

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

August 24, 2016

10:00 a.m.

Anchorage/Fairbanks/Juneau

- I. ROLL CALL
- II. APPROVAL OF AGENDA
- III. MINUTES: July 27, 2016
Next Resolution: #16-26
- IV. PUBLIC COMMENTS
- V. OLD BUSINESS:
- VI. NEW BUSINESS:
 - A. Election of Officers.
 - B. Consideration of a resolution authorizing the issuance of not to exceed \$5,000,000 of privately placed tax-exempt conduit bonds to finance the Safe Harbor Muldoon Apartments low income housing project in Anchorage, Alaska.
 - C. ~~Consideration of a request for a modification to the terms of a conditional loan commitment issued to the city of Galena for the financing of energy efficiency improvements under the Alaska Energy Efficiency Revolving Loan Program.~~ *Item withdrawn by staff.*
 - D. 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
- XI. EXECUTIVE SESSION: Corporation’s operational and personnel matters that may have an impact on the Corporation’s financial matters. Board action related to this matter, if any, will take place in the public session following the Executive Session.

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

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ALASKA HOUSING FINANCE CORPORATION
BOARD OF DIRECTORS

REGULAR MEETING

July 27, 2016

10:00 a.m.

Anchorage/Juneau/Fairbanks

The Board of Directors of Alaska Housing Finance Corporation met July 27, 2016 in the AHFC board room, 4300 Boniface Parkway in Anchorage, AK at 10:00 a.m. Board members present were:

BRENT LEVALLEY

Anchorage

BOARD CHAIR

Member of the Board

HAVEN HARRIS

Anchorage

Member of the Board

ALAN WILSON

Via teleconference

Member of the Board

CAROL GORE

Via teleconference

Member of the Board

JERRY BURNETT

Via teleconference

Designee for Commissioner

Department of Revenue

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. CHAIR LEVALLEY proposed the agenda be approved as presented. Seeing and hearing no objections, the agenda was approved as presented.

III. MINUTES OF JUNE 29, 2016. CHAIR LEVALLEY asked for revisions or acceptance of the minutes. 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 \$647,600 FOR THE LONG TERM FINANCING OF A PROPOSED 23 UNIT AFFORDABLE MULTIFAMILY HOUSING PROJECT TO BE KNOWN AS "SAFE HARBOR MULDOON" AND LOCATED IN ANCHORAGE, ALASKA. BRYAN BUTCHER introduced the item and ERIC HAVELOCK presented. Mr. Havelock stated that Muldoon Garden Limited Partnership has presented the corporation with an opportunity to assist in the development of the subject property allowing them to provide safe and needed affordable housing in the Anchorage area. They are requesting term loan financing for the development of a low-income multifamily apartment complex consisting of 23 units named "Safe Harbor Muldoon" and is located at 207 Muldoon Road in Anchorage, Alaska. Discussion followed. CAROL GORE made a motion to approve Resolution 2016-19. HAVEN HARRIS seconded the motion. The resolution was unanimously approved. (5-0)

RESOLUTION #2016-19

RESOLUTION APPROVING TERM FINANCING FOR A MULTI-FAMILY HOUSING PROJECT TO MULDOON GARDEN LIMITED PARTNERSHIP.

Mr. Havelock stated that the Corporation is requesting adopting this Resolution 16-20 to satisfy the "official intent" requirements of Section 1.150-2 of the regulations adopted under the authority of the Internal Revenue Code of 1986, as amended, (the "Code") with respect to Muldoon Garden Limited Partnership. For this purpose, Exhibit A includes a general description of the Project and a statement of the maximum principal amount of bonds the Corporation reasonably expects to issue to finance costs of the Project (the "Bonds"). The Corporation intends to use the proceeds of the Bonds to make a loan (or to reimburse the Corporation for making a loan) to finance costs of the Project, and certain other costs, which are eligible under the Code for financing with proceeds of tax-exempt bonds (the "Eligible Costs"). This Resolution is adopted on the date set forth below, and the Eligible Costs incurred up to 60 days before that date will be eligible for reimbursement with proceeds of the Bonds. As of the date set forth below, the Corporation reasonably expects that it will issue the Bonds and use the proceeds of the Bonds as described. Discussion followed. CAROL GORE made a motion to approve Resolution 2016-20. HAVEN HARRIS seconded the motion. The resolution was unanimously approved. (5-0)

RESOLUTION #2016-20

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

VI. B. CONSIDERATION OF A TERM LOAN REQUEST IN THE AMOUNT OF \$2,753,900 FOR THE LONG TERM FINANCING OF A PROPOSED 49 UNIT ELDERLY AFFORDABLE MULTIFAMILY HOUSING PROJECT TO BE KNOWN AS "TRILLIUM LANDING" AND LOCATED IN JUNEAU, ALASKA. BRYAN BUTCHER introduced the item and ERIC HAVELOCK presented. Mr. Havelock stated that Juneau Senior Housing Partners Limited Partnership has requested term loan financing of a proposed elderly affordable multifamily apartment complex consisting of 49 units named "Trillium Landing" and to be located on Clinton Drive in Juneau, Alaska. Discussion followed. HAVEN HARRIS made a motion to approve Resolution 2016-21. CAROL GORE seconded the motion. The resolution was unanimously approved. (5-0)

RESOLUTION #2016-21

RESOLUTION APPROVING TERM FINANCING FOR A MULTI-FAMILY HOUSING PROJECT TO JUNEAU SENIOR HOUSING PARTNERS LIMITED PARTNERSHIP.

VI. C. CONSIDERATION OF A TERM LOAN REQUEST IN THE AMOUNT OF \$1,596,000 FOR THE LONG TERM FINANCING FOR THE ACQUISITION OF A 30 UNIT MULTIFAMILY HOUSING PROJECT KNOWN AS "HILLCREST APARTMENTS" AND LOCATED IN ANCHORAGE, ALASKA. BRYAN BUTCHER introduced the item and ERIC HAVELOCK presented. Mr. Havelock stated that Schweizer Real Estate Investments LLC and Mr. & Mrs. Ronald E. Fiscus have requested term loan financing for the acquisition of a 30-unit multi-family apartment complex located at 3424 Thompson Avenue in Anchorage, Alaska. Discussion followed. CAROL GORE made a motion to approve Resolution 2016-22. HAVEN HARRIS seconded the motion. The resolution was approved. (5-0)

RESOLUTION #2016-22

RESOLUTION APPROVING FUNDS FOR THE TERM FINANCING OF A MULTI-FAMILY HOUSING PROJECT FOR SCHWEIZER REAL ESTATE INVESTMENTS, LLC.

VI. D. CONSIDERATION OF A REQUEST FOR AUTHORIZATION TO HOLD PUBLIC HEARINGS FOR PROPOSED AMENDMENTS TO 15 AAC 151.535 FEE SCHEDULE AND COMMITMENT PERIODS. BRYAN BUTCHER introduced the item and ERIC HAVELOCK presented. Mr. Havelock stated that staff recommends regulation amendments to amend 15 AAC 151.535(b)(2)(B) to provide a range of loan fees that correspond to the term of the loan commitment. The proposed for-profit entity fee structure for a 24 month commitment is 2% on the first million dollars borrowed; 1.5% on the next four million dollars borrowed; 1% on the next ten million dollars borrowed; and .5% on the next 15 million dollars borrowed.

The fee structure for a 12 month commitment will be half of these amounts, which matches the current fee structure. Loan proposals for not for-profit entities will be one-half of the for-profit fee structure and are addressed in proposed amendments to 15 AAC 151.535(b)(2)(A). The fee for commitment extensions will remain unchanged. Staff requests authorization to hold a public hearing to obtain any testimony regarding the proposed amendments. The results of the public hearing and staff's recommendation will be brought back to the board for consideration prior to enactment of these recommendations. Discussion followed. HAVEN HARRIS made a motion to approve Resolution 2016-23. CAROL GORE seconded the motion. The resolution was unanimously approved. (5-0)

RESOLUTION #2016-23

RESOLUTION AUTHORIZING PUBLIC HEARINGS FOR PROPOSED AMENDMENTS TO 15 AAC 151.535(B)(2)(A) AND 15 AAC 151.535(B)(2)(B) FEE SCHEDULE AND COMMITMENT PERIODS.

VI. E. CONSIDERATION OF A RESOLUTION TO APPROVE THE ADOPTION OF THE AMENDED SFY2016-2020 CONSOLIDATED PLAN (CON PLAN) TO INCLUDE THE NATIONAL HOUSING TRUST FUND. BRYAN BUTCHER introduced the item and DANIEL DELFINO and OSCAR CEDANO presented. Mr. Delfino stated that in order to receive approximately \$5.2 million annually from certain programs within the U.S. Department of Housing and Urban Development (HUD), the State of Alaska must engage in a statewide housing and community development planning process. The HCD Plan was developed and approved in 2015 prior to the announcement of the National Housing Trust Fund (NHTF). The Plan now needs a substantial amendment to include the necessary elements for the State to receive, from the upcoming NHTF, an additional \$3 million. Mr. Cedano stated that the process to amend this Plan began in early 2016 with a notice from HUD requiring the State to create an allocation Plan that describes the way in which the State will distribute the \$3 million funds from the Housing Trust Fund. The State received input from the general public in accordance with a Citizen Participation process, which includes one public hearings (June 10, 2016) and a 30-day public comment period which ended July 11, 2016. Staff requests Board approval of the Amended Consolidated Housing and Community Development Plan for the State of Alaska, covering State Fiscal Years 2016-2020 attached to this memo. After Board approval, staff will submit the documents to the U.S. Department of Housing and Urban Development for final review and approval. Discussion followed. CAROL GORE made a motion to approve Resolution 2016-24. HAVEN HARRIS seconded the motion. The resolution was unanimously approved. (5-0)

RESOLUTION #2016-24

RESOLUTION ADOPTING THE AMENDED FIVE-YEAR CONSOLIDATED HOUSING AND COMMUNITY DEVELOPMENT PLAN FOR THE STATE OF ALASKA, FOR SFY2016-2020, (FFY2015-2019) AND DIRECTING STAFF TO FILE THE PLAN WITH THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT.

VI. F. CONSIDERATION OF A RESOLUTION OF THE ALASKA HOUSING FINANCE CORPORATION AUTHORIZING THE ISSUANCE OF UP TO \$125 MILLION GENERAL MORTGAGE REVENUE BONDS II, 2016 SERIES A.. BRYAN BUTCHER introduced the item and MIKE STRAND presented. Mr. Strand stated that staff is proposing the issuance of up to \$125 million General Mortgage Revenue Bonds II, 2016 Series A, to provide new financing for qualified borrowers under our Tax-Exempt First-Time Homebuyer Mortgage Loan Program. These would be issued as tax-exempt, fixed-rate bonds and structured similar to the Collateralized Bonds (Veterans Mortgage Program), 2016 Second Series, transaction approved at the board meeting in June and priced in mid-July. Discussion followed. HAVEN HARRIS made a motion to approve Resolution 2016-25. ALAN WILSON seconded the motion. The resolution was unanimously approved. (5-0)

RESOLUTION #2016-25

RESOLUTION OF THE ALASKA HOUSING FINANCE CORPORATION AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED \$125,000,000 GENERAL MORTGAGE REVENUE BONDS II, 2016 SERIES A; AUTHORIZING THE EXECUTION AND DELIVERY OF A 2016 SERIES A SUPPLEMENTAL INDENTURE TO SECURE THE 2016 SERIES A BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT RELATING TO THE SALE OF THE 2016 SERIES A BONDS; A CONTINUING DISCLOSURE CERTIFICATE RELATING TO THE SALE OF THE 2016 SERIES A BONDS; APPROVING THE FORM OF THE PRELIMINARY OFFICIAL STATEMENT WITH RESPECT TO THE 2016 SERIES A BONDS AND THE DISTRIBUTION OF A FINAL OFFICIAL STATEMENT WITH RESPECT TO THE 2016 SERIES A BONDS; AND AUTHORIZING AND APPROVING RELATED MATTERS.

VII. **REPORT OF THE CHAIR.** CHAIR LEVALLEY stated that the next AHFC Board of Directors meeting will be August 24, 2016 in Anchorage and it is the Annual Meeting.

VIII. **BOARD COMMITTEE REPORTS.** There were no Committee reports to present to the Board.

IX. **REPORT OF THE EXECUTIVE DIRECTOR.** BRYAN BUTCHER reported on: 1.) Welcome Haven Harris as our newest Board member; 2.) NCSHA Executive Directors training in Woodstock, Vermont Sun 7/17 through wed 7/20; 3.) AAHA Annual BOD Meeting in Fairbanks Tue 7/12; 4.) AO 281 update; 5.) Creekview Plaza 49 senior housing grand opening with Cook Inlet Housing Wed 8/10; 6.) Alaska Energy Efficiency Policy Retreat Thurs 9/8 and Fri 9/9/30.

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

1. **Monthly Loan Reports.** Finance, Mortgage, R2D2 and Public Housing reports were presented for discussion and review.
2. **Schedule of Board Meetings:**
AHFC Annual BOD Meeting August 24, 2016 10:00am Anchorage

XI. **EXECUTIVE SESSION: CORPORATION'S OPERATIONAL MATTERS THAT MAY HAVE AN IMPACT ON THE CORPORATION.** No Executive Session was required today.

XII. **OTHER MATTERS.** CHAIR LEVALLEY asked if there were any other matters to properly come before the board. HAVEN HARRIS made a motion to adjourn. Seeing and hearing no objections, the meeting was adjourned at 11:04 a.m.

ATTESTED:

Brent LeValley
Board Chair

Bryan Butcher
CEO/Executive Director

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Date: August 24, 2016

To: AHFC Board of Directors

From: Mike Strand, CFO/Finance Director

RE: Proposed Conduit Debt Issuance

An inducement resolution for the construction of 23 apartment units to be rented to low and very low income tenants and to be located at 207 Muldoon Road, Anchorage, Alaska, was approved at the last board meeting in July. 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 Susitna View Apartments Project low income rental housing project transaction in 2015. 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. 2016-26**

**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 \$5,000,000
AND TO USE THE PROCEEDS OF THE REVENUE-BACKED
INDEBTEDNESS TO MAKE A LOAN TO MULDOON GARDEN 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 2016 (Muldoon Garden Limited Partnership Project) in an aggregate principal amount not to exceed \$5,000,000 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 Muldoon Garden 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 Muldoon Garden Limited Partnership Project consisting of (a) the construction of an apartment building containing approximately 23 apartment units to be rented to low and very low income tenants and to be located at 207 Muldoon Road, 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 either low income or very 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 \$5,000,000 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 the Loan Agreement by an Authorized Officer is conclusive evidence of approval of any and all changes, modifications, additions, or deletions to the 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 24th day of August, 2016.

Board Chair

LOAN AGREEMENT

(Muldoon Garden)

among

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Lender

and

ALASKA HOUSING FINANCE CORPORATION,
as Issuer

and

MULDOON GARDEN LIMITED PARTNERSHIP,
as Borrower

dated as of October 1, 2016

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EXHIBIT G	AGGREGATE PRINCIPAL AMOUNT OF LOAN OUTSTANDING

LOAN AGREEMENT

This Loan Agreement, dated as of October 1, 2016 (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 **Muldoon Garden 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 October 1, 2016 between the Issuer and the Lender.

"Authorized Borrower Representative" means [_____], General Partner under First Amended and Restated Agreement of Limited Partnership of Borrower executed as of [_____], 2016, by and among [_____], 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) Muldoon Garden 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 \$4,400,000 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 October [___], 2016.

“*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 Construction [Leasehold] Deed of Trust with Absolute Assignment of Rents and Leases, Security Agreement and Fixture Filing, dated as of October 1, 2016, 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.

“*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.

“*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 [_____], a Alaska limited liability company, the general partner of the Borrower.

“*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.

[“*Ground Lease*” means the Ground Lease, dated as of October [___], 2016, by and among Alaska Project Development, LLC, as Alaska limited liability company, as landlord, and Borrower, as tenant with respect to the Land.]

["*Guarantor*" means each of (i) V2, LLC, (ii) Trapline, LLC, (iii) Glenn Gellert, (iv) John McGrew and (v) Alaska Project Development, LLC, 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 October 1, 2016, by V2, LLC in favor of Lender;
- (2) the Completion Guaranty dated as of October 1, 2016, by V2, LLC in favor of Lender;
- (3) the Repayment Guaranty dated as of October 1, 2016, by Trapline, LLC in favor of Lender;
- (4) the Completion Guaranty dated as of October 1, 2016, by Trapline, LLC in favor of Lender;
- (5) the Repayment Guaranty dated as of October 1, 2016, by Glenn Gellert in favor of Lender;
- (6) the Completion Guaranty dated as of October 1, 2016, by Glenn Gellert in favor of Lender;
- (7) the Repayment Guaranty dated as of October 1, 2016, by John McGrew in favor of Lender;
- (8) the Completion Guaranty dated as of October 1, 2016, by John McGrew in favor of Lender; and
- (9) the Landlord Guaranty.

"*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 in part with a portion of the proceeds of the Borrower Loan and include a [_____] rentable square foot low income housing project consisting of 23 residential units and other ancillary facilities located at the Property.

"*Initial Prepayment Date*" means April 1, 2018.

“*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 2016 (Muldoon Garden).

“*Issuer Loan Proceeds*” means an amount not to exceed \$4,400,000 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, known as 207 Muldoon Road, Anchorage, Alaska.

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

(1) the Repayment Guaranty dated as of October 1, 2016, by Alaska Project Development, LLC in favor of Lender; and

(2) the Completion Guaranty dated as of October 1, 2016, by Alaska Project Development, LLC in favor of Lender.

[“*Landlord Deed of Trust*” means the Construction Deed of Trust with Absolute Assignment of Rents and Leases, Security Agreement and Fixture Filing, dated as of October 1, 2016, by Alaska Project Development, LLC for the benefit of the Lender.]

“*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.

“*Loan*” means, collectively, the Issuer Loan and the Borrower Loan, each in the aggregate principal amount not to exceed \$4,400,000.

[“*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, the Subordination 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 December 31, 2015, 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 October [___], 2041; 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.

“*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, so long as such Liens are subordinate to the Liens securing the Loan in priority and right of payment; (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 Phase I Environmental Site Assessment, by [_____], dated [_____].

"*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 fund established pursuant to Section 3.02 hereof.

"*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 October 1, 2016.

“*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.

[“*Subordination Agreement*” means, together or individually, as the context may imply, (a) the Subordination Agreement, dated as of the date hereof, by and among Borrower, Lender and Rural Alaska Community Action Program, Inc., and (b) the Subordination Agreement, dated as of the date hereof, by and among Alaska Project Development LLC, Lender and Rural Alaska Community Action Program, Inc.]

“*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 First American 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 Land and 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 \$4,400,000 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 \$[_____] 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 subaccount designated as the "Project Fund" within its account number [_____] maintained at [First National Bank of Alaska]. 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 \$[_____]; (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, commencing November 1, 2016, 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 April 1, 2016, 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 (excluding the initial draw on the Closing Date) shall be less than or equal to \$[_____].

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, the Landlord Deed of Trust, and any 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 and the Landlord.

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 October [___], 2041. 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 only until April 1, 2018 pursuant to monthly statements or invoices provided by the Lender, and shall repay the full principal amount of the Loan by the Initial Prepayment Date; *provided, however*, that Borrower shall make partial principal payments hereunder in the amount of any capital contribution by the limited partner of Borrower into the Borrower at time of such contribution, at the time and in such amounts as set forth in the Partnership Agreement.

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 and Subordination Agreement, properly executed by the parties thereto;
- (g) the Landlord Deed of Trust in recordable form for recordation in the Recorder's Office in the Alaska Department of Natural Resources;
- (h) 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;
- (i) 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;
- (j) confirmation from the Issuer that the Project has received a reservation of tax credits with respect to the Project;
- (k) currently certified copies of the certificate of limited partnership of the Borrower;
- (l) 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;
- (m) reserved;

- (n) a resolution adopted by the Issuer authorizing the Borrower Loan and the Issuer Loan and the transactions contemplated hereunder;
- (o) a closing certificate of the Issuer in a form acceptable to the Lender's Counsel;
- (p) UCC-1 financing statement(s) as required by the Lender to perfect the security interests of the Issuer and assignment to the Lender;
- (q) 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;
- (r) a completed and executed Form 8038 or evidence of filing thereof with the Department of the Treasury, Internal Revenue Service Center;
- (s) 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;
- (t) an opinion of Bond Counsel, addressed to the Issuer and the Lender, in form and substance acceptable to the Issuer and the Lender;
- (u) 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;
- (v) evidence of payment of the Issuer's issuance fee and the fees of Bond Counsel;
- (w) 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 \$22,000);
- (x) an investor letter of representation executed by the Lender, in the form attached hereto as Exhibit B;
- (y) 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;
- (z) Docket Search of U.S. Bankruptcy Court and United States District Court for the State of Alaska; and
- (aa) the Construction Disbursement Agreement, properly executed by the parties thereto;

- (bb) the Regulatory Agreement, properly executed by the parties thereto; 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 Section 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 Initial 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 Borrower shall have expended at least \$[_____] of its equity contribution prior to such Draw Request and the satisfaction of the conditions to advances set forth in the Construction Disbursement Agreement.

Section 5.04. Conditions Precedent to Each Subsequent Draw Request. 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 5.05. 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.

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) from each Guarantor (other than Alaska Project Development, LLC), (i) annual financial statements of such Guarantor prepared internally by such Guarantor within 120 days of the end of each fiscal year of such Guarantor, prepared in accordance with GAAP consistently applied, and (ii) within 60 days of filing, a copy of such Guarantor's federal tax returns;

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

(c) 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;

(d) 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;

(e) 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;

(f) 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;

(g) reserved;

(h) 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;

(i) 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;

- (j) promptly upon knowledge thereof, notice of any Material Adverse Change;
- (k) 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;
- (l) copies of all filings made by the Borrower with EMMA promptly after such filings are made; and
- (m) 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 Closing 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. Lender's Inspector. The Lender shall have the right to retain at the Borrower's expense an inspector (the "Lender's Inspector") to review and advise the Lender with respect to all Plans and Specifications, construction, architectural and other design professional contracts, change orders, governmental permits and approvals, and other matters related to the design, construction, operation and use of the Improvements, to monitor the progress of construction and to review on behalf of the Lender all Draw Requests submitted by the Borrower. The Borrower acknowledges that (i) the Lender's Inspector has been retained by the Lender to act as a consultant, and only as a consultant, to the Lender in connection with the construction of the Improvements, and the Lender's Inspector may be an employee of the Lender, (ii) the Lender's Inspector shall in no event have any power or authority to make any decision or to give any approval or consent or to do any other thing which is binding upon the Lender, and any such purported decision, approval, consent or act by the Lender's Inspector on behalf of the Lender shall be void and of no force or effect, (iii) the Lender reserves the right to make any and all decisions required to be made by the Lender under this Loan Agreement, in its sole and absolute discretion, and without in any instance being bound or limited in any manner whatsoever by any opinion expressed or not expressed by the Lender's Inspector to the Lender or any other person with respect thereto, and (iv) the Lender reserves the right in its sole and absolute discretion to replace the Lender's Inspector with another inspector at any time and without prior notice to or approval by the Borrower. All inspections by or on behalf of the Lender shall be solely for the benefit of the Lender, and the Borrower shall have no right to claim any loss or damage against the Lender or the Lender's Inspector (whether or not an employee of the Lender) arising from any alleged (i) negligence or failure to perform such inspections, (ii) failure to monitor loan disbursements or the progress or quality of construction, or (iii) failure to otherwise properly administer the construction aspects of the Improvements.

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 [First National Bank of Alaska] 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 Closing Date 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 Closing Date will comply with all applicable laws and the Regulatory Agreement;

(k) In connection with any lease entered into after the Closing 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 the 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 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 in accordance with this Section 9.02. 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 undismitted 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 or a Guarantor;

(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; or

(r) Borrower defaults under the Ground Lease and does not cure within the cure period provided therein, unless the default is waived in writing by the ground lessor thereunder.

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.

Notwithstanding the foregoing, Lender shall accept cure of any Default or Event of Default hereunder by the limited partner of Borrower within the same cure period allowed to the Borrower hereunder.

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: Muldoon Garden Limited Partnership
[_____]
Anchorage, Alaska [_____]
Attention: [_____]

With copies to:

[Wincopin Circle LLP]
[c/o Enterprise Community Asset Management, Inc.]
[11000 Broken Land Parkway, Suite 700]
[Columbia, Maryland 21044]
[Attention: General Counsel]

With a copy to:

[Gallagher Evelius & Jones LLP]
[218 N. Charles Street, Suite 400]
[Baltimore, Maryland 21201]
[Attention: Kenneth S. Gross]

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, Suite 201
Anchorage, Alaska 99503
Attention: Alaska Commercial Real Estate Group,
[_____]
Telephone: [_____]
Facsimile: [_____]

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.

[Signature Pages Follow]

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 (Muldoon Garden)]

ISSUER:

ALASKA HOUSING FINANCE
CORPORATION

By _____
Bryan D. Butcher
Chief Executive Officer/Executive Director

[Signature Page to Loan Agreement (Muldoon Garden)]

BORROWER:

Muldoon Garden Limited Partnership, an Alaska
limited partnership

By _____
[Name, Title]

[Signature Page to Loan Agreement (Muldoon Garden)]

EXHIBIT A
PROPERTY DESCRIPTION

[TO BE PROVIDED]

EXHIBIT B

FORM OF INVESTOR LETTER

October [___], 2016

Alaska Housing Finance Corporation
4300 Boniface Parkway
Anchorage, Alaska 99504

Law Office of Kenneth E. Vassar, LLC
2220 North Star Street #24
Anchorage, Alaska 99503

Re: Loan Agreement (Muldoon Garden), dated as of October 1, 2016, by and among Wells Fargo Bank, National Association, Alaska Housing Finance Corporation and Muldoon Garden Limited Partnership

Ladies and Gentlemen:

The undersigned (the “Investor”) hereby acknowledges it is purchasing \$4,400,000 principal amount of the Issuer Loan (the “Issuer Loan”) issued pursuant to a Loan Agreement, dated as of October 1, 2016, by and among Wells Fargo Bank, National Association, Alaska Housing Finance Corporation and Muldoon Garden 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 AND GUARANTOR

SEE TRANSCRIPT

EXHIBIT D

LIST OF PERMITTED INDEBTEDNESS

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

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

MULDOON GARDEN 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:

MULDOON GARDEN 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
Closing Date			
Disbursement			
TOTAL			

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Resident Advisory Board Report to the AHFC Board of Directors August 24, 2016

Members

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

The Resident Advisory Board met on July 13, 2016 and discussed the following topics.

Public Comments

No public comments were offered.

Old Business

A RAB member did have a question regarding the status of a smoking ban at AHFC properties. AHFC clarified that we were initially waiting to see if the “no smoking” bill in the legislature was going to pass. It did not pass this session. AHFC reminded the members that HUD issued an initial request for comments regarding a ban in public housing, but has not issued any final guidance. AHFC will continue to watch both the legislature and HUD and follow any guidance issued.

Jumpstart Update

Sherrie Hinshaw provided the following updates on the Jumpstart Program.

1. Ms. Hinshaw stated that Jumpstart has hired two new case managers: one in Juneau (serving Southeast Alaska) and one in Anchorage. AHFC is still seeking a local agency in Bethel to provide services. For now, that area will continue to be served from Anchorage.
2. AHFC is beginning the process to evaluate the Jumpstart program. AHFC will be looking at how we assess a family’s needs, whether families are getting the services they need, and how family’s incomes are changing. They will also be looking at whether families are utilizing the referrals Jumpstart provides.
3. Jumpstart will be transitioning to a new tracking software, “Social Solutions.” This software will provide better reports and tracking for families. AHFC contacted other housing authorities to determine how they are tracking their families and determined

that this software most closely matched our reporting needs. Staff anticipate that it will take about six months to transition to the new software.

Facilities Management Update

Michael Singleton provided a brief overview of the EMT (extraordinary maintenance team, “Road Crew”). He stated that AHFC received approximately \$5.0 million (\$1.4 million for S8N Multifamily; \$3.6 million for Public Housing) for needed improvements this year.

1. Anchorage – various locations needing sidewalk work are in process.
2. Security Updates – updates to locations with security systems are being evaluated and updated. AHFC is finding that older systems require new door hardware and new monitoring systems. He said that AHFC is trying to switch to systems that use card readers and are more user friendly for staff to retrieve information. He also stated that AHFC is looking at creating a statewide contract to maintain and upgrade these systems to provide consistency.

RAB members inquired about the possibility of exterior cameras. They stated that oftentimes events happen outside of the range of the interior cameras. AHFC stated that members should communicate these needs to their property managers, and they will investigate the possibility of installing them.

3. The State of Alaska instituted a hiring freeze, and AHFC’s EMT was affected. He anticipates that they will be able to move forward with hiring replacement positions for staff that have moved to other departments or positions.
4. Cordova – Work is in progress to replace the siding, soffits, and windows at Sunset View.

Report of the RAB Chair, Tanya Zuniga

Ms. Zuniga stated that she received a tenant complaint that a RAB member received from a tenant in Fairbanks. She stated that the complaint was forwarded to the appropriate AHFC person to handle. Mr. Courtney then provided a brief overview of the eviction and complaint process. Mr. Courtney stated that each property has complaint forms available for residents to use.

Report of the Director, Public Housing Division

Michael Courtney provided information to members on the following topics:

A. Housing First in Fairbanks

At the April 27 meeting, Mr. Reilly presented some concerns from community members which were presented to the Fairbanks Planning Board. As part of Ms. Stone’s presentation to the AHFC Board of Directors at its June 29 meeting, Ms. Stone outlined the concerns and advised the Board regarding the Housing First development in Fairbanks.

B. Principal Deputy Assistant Secretary Visit

The week of June 20, Lourdes Castro-Ramirez visited the State of Alaska. As part of her tour she visited Ridgeline Terrace and Susitna Square. She also met with AHFC

staff regarding concerns in the administration of various HUD programs. Her staff was very receptive to comments and learned a lot about Alaska and its rural challenges.

C. Update on the AHFC PHD Budget

The budget for AHFC's operation has been signed, and we are now in fiscal year 2017. PHD receives most of its funding from the federal government, but we have been working to streamline our operations due to federal reductions. Our reduction will mostly impact travel, supplies, and contracts budgets.

D. Anchorage Housing Choice Voucher Waiting List Lottery

Anchorage has opened its Housing Choice Voucher waiting list effective July 1. AHFC will accept applications through July 31, 2016. Once all applications are received, we will conduct a lottery to randomly assign waiting list positions. All applicants have an equal chance to be ranked number 1.

E. PHD Staff Workshop

During the week of September 19, AHFC will conduct staff training for its management staff. Staff will receive training on changes to policy, customer service, and property management. AHFC will also offer a special training session on customer service for persons with mental or behavioral health issues.

Our Maintenance staff normally receives training every other year in the spring. We are planning on possibly bringing our staff to Anchorage in Spring 2017 for training.

F. MTW Plans and Reports

- FY2014 and FY2015 Report – approved by HUD on May 5
- FY2016 Plan, Amendment Two – approved by HUD on May 17
- FY2017 Plan – initial comments from HUD were just received on July 11. The comments were small clarifications requested by HUD, and AHFC will be sending the Plan back with those comments before July 29.
- FY2016 Report – this is due to HUD by September 30 and is currently in preparation.

G. Other

Mr. Courtney provided a brief update to the members regarding Administrative Order 281. This is an attempt by Governor Walker to identify possible duplicative services or efficiencies that may be gained by examining the business models of Alaska Housing Finance Corporation, Alaska Energy Authority, and Alaska Industrial Development and Export Authority. Boston Consulting Group will conduct the evaluation and produce a report for the governor. AHFC is cooperating and providing all necessary information.

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ALASKA HOUSING FINANCE CORPORATION
JULY 2016 COMPARATIVE ACTIVITY SUMMARY

Mortgage & Bond Portfolio:

	As Of/Through Fiscal Year End			As Of/Through Fiscal Month End		
	FY 2015	FY 2016	% Change	07/31/15	07/31/16	% Change
Total Mortgage Portfolio	2,649,246,997	2,790,905,495	5.3%	2,672,555,015	2,815,998,182	5.4%
Mortgage Average Rate %	4.77%	4.67%	(2.1%)	4.75%	4.69%	(1.3%)
Delinquency % (30+ Days)	3.88%	3.70%	(4.6%)	3.74%	3.83%	2.4%
Foreclosure % (Annualized)	0.45%	0.26%	(42.2%)	0.44%	0.28%	(36.4%)
Mortgage Purchases	463,402,992	495,426,566	6.9%	53,553,677	58,714,154	9.6%
Mortgage Payoffs	240,116,152	236,001,025	(1.7%)	19,910,360	23,809,363	19.6%
Purchase/Payoff Variance	223,286,840	259,425,541	16.2%	33,643,317	34,904,791	3.7%
Purchase Average Rate %	4.10%	4.03%	(1.7%)	3.87%	5.64%	45.7%
Bonds - Fixed Rate	1,207,110,000	1,123,265,000	(6.9%)	1,206,360,000	1,161,680,000	(3.7%)
Bonds - Floating Hedged	743,025,000	708,020,000	(4.7%)	738,415,000	705,295,000	(4.5%)
Bonds - Floating Unhedged	190,045,000	190,045,000	0.0%	190,045,000	190,045,000	0.0%
Total Bonds Outstanding	2,140,180,000	2,021,330,000	(5.6%)	2,134,820,000	2,057,020,000	(3.6%)
Requiring Self-Liquidity	254,755,000	163,175,000	(35.9%)	252,145,000	160,450,000	(36.4%)
Bond Average Rate %	3.65%	3.69%	1.1%	3.65%	3.65%	0.0%
New Bond Issuances	423,005,000	55,620,000	(86.9%)	-	50,000,000	N/A
Special Bond Redemptions	434,800,000	176,755,000	(59.3%)	2,750,000	-	(100.0%)
Issue/Redemption Variance	(11,795,000)	(121,135,000)	(927.0%)	(2,750,000)	50,000,000	1918.2%
Issuance Average Yield %	2.03%	2.68%	32.0%	-	2.57%	N/A
Mortgage/Bond Spread %	1.12%	0.98%	(12.5%)	1.10%	1.04%	(5.5%)
Mortgage/Bond Ratio	1.24	1.38	11.5%	1.25	1.37	9.4%

Cash & Investments:

	Investment Amounts as of Month End			Annual Returns as of Month End		
	07/31/15	07/31/16	% Change	07/31/15	07/31/16	% Change
*GeFONSI SL Reserve	446,326,992	328,402,030	(26.4%)	0.50%	0.81%	62.0%
Bond Trust Funds	172,076,960	144,144,932	(16.2%)	0.56%	0.43%	(23.2%)
SAM General Fund	101,705,987	90,492,843	(11.0%)	0.19%	0.39%	105.3%
Mortgage Collections	35,373,674	38,740,125	9.5%	0.17%	0.35%	105.9%
HAP/Senior Funds	26,286,519	1,704,404	(93.5%)	0.34%	0.42%	23.5%
Total Investments	781,770,132	603,484,334	(22.8%)	0.45%	0.63%	38.2%

**MORTGAGE ACTIVITY SUMMARY
LOANS PURCHASED BY PROGRAM**

LOAN PROGRAM	July 2016		FY 2017 Thru 7/31/2016		July 2015	
	# of Loans	Total Dollar Volume	# of Loans	Total Dollar Volume	# of Loans	Total Dollar Volume
Tax-Exempt First-Time Homebuyer	36	7,062,830	36	7,062,830	51	8,950,478
Taxable First-Time Homebuyer	21	5,239,185	21	5,239,185	48	11,466,478
Veterans Mortgage Program	1	225,000	1	225,000	4	1,230,302
Taxable	36	11,152,255	36	11,152,255	67	20,071,682
Non-Conforming	4	865,775	4	865,775	9	2,201,695
Rural Loan Program	17	4,201,496	17	4,201,496	24	6,008,124
Residential Loan Program Totals	115	28,746,541	115	28,746,541	203	49,928,759
Multi-Family	3	5,152,350	3	5,152,350	4	1,340,000
Rural Multi-Family	0	0	0	0	0	0
Residential & Multi-Family Loan Program Totals	118	33,898,891	118	33,898,891	207	51,268,759
Streamline Refinance	0	0	0	0	5	1,177,415
Rural Streamline Refinance	2	358,376	2	358,376	0	0
Total Loans Purchased	120	34,257,267	120	34,257,267	212	52,446,174
LOAN PROGRAM OPTIONS (Included in Total Loans Purchased)						
Interest Rate Reduction Low Income Borrowers	7	1,014,927	7	1,014,927	10	1,278,211
Energy Efficiency Interest Rate Reduction	11	2,836,104	11	2,836,104	6	1,652,233
Closing Cost Assistance Program	1	177,228	1	177,228	1	239,481

RESIDENTIAL PIPELINE 7/31/16

	#	Amount
Lock-ins:	163	47,982,962
Commitments:	351	93,613,756
Total:	514	141,596,718
CCAP Reservation	5	1,154,599

RESIDENTIAL PIPELINE 6/30/16

	#	Amount
Lock-ins:	216	56,351,244
Commitments:	339	90,754,454
Total:	555	147,105,698
CCAP Reservation	1	177,228

RESIDENTIAL PIPELINE 5/31/16

	#	Amount
Lock-ins:	203	52,824,865
Commitments:	291	78,648,031
Total:	494	131,472,896
CCAP Reservation	3	858,873

MORTGAGE INTEREST RATE COMPARISON - AVERAGE 07/16

AHFC Programs							Market	
Taxable Conv	Exempt FTHB	Exempt VETS	Taxable FTHB	Rural Owner	CCAP	Multi-Family	Conv	FHA
3.556	3.181	3.181	3.425	3.431	3.819	5.913	3.625	3.631

MORTGAGE INTEREST RATE COMPARISON - AVERAGE 6/16

AHFC Programs							Market	
Taxable Conv	Exempt FTHB	Exempt VETS	Taxable FTHB	Rural Owner	CCAP	Multi-Family	Conv	FHA
3.688	3.330	3.330	3.563	3.563	3.966	6.017	3.722	3.722

MORTGAGE INTEREST RATE COMPARISON - AVERAGE 5/16

AHFC Programs							Market	
Taxable Conv	Exempt FTHB	Exempt VETS	Taxable FTHB	Rural Owner	CCAP	Multi-Family	Conv	FHA
3.786	3.440	3.494	3.661	3.661	4.000	6.125	3.792	3.720

Multi-Family Loans Committed

6/18/16 to 8/21/16

Loan		Commitment		
Amount	Type	Date	Program	Location
\$ 1,499,950	27plx	7-15-16	M	Anchorage
\$ 984,000	24plx	7-28-16	M	Fairbanks
\$ 262,000	SFR	8-11-16	N	Wasilla

Total: \$2,745,950 in 3 loans

M = Multi-family

N = Special Needs

E = Energy

R2D2 Board Report for August 24, 2016

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
<u>FY2016</u>	<u>\$5.6 million</u>
Total	\$355.6 million

Program update as of June 30, 2016:

Total expended	\$339.7 million
Units complete	18,124

Projected totals for March 31, 2017:

Current obligation	\$354.2 million
Projected units complete	18,237

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
<u>FY2015</u>	<u>\$15 million</u>
Total	\$252.5 million

Program update as of 7.13.16:

Total expended ⁱⁱⁱ	\$217.1m
Current obligation ^{iv}	\$23m
Initial ratings	40,807
Rebates paid	25,121
5 star plus paid	3,296
6 star paid	211
Active energy raters	52

Waitlist as of 7.13.16:^v

Statewide	64
Anchorage	9
Fairbanks	1
Juneau	0

Total Estimated Energy Saved Annually – 3.7 trillion BTUs

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

Equivalent to: (634,804 Barrels of Oil) or (36,818,659 Therms of Gas) or (26,680,188 Gallons of Fuel Oil) or (1,079,093 MWH of Electricity)

ⁱ Appropriation amounts reflect state investment only.

ⁱⁱ As of December 2, 2015 the average participating homeowner in the Home Energy Rebate program spent \$12,012 on efficiency improvements, including energy rating fees. A \$6,960 average rebate results in a \$5,052 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 7.1.16.

^{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.

^v The waitlist for the rebate programs was suspended on March 25, 2016.

Public Housing Operations Update

August 2016

Public Housing	
Units Statewide	1608
Housing Waiting List	1626
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Housing Choice Vouchers	
Vouchers statewide	4381
Voucher Waiting List	2002
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jumpstart Family Self-Sufficiency	
Family Self Sufficiency Total Enrolled	421
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Operations Updates:

- Step Program evaluation team selected and began meeting to discuss a systematic approach for collecting, analyzing and using information to answer key questions about Step's effectiveness and efficiency, recommend policy changes or course corrections, and provide feedback to the board and management concerning the evaluation.
- YWCA was awarded the contract to provide training to AHFC families on financial literacy and economic independence.
- Met with Municipality of Anchorage on coordinating Fair Housing Planning and Development in the Municipality of Anchorage.
- Streamlined the Bridge hardship process for quicker response time and clarification of how to assist participants
- Anchorage Housing Choice Voucher waiting list closed on July 31 with close to 1900 applications received

Facilities Management & Construction Updates:

- Bethel – Foundation Project: Final inspection complete; punch list generated; coordinator and contractor discussing timeline to repair (awaiting cost impact of design error).
- Fairbanks – Golden Ages Sprinkler and Fire Alarm, work ongoing with sprinkler subcontractor mobilizing now to install new devices and wire guards, RFP issued for new water service.
- Juneau – Local Staff is working to complete Voluntary Compliance Agreement and Americans with Disability Act (VCA/ADA) upgrades to Riverbend with one unit left to upgrade, Extraordinary Maintenance Team project being prepared to correct the VCA/ADA site work at Cedar Park for summer and fall construction season.

- Wrangell – Contacting City of Wrangell to add paving work for Etolin Heights to their contract with SECON.
- Sitka – Swan Lake Security system upgrade/replacement contract is being developed for an informal ITB (No Change); EMT project being created to remediate site imperfections from abandon piles at Paxton Manor and inconsistent site settling.
- Valdez – Harris Sand and Gravel currently working to correct site drainage issues and remove and replace areas of flexible and nonflexible paving's, contract to be completed at the end of August.
- Cordova – Project Siding/Soffit/Window replacement at Sunset View; RFP from Wolverine Supply is working on the finalization of the construction drawings, site mobilization to begin 8/15/2016.
- Anchorage –Scattered site infrastructure repair/replacement project is in progress, contractor encountered delays project has been extended, 17 of 24 properties complete; Chugach Manor Sprinkler/Fire Alarm upgrade project Notice to Proceed has been issued to Wolverine Supply.
- Facilities Management Extraordinary Maintenance Team (Road Crew): Have hired a Temporary Laborer for work in the Anchorage area for the remainder of the summer; North Lane sidewalk repair, completed major portion of the replacement work and weather is hampering progress on the crack and expansion joint sealing; currently helping a local AMP with a unit Modification to assist relocation of a resident.



AHFC BOARD OF DIRECTORS
SCHEDULE 2016

~~January 27, 2016 (AHFC regular & AHCC Annual)~~ **CANCELLED**

~~February 24, 2016 (Audit Committee, AHCC (Membership & BOD)
Annuals & AHFC Regular)~~

~~April 27, 2016 (AHFC Regular)~~

~~May 25, 2016 (AHFC Regular)~~

~~June 29, 2016 (Audit Committee & AHFC Regular)~~

~~July 27, 2016 BOD (AHFC Regular)~~

August 24, 2016 (AHFC Annual)

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

October 26, 2016 (Audit Committee & AHFC Regular & ACAH
Membership & ACAH BOD Annual)

November 30, 2016 (NTSC Annual & AHFC regular)