect and shall, at the option of the Lender, constitute an Event of Default hereunder.

ARTICLE XI

EVENTS OF DEFAULT AND REMEDIES

Section 11.01. Events of Default. The following constitute “Events of Default” under this Loan Agreement:

- (a) failure by the Borrower to pay to the Lender, as assignee of the Issuer, any Payment within 15 days of the due date thereof;
- (b) failure by the Borrower to pay to the Lender, as assignee of the Issuer, any Additional Payment or any other amount required to be paid hereunder or under the Security Agreement (other than Payments) within 15 days of the due date thereof;
- (c) failure by the Borrower to pay, as and when due, any payment required to be paid under any other Loan Document between the Lender or any of its Affiliates and the Borrower, subject to the applicable grace and cure periods set forth in such agreement;
- (d) failure by the Borrower to maintain insurance in accordance with Section 7.04 hereof;
- (e) a Determination of Taxability shall occur; provided, however, that a Determination of Taxability shall not be an Event of Default to the extent the Lender, the Issuer and the Borrower enter into a written amendment to this Loan Agreement pursuant to Section 4.01(b) within 60 days following such Determination of Taxability and such amendment has the effect of curing the Event of Default described in this paragraph (e) as verified by an opinion of Bond Counsel delivered to the Lender and the Issuer;
- (f) except as otherwise specified in this Section 11.01, failure by the Borrower or the Issuer to observe and perform (i) any other covenant, condition or agreement on its part to be observed or performed hereunder, or (ii) under any other Loan Document, for a period of 60 days after written notice is given to the Borrower or the Issuer, as applicable, by the Lender or the Issuer, as applicable, specifying such failure and requesting that it be remedied; provided, however, if such failure is correctable but cannot be corrected within the applicable period and corrective action is instituted by the Borrower within the applicable period and diligently pursued until corrected, then no Event of Default shall be deemed to have occurred, unless such cure has not been completed within 90 days after such written notice;

(g) failure by the Guarantor to observe and perform any other covenant, condition or agreement on its part to be observed or performed under the Guaranty for a period of 30 days after written notice is given to the Guarantor by the Lender, specifying such failure and requesting that it be remedied; provided, however, if such failure is correctable but cannot be corrected within the applicable period and corrective action is instituted by the Guarantor within the applicable period and diligently pursued until corrected, then no Event of Default shall be deemed to have occurred unless such cure has not been completed within 60 days after such written notice (or such longer period as may be permitted by the Lender in writing);

(h) initiation by the Borrower, by the Guarantor or by others of a proceeding under any Federal or State bankruptcy or insolvency law seeking relief under such laws concerning the indebtedness of the Borrower or Guarantor, as applicable, which proceeding is not dismissed or stayed within 60 days;

(i) The Borrower or a Guarantor shall be or become insolvent, or admit in writing its inability to pay its or his debts as they mature, or make an assignment for the benefit of creditors; or the Borrower or a Guarantor shall apply for or consent to the appointment of any receiver, trustee or similar officer for it or for all or any substantial part of its property; or such receiver, trustee or similar officer shall be appointed without the application or consent of the Borrower or the applicable Guarantor, as the case may be, or the Borrower or a Guarantor shall institute (by petition, application, answer, consent or otherwise) any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution, liquidation or similar proceeding relating to it under the laws of any jurisdiction which proceeding is not dismissed or stayed within 30 days; or any such proceeding shall be instituted (by petition, application or otherwise) against the Borrower or a Guarantor and remains undismissed or unstayed for 30 days; or any judgment, writ, warrant of attachment or execution or similar process shall be issued or levied against a substantial part of the property of the Borrower or a Guarantor;

(j) the making of any order or the entry of any decree by a court of competent jurisdiction enjoining or prohibiting the Borrower, from performing or satisfying its covenants, obligations or conditions contained herein and such proceedings are not discontinued or such order or decree is not vacated within 30 days after the Borrower becomes aware of the making or granting thereof;

(k) The Borrower is determined by the Lender to (i) have knowingly made any material false or misleading statement or representation in connection with this Loan Agreement; or (ii) the Borrower sells, assigns, leases, or otherwise transfers or encumbers all or any part of its interest in this Loan Agreement, or the Facility other than as permitted by the terms of this Loan Agreement;

(l) the occurrence and declaration of a default or event of default under any instrument, agreement or other document evidencing or relating to any indebtedness or other monetary obligation of the Borrower;

(m) there shall occur any event which the Lender in good faith believes materially and adversely affects the financial condition, or results of operations (financial or otherwise) of the Borrower, a Guarantor or any subsidiary;

(n) the sale of the Borrower or a Guarantor to, or merger of the Borrower or a Guarantor into, any person, or the merger of any other person into the Borrower or a Guarantor, or acquisition (in a transaction analogous in purpose or effect to a consolidation or merger) of all or substantially all of the assets of any other person by the Borrower or a Guarantor without the prior written consent of the Lender;

(o) any judgment, writ, warrant of attachment or execution or similar process shall be issued or levied against the Borrower or a Guarantor or its assets in excess of \$250,000 and shall not have been stayed or removed within 60 days;

(p) the occurrence of a Material Adverse Change;

(q) any Event of Default shall occur and be continuing under and as defined in any other Loan Document.

Section 11.02. Remedies on Default. Whenever any Event of Default shall have occurred and be continuing, the Lender shall have the right, at its sole option without any further demand or notice, to take any one or any combination of the following remedial actions insofar as the same are available to secured parties under the laws of the State from time to time and which are otherwise accorded to the Lender:

(a) by notice to the Borrower, declare the entire unpaid principal amount of the Loan (and the related Obligations) then outstanding, all interest accrued and unpaid thereon and all amounts payable under this Loan Agreement to be forthwith due and payable, whereupon such Loan (and the related Obligations), all such accrued interest and all such amounts shall become and be forthwith due and payable, without presentment, notice of dishonor, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower;

(b) the obligation, if any, of the Lender to extend any further credit under any of the Loan Documents shall immediately cease and terminate;

(c) exercise all rights and remedies legally available to the Lender;

(d) proceed by appropriate court action to enforce performance by the Issuer or the Borrower of the applicable covenants of the Loan Documents or to recover for the breach thereof, including the payment of all amounts due from the Borrower, in which event the Borrower shall pay or repay to the Lender all costs of such action or court action including without limitation, reasonable attorneys' fees; and

(e) take whatever action at law or in equity that may appear necessary or desirable to enforce its rights, in which event the Borrower shall pay or repay to the Lender and the Issuer all costs of such action or court action, including, without limitation, reasonable attorneys' fees.

All proceeds derived from the exercise of any rights and remedies shall be applied in the following manner:

FIRST, to pay to the Issuer any Issuer Fees and Expenses;

SECOND, to the United States any rebatable arbitrage due or accrued pursuant to Section 148(f)(4) of the Code;

THIRD, to pay (a) to the Lender the amount of all unpaid Payments, if any, which are then due and owing, together with interest at the Default Rate and late charges thereon; and (b) to the Lender any Additional Payments payable to the Lender hereunder;

FOURTH, to pay all proper and reasonable costs and expenses associated with the recovery, repair, storage and sale of the Facility, including reasonable attorneys' fees and expenses; and

FIFTH, to pay the remainder of any such proceeds, purchase moneys or other amounts paid by a buyer of the Facility or other person, to the Borrower.

Notwithstanding any other remedy exercised hereunder, the Borrower shall remain obligated to pay to the Lender and the Issuer, as their interests may appear, any unpaid Payments and Additional Payments. To the extent permitted by applicable law, the Borrower hereby waives any rights now or hereafter conferred by statute or otherwise which might require the Lender to use, sell, lease or otherwise dispose of any portion of the Facility in mitigation of the Lender's damages or which might otherwise limit or modify any of the Lender's rights hereunder.

All of the Borrower's right, title and interest in the Facility and any portion thereof, the possession of which is taken by the Lender upon the occurrence of an Event of Default (including, without limitation, construction, contracts, warranties, guarantees or completion assurances applicable to such Facility) shall pass to the Lender, and the Borrower's rights in such Facility shall terminate immediately upon such repossession.

All rights, powers and remedies of the Lender may be exercised at any time by the Lender, as assignee of the Issuer, and from time to time after the occurrence and continuance of an Event of Default, are cumulative and not exclusive, and shall be in addition to any other rights, powers or remedies provided by law or equity.

The Borrower shall pay or repay to the Lender and the Issuer all costs of such action or court action, including, without limitation, reasonable attorneys' fees.

Section 11.03. The Lender's Right to Perform the Obligations. If the Borrower shall fail, refuse or neglect to make any payment or perform any act required by the Loan Documents to which it is a party, then while any Event of Default exists, and without notice to or demand upon the Borrower and without waiving or releasing any other right, remedy or recourse the Lender may have because of such Event of Default, the Lender may (but shall not be obligated to) make such payment or perform such act for the account of and at the expense of the Borrower and interest on such payment shall accumulate from the date of the advance at the Default Rate until such advance is paid, and shall have the right to enter upon the Facility for such purpose

and to take all such action thereon and with respect to the Facility as it may deem necessary or appropriate. If the Lender shall elect to pay any sum due with reference to the Facility, the Lender may do so in reliance on any bill, statement or assessment procured from the appropriate governmental authority or other the issuer thereof without inquiring into the accuracy or validity thereof. Similarly, in making any payments to protect the security intended to be created by this Loan Agreement and the Deed of Trust, the Lender shall not be bound to inquire into the validity of any apparent or threatened adverse title, lien, encumbrance, claim or charge before making an advance for the purpose of preventing or removing the same. If any Hazardous Materials affect or threaten to affect the Facility, the Lender may (but shall not be obligated to) give such notices and take such actions as it deems necessary or advisable in order to abate the discharge of any Hazardous Materials or remove the Hazardous Materials. Notwithstanding the previous sentence, the use and storage of reasonable quantities of office supplies, cleaning and maintenance materials and pest control products shall not be deemed to “affect” the Facility in a manner entitling the Lender to act so long as such use and storage is executed safely and in compliance with applicable law. The Borrower shall indemnify, defend and hold the Lender and the Issuer harmless from and against any and all losses, liabilities, claims, damages, expenses, obligations, penalties, actions, judgments, suits, costs or disbursements of any kind or nature whatsoever, including reasonable attorneys’ fees, incurred or accruing by reason of any acts performed by the Lender pursuant to the provisions of this Section, except as a result of the Lender’s gross negligence or willful misconduct. Anything to the contrary herein or elsewhere notwithstanding, the Lender may cease or suspend any and all performance required of the Lender herein or under any of the other Loan Documents upon and during the continuance of any breach or default, and upon and at any time after the occurrence of any Event of Default.

Section 11.04. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Lender is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Loan Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Lender to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice other than such notice as may be required by this Article XI. All remedies hereby conferred upon or reserved to the Lender shall survive the termination of this Loan Agreement.

ARTICLE XII

MISCELLANEOUS

Section 12.01. Disclaimer of Warranties. NEITHER THE LENDER NOR THE ISSUER MAKE ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, COMPLIANCE WITH SPECIFICATIONS, QUALITY OF MATERIALS OR WORKMANSHIP, CONDITION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, USE OR OPERATION, SAFETY, PATENT, TRADEMARK OR COPYRIGHT INFRINGEMENTS, TITLE OR FITNESS FOR USE OF THE FACILITY, OR ANY COMPONENT THEREOF OR ANY OTHER WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, WITH RESPECT THERETO. All such risks,

as between the Lender, the Issuer and the Borrower, are to be borne by the Borrower. Without limiting the foregoing the Lender and the Issuer shall have no responsibility or liability to the Borrower or any other person with respect to any of the following: (a) any liability, loss or damage caused or alleged to be caused directly or indirectly by the Project, any inadequacy thereof, any deficiency or defect (latent or otherwise) therein, or any other circumstances in connection therewith; (b) the use, operation or performance of the Project or any risks relating thereto; (c) any interruption of service, loss of business or anticipated profits or consequential damages; or (d) the delivery, operation, servicing, maintenance, repair, improvement or replacement of the Facility. If, and so long as, no Default exists under this Loan Agreement, the Borrower shall be, and hereby is, authorized to assert and enforce, at the Borrower's sole cost and expense, from time to time, whatever claims and rights the Borrower or the Lender may have against any prior title holder or possessor of the Facility. In no event shall the Lender or the Issuer be liable for any loss or damage in connection with or arising out of this Loan Agreement or the Facility.

Section 12.02. Limitations of Liability. In no event, whether as a result of breach of contract, warranty, tort (including negligence or strict liability), indemnity or otherwise, shall the Lender, its assignees, if any, or the Issuer be liable for any special, consequential, incidental or punitive damages including, but not limited to, a loss of profit or revenue, loss of use of the Facility or any associated equipment, service materials or software, damage to associated equipment, service materials or software, cost of capital, cost of substitute equipment, service materials or software, facilities, services or replacement power, down time costs or claims of the Borrower's members for such damages and the Borrower shall indemnify and hold harmless the Lender, its assignees, if any, and the Issuer from any such damages.

Section 12.03. Additional Payments to the Lender. The Borrower shall pay to the Lender the following Additional Payments hereunder, in addition to the Payments payable by the Borrower, in such amounts in each year as shall be required by the Lender in payment of any reasonable costs and expenses, incurred by the Lender in connection with the execution, performance or enforcement of this Loan Agreement, the financing of the Project, including but not limited to payment of all reasonable fees of auditors, financial consultants or attorneys, insurance premiums not otherwise paid hereunder and all other reasonable, direct and necessary administrative costs of the Lender or charges required to be paid by it in order to comply with the terms of, or to enforce its rights under, the Loan Documents. Such Additional Payments shall be billed to the Borrower by the Lender from time to time, together with a statement certifying that the amount so billed has been paid or incurred by the Lender for one or more of the items described, or that such amount is then payable by the Lender for such items. Amounts so billed shall be due and payable by the Borrower within 30 days after receipt of the bill by the Borrower.

Section 12.04. Notices. All notices, certificates, requests, demands and other communications provided for hereunder or under a Draw Request shall be in writing and shall be (a) personally delivered; (b) sent by registered class United States mail; (c) sent by overnight courier of national reputation; or (d) transmitted by facsimile (if also sent by nationally recognized express courier service for delivery on the next Business Day), in each case addressed to the party to whom notice is being given at its address as set forth below and, if facsimile transmitted to that party at its facsimile number set forth below and confirmed by

telephone at the telephone number set forth below or, as to each party, at such other address or facsimile number as may hereafter be designated by such party in a written notice to the other party complying as to delivery with the terms of this Section. All such notices, requests, demands and other communications shall be deemed to have been given on (i) the date received if personally delivered; (ii) when deposited in the mail if delivered by mail; (iii) the date sent if sent by overnight courier; or (iv) the date of transmission if delivered by facsimile. If notice to the Borrower of any intended disposition of the Facility or any other intended actions is required by law in a particular instance, such notice shall be deemed commercially reasonable if given (in the manner specified in this Section) at least 10 calendar days prior to the date of intended disposition or other action.

If to the Borrower: 325 E. 3RD LIMITED PARTNERSHIP
[Address]
[Address]
Attention: [_____]]
Telephone: [_____]]
Facsimile: [_____]]

If to the Issuer: Alaska Housing Finance Corporation
4300 Boniface Parkway
Anchorage, Alaska 99504
Attention: Michael Strand, Chief Financial Officer
Telephone: 907-338-6100
Facsimile: 907-338-9634

If to the Lender: Wells Fargo Bank, National Association
301 West Northern Lights Boulevard
Anchorage, Alaska 99503
Attention: Alaska Commercial Real Estate Group, Claire Hoffman
Telephone: 907-265-2140
Facsimile: 907-263-2582

Section 12.05. Binding Effect; Time of the Essence. This Loan Agreement shall inure to the benefit of and shall be binding upon the Lender, the Issuer, the Borrower and their respective successors and assigns, if any. Time is of the essence.

Section 12.06. Severability. In the event any provision of this Loan Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 12.07. Amendments. To the extent permitted by law, the terms of this Loan Agreement shall not be waived, altered, modified, supplemented or amended in any manner whatsoever except by written instrument signed by the parties hereto, and then such waiver, alteration, modification, supplement or amendment shall be effective only in the specific instance and for the specific purpose given. Notwithstanding the previous sentence, the consent of the Issuer shall not be required for waivers, alternations, modifications, supplements or amendments of or with respect to Section 7.16 or 7.17 or Article VIII (except Sections 8.08 and 8.12) of this

Loan Agreement, together with any defined terms used therein. Prior to the effectiveness of any waiver, alteration, modification, supplement or amendment, an opinion of Bond Counsel shall be delivered to the Issuer, at the expense of the Borrower, to the effect that such waiver, alteration, modification, amendment or supplement complies with the requirements of this Loan Agreement and that such waiver, alteration, modification, supplement or amendment will not cause interest on the Loan to be included in the gross income of the Lender for federal income tax purposes.

Section 12.08. Execution in Counterparts. This Loan Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same instrument and any of the parties hereto may execute this Loan Agreement by signing any such counterpart.

Section 12.09. Applicable Law; Consent to Jurisdiction.

(a) This Loan Agreement shall be governed by and construed in accordance with the laws of the State, excluding the laws relating to the choice of law. Any action arising hereunder shall be filed and maintained in the Third Judicial District of the State of Alaska, unless the Issuer waives this requirement.

(b) Each party hereto consents to and submits to in personam jurisdiction and venue in the State and in the Federal District Courts which are located in the State. Each party asserts that it has purposefully availed itself of the benefits of the laws of the State and waives any objection to in personam jurisdiction on the grounds of minimum contacts, waives any objection to venue, and waives any plea of forum non conveniens. This consent to and submission to jurisdiction is with regard to any action related to this Loan Agreement. Regardless of whether the party's actions took place in the State or elsewhere in the United States, this submission to jurisdiction is nonexclusive, and does not preclude either party from obtaining jurisdiction over the other in any court otherwise having jurisdiction.

Section 12.10. Jury Trial Waiver. TO THE EXTENT PERMITTED BY LAW, THE LENDER AND THE BORROWER HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO JURY TRIAL OF ANY ACTION, PROCEEDING OR HEARING (HEREINAFTER, A "CLAIM") BASED UPON OR ARISING OUT OF, DIRECTLY OR INDIRECTLY, THIS LOAN AGREEMENT, OR ANY OF THE RELATED DOCUMENTS, ANY DEALINGS BETWEEN THE LENDER OR THE BORROWER RELATING TO THE SUBJECT MATTER OF THE TRANSACTIONS CONTEMPLATED BY THIS LOAN AGREEMENT OR ANY RELATED TRANSACTIONS, AND/OR THE RELATIONSHIP THAT IS BEING ESTABLISHED BETWEEN THE LENDER AND THE BORROWER. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT (INCLUDING, WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS). THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS LOAN AGREEMENT, ANY RELATED DOCUMENTS, OR TO ANY OTHER DOCUMENTS OR SUPPLEMENTS RELATING TO

THE TRANSACTIONS CONTEMPLATED BY THIS LOAN AGREEMENT OR ANY RELATED TRANSACTIONS. IN THE EVENT OF LITIGATION, THIS LOAN AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

Section 12.11. Captions. The captions or headings in this Loan Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Loan Agreement.

Section 12.12. Entire Agreement. This Loan Agreement, together with the exhibits and attachments hereto and thereto, including the Tax Agreement and the Security Agreement, constitutes the entire agreement among the Lender, the Issuer and the Borrower. There are no understandings, agreements, representations or warranties, express or implied, not specified herein or therein regarding this Loan Agreement or the Project refinanced hereunder and thereunder. Any terms and conditions of any purchase order or other document submitted by the Borrower in connection with this Loan Agreement which are in addition to or inconsistent with the terms and conditions of this Loan Agreement will not be binding on the Lender and will not apply to this Loan Agreement.

Section 12.13. Waiver. The Lender's or the Issuer's failure to enforce at any time or for any period of time any provision of this Loan Agreement shall not be construed to be a waiver of such provision or of the right of the Lender or the Issuer thereafter to enforce each and every provision. No express or implied waiver by the Lender of any default or remedy of default shall constitute a waiver of any other default or remedy of default or a waiver of any the Lender's rights.

Section 12.14. Survivability. All of the limitations of liability, indemnities and waivers contained in this Loan Agreement shall continue in full force and effect notwithstanding the expiration or early termination of this Loan Agreement and are expressly made for the benefit of, and shall be enforceable by, the Lender and the Issuer, or their successors and assigns.

Section 12.15. Usury.

(a) If the amount of interest payable for any period in accordance with the terms hereof exceeds the amount of interest that would be payable for such period had interest for such period been calculated at the maximum interest rate permitted by applicable law, then interest for such period shall be payable in an amount calculated at the maximum interest rate permitted by applicable law.

(b) Any interest that would have been due and payable for any period but for the operation of subsection (a) above shall accrue and be payable as provided in this subsection (b) and shall, less interest actually paid to the Lender for such period, constitute the "Excess Interest Amount." If there is any accrued and unpaid Excess Interest Amount as of any date, then the principal amount with respect to which interest is payable shall bear interest at the maximum interest rate permitted by applicable law until payment to the Lender of the entire Excess Interest Amount.

(c) Notwithstanding the foregoing, on the date on which no principal amount hereunder remains unpaid, to the extent possible without violating applicable law, the

Borrower shall pay to the Lender a fee equal to any accrued and unpaid Excess Interest Amount.

Section 12.16. Third Party Beneficiary. It is the intention of the parties that any permitted assignee of the Lender hereunder be a third party beneficiary of this Loan Agreement.

Section 12.17. Further Assurance and Corrective Instruments. The parties hereto hereby agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such further acts, instruments, conveyances, transfers and assurances, as any of them reasonably deems necessary or advisable for the implementation, correction, confirmation or perfection of this Loan Agreement or the Tax Agreement and any rights of such party hereunder or thereunder.

Section 12.18. Arbitration. The parties to this Loan Agreement hereby each agree, upon demand by any other party to this Loan Agreement, to submit any Dispute to binding arbitration in accordance with the terms of this Section 12.18. Arbitration may be demanded before the institution of a judicial proceeding, or during a judicial proceeding, but not more than 60 days after service of a complaint, third party complaint, cross-claim, or any answer thereto, or any amendment to any of such pleadings. A "Dispute" shall include any dispute, claim or controversy of any kind, whether in contract or in tort, legal or equitable, now existing or hereafter arising, relating in any way to any aspect of this agreement, or any related note, instrument or agreement incorporating this Section 12.18 (the "Documents"), or any renewal, extension, modification or refinancing of any indebtedness or obligation relating thereto, including without limitation, their negotiation, execution, collateralization, administration, repayment, modification, extension, substitution, formation, inducement, enforcement, default or termination, or any request for additional credit. This provision is a material inducement for the parties entering into the transactions relating to this Agreement. In the event of a court ordered arbitration, the party requesting arbitration shall be responsible for timely filing the demand for arbitration and paying the appropriate filing fee within 30 days of the abatement order or the time specified by the court; the party's failure to do so shall result in that party's right to demand arbitration being automatically terminated with respect to such Dispute. DISPUTES SUBMITTED TO ARBITRATION ARE NOT RESOLVED IN COURT BY A JUDGE OR JURY. TO THE EXTENT ALLOWED BY APPLICABLE LAW, THE PARTIES IRREVOCABLY AND VOLUNTARILY WAIVE ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY DISPUTE ARBITRATED PURSUANT TO THIS SECTION 12.18.

(a) *Governing Rules.* Any arbitration proceeding will (i) be governed by the Federal Arbitration Act (Title 9 of the United States Code), notwithstanding any conflicting choice of law provision in any of the documents between the parties; and (ii) be conducted by the American Arbitration Association ("AAA"), or such other administrator as the parties shall mutually agree upon, in accordance with the AAA's commercial dispute resolution procedures, unless the claim or counterclaim is at least \$1,000,000.00 exclusive of claimed interest, arbitration fees and costs, in which case the arbitration shall be conducted in accordance with the AAA's optional procedures for large, complex commercial disputes (the commercial dispute resolution procedures or the optional procedures for large, complex commercial disputes are referred to herein, as

applicable, as the "Rules"). If there is any inconsistency between the terms hereof and the Rules, the terms and procedures set forth herein shall control. Arbitration proceedings hereunder shall be conducted at a location mutually agreeable to the parties, or if they cannot agree, then at a location selected by the AAA in the state of the applicable substantive law primarily governing this Loan Agreement. Any party who fails or refuses to submit to arbitration following a demand by any other party shall bear all costs and expenses incurred by such other party in compelling arbitration of any Dispute. The arbitrator shall award all costs and expenses of the arbitration proceeding.

(b) *No Waiver of Provisional Remedies, Self-Help and Foreclosure.* The arbitration requirement does not limit the right of any party to (i) foreclose against real or personal property collateral; (ii) exercise self-help remedies relating to collateral or proceeds of collateral such as setoff or repossession; or (iii) obtain provisional or ancillary remedies such as replevin, injunctive relief, attachment or the appointment of a receiver, before during or after the pendency of any arbitration proceeding. This exclusion does not constitute a waiver of the right or obligation of any party to submit any Dispute to arbitration or reference hereunder, including those arising from the exercise of the actions detailed in sections (i), (ii) and (iii) of this paragraph.

(c) *Arbitrator Qualifications and Powers.* Any arbitration proceeding in which the amount in controversy is \$5,000,000.00 or less will be decided by a single arbitrator selected according to the Rules, and who shall not render an award of greater than \$5,000,000.00. Any Dispute in which the amount in controversy exceeds \$5,000,000.00 shall be decided by majority vote of a panel of three arbitrators; provided however, that all three arbitrators must actively participate in all hearings and deliberations. Every arbitrator shall be a neutral practicing attorney or a retired member of the state or federal judiciary, in either case with a minimum of ten years' experience in the substantive law applicable to the subject matter of the Dispute. The arbitrator will determine whether or not an issue is arbitrable and will give effect to the statutes of limitation in determining any claim. In any arbitration proceeding the arbitrator will decide (by documents only or with a hearing at the arbitrator's discretion) any pre-hearing motions which are similar to motions to dismiss for failure to state a claim or motions for summary adjudication. The arbitrator shall resolve all Disputes in accordance with the applicable substantive law and may grant any remedy or relief that a court of such state could order or grant within the scope hereof and such ancillary relief as is necessary to make effective any award. The arbitrator shall also have the power to award recovery of all costs and fees, to impose sanctions and to take such other action as the arbitrator deems necessary to the same extent a judge could pursuant to the Federal Rules of Civil Procedure, the applicable state rules of civil procedure, or other applicable law. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction. The institution and maintenance of an action for judicial relief or pursuit of a provisional or ancillary remedy shall not constitute a waiver of the right of any party, including the plaintiff, to submit the controversy or claim to arbitration if any other party contests such action for judicial relief.

(d) *Discovery.* In any arbitration proceeding discovery will be permitted in accordance with the Rules. All discovery shall be expressly limited to matters directly

relevant to the Dispute being arbitrated and must be completed no later than 20 days before the hearing date. Any requests for an extension of the discovery periods, or any discovery disputes, will be subject to final determination by the arbitrator upon a showing that the request for discovery is essential for the party's presentation and that no alternative means for obtaining information is available.

(e) *Class Proceedings and Consolidations.* No party hereto shall be entitled to join or consolidate disputes by or against others in any arbitration, except parties to this agreement, or any contract, instrument or document relating to this agreement, or to include in any arbitration any dispute as a representative or member of a class, or to act in any arbitration in the interest of the general public or in a private attorney general capacity.

(f) *Small Claims Court.* Any party may require that a Dispute be resolved in Small Claims Court if the Dispute and related claims are fully within that court's jurisdiction.

(g) *Miscellaneous.* To the maximum extent practicable, the AAA, the arbitrators and the parties shall take all action required to conclude any arbitration proceeding within 180 days of the filing of the Dispute with the AAA. No arbitrator or other party to an arbitration proceeding may disclose the existence, content or results thereof, except for disclosures of information by a party required in the ordinary course of its business or by applicable law or regulation. If more than one agreement for arbitration by or between the parties potentially applies to a Dispute, the arbitration provision most directly related to the documents between the parties or the subject matter of the Dispute shall control. This arbitration provision shall survive the repayment of the Loan and the termination, amendment or expiration of any of the Documents or any relationship between the parties.

(h) *Issuer's Indemnification.* In any arbitration not requested by the Issuer, the Issuer shall be indemnified against all costs of participating in such arbitration as provided in Section 7.03 of this Loan Agreement.

Section 12.19. Arm's Length Transaction. The Borrower acknowledges and agrees that (i) the advance of the Loan pursuant to this Loan Agreement is the result of an arm's-length commercial transaction between the Borrower and the Lender, (ii) in connection therewith and with the financing discussions, undertakings and procedures leading up to the consummation of such transaction, the Lender is and has been acting solely as a principal and is not acting as the agent or fiduciary of or in any way advising the Borrower, (iii) the Lender has not assumed an advisory or fiduciary responsibility in favor of the Borrower with respect to the financing contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Lender has provided other services or is currently providing other services to the Borrower on other matters) and the Lender has no obligation to the Borrower with respect to the financing contemplated hereby except the obligations expressly set forth in this Loan Agreement and (iv) the Borrower has consulted its own legal, financial and other advisors to the extent it has deemed appropriate.

Section 12.20. Anti-Terrorism Laws. Neither the Borrower nor any of its affiliates is in violation of any Laws relating to terrorism or money laundering (“Anti-Terrorism Laws”), including Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001 (the “Executive Order”), and the Patriot Act;

(a) Neither the Borrower nor any of its affiliates is any of the following:

(i) a Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;

(ii) a Person owned or Controlled by, or acting for or on behalf of, any Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;

(iii) a Person with which the Lender is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law;

(iv) a Person that commits, threatens or conspires to commit or supports “terrorism” as defined in the Executive Order; or

(v) a Person that is named as a “specially designated national and blocked person” on the most current list published by the Office of Foreign Asset Control (“OFAC”) or any list of Persons issued by OFAC pursuant to the Executive Order at its official website or any replacement website or other replacement official publication of such list.

(b) Neither the Borrower nor any of its affiliates (i) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any Person described in subsection (a)(ii) above, (ii) deals in, or otherwise engages in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order or (iii) engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law.

Section 12.21. Discretion as to Security. The Lender may resort to any security granted or assigned to the Lender hereunder, including the Deed of Trust or any other security now existing or hereafter given to secure the payment of the Loan, in whole or in part, and in such portions and in such order as the Lender may determine in its sole discretion, and any such action shall not in any way be considered as a waiver of any rights, benefits, liens or security interests granted by the Borrower to secure the Loan.

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IN WITNESS WHEREOF, the parties hereto have caused this Loan Agreement to be executed in their respective corporate names by their duly authorized officers or officials all as of the date first written above.

LENDER:

WELLS FARGO BANK, NATIONAL
ASSOCIATION

By _____
[Name, Title]

[Signature Page to Loan Agreement (Susitna View Project)]

ISSUER:

ALASKA HOUSING FINANCE
CORPORATION

By _____
[Name, Title]

[Signature Page to Loan Agreement (Susitna View Project)]

BORROWER:

325 E. 3RD LIMITED PARTNERSHIP

By _____
[Name, Title]

[Signature Page to Loan Agreement (Susitna View Project)]

EXHIBIT A
PROPERTY DESCRIPTION

[TO BE PROVIDED].

EXHIBIT B

FORM OF INVESTOR LETTER

November __, 2015

Alaska Housing Finance Corporation
4300 Boniface Parkway
Anchorage, Alaska 99504

[Bond Counsel]

Re: Loan Agreement (Susitna View Project), dated as of November 1, 2015, by and among Wells Fargo Bank, National Association, Alaska Housing Finance Corporation and 325 E. 3RD LIMITED PARTNERSHIP

Ladies and Gentlemen:

The undersigned (the “Investor”) hereby acknowledges it is purchasing \$3,700,000 principal amount of the Issuer Loan (the “Issuer Loan”) issued pursuant to a Loan Agreement, dated as of November 1, 2015, by and among Wells Fargo Bank, National Association, Alaska Housing Finance Corporation and 325 E. 3RD LIMITED PARTNERSHIP. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Loan Agreement.

The undersigned acknowledges that the Issuer Loan is being delivered for the purpose of the Project.

In connection with the sale of the Issuer Loan to the Investor, the Investor hereby makes the following representations upon which you may rely:

1. The Investor has authority and is duly authorized to purchase the Issuer Loan and to execute this letter and any other instruments and documents required to be executed by the Investor in connection with the purchase of the Issuer Loan.

2. The Investor is a “qualified institutional buyer” under Rule 144A of the Securities Act of 1933, as amended (the “Act”), and therefore, has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax exempt obligations, to be able to evaluate the risks and merits of the investment represented by the Issuer Loan.

3. The Issuer Loan is being acquired by the Investor for investment and not with a view to, or for resale in connection with, any distribution of the Issuer Loan, and the Investor intends to hold the Issuer Loan solely for its own account for investment purposes for an indefinite period of time, and does not intend at this time to dispose of all or any part of the Issuer Loan. However, the Investor may sell, transfer or assign the Issuer Loan at any time the Investor deems appropriate, subject to the transfer restrictions set forth in the Loan Agreement to (a) a “qualified institutional buyer” under Rule 144A of the Act or (b) if Wells Fargo Bank, National Association is the Holder of the Issuer Loan, (i) an Affiliate of Wells Fargo Bank,

National Association or (ii) a trust or other custodial arrangement established by Wells Fargo Bank, National Association or an Affiliate of Wells Fargo Bank, National Association, the owners of any beneficial interest in which are limited to Qualified Institutional Buyers. In the case of a transfer of the Issuer Loan by Wells Fargo Bank, National Association or an Affiliate of Wells Fargo Bank, National Association, as Holder of the Issuer Loan, to a Qualified Institutional Buyer such transfer may only be made to Qualified Institutional Buyer which is also a commercial bank organized under the laws of the United States of America, or any state thereof, or any other country which is a member of the Organization for Economic Cooperation and Development, or a political subdivision of any such country, and, in any such case, having a combined capital and surplus, determined as of the date of any such transfer, of not less than \$5,000,000,000. The Investor understands that it may need to bear the risks of this investment for an indefinite time, since a sale of the Issuer Loan prior to maturity may not be possible. Notwithstanding the foregoing, the Issuer Loan may not be transferred if the principal amount is less than \$250,000 without the prior written consent of the Issuer and the Borrower.

4. The Investor understands that the Issuer Loan is not registered under the Act and that such registration is not legally required as of the date hereof; and further understands that the Issuer Loan (a) is not being registered or otherwise qualified for sale under the “Blue Sky” laws and regulations of any state, (b) will not be listed in any stock or other securities exchange, (c) will not carry a rating from any rating service and (d) will be delivered in a form which may not be readily marketable.

5. The Investor acknowledges that it has either been supplied with or been given access to information, including financial statements and other financial information, to which a reasonable investor would attach significance in making investment decisions, and the Investor has had the opportunity to ask questions and receive answers from knowledgeable individuals, including its own counsel, concerning the Borrower, the Project and the Issuer Loan and the security therefor so that, as a reasonable investor, the Investor has been able to make our decision to purchase the Issuer Loan. The Investor acknowledges that it has not relied upon any advice, counsel, representation or information of the Issuer in connection with the Investor’s purchase of the Issuer Loan.

6. The Investor acknowledges that the obligations of the Issuer under the Loan Agreement are special, limited obligations payable solely from amounts paid to the Issuer from the Borrower pursuant to the terms of the Loan Agreement and the Issuer shall not be directly or indirectly or contingently or morally obligated to use any other moneys or assets of the Issuer for amounts due under the Loan Agreement. The Investor understands that the Issuer Loan does not constitute a debt, liability, or obligation of the State or of any political subdivision of the State or a pledge of the faith and credit of the State or of a political subdivision of the State, and neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of principal of, or the Prepayment Premium or interest on, the Issuer Loan, and that the liability of the Issuer and the State with respect to the Issuer Loan is subject to further limitations as set forth in the Loan Agreement.

7. The Investor agrees to indemnify and hold harmless the Issuer with respect to any claim asserted against the Issuer that arises solely and directly as a result of the Investor’s sale,

transfer or other disposition of the Issuer Loan in violation of the provisions hereof, other than any claim that is based upon the willful misconduct of the Issuer.

8. The Investor has made its own inquiry and analysis with respect to the Issuer Loan and the security therefor, and other material factors affecting the security and payment of the Issuer Loan. The Investor is aware that the business of the Borrower involves certain economic and regulatory variables and risks that could adversely affect the security for the Issuer Loan.

9. The Investor agrees that it is bound by and will abide by the provisions of the Loan Agreement and this Investor Letter. The Investor will comply with all applicable federal and state securities laws, rules and regulations in connection with any resale or transfer of the Issuer Loan by the Investor.

10. The Investor acknowledges that the sale of the Issuer Loan to the Investor is made in reliance upon the certifications, representations and warranties herein by the addressees hereto.

11. The Investor hereby waives any and all claims, actions, or causes of action which the Investor may have from and after the date hereof against the Issuer and its respective members, officers, agents, and employees, growing out of any action (other than willful misconduct) which the Issuer took or could have taken in connection with the authorization, execution, delivery, and sale of the Issuer Loan or the purchase of the Issuer Loan by the undersigned or in connection with any statements or representations which induced the undersigned to purchase the Issuer Loan.

12. The interpretation of the provisions hereof shall be governed and construed in accordance with Alaska law without regard to principles of conflicts of laws.

Very truly yours,

EXHIBIT B-1

QUALIFIED INSTITUTIONAL BUYER DEFINITION

A “qualified institutional buyer” as defined in Rule 144A promulgated under the Securities Act of 1933, as in effect on the date hereof, consisting of:

1. Any of the following entities, acting for its own account or the accounts of other qualified institutional buyers, that in the aggregate owns and invests on a discretionary basis at least \$100 million in securities of issuers that are not affiliated with the entity:

(A) Any insurance company as defined in Section 2(13) of the Securities Act of 1933, as amended;

NOTE: A purchase by an insurance company for one or more of its separate accounts, as defined by Section 2(a)(37) of the Investment Company Act of 1940 (the “Investment Company Act”), which are neither registered under Section 8 of the Investment Company Act nor required to be so registered, shall be deemed to be a purchase for the account of such insurance company.

(B) Any investment company registered under the Investment Company Act or any business development company as defined in Section 2(a)(48) of that Act;

(C) Any Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958;

(D) Any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees;

(E) Any employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974;

(F) Any trust fund whose trustee is a bank or trust company and whose participants are exclusively plans of the types identified in paragraph 1(D) or (E) of this section, except trust funds that include as participants individual retirement accounts or H.R. 10 plans;

(G) Any business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940;

(H) Any organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), corporation (other than a bank as defined in Section 3(a)(2) of the Securities Act of 1933, as amended, or a savings and loan association or other institution referenced in Section 3(a)(5)(A) of the Securities Act of

1933, as amended, or a foreign bank or savings and loan association or equivalent institution), partnership, or Massachusetts or similar business trust; and

(I) Any investment adviser registered under the Investment Advisers Act.

2. Any dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, acting for its own account or the accounts of other qualified institutional buyers, that in the aggregate owns and invests on a discretionary basis at least \$10 million of securities of issuers that are not affiliated with the dealer, provided, that securities constituting the whole or a part of an unsold allotment to or subscription by a dealer as a participant in a public offering shall not be deemed to be owned by such dealer.

3. Any dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934 acting in a riskless principal transaction on behalf of a qualified institutional buyer.

NOTE: A registered dealer may act as agent, on a non-discretionary basis, in a transaction with a qualified institutional buyer without itself having to be a qualified institutional buyer.

4. Any investment company registered under the Investment Company Act, acting for its own account or for the accounts of other qualified institutional buyers, that is part of a family of investment companies which own in the aggregate at least \$100 million in securities of issuers, other than issuers that are affiliated with the investment company or are part of such family of investment companies. "Family of investment companies" means any two or more investment companies registered under the Investment Company Act, except for a unit investment trust whose assets consist solely of shares of one or more registered investment companies, that have the same investment adviser (or, in the case of unit investment trusts, the same depositor), provided that, for purposes of this section:

(A) Each series of a series company (as defined in Rule 18f-2 under the Investment Company Act: 17 CFR 270.18f-2) shall be deemed to be a separate investment company; and

(B) Investment companies shall be deemed to have the same adviser (or depositor) if their advisers (or depositors) are majority-owned subsidiaries of the same parent, or if one investment company's adviser (or depositor) is a majority-owned subsidiary of the other investment company's adviser (or depositor).

5. Any entity, all of the equity owners of which are qualified institutional buyers, acting for its own account or the accounts of other qualified institutional buyers.

6. Any bank as defined in Section 3(a)(2) of the Securities Act of 1933, as amended, any savings and loan association or other institution as referenced in Section 3(a)(5)(A) of the Securities Act of 1933, as amended, or any foreign bank or savings and loan association or equivalent institution, acting for its own account or the accounts of other qualified institutional buyers, that in the aggregate owns and invests on a discretionary basis at least \$100 million in securities of issuers that are not affiliated with it and that has an audited net worth of at least \$25 million as demonstrated in its latest annual financial statements, as of a date not more than 16 months preceding the date of sale under Rule 144A of the Securities Act of 1933 in the case

of a U.S. bank or savings and loan association, and not more than 18 months preceding such date of sale for a foreign bank or savings and loan association or equivalent institution.

In determining the aggregate amount of securities owned and invested on a discretionary basis by an entity, the following instruments and interests shall be excluded: bank deposit notes and certificates of deposit; loan participations; repurchase agreements; securities owned but subject to a repurchase agreement; and currency, interest rate and commodity swaps.

The aggregate value of securities owned and invested on a discretionary basis by an entity shall be the cost of such securities, except where the entity reports its securities holdings in its financial statements on the basis of their market value, and no current information with respect to the cost of those securities has been published. In the latter event, the securities may be valued at market for purposes of this section.

In determining the aggregate amount of securities owned by an entity and invested on a discretionary basis, securities owned by subsidiaries of the entity that are consolidated with the entity in its financial statements prepared in accordance with generally accepted accounting principles may be included if the investments of such subsidiaries are managed under the direction of the entity, except that, unless the entity is a reporting company under Section 13 or 15(d) of the Securities Exchange Act of 1934, securities owned by such subsidiaries may not be included if the entity itself is a majority-owned subsidiary that would be included in the consolidated financial statements of another enterprise.

For purposes of this section, “riskless principal transaction” means a transaction in which a dealer buys a security from any person and makes a simultaneous offsetting sale of such security to a qualified institutional buyer, including another dealer acting as riskless principal for a qualified institutional buyer.

EXHIBIT C
FORM OF OPINION OF COUNSEL TO THE BORROWER
[TO BE PROVIDED]

EXHIBIT D

LIST OF PERMITTED INDEBTEDNESS

“Permitted Indebtedness” shall mean the following: [TO BE DETERMINED]

1.

EXHIBIT E

EXCEPTIONS TO TITLE POLICY

At the date hereof, items to be considered and exceptions to coverage in addition to the printed Exceptions and Exclusions in said policy form would be as follows:

[See Attached]

EXHIBIT F

FORM OF PROJECT FUND DRAW REQUEST

**PROJECT FUND DRAW REQUEST NO. [] PURSUANT TO
LOAN AGREEMENT**

by and among

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Lender

ALASKA HOUSING FINANCE CORPORATION,
as Issuer

and

325 E. 3RD LIMITED PARTNERSHIP
as Borrower

Dated as of _____, 20__

This Project Fund Draw Request (this “Draw Request”) is made pursuant to the Section 4.03 of the Loan Agreement identified above (the “Loan Agreement”). Defined terms used but not otherwise defined herein shall have the meaning set forth in the Loan Agreement.

Section 1. The Borrower hereby requests a draw from the Loan in the amount of \$_____, all subject to the provisions of the Loan Agreement for the Project Costs.

Section 2. The undersigned authorized representative, on behalf of the Borrower, hereby identifies the Project Costs, as set forth in Schedule I hereto, pertaining to this Draw Request. Attached hereto are invoice(s), contract(s) and, if applicable, evidence of payment relating to such Project Costs.

Section 3. The Borrower hereby certifies that obligations in amounts stated in this Draw Request are a proper charge against the Project Fund.

Section 4. The Borrower hereby represents, covenants and warrants that (a) all of its representations and warranties contained in the Loan Agreement or the Tax Regulatory Agreement were true and accurate as of the date made, remain true and accurate as of the date of this certificate and are hereby reaffirmed; and (b) no event has occurred and is continuing or would result from the loan of Borrower Loan Proceeds pursuant to this Draw Request which constitutes a Default, an Event of Default or a Determination of Taxability.

Section 5. The Borrower hereby represents, covenants and warrants that (a) all work performed to date is in substantial accordance with the Plans and Specifications; (b) all licenses and permits required by any Governmental Authority for the Improvements as then completed have been obtained; and (iii) the Improvements as then completed do not violate, and, if further completed in accordance with the Plans and Specifications, will not violate, any applicable law, ordinance, rule or regulation.

Section 6. The Borrower hereby certifies that all conditions precedent to the disbursement of Borrower Loan Proceeds pursuant to the Construction Disbursement Agreement have been satisfied.

Submitted on _____, 20__ by:

THE BORROWER:

325 E. 3RD LIMITED PARTNERSHIP

By _____
[Name, Title]

Approved as of _____, 20__ by:

THE LENDER:

WELLS FARGO BANK, NATIONAL
ASSOCIATION

By _____
[Name, Title]

SCHEDULE I
TO DRAW REQUEST NO. _____
PROJECT COSTS

To	Amount	Purpose
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EXHIBIT G

AGGREGATE PRINCIPAL AMOUNT OF LOAN OUTSTANDING

Date	Draw Request No. ___	Amount (\$) of Draw (Request)	Aggregate Amount of Loan Outstanding
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TOTAL

Resident Advisory Board Report to the AHFC Board of Directors November 23, 2015

Members

- Board members present: Alberta Bulacan (Anchorage), Ronald Mallott (Anchorage), Billie Meisinger (Kenai), Sean Reilly (Fairbanks), Mary Thoeni (Wasilla), Tanya Zuniga (Fairbanks)
- Board members absent: Ronny Caton (Petersburg), Victoria Garcia (Wrangell), Gina Hoyt (Juneau),
- AHFC: Catherine Stone, Michael Courtney, Michael Singleton, Sherrie Hinshaw, Tammy Steele, Pamela Stantorf

The Resident Advisory Board met on October 21, 2015 and discussed the following topics.

Facilities Management – Summer Activity Wrap-Up

Michael Singleton provided the following update on facilities management work done over the summer.

Members had a few questions regarding work in progress and planned work. AHFC advised members to report any needed work to their property manager.

Jumpstart Expansion

Sherrie Hinshaw provided an update to members on the implementation and planned scope for Jumpstart. Postcards were mailed to all families subject to rent reform to announce the start of Jumpstart on November 1, 2015. A second mailing targeting those families most in need is planned for the following week (families paying more than 50 percent of income for rent). The goal of the new program is to work with families and help them achieve their self-sufficiency and educational goals and meet their rent obligations. They will do this through case management and establishment of financial incentives.

Jumpstart is hiring additional staff for Anchorage, Fairbanks, and Juneau. They are also working to obtain an independent contractor to serve Bethel. They anticipate that although Jumpstart staff will be based in these locations, they will travel to other communities to meet with families in person.

Jumpstart has training planned for its new support staff in Anchorage on October 29 as well as additional training sessions planned for November. Training will cover topics such as how to help families set goals, how to motivate families, how to be aware of cultural differences, and how to reach hard-to-serve populations such as refugees or limited English proficiency families.

Members asked if these services would be available to anyone. AHFC clarified that Jumpstart is designed to serve its participant families. They also clarified that although Jumpstart is targeted to families with work-able adults, persons with disabilities and seniors would be welcome to take advantage of some of its services.

Public Housing Division Workshop 2015

The PHD Workshop was held September 15, 16, and 17.

1. Family Work Activity – AHFC shared some recent data with members regarding the number of families who have obtained employment since rent reform began in 2014. Staff was also encouraged that the number of families with unearned income has decreased.
2. Bridges Out of Poverty – AHFC had a trainer conduct an interactive session focusing on identifying families in generational poverty and their special needs. The trainer provided a variety of tools to help staff engage these families and communicate effectively.
3. Jumpstart Training – One day was focused on the new Jumpstart program, how it will work, and staff responsibilities. This included some role playing.

Public Housing Division Site Audits

The AHFC Audit Committee is meeting on October 28, and AHFC was pleased to note that the Public Housing Division audits that will be presented are some of the best. With all the changes occurring, AHFC is still committed to quality work from its staff, and these audits show that is happening.

Report of the RAB Chair, Tanya Zuniga

Ms. Zuniga reached out to members prior to the meeting for any discussion topics. There were no new topics of concern to members. Ms. Zuniga added that she was the recipient of a Jumpstart postcard.

Members asked if it would be possible to make the postcards available to all the members. AHFC stated that they would make sure the members all received one.

Report of the Director, Public Housing Division

Catherine Stone provided information to members on the following topics:

- **Violence Against Women Act (VAWA) Policy Updates** – The Violence Against Women Act was updated in 2013, and HUD has since published a proposed rule. AHFC is still pending the final rule. AHFC conducted training with its staff on August 28, 2015 covering revised provisions under VAWA 2013. AHFC has also mailed a revised lease addendum to all its residents with the new VAWA protections.
- **Susitna Square and Ridgeline Terrace** – Susitna Square began occupying its units in early September. All 18 units have been filled. Ridgeline Terrace is still scheduled for late December. Cook Inlet Housing Authority is accepting applications now.

- **Expansion of the TBRA Re-Entry Program into Anchorage** – AHFC plans to sign a Memorandum of Agreement with the State of Alaska Department of Corrections to begin a small TBRA program (20 coupons) in Anchorage. A statewide meeting, Alaska Prisoner Re-Entry Initiative, is scheduled for October 22. AHFC plans to attend.

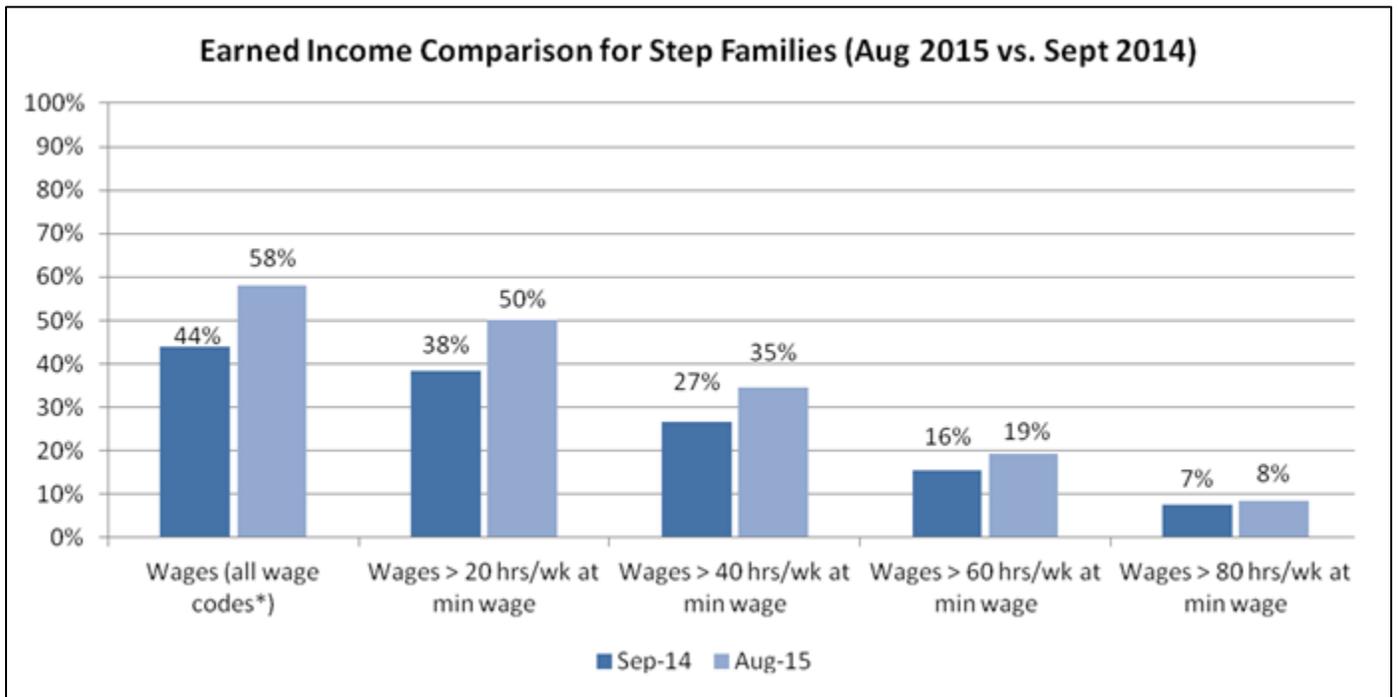
A recent newspaper article quoted that over 700 prisoners would be released due to overcrowding. TBRA is focused on helping these individuals get back on their feet by securing housing. The meeting will also focus on ideas to help get these individuals employed as this is a significant barrier. Lack of employment and housing often drives individuals to re-offend.

- **FY2016 Moving to Work Plan, Amendment One** – AHFC is still waiting for HUD's initial comments. The Amendment presents AHFC's Jumpstart Program and its planned expansion.

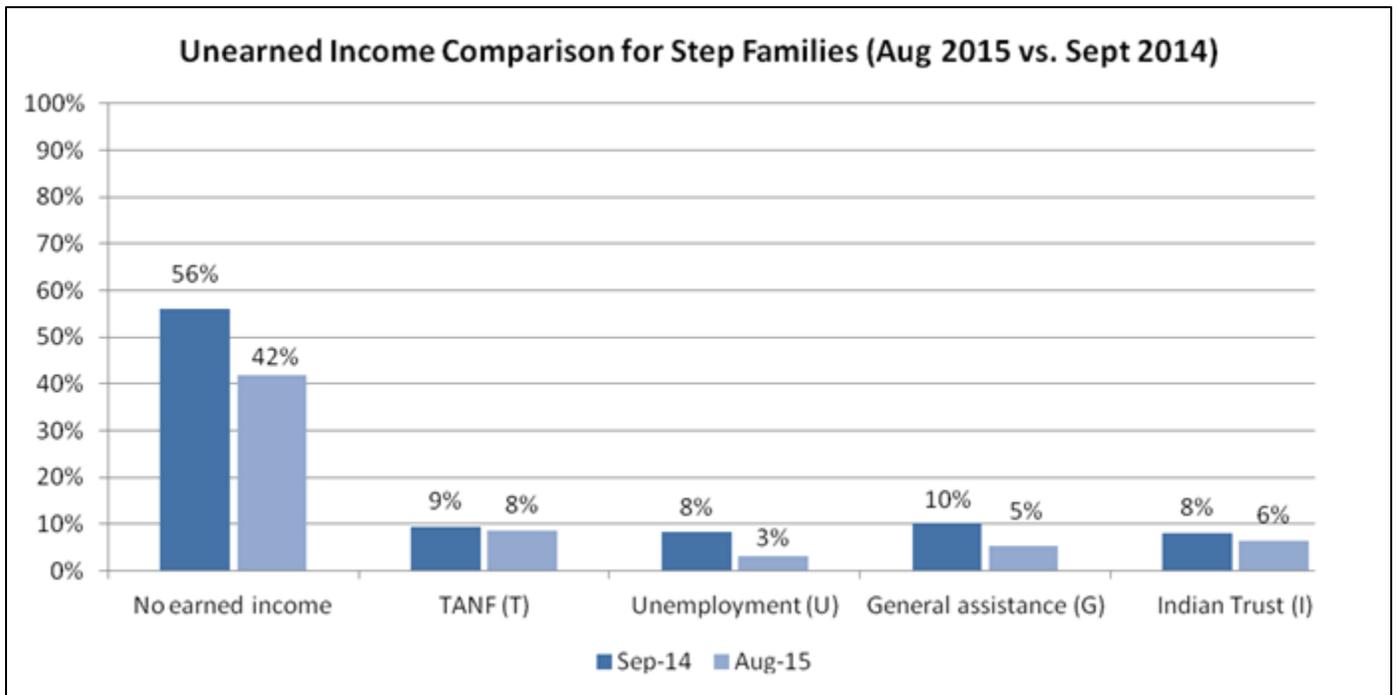
Other Matters

Members noted that the state was seeing an increase in the usage of heroin, alcohol, and spice in Alaska. AHFC agreed this was a problem, and we are concerned.

AHFC's Director of Public Housing stated that she recently attended the quarterly Alaska Mental Health Trust Board meeting in Cordova. Statistics were presented that showed the number of children affected by drugs and alcohol is decreasing. This is a good sign which indicates a strong effort toward educating youth on the harms of these drugs.



*incl. W, fed (F), self-employ. (B), military (M), PHA (HA). Alaska minimum wages used in analysis: \$7.75/hour in 2014 and \$8.75/hour in 2015. Assumes 2,000 working hours per year.



ALASKA HOUSING FINANCE CORPORATION
OCTOBER 2015 COMPARATIVE ACTIVITY SUMMARY

Mortgage & Bond Portfolio:

	As Of/Through Fiscal Year End			As Of/Through Fiscal Month End		
	FY 2014	FY 2015	% Change	10/31/14	10/31/15	% Change
Total Mortgage Portfolio	2,520,778,596	2,649,246,997	5.1%	2,576,998,260	2,710,092,150	5.2%
Mortgage Average Rate %	4.93%	4.77%	(3.2%)	4.88%	4.72%	(3.1%)
Delinquency % (30+ Days)	4.87%	3.88%	(20.3%)	3.11%	2.53%	(18.9%)
Foreclosure % (Annualized)	0.58%	0.45%	(22.4%)	0.54%	0.38%	(31.1%)
Mortgage Purchases	545,989,872	463,402,992	(15.1%)	168,407,588	187,944,676	11.6%
Mortgage Payoffs	219,206,635	240,116,152	9.5%	76,589,844	87,489,437	14.2%
Purchase/Payoff Variance	326,783,237	223,286,840	(31.7%)	91,817,744	100,455,239	9.4%
Purchase Average Rate %	4.52%	4.10%	(9.3%)	4.28%	4.05%	(5.2%)
Bonds - Fixed Rate	1,344,705,000	1,207,110,000	(10.2%)	1,338,330,000	1,201,660,000	(10.2%)
Bonds - Floating Hedged	783,795,000	743,025,000	(5.2%)	761,290,000	733,415,000	(3.7%)
Bonds - Floating Unhedged	150,045,000	190,045,000	26.7%	190,045,000	190,045,000	0.0%
Total Bonds Outstanding	2,278,545,000	2,140,180,000	(6.1%)	2,289,665,000	2,125,120,000	(7.2%)
Requiring Self-Liquidity	445,895,000	254,755,000	(42.9%)	262,510,000	252,145,000	(3.9%)
Bond Average Rate %	3.77%	3.65%	(3.2%)	3.74%	3.65%	(2.6%)
* New Bond Issuances	124,400,000	423,005,000	240.0%	140,000,000	-	(100.0%)
Special Bond Redemptions	54,815,000	434,800,000	693.2%	126,375,000	12,450,000	(90.1%)
Issue/Redemption Variance	69,585,000	(11,795,000)	(117.0%)	13,625,000	(12,450,000)	(191.4%)
Issuance Average Yield %	3.27%	2.03%	(37.9%)	0.66%	-	(100.0%)
Mortgage/Bond Spread %	1.16%	1.12%	(3.4%)	1.13%	1.08%	(4.6%)
Mortgage/Bond Ratio	1.11	1.24	11.9%	1.13	1.28	13.3%

Cash & Investments:

	Investment Amounts as of Month End			Annual Returns as of Month End		
	10/31/14	10/31/15	% Change	10/31/14	10/31/15	% Change
GeFONSI SLR/Escrow	671,430,821	365,929,032	(45.5%)	0.42%	0.47%	11.9%
Bond Trust Funds	194,666,790	354,230,927	82.0%	0.86%	0.65%	(24.4%)
SAM General Fund	139,244,283	56,484,201	(59.4%)	0.16%	0.18%	12.5%
Mortgage Collections	33,984,013	36,471,941	7.3%	0.15%	0.20%	33.3%
HAP/Senior Funds	33,863,951	17,071,723	(49.6%)	0.37%	0.43%	16.2%
Total Investments	1,073,189,858	830,187,824	(22.6%)	0.46%	0.51%	12.8%

* 2015 bond issuances does not include SC15C \$55,620,000, which priced 10/28 but will be delivered on 12/16, and will refund portions of SC06A & SC07B.

ALASKA HOUSING FINANCE CORPORATION
OCTOBER 2015 COMPARATIVE ACTIVITY SUMMARY

AHFC Financial Statements:
(in Thousands of Dollars)

	Fiscal Year Annual Audited			Fiscal Year (FY 2015 Unaudited)		
	FY 2013	FY 2014	% Change	FY 2014	* FY 2015	% Change
Mortgage & Loan Revenue	125,059	120,740	(3.5%)	120,740	126,140	4.5%
Investment Income	9,088	9,019	(0.8%)	9,019	6,026	(33.2%)
Externally Funded Programs	168,152	163,739	(2.6%)	163,739	146,236	(10.7%)
Rental Income	8,701	8,951	2.9%	8,951	9,342	4.4%
Other Revenue	4,325	5,637	30.3%	5,637	2,355	(58.2%)
Total Revenue	315,325	308,086	(2.3%)	308,086	290,099	(5.8%)
Interest Expenses	94,409	81,184	(14.0%)	81,184	75,349	(7.2%)
Housing Grants & Subsidies	150,460	149,188	(0.8%)	149,188	125,222	(16.1%)
Operations & Administration	56,663	58,771	3.7%	58,771	53,287	(9.3%)
Rental Housing Expenses	13,924	14,159	1.7%	14,159	17,086	20.7%
Mortgage and Loan Costs	10,098	9,442	(6.5%)	9,442	11,327	20.0%
Financing Expenses	12,419	4,415	(64.4%)	4,415	5,064	14.7%
Provision for Loan Loss	(4,753)	(5,688)	(19.7%)	(5,688)	(5,741)	(0.9%)
Total Expenses	333,220	311,471	(6.5%)	311,471	281,594	(9.6%)
Operating Income (Loss)	(17,895)	(3,385)	81.1%	(3,385)	8,505	351.3%
Contributions to the State	10,720	1,380	(87.1%)	1,380	3,825	177.2%
Change in Net Position	(28,615)	(4,765)	83.3%	(4,765)	4,680	198.2%
Total Assets/Deferred Outflows	3,981,230	4,055,203	1.9%	4,055,203	3,916,302	(3.4%)
Total Liabilities	2,455,702	2,545,295	3.6%	2,545,295	2,430,821	(4.5%)
* Net Position	1,525,528	1,509,908	(1.0%)	1,509,908	1,485,481	(1.6%)

AHFC Dividend Calculation:
(in Thousands of Dollars)

	Through Fiscal Year (FY 2015 Unaudited)		
	FY 2014	* FY 2015	% Change
Change in Net Position	(4,765)	4,680	198.2%
Add - State Contributions	1,380	3,825	177.2%
Add - SCPB Debt Service	11,329	11,420	0.8%
Add - AHFC Capital Projects	17,467	14,642	(16.2%)
Adjusted Net Position Change	25,412	34,567	36.0%
Factor % from Statutes	75%	75%	-
Dividend Transfer Available	19,059	25,925	36.0%

Through FY 2016 - First Quarter

AHFC Dividend Summary	
SOA General Fund Transfers	788,948
SCPB Projects Debt Service	434,866
SOA Capital Projects	253,761
AHFC Capital Projects	479,608
Total Dividend Appropriations	1,957,184
Total Dividend Expenditures	1,892,207
Total Dividend Remaining	64,977

* FY 2015 Financial Statements are unaudited because final GASB 68 numbers for our portion of the State's net pension liability have not been finalized yet.

**MORTGAGE ACTIVITY SUMMARY
LOANS PURCHASED BY PROGRAM**

LOAN PROGRAM	October 2015		FY 2016 Thru 10/31/2015		FY 2015 Thru 10/31/2014	
	# of Loans	Total Dollar Volume	# of Loans	Total Dollar Volume	# of Loans	Total Dollar Volume
Tax-Exempt First-Time Homebuyer	37	6,348,182	147	26,341,918	184	33,413,016
Taxable First-Time Homebuyer	25	6,832,012	137	35,160,241	155	38,101,153
Veterans Mortgage Program	2	870,725	10	3,607,927	9	2,346,738
Taxable	72	22,091,986	247	74,674,458	194	56,123,769
Non-Conforming	6	1,415,389	25	6,941,451	15	4,320,467
Rural Loan Program	28	6,028,368	90	21,030,296	89	19,850,741
Residential Loan Program Totals	170	43,586,662	656	167,756,291	646	154,155,884
Multi-Family	6	4,484,000	15	13,263,500	19	10,435,650
Rural Multi-Family	0	0	0	0	0	0
Residential & Multi-Family Loan Program Totals	176	48,070,662	671	181,019,791	665	164,591,534
Streamline Refinance	0	0	9	1,898,993	2	425,114
Rural Streamline Refinance	2	434,000	5	1,096,009	7	1,653,964
Total Loans Purchased	178	48,504,662	685	184,014,793	674	166,670,612
LOAN PROGRAM OPTIONS (Included in Total Loans Purchased)						
Interest Rate Reduction Low Income Borrowers	6	822,974	28	3,979,752	27	3,776,561
Energy Efficiency Interest Rate Reduction	10	2,743,136	45	11,648,498	49	11,809,013
Closing Cost Assistance Program	1	333,841	8	2,107,518	6	1,314,864

RESIDENTIAL PIPELINE 10/31/15

	#	Amount
Lock-ins:	178	48,882,285
Commitments:	418	110,806,252
Total:	596	159,688,537
CCAP Reservation	0	0

RESIDENTIAL PIPELINE 9/30/15

	#	Amount
Lock-ins:	201	51,253,666
Commitments:	431	116,041,671
Total:	632	167,295,337
CCAP Reservation	3	848,349

RESIDENTIAL PIPELINE 8/31/15

	#	Amount
Lock-ins:	243	64,942,684
Commitments:	369	101,091,594
Total:	612	166,034,278
CCAP Reservation	2	635,771

MORTGAGE INTEREST RATE COMPARISON - AVERAGE 10/15

AHFC Programs							Market	
Taxable Conv	Exempt FTHB	Exempt VETS	Taxable FTHB	Rural Owner	CCAP	Multi-Family	Conv	FHA
3.958	3.708	3.833	3.833	3.833	4.196	6.220	4.012	3.792

MORTGAGE INTEREST RATE COMPARISON - AVERAGE 09/15

AHFC Programs							Market	
Taxable Conv	Exempt FTHB	Exempt VETS	Taxable FTHB	Rural Owner	CCAP	Multi-Family	Conv	FHA
4.030	3.750	3.875	3.905	3.905	4.280	6.250	4.107	3.917

MORTGAGE INTEREST RATE COMPARISON - AVERAGE 08/15

AHFC Programs							Market	
Taxable Conv	Exempt FTHB	Exempt VETS	Taxable FTHB	Rural Owner	CCAP	Multi-Family	Conv	FHA
4.083	3.810	3.940	3.958	3.958	4.339	6.131	4.107	3.929

Multi-Family Loans Committed

10/21/15 to 11/20/15

Loan	Commitment			
Amount	Type	Date	Program	Location
\$ 700,800	9plx	10-27-15	M	Anchorage
\$ 1,274,650	18plx	10-27-15	M	Anchorage
\$ 320,000	SFR	10-27-15	N	Anchorage
\$ 340,800	5plx	11-12-15	M	Anchorage
\$ 632,000	12plx	11-12-15	M	Anchorage
\$ 145,200	duplex	11-12-15	N	Port Heiden
\$ 772,000	12plx	11-12-15	M	Wasilla

Total: \$4,185,450 in 7 loans

M = Multi-family

N = Special Needs

E = Energy

R2D2 Board Report for November 23, 2015

WEATHERIZATION PROGRAM

Income-based, home energy efficiency improvements provided for homeowners and renters.

Legislative appropriation:ⁱ

FY2008	\$200 million
FY2012	\$62.5 million
FY2013	\$30 million
FY2014	\$30 million
FY2015	\$27.5 million
FY2016	\$5.6 million
Total	\$355.6 million

Program update as of September 30, 2015:

Total expended	\$323.4 million
Units complete	16,914

Projected totals for March 31, 2016:

Current obligation	\$349 million
Projected units complete	18,000

HOME ENERGY REBATE PROGRAMⁱⁱ

Rebates offered up to \$10,000 for homeowners making energy efficiency improvements to existing homes. A rebate of \$10,000 for 6 Star or \$7,000 for 5 Star Plus is available for newly constructed homes.

Legislative appropriation:

FY2008	\$100 million
FY2009	\$60 million
FY2012	\$37.5 million
FY2013	\$20 million
FY2014	\$20 million
FY2015	\$15 million
Total	\$252.5 million

Program update as of 10.14.2015:

Total expended ⁱⁱⁱ	\$204.6m
Current obligation ^{iv}	\$25.4m
Initial ratings	39,528
Rebates paid	23,980
5 star plus paid	2,954
6 star paid	139
Active energy raters	57

Waitlist as of 10.14.2015:

Statewide	76
Anchorage	15
Fairbanks	2
Juneau	0

Total Estimated Energy Saved Annually – 3.5 trillion BTUs

(Includes Rebate and Weatherization program completions multiplied by average energy savings)

Equivalent to: (601,917 Barrels of Oil) or (34,911,172 Therms of Gas) or (25,297,951 Gallons of Fuel Oil) or (1,023,188 MWH of Electricity)

ⁱ Appropriation amounts reflect state investment only.

ⁱⁱ A sample of 17,233 homeowners was taken on December 19, 2012 and the average homeowner spent \$11,681. A \$6,889 average rebate results in a \$4,792 out-of-pocket investment. The projected energy cost savings for homes receiving rebates are \$1,464 per year, with an average annual energy savings of 34 percent.

ⁱⁱⁱ Total expenditures are as of 10.1.15.

^{iv} Current obligation includes funds set aside for homeowners in the Home Energy Rebate program who are making improvements and for encumbrances in the New Home Rebate program.

Public Housing Operations Update

November 2015

Public Housing

Units Statewide	1608
Housing Waiting List	1354

Housing Choice Vouchers

Vouchers statewide	4381
Voucher Waiting List	2297

Family Self-Sufficiency

Family Self Sufficiency Total Enrolled	196
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Operations Updates:

- **Jumpstart** program started on November 1. Several new staff members statewide have been hired to provide incentives and case management to residents to assist with their self sufficiency goals.
- Several staff changes statewide including retirements and folks moving out of state, as well as several new hires within the past two months.
- Completion of construction work at the Anchorage Family Investment Center. Facility is fully operational with additional classroom space, meeting space, and office space for expanded programs.
- Continue outreach to HUD regarding Moving to Work initiatives and the impacts of same
- The Moving Home Program for persons with disabilities has seen a solid increase in applicants seeking housing assistance. This is a new program in partnership with the Department of Health and Social Services, they provide case management, AHFC provides the housing assistance in the form of a voucher.

Facilities Management & Construction Updates:

- Nome – Beringvue project moving to close out. Sight & sound compliant unit needs upgraded CO detector, New detectors are on site local staff will install; certification forth coming. Maintenance Shop building – Power to be installed this fall/winter with the rest of the utilities planned for Spring 2016 (cost estimate in progress).
- Bethel – Foundation: The Triodetic foundations are installed under all ten buildings, ramps and stairs are being installed and fuel tanks are being mounted to the frames, project extended until spring to accommodate site drainage work. Bethel window replacement project: substantially complete, Contractor will return to install missing blinds when they arrive.
- Seward – Siding replacement project is ongoing with 75% of the new siding installed. Project Enhancements have been awarded. Project is on schedule with final completion in January.
- Fairbanks – Golden Ages Sprinkler upgrade will be advertised in the upcoming weeks.

- Juneau –Cedar Park Security upgrades: contractor is mobilized and commenced demolition work of existing system. Local Staff is working to complete VCA/ADA upgrades to the Riverbend property.
- Wrangell – Mechanical infrastructure replacement and sidewalk repair is substantially complete; contractor is working on final punch list items.
- Cordova – Project documentation is being developed for siding/soffit repairs at Sunset View.
- Anchorage –Chugach View fire detection and suppression upgrade is on schedule with work to be complete in January 2016. Parkview Manor, Chugach View, and Chugach Manor security system maintenance/upgrade survey is complete. Scattered site infrastructure repair project is advertised.
- Facilities Management Extraordinary Maintenance Team (Road Crew): currently working in Bethel to refurbish units in Mod. During rotation they will be working on two Anchorage units in Modernization status.

Alaska Corporation for Affordable Housing:

- Ridgeline Terrace ribbon cutting tentatively scheduled for January 8, details to be provided closer to that date. Construction continues on time and on budget.
- Lease with Bass Pro Shop for usage of property adjacent to the mall parking lot as storage facility has been finalized with preparation of the site to begin within the next couple months.



AHFC BOARD OF DIRECTORS
SCHEDULE 2015

~~January 21, 2015 BOD (AHCC Annual)~~

~~March 10, 2015 AHFC BOD Workshop (1-5 pm)~~

~~March 11, 2015 BOD~~

~~April 29, 2015 BOD (Audit Committee)~~

~~June 10, 2015 BOD (NTSC)~~

~~July 29, 2015 BOD (Audit Committee)~~

~~August 26, 2015 (Ketchikan) ANNUAL BOD Meeting
(Best Western Landing)~~

~~(NCSHA Annual Conference 9/26 thru 9/29 in Nashville, TN.)~~

~~October 28, 2015 BOD (Audit Committee)~~

November 23, 2015 BOD (ACAH Annual)



AHFC BOARD OF DIRECTORS
DRAFT SCHEDULE 2016

January 27, 2016 (AHFC regular & AHCC Annual)

February 24, 2016 (AHFC Regular & Audit Committee)

April 27, 2016 (AHFC Regular)

May 25, 2016 (AHFC Regular & Audit Committee)

June 29, 2016 (AHFC Regular & NTSC Annual)

July 20, 2016 BOD (AHFC Regular & ACAH Annual)

August 31, 2016 (AHFC Annual & Audit Committee)

(NCSHA Annual Conference 9/24 - 9/27, 2016 in Miami, FL.)

October 26, 2016 (AHFC Regular)

November 30, 2016 (AHFC regular & Audit Committee)