ORDINANCE No. 120116

COUNCIL BILL No. 113394

AN ORDINANCE relating to the Lewiston Hotel; authorizing and providing for the issuance of a note for the purpose of financing the Lewiston Hotel building in order to preserve low-income housing units; authorizing a Funding Approval/Agreement and a contract with the United States Department of Housing and Urban Development for a Section 108 guaranty of the note; authorizing agreements with a custodian to establish separate accounts or funds; authorizing related agreements; and ratifying and confirming prior acts

COMPTROLLER FILE No. _____

Introduced:	**By:**
Referred:	**To:**
Referred:	**To:**
Referred:	**To:**
Reported: 10-9-00	**Second Reading:**
Third Reading: 10-9-00	**Signed:** 10-9-00
Presented to Mayor: 10-10-00	**Approved:** OCT 16 2000
Returned to City Clerk: OCT 16 2000	**Published:** 7pp. Title
Vetoed by Mayor:	**Veto Published:**
Passed over Veto:	**Veto Sustained:**

Law Department

The City of Seattle--Legislativ

REPORT OF COMMITTEE

Honorable President:

Your Committee on _____

to which was referred the within Council Bill No. _____
report that we have considered the same and respectfully recommend

Do pass as amended 5-0 (E)

10-9-00 Passed 8-0 (Excu

Committee Chair

Mc

Law Department

Dan Drago

The City of Seattle--Legislative Department

REPORT OF COMMITTEE

Date Reported and Adopted

Honorable President:

Your Committee on _____

to which was referred the within Council Bill No. _____
report that we have considered the same and respectfully recommend that the same:

Do pass as amended (c) 5-0 Drago

McIver

Steinbrueck

Licata

Conlin

10-9-00 Passed 8-0 (Excused: Compton)

_____
Committee Chair

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MCG/HRT
Ordinance.doc
October 2, 2000
(Version 5)

ORDINANCE 120116

AN ORDINANCE relating to the Lewiston Hotel; authorizing and providing for the issuance of a note for the purpose of financing the Lewiston Hotel building in order to preserve low-income housing units; authorizing a Funding Approval/Agreement and a contract with the United States Department of Housing and Urban Development for a Section 108 guaranty of the note; authorizing agreements with a custodian to establish separate accounts or funds; authorizing related agreements; and ratifying and confirming prior acts.

WHEREAS, the City Council held a public hearing on December 7, 1999, on a proposed application to the United States Department of Housing and Urban Development ("HUD") for a federal loan guaranty under Section 108 of the Housing and Community Development Act of 1974, as amended ("Section 108"), to assist in financing the acquisition of the Lewiston Hotel building; and

WHEREAS, acquisition of the building will assist community and economic development in the City by preserving low-income housing units, thereby furthering the City's Consolidated Plan for Housing and Community Development Goals to "[a]ssist homeless persons to obtain affordable housing," "[r]etain affordable housing stock," and "[i]ncrease the availability of permanent housing that is affordable to low-income persons without discrimination"; and

WHEREAS, Resolution 30097, adopted by the City Council on December 13, 1999, authorized the Mayor to submit an application to HUD for a Section 108 loan guaranty and the Mayor did submit such application; and

WHEREAS, the City has received a Funding Approval/Agreement from HUD under which HUD will provide a Section 108 loan guaranty in an amount not to exceed One Million Dollars ($1,000,000); and

WHEREAS, under the federal Section 108 program, HUD's assistance to the project must take the form of the City's issuance of a non-recourse note guaranteed by HUD, and a loan of the proceeds of the note for a private project that fulfills a public purpose and provides revenues to repay the note; and

WHEREAS, the City's participation in the Section 108 loan guaranty program and the expenditure of guaranteed loan proceeds thereunder is authorized by RCW 35.21.735; and the City Council by this Ordinance intends to implement the transactions authorized by that statute and in compliance therewith; and

WHEREAS, Lewiston Hotel Limited Partnership has acquired the Lewiston Hotel building, for the purpose of preserving and rehabilitating low-income housing, with loans from the City's Office of Housing, including a bridge loan made in anticipation of receipt of long-term financing from the Section 108 loan guaranty and other sources; and

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WHEREAS, the City, HUD, and the Lewiston Hotel Limited Partnership and other parties are ready to enter into the necessary agreements to implement the Section 108 loan guaranty;

NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. The Mayor or the Director of the Office of Economic Development ("OED Director") is authorized, on behalf of The City of Seattle, to accept a Funding Approval/Agreement from HUD, in the form attached as Exhibit A with such additions, modifications and amendments as HUD may require or the Mayor or OED Director may deem necessary or advisable to carry out the purposes of this Ordinance, for a Section 108 loan guaranty in the amount of up to ONE MILLION DOLLARS ($1,000,000). The Mayor or OED Director is further authorized, on behalf of the City, to execute, deliver, perform and administer a contract with HUD (the "Contract") in the form attached as Exhibit B with such additions, modifications and amendments as HUD may require or the Mayor or OED Director deem necessary or advisable to carry out the purposes of this Ordinance. The Mayor or OED Director is further authorized, on behalf of The City of Seattle, at the request of HUD, to execute and deliver an amendment to, or replacement for, the Contract in such form as HUD may require or the Mayor or OED Director may deem necessary or advisable to carry out the purposes of this Ordinance. The Contract, and any replacement contract, shall state that the note issued by the City pursuant to Section 2 of this Ordinance shall be a non-recourse note, that the City's liability on the Note and the Contract shall be limited solely to the security pledged therefor, that they are not obligations of the City or the State of Washington, that neither the Note nor the Contract shall constitute a debt payable from the City's public funds, and that neither the faith and credit nor the taxing power of the City shall be pledged for the City's obligations under the Contract or for payment of principal, interest or premium, if any, on the Note.

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Section 2. The Mayor or OED Director is authorized, on behalf of The City of Seattle, to issue a non-recourse promissory note ("Note") in the principal amount of not to exceed ONE MILLION DOLLARS ($1,000,000) in the form attached as Exhibit C, with such modifications, additions or amendments as HUD may require or the Mayor or OED Director may deem necessary or advisable to carry out the purposes of this Ordinance. The interest rates for the Note shall be as determined in accordance with the terms of the Note and Contract. The Note shall provide for a schedule of maturities of principal approximately as stated in Attachment C to the attached Exhibit D, with such modifications and amendments as HUD may require or the Mayor or OED Director deem necessary or advisable to carry out the purposes of this Ordinance. The Mayor or OED Director is further authorized, on behalf of the City, to cause the proceeds of the Note to be disbursed by the financial institution acting as Custodian pursuant to Section 4 of this Ordinance to the order of Lewiston Hotel Limited Partnership, a Washington limited partnership, or any substitute entity approved by the Mayor or OED Director ("LHLP"), pursuant to the Loan Agreement authorized in Section 3 of this Ordinance, to partially refinance the acquisition of the Lewiston Hotel building. The Mayor or OED Director is further authorized, on behalf of The City of Seattle, at the request of HUD, to execute and deliver one or more replacement non-recourse promissory notes ("Replacement Note") in the aggregate principal amount of not to exceed One Million Dollars ($1,000,000), with substantially the same schedule of principal repayments and with interest rates determined substantially as contemplated by the Contract, and otherwise in such form as the Mayor or OED Director may deem necessary or advisable to carry out the purposes of this Ordinance. Pursuant to RCW 35.21.735, the Note (including any Replacement Note) shall contain a recital to the effect that it is not an obligation of the City or the State of Washington, and that neither the faith and credit nor the taxing power of the State, the City or any other municipal corporation or subdivision of the State or any

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agency of any of the foregoing is pledged to the payment of principal, interest or premium if any, thereon.

Section 3. The Mayor or OED Director is authorized, on behalf of The City of Seattle, to execute, deliver, administer and cause to be performed a Loan Agreement with LHLP, in the form attached as Exhibit D, with such additions, modifications, and amendments as HUD may require or the Mayor or OED Director may deem necessary or advisable to carry out the purposes of this Ordinance, together with such ancillary and related documents as the Mayor or OED Director may deem necessary or advisable to carry out the purposes of this Ordinance. Such modifications may include, without limitation, provision for an interest rate payable by LHLP higher than the interest rate payable on the Note; provisions establishing, adjusting or eliminating the periodic monitoring fee or a similar fee payable by LHLP, or both. The loan shall be secured by a first lien position deed of trust on the property on which the Lewiston Hotel building is located, but which deed of trust may be subject to regulatory covenants restricting the residential portion of the property to low-income housing.

Section 4. The Mayor or OED Director is authorized, on behalf of the City, to negotiate and execute one or more agreements with a financial institution to act as trustee and/or custodian (the "Custodian") to receive and disburse the proceeds of the City's non-recourse Note and to receive, administer and expend such funds as are received from LHLP as repayments or other payments under the Loan Agreement or from realization on the security for the loan. Such agreement shall include establishment by the Custodian of one or more special funds or accounts from which the City's Note shall be repaid, and any other funds or accounts that HUD may require or the Mayor or OED Director may deem necessary or appropriate. Such funds or accounts shall at all times be kept segregated and set apart from all funds and accounts of the City, and into such funds or accounts shall be deposited all money that is pledged as security to

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HUD in connection with the guaranty that is required under the HUD Contract to be deposited therein. The agreement(s) with the Custodian and all funds or accounts established thereunder shall comply with RCW 35.21.735. The Mayor or OED Director is further authorized to negotiate and execute such additional agreements as the Mayor or OED Director deem necessary or advisable to carry out the purposes of this Ordinance and to implement the Section 108 loan guaranty. The agreement(s) with the Custodian and the additional agreements authorized by this Section 4 shall be in the form and contain such terms and conditions as the Mayor or OED Director may deem necessary or advisable to carry out the purposes of this Ordinance.

The Mayor or OED Director may enter into a fiscal agency agreement, for and on behalf of the City, under which Chase Manhattan Bank, or such other financial institution as may be designated by HUD, shall serve as fiscal agent with respect to the Note, on such terms and conditions as the Mayor or OED Director shall determine are necessary or appropriate to implement the purposes of this Ordinance. The authority granted in this Section shall apply notwithstanding Seattle Municipal Code subsection 5.10.060A, to the extent it might be deemed applicable to the Note. The Fiscal Agent may be the same as the Custodian, or an affiliated entity thereof.

Section 5. The Mayor or OED Director may require LHLP to pay a loan origination fee of no more than TEN THOUSAND DOLLARS ($10,000). Such fee shall be paid directly to the Custodian to be held in trust for the purposes set forth in this Section 5. The OED Director is authorized to cause all or a portion of this fee to be disbursed by the Custodian to pay the National Development Council for consulting services related to this loan in accordance with the City's existing contract with the National Development Council, and to pay for the City's legal fees and any other costs related to the issuance and placement of the Note and the administration of the transactions authorized by this Ordinance, that are not paid by LHLP pursuant to the Loan

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Agreement. The OED Director is authorized to cause (i) any remaining portion of such fee and (ii) any payments received by the Custodian representing any difference between the interest rates charged to LHLP and the lower rates applicable to the Note or representing a periodic monitoring fee or similar fee, to be applied to payment of expenses incurred in the administration of any federally guaranteed or federally funded economic development loan or program administered by the OED Director or to be remitted to the City and deposited in the Housing and Community Development Revenue Sharing Fund.

Section 6. In addition to the transferable development rights ("TDRs") from the Lewiston Hotel authorized for purchase by the City pursuant to Ordinance 120077, the Director of Housing is authorized, for and on behalf of The City of Seattle, to purchase the remaining Four Thousand Four Hundred Twenty-Four square feet (4,424 s.f.) of TDRs for a price not to exceed $12.50 per square foot, for a total purchase price of Fifty-Five Thousand, Three Hundred Dollars ($55,300). The purchase price shall be paid by offsetting an equal dollar amount of the bridge loan owing to the City under the Loan Agreement dated November 22, 1999 between the City and the Lewiston Hotel Limited Partnership. The Director of Housing is authorized to execute, deliver, accept and administer all agreements and documents that she deems necessary or appropriate to implement the authority granted in this section, which agreements and documents may be combined with those implementing Ordinance 120077.

Section 7. The Director of the Human Services Department ("HSD Director") is authorized to amend the City's 1999-2000 Consolidated Plan to reflect the transactions contemplated by this Ordinance. The Mayor, OED Director, and the HSD Director are authorized to take such other actions as they shall deem necessary to implement the actions authorized by this Ordinance.

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Section 8. This Ordinance is not intended to create, and shall not be construed to create, any contractual or otherwise binding obligation upon, or commitment by, the City for the benefit of LHLP or any other party interested in the acquisition or rehabilitation of the Lewiston Hotel building. The loan commitment to LHLP authorized by this Ordinance, subject to the limitations herein and under applicable law, shall become effective only if and when the agreements authorized hereby are duly executed and delivered by the City and other necessary parties.

Section 9. Any act pursuant to the authority and prior to the effective date of this Ordinance is hereby ratified and confirmed.

Section 10. This Ordinance shall take effect and be in force thirty (30) days from and after its approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

Passed by the City Council the 4th day of October, 2000, and signed by me in open session in authentication of its passage this 4th day of October, 2000.

Margaret Chiara
President of the City Council

Approved by me this 16th day of OCTOBER, 2000.

Paul Schell, Mayor

Filed by me this 16th day of October, 2000.

Judith E Pipp
City Clerk

(Seal)

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Exhibits:

A. Funding Approval/Agreement
B. Form of HUD Contract
Attachment 1: Letter Agreement for Section 108 Loan Guarantee Program Custodial Account
Attachment 2: Letter Agreement for Section 108 Loan Guarantee Program Custodial Investment Account
C. Form of Non-Recourse Note of the City
D. Form of Loan Agreement with Lewiston Hotel Limited Partnership
Attachment A: Real Property Description
Attachment B: Project Description
Attachment C: Form of Promissory Note
Attachment D: Project Budget
Attachment E: Certificate of Obligor (Not Included)

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City of Seattle

Paul Schell, Mayor

Executive Department - Office of Economic Development
Mary Jean Ryan, Director

MEMORANDUM

DATE: September 18, 2000

TO: Honorable Margaret Pageler, Council President

VIA: Joan Walters, Director
City Budget Office

FROM: Mary Jean Ryan, Director MJR

SUBJECT: Proposed Legislation

Attached is proposed legislation for consideration by the Seattle City Council. Councilmember Jan Drago is sponsoring the legislation for the Finance, Budget and Economic Development Committee's review.

This legislation authorizes the OED Director, on behalf of the City, to enter into the agreements necessary to provide the Lewiston Hotel Limited Partnership ("LHLP") with a $1,000,000 CDBG Section 108 loan guaranty. LHLP will use the loan proceeds to finance the acquisition of the Lewiston Hotel building.

In November 1999, LHLP acquired the Lewiston Hotel building with the assistance of interim financing provided by the City's Office of Housing. The Section 108 loan guaranty will help pay off the interim financing.

The City has sufficient security for the loan guaranty. The loan will be secured by a first lien position deed of trust on the Lewiston Hotel property. An appraisal of the property indicates the loan to value ratio is almost 2 to 1.

The Lewiston Hotel building contains 49 low-income, single room occupancy housing units which LHLP will rehabilitate (using funding sources other than the Section 108 loan guaranty) and maintain as low-income and very low-income housing units for a minimum of 40 years. As such, the project is consistent with the City's Section 108 loan policies and satisfies CDBG eligibility criteria.

If you or your staff have any questions about the legislation, please contact Mark Griffin, in the Office of Economic Development, at 684-8378.

Seattle Municipal Building, 600 Fourth Avenue, Suite 205, Seattle, WA 98104-1826
Tel: (206) 684-8090, TDD: (206) 684-8118, Fax: (206) 684-0379
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FISCAL NOTE

Department:	Contact Person/Phone:	CBO Analyst/Phone:
Office of Economic Development	Mark Griffin 684-8378	Lee Belland 233-3778

Legislation Title:

AN ORDINANCE relating to the Lewiston Hotel; authorizing and providing for the issuance of a note for the purpose of financing the Lewiston Hotel building in order to preserve low-income housing units; authorizing a Funding Approval/Agreement and a contract with the United States Department of Housing and Urban Development for a Section 108 guaranty of the note; authorizing agreements with a custodian to establish separate accounts or funds; authorizing related agreements; and ratifying and confirming prior acts.

Summary of the Legislation:

This legislation authorizes the OED Director to make a $1,000,000 CDBG Section 108 loan guaranty to the Lewiston Hotel Limited Partnership to finance the acquisition of the Lewiston Hotel building. This legislation also authorizes the OED Director to enter into certain other agreements related to the loan guaranty.

Background (Include justification for the legislation and funding history, if applicable):

The Lewiston Hotel Limited Partnership ("LHLP"), is a Washington limited partnership controlled by the Plymouth Housing Group, a non-profit corporation whose primary activity is the rehabilitation and management of affordable housing. In November 1999, LHLP acquired the Lewiston Hotel building with the assistance of interim financing provided by the City's Office of Housing. The Section 108 loan guaranty will help pay off the interim financing.

The Lewiston Hotel is a three-story building located at 2201 First Avenue in the City's Belltown neighborhood. The building's top two floors contain 49 low-income, single room occupancy housing units and two manager apartments. The building's first floor is occupied by two restaurants, Queen City Grill and the Frontier Room, and the basement is home to Belltown Billiards, a billiards parlor and restaurant.

LHLP will rehabilitate the housing units using funding sources other than the Section 108 loan and will maintain the units as low-income and very low-income housing for a minimum of 40 years. LHLP plans no rehabilitation to the building's commercial space.

Public Private Partnership Review Status:
Is the project referenced in the legislation subject to P4 review? If yes, identify P4 review to date.

No.

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Is the legislation subject to public hearing requirements? If yes, what public hearings have been held to date?

Yes. A public hearing was held on December 7, 1999, in connection with Council committee approval of Resolution 30097, the legislation authorizing the Mayor to submit the Section 108 loan guaranty application to the Department of Housing and Urban Development. A second public hearing will be held before Council committee consideration of this legislation.

Fiscal Sustainability Issues (related to grant awards):

N/A.

Estimated Expenditure Impacts:

FUND (List # and/or Account)	2000	2001	2002
CDBG (Section 108 Loan)	$1,000,000		
CDBG (Loan Process Fee to Contractor)	$10,000		
TOTAL	**$1,010,000***		

One-time $1,010,000 On-going $_____

Estimated Revenue Impacts:

FUND (List # and/or Account)	2000	2001	2002
CDBG (Transaction Fee Returned to City)	$10,000		
TOTAL	**$10,000**		

One-time $10,000 On-going $_____

Estimated FTE Impacts:

FUND	2000	2001	2002
N/A	$0.00		
TOTAL	**$0.00**		

Full Time _____ # Part Time _____ # TES _____

Do positions sunset in the future? If yes, identify sunset date?

N/A

Other Issues (including long-term implications of the legislation):

N/A

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EXHIBIT A

Funding Approval/Agreement

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EXHIBIT A TO ORDINANC

Funding Approval/Agreement

Title I of the Housing and Community Development Act (Public Law 930383)

U.S. Department of Housing and Urban Development
Office of Community Planning and Development
Community Development Block Grant Program

HI-00515R of 20515R

1. Name of Grantee (as shown in item 5 of Standard Form 424)	3. Grantee's 9-digit Tax ID Number	4. Date use of funds may begin (mm/dd/yyyy)
City of Seattle, Washington	91-6001275	11/01/99
2. Grantee's Complete Address (as shown in item 5 of Standard Form 424)	**5a.Project/Grant No. 1**	**6a.Amount Approved**
Office of Economic Development 600 Fourth Avenue, Room 205 Seattle, WA 98104	B-00-MC-53-0005	
	5b.Project/Grant No. 2	6b.Amount Approved
	5c.Project/Grant No. 3	6c.Amount Approved

Grant Agreement: This Grant Agreement between the Department of Housing and Urban Development (HUD) and the above named Grantee is made pursuant to the authority of Title I of the Housing and Community Development Act of 1974, as amended, (42 USC 5301 et seq.). The Grantee's submissions for Title I assistance, the HUD regulations at 24 CFR Part 570 (as now in effect and as may be amended from time to time), and this Funding Approval, including any special conditions, constitute part of the Agreement. Subject to the provisions of this Grant Agreement, HUD will make the funding assistance specified here available to the Grantee upon execution of the Agreement by the parties. The funding assistance specified in the Funding Approval may be used to pay costs incurred after the date specified in item 4 above provided the activities to which such costs are related are carried out in compliance with all applicable requirements. Pre-agreement costs may not be paid with funding assistance specified here unless they are authorized in HUD regulations or approved by waiver and listed in the special conditions to the Funding Approval. The Grantee agrees to assume all of the responsibilities for environmental review, decision making, and actions, as specified and required in regulations issued by the Secretary pursuant to Section 104(g) of Title I and published in 24 CFR Part 58. The Grantee further acknowledges its responsibility for adherence to the Agreement by sub-recipient entities to which it makes funding assistance hereunder available.

U.S. Department of Housing and Urban Development (By Name)	Grantee Name Office of Economic Development City of Seattle, Washington
Jeff Ruster	
Title Deputy Assistant Secretary for Economic Development	Title Director - Office of Economic Development
Signature / Date (mm/dd/yyyy) AUG - 4 2000	Signature / Date (mm/dd/yyyy) 09/13/00

7. Category of Title I Assistance for this Funding Action (check only one)
- [ ] a. Entitlement, Sec 106(b)
- [ ] b. State-Administered, Sec 106(d)(1)
- [ ] c. HUD-Administered Small Cities, Sec 106(d)(2)(B)
- [ ] d. Indian CDBG Programs, Sec 106(a)(1)
- [ ] e. Surplus Urban Renewal Funds, Sec 112(b)
- [ ] f. Special Purpose Grants, Sec 107
- [x] g. Loan Guarantee, Sec 108

8. Special Conditions (check one)
- [ ] None
- [x] Attached

9a. Date HUD Received Submission (mm/dd/yyyy)

9b. Date Grantee Notified (mm/dd/yyyy)

9c. Date of Start of Program Year (mm/dd/yyyy)

10. check one
- [ ] a. Orig. Funding Approval
- [x] b. Amendment
  Amendment Number 1

11. Amount of Community Development Block Grant	FY (yyyy)	FY (yyyy)	FY (yyyy)
a. Funds Reserved for this Grantee			
b. Funds now being Approved			
c. Reservation to be Cancelled (11a minus 11b)			

12a. Amount of Loan Guarantee Commitment now being Approved
$1,000,000

Loan Guarantee Acceptance Provisions for Designated Agencies:
The public agency hereby accepts the Grant Agreement executed by the Department Housing and Urban Development on the above date with respect to the above grant number(s) as Grantee designated to receive loan guarantee assistance, and agrees to comply with the terms and conditions of the Agreement, applicable regulations, and other requirements of HUD now or hereafter in effect, pertaining to the assistance provided it.

12b. Name and complete Address of Public Agency
See Item 2 above.

12

12c. Name of Authorized Official for Designated Public Agency
Mary Jean Ryan

Title
Director - Office of Economic Development

Signature / Date (mm/dd/yyyy) 09/13/00

HUD Accounting use Only

Batch	TAC	Program	Y	A	Reg	Area	Document No.	Project Number	Category	Amount	Effective Date (mm/dd/yyyy)	F
	153 176											
			Y					Project Number		Amount		
			Y					Project Number		Amount		

Date Entered PAS (mm/dd/yyyy)	Date Entered LOCCS (mm/dd/yyyy)	Batch Number	Transaction Code	Entered By	Verified By

24 CFR 570 (form HUD-7082 (4/93)

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8. Special Conditions.

(a) In the event the Borrower fails to submit notes or other obligations for inspection and guarantee by the Secretary of the Department of Housing and Urban Development (the Secretary) before September 1, 2001, the offer will expire as of such date.

(b) The repayment schedule for the guaranteed loan must be acceptable to the Secretary.

(c) The Borrower shall provide additional security for the guaranteed loan and such additional security must be acceptable to the Secretary. The additional security shall be identified in the Contract for Loan Guarantee Assistance specified by 24 CFR §570.705(b)(1) which will be executed at the time the guaranteed obligations are issued.

(d) Prior to submitting notes or other obligations for inspection and guarantee by the Secretary, the Borrower shall submit information required under Section 102(b) of the Department of Housing and Urban Development Reform Act of 1989 (42 U.S.C. 3531). Such information shall be submitted to the HUD Washington State Office.

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Exhibit B

Form of HUD Contract

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EXHIBIT B TO ORDINANCE

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

CONTRACT FOR LOAN GUARANTEE ASSISTANCE UNDER
SECTION 108 OF THE HOUSING AND COMMUNITY DEVELOPMENT ACT
OF 1974, AS AMENDED, 42 U.S.C. §5308

Date of Contract _____

This Contract for Loan Guarantee Assistance ("Contract") is entered into between _____, as Borrower (the "Borrower"), and the Secretary of Housing and Urban Development ("Secretary"), as guarantor for the Guarantee made pursuant to section 108 ("Section 108") of title I of the Housing and Community Development Act of 1974, as amended (the "Act") and 24 CFR Part 570, Subpart M, of the promissory note executed contemporaneously herewith and numbered _____, in the Maximum Commitment Amount of $_____, and any amended note or note issued in substitution for such note and having the same note number (the "Note"). The funds paid or credited to the account of the Borrower pursuant to the Note are referred to herein as the "Guaranteed Loan Funds." The Note (including the Fiscal Agency Agreement and the Trust Agreement as defined in Section I.A. of the Note and incorporated therein) is hereby incorporated into the Contract. Terms used in the Contract with initial capital letters and not otherwise defined in the text hereof shall have the respective meanings given thereto in the Note. The Fiscal Agency Agreement and the Trust Agreement are sometimes collectively referred to herein as the "Fiscal Agency/Trust Agreements," and the Fiscal Agent and the Trustee respectively are sometimes collectively referred to as the "Fiscal Agent/Trustee."

PART I

A. **The Note: Advances and Records**. The Note provides that Advances and Conversion Date Advances shall be made thereunder upon the written request of the Borrower and the approval of the Secretary, pursuant to this Contract and the Fiscal Agency Agreement. The Commitment Schedule attached to the Note represents the principal repayment schedule for the Maximum Commitment Amount of the Note. At all times, the total amount of all Advances and Conversion Date Advances under the Note for all Principal Due Dates shall not exceed the Maximum Commitment Amount of the Note. Prior to the Conversion Date (as defined in the Note, Section I.A.), the total amount of Advances made by the Holder for each Principal Due Date under the Note shall not exceed the applicable Commitment Amount for such Principal Due Date set forth in the Commitment Schedule of the Note. Prior to the Conversion Date, the Borrower agrees that the Fiscal Agent pursuant to the Fiscal Agency Agreement shall record the date

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and amount of each payment and Advance under the Note and shall maintain the books and records of all Advances and Conversion Date Advances for each Principal Due Date, interest rates on Advances, payments, and Principal Amounts outstanding for each Principal Due Date. On and after the Conversion Date, the Borrower agrees that the Trustee pursuant to the Trust Agreement will maintain the books and records of all payments on the Note and all Principal Amounts and interest rates on such Principal Amounts (each as to be set forth on Schedule P&I to the Note). No advances of any kind may be made on the Note after its Conversion Date.

B. **Borrower's Requests for Advances**. All requests for Advances or Conversion Date Advances by the Borrower under the Note shall: be in writing; specify the amount of the Advance requested; identify the Note by Borrower, number and Maximum Commitment Amount; be addressed to the Secretary at the address for notices specified in paragraph 12(f) of this Contract; be signed by an authorized official of the Borrower; and otherwise be in the form prescribed by HUD. Advances and Conversion Date Advances shall be requested and will only be approved and made in increments of not less than $1,000 for any Principal Due Date. A request for an initial Advance under a Note, or a request for a Conversion Date Advance, shall be received by the Secretary at least ten Business Days prior to the Borrower's proposed Funding Date or Conversion Date, as applicable. All other requests for Advances shall be received by the Secretary not less than five Business Days prior to the proposed Funding Date. The Borrower may not deliver a Note or a request for an Advance or Conversion Date Advance to the Secretary more than two calendar months prior to the Borrower's proposed Funding Date. At least two Business Days prior to the proposed Funding Date or Conversion Date if the Borrower's request was timely received, or the next available Funding Date for which the request was timely received, the Secretary shall, except as otherwise provided in paragraph 11(c) or 12 hereof, deliver a corresponding Authorization Order or Advance Order (as applicable) to the Fiscal Agent in accordance with Section 2.03 or 2.04 of the Fiscal Agency Agreement for the applicable Funding Date or Conversion Date. If the Borrower requests an Advance or Conversion Date Advance of less than the outstanding Maximum Commitment Amount under the Note, the Borrower may also specify in its written request the amount of the Advance or Conversion Date Advance to be allocated to each Commitment Amount or Principal Amount per Principal Due Date under the Note. If the Borrower does not specify how the Advance or Conversion Date Advance should be allocated among Commitment Amounts/Principal Due Dates, the Borrower hereby authorizes the Secretary to direct the Fiscal Agent to allocate the Advance to the respective Commitment Amounts or Principal Amounts in order of the earliest Principal Due Date(s).

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C. **Conversion; Public Offering.** On the Conversion Date (if any), trust certificates backed by the Note (and similar notes issued by other Section 108 borrowers) will be purchased for a purchase price of the full principal amount thereof by underwriters selected by the Secretary (the "Underwriters") pursuant to an Underwriting Agreement between the Underwriters and the Secretary, at a closing on such Conversion Date as determined by the Secretary and the Underwriters. The Borrower agrees that the interest rate at which the trust certificate of a specified maturity is sold to the Underwriters shall govern the interest rate inserted on the Conversion Date in Schedule P&I of the Note for the Principal Amount of corresponding maturity.

D. **Consents.** By execution of this Contract, the Borrower ratifies and consents to the Secretary's selection of the Underwriters and authorizes the Secretary to negotiate with the Underwriters the terms of the Underwriting Agreement and of the public offering of interests in the trust certificates to investors (including the applicable interest rates). In addition, by execution hereof the Borrower ratifies and consents to the Secretary's selection of the Fiscal Agent/Trustee and agrees to the respective terms of the Fiscal Agency/Trust Agreements. If Advances have been made in the Maximum Commitment Amount of the Note not less than ten Business Days prior to the proposed Conversion Date, or if the Borrower requests a Conversion Date Advance, the Borrower authorizes the Secretary to deliver Schedule P&I to the Note completed in accordance herewith to the Fiscal Agent/Trustee on the Conversion Date in accordance with the Fiscal Agency/Trust Agreements, concurrent with delivery of the Secretary's Guarantee of the trust certificates at the closing on the Conversion Date, and thereafter the Note shall be enforceable in accordance with its terms including Schedule P&I. In addition, the Secretary reserves the right to notify the Borrower not less than one calendar month in advance of a specified Conversion Date that the Note will be sold to the Underwriters on such date, if the Secretary in his sole discretion determines that market conditions or program needs require the participation in the proposed public offering of all or substantially all Borrowers with outstanding Advances.

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PART II

1. **Receipt, Deposit and Use of Guaranteed Loan Funds.**

(a) Except for funds deducted on the Conversion Date pursuant to paragraph 4(b) and fees and charges deducted by the Fiscal Agent/Trustee pursuant to paragraph 4(a), the Guaranteed Loan Funds shall be electronically transferred in accordance with the Borrower's instructions for deposit in a separate, identifiable custodial account (the "Guaranteed Loan Funds Account") with a financial institution whose deposits or accounts are Federally insured. The Guaranteed Loan Funds Account shall be established and designated as prescribed in the attached form document entitled "Letter Agreement for Section 108 Loan Guarantee Program Custodial Account" **(Attachment 1)** and shall be continuously maintained for the Guaranteed Loan Funds. Such Letter Agreement must be executed when the Guaranteed Loan Funds Account is established. (A fully executed copy of such Letter Agreement shall be submitted to the Secretary within thirty days of its execution.)

The Borrower shall make withdrawals from said account only for payment of the costs of approved Section 108 activities, for transfer to the Loan Repayment Account or for the temporary investment of funds pursuant to this paragraph 1(a). Such temporary investment of funds into the Guaranteed Loan Funds Investment Account shall be required within three Business Days after the balance of deposited funds exceeds the amount of the Federal deposit insurance on the Guaranteed Loan Funds Account. At that time, any balance of funds in the Guaranteed Loan Funds Account exceeding such insurance coverage shall be fully '100%) and continuously invested in Government Obligations, as defined in paragraph 10 hereof, held in the Guaranteed Loan Funds Investment Account.

All temporary investments, whether or not required as above, shall be limited to Government Obligations having maturities that are consistent with the cash requirements of the approved activities. In no event shall the investments mature on or after _____, or have maturities which exceed one year. All such investments shall be held in trust for the benefit of the Secretary by the above financial institution in an account (the "Guaranteed Loan Funds Investment Account") established and designated as prescribed in the attached form document entitled "Letter Agreement for Section 108 Loan Guarantee Program Custodial Investment Account" **(Attachment 2)**, which account shall be maintained for all Government Obligations purchased with funds from the Guaranteed Loan Funds Account. The Guaranteed Loan Funds Investment Account need only be established if and when the Borrower is required to invest, or otherwise invests, the Guaranteed Loan Funds in Government Obligations. Such Letter

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Agreement must be executed when the Guaranteed Loan Funds Investment Account is established. (A fully executed copy of such Letter Agreement shall be submitted to the Secretary within thirty days of its execution.) All proceeds and income derived from such investments shall be returned to the Guaranteed Loan Funds Account.

All funds in the Guaranteed Loan Funds Account or the Guaranteed Loan Funds Investment Account must be withdrawn and disbursed by the Borrower for approved activities by _____. Any funds remaining in either Account after this date shall be immediately transferred to the Loan Repayment Account established pursuant to paragraph 6 of this Contract.

(b) The Borrower shall by the fifteenth day of each month provide the Secretary with a written statement showing the balance of funds in the Guaranteed Loan Funds Account and the withdrawals from such account during the preceding calendar month, and a statement identifying the obligations and their assignments in the Guaranteed Loan Funds Investment Account.

(c) Upon the Secretary giving notice that the Borrower is in Default under this Contract or the Note, all right, title, and interest of the Borrower in and to the Guaranteed Loan Funds and Guaranteed Loan Funds Investment Accounts shall immediately vest in the Secretary for use in making payment on the Note, purchase of Government Obligations in accordance with paragraph 10, or payment of any other obligations of the Borrower under this Contract or the Fiscal Agency/Trust Agreements.

2. **Payments Due on Note.** The Borrower shall pay to the Fiscal Agent/Trustee, as collection agent for the Note, all amounts due pursuant to the terms of the Note. In accordance with the Note and the Fiscal Agency/Trust Agreements, payment shall be made by 3:00 P.M. (New York City time) on the seventh Business Day (the "Note Payment Date") preceding the relevant Interest Due Date or Principal Due Date (each as defined in the Note). If any Note Payment Date falls on a day that is not a Business Day, then the required payment shall be made on the next Business Day. Payment may be made by check or wire transfer.

3. **Selection of New Fiscal Agent or Trustee.** The Secretary shall select a new Fiscal Agent or Trustee if the Fiscal Agent or Trustee resigns or is removed by the Secretary. The Borrower hereby consents in advance to any such selection and to any changes in the Fiscal Agency/Trust Agreements agreed to by any Fiscal Agent or Trustee and the Secretary, subject to paragraph 4(e) of this Contract.

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4. **Payments Due Fiscal Agent or Trustee; Documents to the Secretary.**

(a) The Borrower agrees to pay the fees of the Fiscal Agent as required by Exhibit G to the Fiscal Agency Agreement, and any additional amounts that may be due pursuant to Section 6.01 of the Fiscal Agency Agreement. If not paid by the Borrower by any other means prior thereto, the Borrower agrees that any such fees or additional amounts that have been incurred prior to an Advance or a Conversion Date Advance may be deducted by the Fiscal Agent/Trustee from the proceeds of the Advance or Conversion Date Advance, as applicable.

(b) The Borrower agrees to pay the Borrower's share, as determined by the Secretary, of the customary and usual issuance, underwriting, and other costs related to the public offering and future administration of the Note and the trust certificates, as approved by the Secretary, including the cost of reimbursement and/or compensation of the Trustee pursuant to the Trust Agreement, including Sections 3.11 and 7.01 thereof. In connection with the public offering on the Conversion Date, such payment shall either be made by wire transfer to the Trustee on the day prior to the Conversion Date or shall be deducted from the Guaranteed Loan Funds on the Conversion Date.

(c) The Borrower shall submit to the Secretary not later than ten Business Days prior to the Funding Date for the initial Advance hereunder, or if not submitted earlier, prior to any Conversion Date or Public Offering Date applicable to the Note, this executed Contract, the executed Note, a request for an Advance or a Conversion Date Advance (as applicable) in proper form, and an opinion acceptable to the Secretary from the Borrower's counsel to the effect that: (i) the governing body of the Borrower has authorized by resolution or ordinance, in accordance with applicable State and local law, the issuance of the Note and the execution of this Contract; (ii) the Note and this Contract are valid, binding, and enforceable obligations of the Borrower; (iii) the pledge of funds pursuant to 24 CFR 570.705(b)(2) and paragraph 5(a) of this Contract is valid and binding; and (iv) there is no outstanding litigation that will affect the validity of the Note or this Contract. In addition, the Borrower shall submit any other additional documents or opinions specifically required by this Contract (e.g., paragraph 5(c), or paragraph 15, et seq.), at the time required thereby.

(d) The Borrower agrees to reimburse the Underwriters upon demand by the Secretary for the Borrower's share, as determined by the Secretary, of all reasonable out-of-pocket expenses (including reasonable fees and disbursements of counsel) incurred in connection with a proposed public

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offering, if the Underwriters incur such additional costs for the public offering because of any refusal, inability, or failure on the part of the Borrower timely to submit in acceptable form any document required by this Contract (including paragraph 4(c)), or because of any withdrawal by the Borrower from the public offering, after the Borrower has submitted a request for a Conversion Date Advance hereunder. By execution and delivery of this Contract to the Secretary, the Borrower hereby expressly authorizes the Secretary to pay amounts due under this paragraph from funds pledged under paragraph 5(a) of this Contract.

(e) The undertakings in paragraphs 3 and 4 of this Contract are expressly subject to the requirement that the Fiscal Agency/Trust Agreements shall in no event require payment of fees or charges, reimbursement of expenses, or any indemnification by the Borrower from any source other than funds pledged pursuant to paragraphs 5 or 15 et seq. of this Contract.

5. **Security.** The Borrower hereby pledges as security for repayment of the Note, and such other charges as may be authorized in this Contract, the following:

(a) All allocations or grants which have been made or for which the Borrower may become eligible under Section 106 of the Act, as well as any grants which are or may become available to the Borrower pursuant to Section 108(q).

(b) Program income, as defined at 24 CFR 570.500(a) (or any successor regulation), directly generated from the use of the Guaranteed Loan Funds.

(c) Other security as described in paragraph 15, *et seq.*

(d) All proceeds (including insurance and condemnation proceeds) from any of the foregoing.

(e) All funds or investments in the accounts established pursuant to paragraphs 1 and 6 of this Contract.

6. **Loan Repayment Account.**

(a) All amounts pledged pursuant to paragraphs 5(b), 5(c), and 5(d) of this Contract shall be deposited immediately on receipt in a separate identifiable custodial account (the "Loan Repayment Account") with a financial institution whose deposits or accounts are Federally insured. The Loan Repayment Account shall be established and designated as prescribed in the attached form document entitled "Letter Agreement for Section 108 Loan Guarantee Program Custodial Account" **(Attachment 1)** and shall be maintained for such pledged funds. The Loan Repayment Account need only be established if and when the Borrower receives amounts pledged

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pursuant to paragraph 5(b), 5(c) or 5(d). Such Letter Agreement must be executed when the Loan Repayment Account is established. (A fully executed copy of such Letter Agreement shall be submitted to the Secretary within thirty days of its execution.) Borrower shall make withdrawals from said account only for the purpose of paying interest and principal due on the Note (including the purchase of Government Obligations in accordance with paragraph 10 hereof), for payment of any other obligation of the Borrower under this Contract or the Fiscal Agency/Trust Agreements, or for the temporary investment of funds pursuant to this paragraph, until final payment and discharge of the indebtedness evidenced by the Note, unless otherwise expressly authorized by the Secretary in writing. Such temporary investment of funds shall be required within three Business Days after the balance of deposited funds exceeds the amount of the Federal deposit insurance on the Loan Repayment Account. At that time, the balance of funds in the Loan Repayment Account exceeding such insurance coverage shall be fully (100%) and continuously invested in Government Obligations, as defined in paragraph 10 hereof.

All temporary investments, whether or not required as above, shall be limited to Government Obligations having maturities that are consistent with cash requirements for payment of principal and interest as required under the Note. In no event shall the maturities of such investments exceed one year. All such investments shall be held in trust for the benefit of the Secretary by the above financial institution in an account (the "Loan Repayment Investment Account") established and designated as prescribed in the attached form document entitled "Letter Agreement for Section 108 Loan Guarantee Program Custodial Investment Account" **(Attachment 2)**, which account shall be maintained for all Government Obligations purchased with funds from the Loan Repayment Account. Such Letter Agreement must be executed when the Loan Repayment Investment Account is established. (A fully executed copy of such Letter Agreement shall be submitted to the Secretary within thirty days of its execution.) All proceeds and income derived from such investments shall be returned to the Loan Repayment Account.

(b) Borrower shall by the fifteenth day of each month, provide the Secretary with a written statement showing the balance of funds in the Loan Repayment Account and the deposits and withdrawals of all funds in such account during the preceding calendar month and a statement identifying the obligations and their assignments in the Loan Repayment Investment Account.

(c) Upon the Secretary giving notice that the Borrower is in Default under this Contract or the Note, all right, title, and interest of the Borrower in and to the Loan Repayment and Loan Repayment Investment Accounts shall immediately vest in

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the Secretary for use in making payment on the Note, purchase of Government Obligations in accordance with paragraph 10, or payment of any other obligation of the Borrower under this Contract or the Fiscal Agency/Trust Agreements.

7. **Use of CDBG or EDI Funds for Repayment.** Any funds available to the Borrower under Section 106 of the Act (including program income derived therefrom) are authorized to be used by the Borrower for payments due on the Note, Optional Redemption (as defined in the Note), payment of any other obligation of the Borrower under this Contract or the Fiscal Agency/Trust Agreements, or the purchase of Government Obligations in accordance with paragraph 10. Any funds specifically available to the Borrower for such payments or as a debt service reserve under an EDI Grant Agreement pursuant to Section 108(q) of the Act which supports the eligible project(s) and activities financed by the Note may also be used therefor; any other use of Section 108(q) funds for such purposes shall require the prior written approval of the Secretary. Unless otherwise specifically provided herein or unless otherwise expressly authorized by the Secretary in writing, the Borrower shall substantially disburse funds available in the Loan Repayment or the Loan Repayment Investment Accounts before funds from grants under Section 106 of the Act are withdrawn from the U.S. Treasury for such purposes.

8. **Secretary's Right to Restrict Use of CDBG Funds to Repayment.** Upon a determination by the Secretary that payments required by paragraph 2 and/or paragraph 4 of this Contract are unlikely to be made as specified, the Secretary may give the Borrower notice that the availability to the Borrower of funds pledged under paragraph 5(a) of this Contract for purposes other than satisfaction of the pledge is being restricted. This restriction shall be in an amount estimated by the Secretary to be sufficient to ensure that the payments referred to in paragraph 2 and/or paragraph 4 hereof are made when due. This restriction may be given effect by conditioning the restricted amounts to prohibit disbursement for purposes other than satisfaction of the pledge at the time such restricted funds are approved as grants, by limiting the Borrower's ability to draw down or expend the restricted funds for other purposes, and by disapproving payment requests submitted with respect to such grants for purposes other than satisfaction of the pledge.

9. **Secretary's Right to Use Pledged Funds for Repayment.** The Secretary may use funds pledged under paragraph 5(a) of this Contract or funds restricted under grants pursuant to paragraph 8 of this Contract to make any payment required of the Borrower under paragraph 2 and/or paragraph 4, if such payment has not been timely made by the Borrower.

10. **Defeasance.** For purposes of this Contract, after the Conversion Date the Note shall be deemed to have been paid (defeased) if there shall have been deposited with the Trustee either moneys

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or Government Obligations (as defined below), which in the sole determination of the Secretary, mature and bear interest at times and in amounts sufficient, together with any other moneys on deposit with the Trustee for such purpose, to pay when due the principal and interest to become due on the Note. The Aggregate Principal Amount of the Note or any unpaid Principal Amount may be so defeased, in whole or in part, as of any Principal Due Date. In accordance with the Note and the Trust Agreement, the Borrower shall give timely notice and written instructions to the Secretary and the Trustee concerning any principal amounts proposed to be defeased, including any Optional Redemptions proposed, which instructions shall be approved by the Secretary. If the unpaid Aggregate Principal Amount of the Note guaranteed pursuant to this Contract shall be defeased and deemed to have been paid in full, then the Borrower shall be released from all agreements, covenants, and further obligations under the Note.

"Government Obligation" means a direct obligation of, or any obligation for which the full and timely payment of principal and interest is guaranteed by, the United States of America, including but not limited to, United States Treasury Certificates of Indebtedness, Notes and Bonds - State and Local Government Series or certificates of ownership of the principal of or interest on direct obligations of, or obligations unconditionally guaranteed by, the United States of America, which obligations are held in trust by a commercial bank which is a member of the Federal Reserve System and has capital and surplus (exclusive of undivided profits) in excess of $100,000,000.

11. **Default.** (a) A Default under the Note and this Contract shall occur upon failure by the Borrower to:

(i) pay when due an installment of principal or interest on the Note; or (ii) punctually and properly perform, observe, and comply with any covenant, agreement, or condition contained in: (A) this Contract, (B) any security agreement, deed of trust, mortgage, assignment, guarantee, or other contract securing payment of indebtedness evidenced by the Note, or (C) any future amendments, modifications, restatements, renewals, or extensions of any such documents.

(b) The Borrower waives notice of Default and opportunity for hearing with respect to a Default under paragraph 11(a).

(c) In addition to Defaults under paragraph 11(a), the Secretary may declare the Note in Default if the Secretary makes a final decision in accordance with the provisions of section 111 of the Act and 24 CFR 570.913 (or any successor provisions), including requirements for reasonable notice and opportunity for hearing, that the Borrower has failed to comply substantially with title I of the Act.

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Notwithstanding any other provision, following the giving of such reasonable notice, the Secretary may, in the Secretary's sole discretion pending the Secretary's final decision, withhold the guarantee of any or all obligations not yet guaranteed on behalf of the Borrower under outstanding commitments, suspend approval of any further Advances or Conversion Date Advances under the Note, and/or direct the Borrower's financial institution to: refuse to honor any instruments drawn upon, or withdrawals from, the Guaranteed Loan Funds Account or the Loan Repayment Account initiated by the Borrower, and/or refuse to release obligations and assignments by the Borrower from the Guaranteed Loan Funds Investment Account or the Loan Repayment Investment Account.

12. **Remedial Actions.** Upon a Default or declaration of Default under this Contract, the Secretary may, in the Secretary's sole discretion, take any or all of the following remedial actions:

(a) With any funds or security pledged under this Contract, the Secretary may (i) continue to make payments due on the Note, (ii) make a prepayment under Section I.D. of the Note or make an acceleration payment with respect to the principal amount of the Note subject to Optional Redemption as provided in Section III of the Note, (iii) purchase Government Obligations in accordance with paragraph 10 of this Contract, (iv) pay any interest due for late payment as provided in the Note, this Contract, or the Fiscal Agency/Trust Agreements, (v) pay any other obligation of the Borrower under this Contract or the Fiscal Agency/Trust Agreements, and/or (vi) pay any reasonable expenses incurred by the Secretary or the Fiscal Agent/Trustee as result of the Borrower's Default.

(b) The Secretary may withhold the guarantee of any or all obligations not yet guaranteed or the disbursement of any or all grants not yet disbursed in full under outstanding guarantee commitments or grant approvals for the Borrower under Sections 108 and/or 106 of the Act.

(c) The Secretary may withhold approval of any or all further Advances or Conversion Date Advances under the Note (if applicable); direct the Borrower's financial institution to refuse to: honor any instruments drawn upon, or withdrawals from, the Guaranteed Loan Funds Account or the Loan Repayment Account by the Borrower, and/or to release obligations and assignments by the Borrower from the Guaranteed Loan Funds Investment Account or the Loan Repayment Investment Account; and/or direct the Borrower and/or the Borrower's financial institution to transfer remaining balances from the Guaranteed Loan Funds Account to the Loan Repayment Account.

(d) Until the Conversion Date, or with respect to amounts subject to Optional Redemption, the Secretary may accelerate the Note.

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(e) The Secretary may exercise any other appropriate remedies or sanctions available by law or regulation applicable to the assistance provided under this Contract, or may institute any other action available under law to recover Guaranteed Loan Funds or to reimburse the Secretary for any payment under the Secretary's Guarantee or any reasonable expenses incurred by the Secretary as a result of the Default.

(f) All notices and submissions provided for hereunder shall be in writing (including by telex, telecopier or any other form of facsimile communication) and mailed or sent or delivered, as to each party hereto, at its address set forth below or at such other address as shall be designated by such party in a written notice to the other party hereto. All such notices and other communications shall be effective when received as follows: (i) if sent by hand delivery, upon delivery; (ii) if sent by mail, upon the earlier of the date of receipt or five Business Days after deposit in the mail, postage prepaid; (iii) if sent by telex, upon receipt by the sender of an answer back; and (iv) if sent by telecopier, upon receipt.

The Secretary:

U.S. Dept. of Housing and Urban Development
Attention: Paul Webster, Director
Financial Management Division
451 7th Street, SW, Room 7180
Washington, DC 20410

Borrower:

_____
_____
_____
_____

13. **Limited Liability.** Notwithstanding any other provision of this Contract, the Fiscal Agency/Trust Agreements or the Note, any recovery against the Borrower for any liability for amounts due pursuant to the Note, the Fiscal Agency/Trust Agreements or this Contract shall be limited to the sources of security pledged in paragraph 5 or any Special Conditions of this Contract. Neither the general credit nor the taxing power of the Borrower, or of the State in which the Borrower is located, is pledged for any payment due under the Note, the Contract, or the Fiscal Agency/Trust Agreements.

14. **Incorporated Grant Agreement.** The Contract and the Note are hereby incorporated in and made a part of the Grant Agreement authorized by the Secretary on _____ under the Funding Approval for grant number _____ to the Borrower. In carrying out activities with the Guaranteed Loan Funds hereunder, the Borrower agrees to comply with the Act

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and 24 CFR Part 570, as provided in Subpart M thereof.

15. **Special Conditions and Modifications:**

[Type special conditions here or [ ] Check if continued on extra sheet(s) and attach.]

[Rest of Page Intentionally Left Blank]

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DRAFT addition to the Contract for Loan Guarantee Assistance, Lewiston Hotel Section 108 Loan; subject to modification upon HUD review

15. Special Conditions and Modifications:

(a) Paragraph 5(c) of Part II of this Contract is deleted in its entirety and replaced with the following:

"(c) Other security, consisting of all rights of the Borrower (but none of the obligations of the Borrower) in and to the 'Security Documents' (as defined in paragraph 15(b) hereof) and to the Collateral described therein. The Borrower shall execute assignments for security purposes of the Security Documents in forms acceptable to the Secretary."

(b) Guaranteed Loan Funds shall be used by the Borrower to make a loan to Lewiston Hotel Limited Partnership, a Washington limited partnership (the "Obligor") for use in refinancing a portion of the short-term debt incurred to acquire the Lewiston Hotel Building in November, 1999, for rehabilitation as low-income housing pursuant to eligibility requirements set forth at 24 CFR 570.703(h). The Obligor's indebtedness shall be evidenced by a promissory note (the "Obligor Note") and a loan agreement (the "Obligor Loan Agreement"), which Obligor Note and Obligor Loan Agreement shall be in a form acceptable to the Secretary. The amount of principal and/or interest payable under the Obligor Note during the twelve month period beginning August 2 of each year and ending on August 1 of the next succeeding year shall be equal to or greater than the amount of principal and/or interest payable under the Note for the corresponding period. Principal amounts under the Obligor Note shall not be subject to redemption or prepayment earlier than the earliest possible redemption date under the terms of the Note except upon payment of a premium sufficient to defease the corresponding Principal Amount under the Note.

(i) In order to secure the payment and performance of the secured obligations of the Obligor to the Borrower, the Borrower shall obtain the following collateral (collectively, the "Collateral"):

(A) A first priority lien in the name of the Borrower on the real property (the "Property"), as described in Attachment 3 to this Contract, established through an appropriate and properly recorded first deed of trust (the "Deed of Trust"). The Deed of Trust shall be in the name of the Borrower and shall contain such provisions as the Secretary deems necessary. The Deed of Trust also shall include a Security Agreement covering Obligor's interests in personal

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property used in connection with the Property, including any licenses, permits, and other agreements covering the Property, and an Assignment of Leases and Rents including all rights, titles, and interests of the Obligor in and to any leases covering the Property, all in a form acceptable to the Secretary. The lien of the Deed of Trust will exclude the transferable development rights sold to the City, and may be subject to covenants and regulatory agreements for low-income housing purposes, including without limitation a Regulatory Agreement in favor of the Borrower related to a separate loan of housing funds, and a Regulatory Agreement (Extended Use Agreement) to be required by the Washington State Housing Finance Commission as a condition to allocation of low-income housing tax credits.

(ii) The Borrower shall select a financial institution (the "Custodian") acceptable to the Secretary to act as custodian for the documents specified in (iii) below (the "Security Documents"). The Borrower and the Custodian shall enter into a written agreement containing such provisions as the Secretary deems necessary. A fully executed copy of such agreement, with original signatures, shall be forwarded to the Secretary contemporaneously with the delivery of documents pursuant to (iii) below.

(iii) Not later than five business days after the initial disbursement to Obligor of Guaranteed Loan Funds by the Borrower, the Borrower shall deliver to the Custodian the following:

(A) The original Obligor Note for which the Deed of Trust was given as security, endorsed in blank and without recourse.

(B) A "take-off" copy of the recorded Deed of Trust signed by the Obligor securing repayment of the indebtedness (which shall show the Custodian as the person to whom the original will be returned by the King County recorder) and an assignment of the Deed of Trust to the Secretary, in a recordable form but unrecorded, which assignment shall be in a form acceptable to the Secretary.

(C) The original Loan Agreement and an assignment thereof to the Secretary, in a recordable form but unrecorded, which assignment shall be in a form acceptable to the Secretary.

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(D) A mortgagee title policy, issued by a company and in a form acceptable to the Secretary, naming the Borrower as the insured party. The policy must either include, in the definition of the "insured", each successor in ownership of the indebtedness secured by the Deed of Trust or be accompanied by an endorsement of the policy to the Secretary.

(E) A certified survey with a legal description conforming to the title policy and the Deed of Trust described above.

(F) An appraisal of the fee simple ownership interest in the Property specifying an estimate of stabilized fair market value of at least $2,620,000.00. The appraisal shall be completed by an appraiser who is certified by the state and has a professional designation (such as "SRA" or "MAI"), and shall conform to the standards of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA").

(G) An opinion of the Obligor's counsel, addressed to the Secretary and on its letterhead, that:

(1) the Obligor is a duly organized and validly existing as a limited partnership, under the laws of the State of Washington;

(2) the Obligor Note has been duly executed and delivered by a party authorized by the Obligor to take such action and is a valid and binding obligation of the Obligor, enforceable in accordance with its terms, except as limited by bankruptcy and similar laws affecting creditors generally; and

(3) the security instruments specified in (A) through (C) above are valid and legally binding obligations, enforceable in accordance with their respective terms.

(H) The Security Documents shall provide that there will be no recourse to the Obligor, except for such cases as are specified in the Security Documents.

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"(iv) To the extent that the Secretary receives payments from enforcement of remedies under the Security Documents or otherwise in reimbursement of amounts paid under the Secretary's guarantee of the Notes, amounts withheld from Borrower's pledged grants, as defined in paragraph 5(a), pursuant to the terms of this Contract shall be reinstated."

(b) Paragraph 12 is amended by adding at the end thereof the following language:

"(f) The Secretary may complete the endorsement of the Obligor Note and record the assignments referred to in paragraph 15(b)(iii) and thereby effectuate the transfer of the documents referenced and underlying indebtedness from the Borrower to the Secretary or the Secretary's assignee."

"(g) The Secretary may exercise or enforce any and all other rights or remedies (including any and all rights and remedies available to a secured party under the Uniform Commercial Code) available by law or agreement (including any of the Security Documents, as defined in paragraph 15(b)) against the Borrower, against the Obligor, or against any other person or property."

(c) The Borrower agrees that it shall promptly notify the Secretary in writing upon the occurrence of any event which constitutes a default (an "Event of Default") under (and as defined in) any of the Security Documents, as defined in paragraph 15(b). Notification of an Event of Default shall be delivered to the Secretary, at 451 Seventh Street, S.W., Room 7180, Washington, D.C. 20410, Attention: Paul Webster, Director, Financial Management Division, Office of the Assistant Secretary for Community Planning and Development. Upon the occurrence of an Event of Default, the Secretary may (without prior notice or hearing, which Borrower hereby expressly waives), in addition to (and not in lieu of) exercising any and all remedies that may be available under the Security Documents, declare the Note in Default and exercise any and all remedies available under paragraph 12. This paragraph 15(c) shall not affect the right of the Secretary to declare the Note in Default pursuant to paragraph 11 and to exercise in connection therewith any and all remedies available under paragraph 12.

(d) Notwithstanding paragraph 6.(a) of Part II or any other provision of this Contract, provided that the documents required by paragraph 5(c) have been delivered in full conformity with this Contract:

(i) Borrower may exclude from the security pledged pursuant to paragraph 5(b) of this Contract an amount of up to $10,000 representing a loan fee paid by Obligor under the Obligor Loan Documents. Such fee shall be applied to pay Borrower's expenses in connection with the transactions contemplated by this Contract, and any

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remainder shall be used consistent with CDBG regulations applicable to program income.

(ii) Earnings on the Loan Repayment Account (including any earnings on funds in the Loan Repayment Investment Account) may be applied toward payment of the fees and expenses of the Custodian.

(e) Paragraph 13 of Part II of this Contract is replaced in its entirety with the following:

"Payment of principal, interest, and any other amounts owing on the Note, and payment of any amounts that may become due or owing under this Contract, shall be a valid claim only as against, and such amounts shall be payable solely from, the funds and security pledged pursuant to paragraph 5 of this Contract and the special funds or accounts established with one or more financial institutions under paragraphs 1 and 6 of this Contract for the deposit of such funds and security. In accordance with RCW 35.21.735, the Notes and any payments coming due to the Secretary or the United States under this Contract shall be payable from such security and from any such special funds or accounts, but shall not be obligations of The City of Seattle or the State of Washington and neither the faith and credit nor the taxing power of the City or the State, or any municipal corporation or agency of the City or State, shall be pledged to the payment of principal, interest, or premium, if any, on the Notes or for any amounts due under this Contract. Nothing herein shall require the Borrower to make any payment from any source other than the security and special funds or accounts, nor shall anything herein constitute or give rise to a debt or indebtedness of The City of Seattle within the meaning of any constitutional or statutory limitation on the incurring of debt.

The limitations in this paragraph 13 shall not in any way impair the validity or enforceability of the pledge of security under this Contract, which is duly authorized pursuant to RCW 35.21.735, nor limit the rights and remedies of the Secretary with respect to such security."

(f) In the event of a default under the Deed of Trust and/or any of the other Security Documents, the Borrower may request, in writing, that the Secretary authorize the Borrower or the Custodian to take any lawful action provided for or permitted under the Security Documents on account of such default. If the Secretary does not authorize the action(s) requested by the Borrower within twenty (20) days of receipt of the request, and the Secretary does not within such twenty (20) day period give notice that the Secretary elects to exercise remedies under the Security Documents pursuant to the assignment of the additional security hereunder, and if any default on the Security Documents shall not have been cured within such twenty (20) days, the Borrower, in its own name and at its own cost, may take or cause to be taken any of the requested actions. The actions that may be requested or taken by Borrower hereunder shall include, without limitation, acceleration of the debt owed to Borrower that is pledged as security hereunder; judicial foreclosure of the Deed of Trust; directing the trustee under the Deed of Trust to conduct nonjudicial

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foreclosure proceedings, and substituting a new trustee for such purpose; accepting a deed in lieu of foreclosure; and bidding the amount of the debt under the Security Documents at any foreclosure sale or trustee's sale. If Borrower acquires the Property then Borrower (or, at the Secretary's option, the Custodian) shall hold the Property and any sales proceeds thereof in trust for the Secretary until the Secretary has been reimbursed all amounts to which the Secretary is entitled hereunder and Borrower has redeemed or defeased all outstanding Notes in accordance with this Contract, at which time the Property or proceeds shall belong to Borrower free and clear of such trust.

Any amounts recovered by the Secretary, the Custodian or the Borrower from exercise of remedies with respect to the additional security may be used to pay any costs or expenses of any actions related thereto.

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IN WITNESS WHEREOF, the undersigned, as authorized officials on behalf of the Borrower or the Secretary, have executed this Contract for Loan Guarantee Assistance, which shall be effective as of the date of execution hereof on behalf of the Secretary.

BORROWER

ATTEST:

_____
(Name)

_____
(Title)

_____
(Signature)

BY: _____
(Name)

_____
(Title)

_____
(Signature)

_____
(Date)

SECRETARY OF HOUSING AND URBAN DEVELOPMENT

BY: _____
(Name)

_____
(Title)

_____
(Signature)

_____
(Date)

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ATTACHMENT 1

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

LETTER AGREEMENT FOR
SECTION 108 LOAN GUARANTEE PROGRAM
CUSTODIAL ACCOUNT

_____
Name of Institution (and Branch)

_____
Street

_____
City

_____ DATE

[] This account is established for funds received by the Borrower under note(s) guaranteed by the United States Department of Housing and Urban Development (HUD) under the Section 108 Loan Guarantee Program. (Guaranteed Loan Funds Account.)

[] This account is established for repayment of the note guaranteed by HUD under the Section 108 Loan Guarantee Program. (Loan Repayment Account).

[] This account is established as a debt service reserve under the Section 108 Loan Guarantee Program. (Debt Service Reserve Account.)

You are hereby authorized and requested to establish a custodial account to be specifically designated

"
_____
Trustee of United States Department of Housing and Urban Development." All deposits made in such account shall be subject to withdrawal therefrom by the Borrower named below, and shall also be subject to withdrawal therefrom by HUD. No agent of the Borrower shall be authorized to withdraw funds from the account. You are also authorized to pay HUD at any time upon its written demand, which need not name a specific amount, the entire amount in such account subject only to notice requirements contained in applicable regulations governing this institution, but in no event to exceed seven business days.

You are further authorized upon the request of HUD to refuse to honor any instrument drawn upon or withdrawals from such account by

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parties other than HUD and to change the name of the aforesaid account to the "United States Department of Housing and Urban Development." In no instance shall the funds in the Custodial Account be used to offset funds which may have been advanced to, or on behalf of, the Borrower by the custodian institution.

This letter is submitted to you in duplicate. Please execute the duplicate copy of the certificate below, acknowledging the existence of such account, so that we may present the copy signed by you to HUD.

_____

Name of Borrower

_____

By (Signature)

_____

Title

_____

The undersigned institution certifies to the United States Department of Housing and Urban Development (HUD) that the account identified is in existence in this institution under account number _____, and agrees with the Borrower named above and HUD to honor demands on such account in the manner provided in the above letter, subject only to notice requirements contained in applicable regulations governing this institution, but in no event to exceed seven business days. The undersigned institution further agrees upon the request of HUD to refuse to honor any instruments drawn upon or withdrawals from such account by parties other than HUD and to change the name of the aforesaid account to "United States Department of Housing and Urban Development." In no instance shall the funds in the Custodial Account be used to offset funds which may have been advanced to, or on behalf of, the Borrower by the custodian institution. Deposits in this institution are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or the National Credit Union Administration.

_____

Name of Institution By

_____

Title Date

_____

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ATTACHMENT 2

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

LETTER AGREEMENT FOR
SECTION 108 LOAN GUARANTEE PROGRAM
CUSTODIAL INVESTMENT ACCOUNT

_____
Name of Institution (and Branch)

_____
Street

_____
City

_____ DATE

[] This account is established to hold obligations and their assignments, such obligations having been purchased with funds from the Guaranteed Loan Funds Account. (Guaranteed Loan Funds Investment Account.)

[] This account is established to hold obligations and their assignments, such obligations having been purchased with funds from the Loan Repayment Account. (Loan Repayment Investment Account.)

[] This account is established to hold obligations and their assignments, such obligations having been purchased with funds from the Debt Service Reserve Account. (Debt Service Reserve Investment Account.)

You are hereby authorized and requested to hold obligations and assignments of those obligations in trust for the United States Department of Housing and Urban Development (HUD) in an account specifically designated

"_____
Trustee of United States Department of Housing and Urban Development." All obligations and assignments shall be subject to release to the Borrower named below, and shall also be subject to release to HUD. No agent of the Borrower shall be authorized to release the obligations or assignments. You are also authorized to release the obligations and assignments to HUD at any time upon its written demand, which need not name specific obligations and assignments, all obligations and assignments being held in such account subject only to any notice requirements contained in applicable regulations governing this institution, but in no event to exceed seven business days.

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You are further authorized upon the request of HUD to refuse to honor any request for release of the obligations and assignments from such account by parties other than HUD and to change the name of the aforesaid account to the "United States Department of Housing and Urban Development." In no instance shall the obligations in the account be used to offset funds which may have been advanced to, or on behalf of, the Borrower by the custodian institution.

This letter is submitted to you in duplicate. Please execute the duplicate copy of the certificate below, acknowledging the existence of such account, so that we may present the copy signed by you to HUD.

_____

Name of Borrower

_____

By (Signature)

_____

Title

_____

The undersigned institution certifies to the United States Department of Housing and Urban Development (HUD) that the account identified is in existence in this institution under account number _____, and agrees with the Borrower named above and HUD to honor demands release on such account in the manner provided in the above letter, subject only to any notice requirements contained in applicable regulations governing this institution, but in no event to exceed seven business days. The undersigned institution further agrees upon the request of HUD to refuse to honor any request for release of the obligations and assignments from such account by parties other than HUD and to change the name of the aforesaid account to "United States Department of Housing and Urban Development." In no instance shall the obligations in the account be used to offset funds which may have been advanced to, or on behalf of, the Borrower by the custodian institution. Deposits in this institution are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or the National Credit Union Administration.

_____

Name of Institution By

_____

Title -- Date

_____

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Exhibit C

Form of Non-Recourse Note

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note VFR 2020 rev. 9-1-00

EXHIBIT C to Ordinance

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
SECTION 108 LOAN GUARANTEE PROGRAM

VARIABLE/FIXED RATE NOTE

NOTE NUMBER:_____ DATE OF NOTE: _____

BORROWER:

PRINCIPAL DUE DATES AND PRINCIPAL AMOUNT: Before the Conversion Date, the aggregate of Advances made for each applicable Principal Due Date specified in the Commitment Schedule to this Note; on or after the Conversion Date, the Principal Amount (if any) listed for each Principal Due Date in Schedule P & I hereto.

MAXIMUM COMMITMENT AMOUNT: $ _____

COMMITMENT AMOUNTS: See Commitment Schedule attached hereto

VARIABLE INTEREST RATE: As set forth below.

REGISTERED HOLDER: AFTERWATCH & CO
As Nominee for
Money Market Obligations Trust
behalf of its Government Obligations Fund

I. Terms Applicable Before the Conversion Date

A. Advances

For value received, the undersigned, THE CITY OF SEATTLE (the "Borrower", which term includes any successors and assigns), a public entity organized and existing under the laws of the State of Washington, promises to pay to the Registered Holder (the "Holder", which term includes any successors or assigns), at the time, in the manner, and with interest at the rate or rates hereinafter provided, such amounts as may be advanced under this Note from time to time

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by the Holder for disbursement to, or on behalf of the Borrower (individually, an "Advance", and collectively, "Advances"). The Holder shall make Advances upon the written request of the Borrower and the approval of the Secretary of Housing and Urban Development or his designee (the "Secretary"), pursuant to the Contract for Loan Guarantee Assistance (as further defined in Section IV.A. of this Note, the "Contract"), and the Amended and Restated Master Fiscal Agency Agreement (the "Fiscal Agency Agreement") dated as of May 17, 2000, between The Chase Manhattan Bank (formerly known as Chemical Bank), as Fiscal Agent (the "Fiscal Agent"), and the Secretary. The total amount of Advances made for each Principal Due Date under this Note shall not exceed the applicable Commitment Amount for such Principal Due Date set forth on the Commitment Schedule attached hereto. The aggregate of all Advances under this Note for all Principal Due Dates shall not exceed the Maximum Commitment Amount specified on the attached Commitment Schedule. The Fiscal Agent shall record the date and amount of all payments and Advances on this Note and maintain the books and records of all such Advances and Commitment Amounts for each corresponding Principal Due Date, and all payments. No Advances shall be made on this Note after its Conversion Date.

As used herein, "Conversion Date" means the date (if any) upon which this Note is (i) delivered by the Holder to the Fiscal Agent against payment therefor by the purchasers selected by the Secretary to make such payment; and (ii) assigned to The Chase Manhattan Bank (or any successor thereto) acting in its capacity as Trustee (the "Trustee") pursuant to a Trust Agreement among the Secretary and the Trustee, dated as of January 1, 1995, as such agreement may be amended or supplemented (the "Trust Agreement"). Upon the occurrence of both (i) and (ii) in the previous sentence, Section III of this Note applies, thereby converting this Note to a fixed rate obligation.

B. Variable Rate of Interest

From and including the date of each Advance to but excluding the earlier of (i) the Conversion Date, and (ii) the date of redemption or prepayment of such Advance pursuant to Section I.D. below (each such date of redemption or prepayment, a "Prepayment Date") interest shall be paid quarterly at a variable interest rate (as set forth below) on the unpaid principal balance of each Advance on the first day of each February, May, August and November (each, an "Interim Payment Date"), commencing on the first Interim Payment Date after the Initial Advance is made under this Note. Interest also shall be paid on each applicable Conversion Date, Prepayment Date or Principal Due Date. The amount of interest payable on each Interim Payment Date will represent interest accrued during the three-month period ending immediately prior to such Interim Payment Date, or in the case of the first Interim Payment Date following each Advance that is not made on an Interim Payment Date, the period from and including the date of such Advance to but excluding the first Interim Payment Date following such Advance. The amount of interest payable on this Note's Conversion Date, Prepayment Date, or on any Principal Due Date that precedes such Conversion Date will represent interest accrued during the period from the last Interim Payment Date to such Conversion Date, Prepayment Date, or Principal Due Date, respectively.

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The initial variable interest rate for each Advance will be set on the date of such Advance and will be equal to 20 basis points (0.2%) above the Applicable LIBO Rate (as hereinafter defined) and thereafter will be adjusted monthly on the first day of each month (each, a "Reset Date") to a variable interest rate equal to 20 basis points (0.2%) above the Applicable LIBO Rate (such interest rate, as reset from time to time, the "Standard Note Rate"). If the Conversion Date for this Note has not occurred by the March 1 following the initial Advance under this Note, then the terms of Appendix A shall be used to set the variable interest rate. If the Fiscal Agent does not receive notice of either a Negotiated Special Interest Rate or Holder Determined Special Interest Rate (as defined in Appendix A attached hereto) from the Secretary or Holder, respectively, by the times specified in Appendix A to this Note, then the Standard Note Rate shall apply for the period to which such Negotiated Special Interest Rate or Holder Determined Special Interest Rate would otherwise apply. The Fiscal Agent may conclusively rely on any such notice as to the correctness of any matters set forth therein. Appendix A shall be inapplicable to this Note on or after the Conversion Date.

"LIBO Rate" for any given Business Day means, except in the case of manifest error, the interest rate per annum published on that day in the Eastern Edition of The Wall Street Journal or any successor publication ("WSJ"), published by Dow Jones & Company, Inc., in the section titled "Money Rates" (or any successor section) and opposite the caption "London Interbank Offered Rates (LIBOR) -- three months" (or any successor caption). If such rate does not appear in WSJ, for each interest period, the LIBO Rate shall be the interest rate, converted to a bond-equivalent yield basis, for deposits in U.S. dollars for three months which appears on Telerate Page 3750 or such other page as may replace Page 3750 on that service or such other service or services as may be nominated by the British Bankers' Association for the purpose of displaying such rate (together, "Telerate Page 3750") as of 11:00 a.m., London time, on the day (the "Determination Date") that is two London banking days preceding the relevant Reset Date or Advance. If such rate does not appear on Telerate Page 3750 on such Determination Date, such rate shall be obtained from the Reuters Screen ISDA Page as of 11:00 a.m., London time, on such Determination Date. If, in turn, such rate does not appear on the Reuters Screen ISDA Page on such Determination Date, the offered quotation from each of four reference banks (expressed as a percentage per annum) as of approximately 11:00 a.m., London time, on such Determination Date for deposits in U.S. dollars to prime banks on the London interbank market for a 3-month period, commencing on the Reset Date or date of such Advance, shall be obtained. If at least two such quotations are provided, the LIBO RATE for such Reset Date or date of such Advance will be the arithmetic mean of the quotations, rounded to five decimal places. If fewer than two such quotations are provided as requested, the LIBO RATE for that Determination Date shall be the rate for the most recent day preceding such Determination Date for which the LIBO RATE shall have been displayed on Telerate Page 3750. The LIBO RATE for any interest period shall be converted to a bond-equivalent yield basis by multiplying such rate by the actual number of days in such interest period and dividing that number by 180.

"Applicable LIBO Rate" means: (1) with respect to the initial interest rate for the first Advance hereunder, the LIBO Rate two London Banking Days before the date of such first Advance; (2) with respect to the initial interest rate for any subsequent Advance made before the

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first Reset Date, the interest rate borne by the first Advance; (3) with respect to the initial interest rate for any subsequent Advance made after the first Reset Date, the LIBO Rate two London Banking Days before the immediately preceding Reset Date; and (4) with respect to the subsequent interest rate at any Reset Date for any Advance, the LIBO Rate two London Banking Days before such Reset Date.

"London Banking Day" means any day in which dealings in deposits in United States dollars are transacted in the London interbank market. Interest payable on or before the Conversion Date shall be calculated on the basis of a 360-day year and the actual number of days lapsed.

C. Principal Amount

Prior to the Conversion Date, the aggregate amount of Advances under this Note for each specified Principal Due Date shall be paid by the Borrower on such Principal Due Date (as assigned to such Advances by the Secretary's instructions to the Fiscal Agent in accordance with the Contract and the Fiscal Agency Agreement), unless this Note is redeemed before such Principal Due Date as provided below.

D. Redemption before Conversion Date

At any time on or before the Conversion Date, the Borrower, with the consent of the Secretary, may redeem this Note, in whole or in part, upon fourteen calendar days notice to the Fiscal Agent and the Secretary, at the purchase price of one hundred percent (100%) of the unpaid Principal Amount to be redeemed, plus accrued interest thereon to the date of redemption. Partial redemptions shall be credited against the applicable Principal Amount(s). The related Commitment Amounts and the Maximum Commitment Amount shall be adjusted concurrently with any such redemptions in accordance with the Secretary's instructions to the Fiscal Agent pursuant to the Contract and the Fiscal Agency Agreement.

II. Conversion

The following events shall occur on the Conversion Date:

A. Schedule P&I

On the Conversion Date all Advances owed by the Borrower under this Note with the same Principal Due Date shall be aggregated into a single Principal Amount that will accrue interest at the fixed rate applicable to such Principal Due Date. Such Principal Amount may be adjusted by the Fiscal Agent in accordance with the following paragraph or paragraph IV.H, as applicable. Whether or not adjusted, the fixed rate applicable to each Principal Amount, together with the applicable Principal Due Date each shall be listed by the Secretary in Schedule P&I. Schedule P&I will be provided by the Secretary to the Fiscal Agent and attached to this Note by the Fiscal Agent upon the Fiscal Agent's receipt of this Note on the Conversion Date.

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B. Conversion Date Advances

If, on or prior to the Conversion Date, the Borrower has not utilized the entire Commitment Amount indicated on the Commitment Schedule attached hereto for a given Principal Due Date, the Borrower may, in accordance with the Fiscal Agency Agreement and the Contract, and with the approval of the Secretary, utilize such Commitment Amount on the Conversion Date to obtain a Conversion Date Advance. A "Conversion Date Advance" shall mean any amount by which the Secretary instructs the Fiscal Agent to increase a Principal Amount on Schedule P&I for a given Principal Due Date, effective as of the Conversion Date of this Note. Conversion Date Advances shall be funded by the sale of this Note to the purchaser selected by the Secretary. The proceeds of a Conversion Date Advance (net of any applicable fees) shall be distributed to or on behalf of the Borrower on the Conversion Date. The total amount of Conversion Date Advances shall not exceed the amount of any unused Commitment Amounts for any Principal Due Date.

III. Terms Applicable Upon Conversion

The following terms shall apply to this Note from the Conversion Date (if any) until this Note is canceled, or matured and paid in full:

Commencing on the Conversion Date, the Borrower promises to pay to the Holder on the applicable Principal Due Date each Principal Amount set forth on the attached Schedule P&I, together with interest on each such Principal Amount at the rate applicable thereto specified on the Schedule P&I. Interest shall be calculated and payments shall be made in the manner set forth below.

Interest on each scheduled Principal Amount of this Note due as of a given date specified on Schedule P&I hereto shall accrue at the related per annum rate specified on Schedule P&I from (and including) the Conversion Date to (but excluding) such Principal Due Date or, if applicable, to the applicable Interest Due Date on which an Optional Redemption (as defined below) occurs. Each interest amount accrued on each unpaid Principal Amount of this Note shall be due semiannually as of February 1 and August 1 of each year (each such February 1 and August 1, an "Interest Due Date") commencing on the first such date after the Conversion Date, until each Principal Amount listed on Schedule P&I to this Note is paid in full. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Certain Principal Amounts that are indicated as being eligible for Optional Redemption on Schedule P&I may be paid, in whole or in part, at the option of the Borrower as of any Interest Due Date after the date specified in such schedule (an "Optional Redemption"). In order to elect an Optional Redemption of a prepayable Principal Amount, the Borrower shall give notice of its intention to prepay a Principal Amount to the Trustee and the Secretary not less than 60 days nor more than 90 days prior to the Interest Due Date as of which the Borrower intends to prepay the Principal Amount. The Trustee shall apply any payments received in respect of Optional Redemptions in accordance with written instructions of the Borrower, as approved by

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the Secretary. Principal Amounts that are not indicated as being eligible for Optional Redemption on Schedule P&I may not be prepaid.

IV. General Terms

A. Additional Definitions

For purposes of this Note, the following terms shall be defined as follows:

"Business Day" shall mean a day on which banking institutions in New York City are not required or authorized to remain closed and on which the Federal Reserve Bank and the New York Stock Exchange are not closed. If any payment (including a payment by the Secretary) is required to be made on a day that is not a Business Day, then payment shall be made on the next Business Day.

"Contract" shall mean the Contract for Loan Guarantee Assistance, and any amendments thereto, between the Secretary and the Borrower, the designated public entity named therein (if applicable), or the State named therein (if applicable), which refers to and incorporates this Note by the number hereof.

"Principal Amount" shall mean: (i) before the Conversion Date for this Note, the aggregate amount of Advances made for each Principal Due Date specified in the Commitment Schedule attached to this Note, less the amount of any redemptions pursuant to Section I.D. hereof, and any principal repayment; and (ii) on or after the Conversion Date, the principal amount (if any) stated for each Principal Due Date in Schedule P&I attached hereto, less the amount of any principal repayment and any Optional Redemptions made pursuant to Section III hereof and the Trust Agreement.

B. Timely Payment to Fiscal Agent or Trustee

Notwithstanding anything contained in Section I, Section II, or Section III, the Borrower, in accordance with the Contract, shall be required to make all payments of interest and principal, including any Optional Redemption payment, directly to the Fiscal Agent or the Trustee (as applicable) on the seventh Business Day prior to the appropriate Interim Payment Date, Interest Due Date, Principal Due Date, Prepayment Date, or date of Optional Redemption, as applicable.

C. Interest on Late Payments

If a payment of principal or interest herein provided for shall not be made by either (i) 2:30 p.m. on an Interest Due Date or Principal Due Date; or (ii) 2:30 p.m. on the second Business Day (as herein defined) next succeeding an Interim Payment Date, then interest shall accrue on the amount of such payment at the then applicable interest rate or rates payable on this Note, from the relevant due date, as the case may be, until the date such payment is made. Nothing in

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the immediately preceding sentence shall be construed as permitting or implying that the Borrower may, without the written consent of the Holder and the Secretary, modify, extend, alter or affect in any manner whatsoever the right of the Holder timely to receive any and all payments of principal and interest specified in this Note.

D. Applicability of Fiscal Agency Agreement or Trust Agreement

Prior to the Conversion Date, this Note and Advances and payments made hereunder shall be administered pursuant to the terms of the Fiscal Agency Agreement and are subject to such agreement. On or after the Conversion Date, this Note and Advances and payments made hereunder shall be administered pursuant to the Trust Agreement and are subject to such agreement. The terms and provisions of the Fiscal Agency Agreement or the Trust Agreement, insofar as they affect the rights, duties and obligations of the Holder and/or the Borrower, are hereby incorporated herein and form a part of this Note. The Borrower hereby agrees to be bound by all obligations of the Borrower to the Fiscal Agent set forth in the Fiscal Agency Agreement. Capitalized terms not defined in this Note shall have the meanings ascribed to them in the Fiscal Agency Agreement or Trust Agreement, as applicable. The Fiscal Agency Agreement provides for the Fiscal Agent to perform certain duties, including the duties of (i) paying agent and calculation agent for this Note until its Conversion Date, and (ii) registrar for this Note until this Note is canceled or a new registrar appointed, each in accordance with the Fiscal Agency Agreement. The Trust Agreement provides for the Trustee to perform certain duties, including the duties of collection agent for this Note after its Conversion Date until a new Trustee is appointed in accordance with the Trust Agreement. This Note may be surrendered to the Fiscal Agent for registration of transfer or exchange, as provided in the Fiscal Agency Agreement. The Fiscal Agent and Trustee each shall permit reasonable inspection to be made of a copy of the Fiscal Agency Agreement or Trust Agreement kept on file at its respective corporate trust office. Neither the Fiscal Agency Agreement nor the Trust Agreement shall change the Borrower's payment obligations under this Note.

E. Applicability of Contract and Secretary's Guarantee

This Note evidences indebtedness incurred pursuant to and in accordance with the Contract and pursuant to Section 108 of Title I of the Housing and Community Development Act of 1974, as amended (42 U.S.C. § 5308) (the "HCD Act"). This Note is subject to the terms and provisions of the Contract, to which Contract reference is hereby made for a statement of said terms and provisions and for a description of the collateral security for this Note. The payment of principal on the applicable Principal Due Dates and interest on the applicable Interim Payment Dates or Interest Due Dates under this Note is unconditionally guaranteed by the Secretary to the Holder through a guarantee (the "Guarantee"). Execution of the Secretary's Guarantee is required before this Note is effective, and such Guarantee shall be issued pursuant to and in accordance with the terms of the Contract and Section 108 of the HCD Act.

F. Default

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A default under this Note shall occur upon failure by the Borrower to pay principal or interest on this Note when due hereunder. If a Borrower defaults on the payment of any interest or Principal Amounts when due, or if the Secretary gives notice of a final decision to declare the Borrower in default pursuant to the following paragraph of this Section IV.F., the Secretary may, but is not obligated to, make on any date on or prior to the Conversion Date with fourteen calendar days prior notice to the Fiscal Agent, or on the seventh Business Day preceding any Interest Due Date on or after the first permissible Optional Redemption Date with seven Business Days prior notice to the Trustee, an acceleration payment to the Fiscal Agent or the Trustee, as applicable, equal to the Aggregate Principal Amount of the Note, together with accrued and unpaid interest thereon to such acceleration payment date or Interest Due Date, as applicable. In the event that any such acceleration payment is made from sources other than funds pledged by the Borrower as security under the Contract (or other Borrower funds), the amounts paid on behalf of the Borrower shall be deemed to be immediately due and payable to the Secretary. Nothing in this paragraph shall be construed as permitting or implying that the Borrower may, without the written consent of the Holder and the Secretary, modify, extend, alter or affect in any manner whatsoever the right of the Holder timely to receive any and all payments of principal and interest specified in this Note.

In addition, the Secretary may declare the Borrower in default under this Note if the Secretary makes a final decision in accordance with the provisions of 24 C.F.R. § 570.913 (or any successor regulation thereof), including requirements for reasonable notice and opportunity for hearing, that the Borrower has failed to comply substantially with Title I of the HCD Act. Following the giving of such reasonable notice, the Secretary may take the remedial actions specified as available in the relevant provisions of the Contract pending the Secretary's final decision.

G. Holder's Reliance on Guarantee

Following a default by the Borrower under the terms of this Note, the Holder agrees to rely wholly and exclusively for repayment of this Note upon the Guarantee. The enforcement of any instruments or agreements securing or otherwise related to this Note shall be the sole responsibility of the Secretary, and the Holder shall not be responsible for the preparation, contents or administration of such instruments and agreements, or for any actions taken in connection with such instruments and agreement. The Holder, to the extent it is legally able to do so, shall bind or cause to be bound its successors and assigns to all limitations imposed upon the Holder by this Note.

H. Amendment

This Note may only be amended with the prior written consent of the Secretary and the Borrower. No such amendment shall reduce, without the prior written consent of the Holder of this Note, in any manner the amount of, or delay the timing of, payments required to be received on this Note by the Holder, Fiscal Agent or Trustee, including Guarantee Payments; provided that prior to the Conversion Date, the Commitment Amounts on the Commitment Schedule

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attached hereto, and the Principal Amounts due on the corresponding Principal Due Dates may be rescheduled pursuant to written instructions given to the Fiscal Agent by the Secretary with the written agreement of the Borrower and the Secretary absent the consent of the Holder.

I. Waivers

The Borrower hereby waives any requirement for presentment, protest or other demand or notice with respect to this Note. The Borrower hereby waives notice of default and opportunity for hearing for any failure to make a payment when due.

J. Delivery and Effective Date

This Note is deemed issued, executed, and delivered on behalf of the Borrower by its authorized official as an obligation guaranteed by the Secretary pursuant to Section 108 of the HCD Act, effective as of the date of the Secretary's Guarantee.

V. Borrower-Specific Provisions

[This space intentionally left blank]

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IN WITNESS WHEREOF, the undersigned, as an authorized official of the Borrower, has executed and delivered this Note.

THE CITY OF SEATTLE

By: /s/ _____
(Signature)

_____
(Name)

ATTEST:

By: /s/ _____
(Signature)

_____
(Name)

_____
(Title)

_____
(Title)

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ASSIGNMENT AND TRANSFER

For value received, the undersigned assigns and transfers this Note to

_____

(Name and Address of Assignee)

_____

_____

(Social Security or Other Identifying Number of Assignee)

and irrevocably appoints _____ attorney-in-fact to transfer it on the books kept for registration of the Note, with full power of substitution.

Dated: _____

_____

Note: The signature to this assignment must correspond with the name as written on the face of the Note without alteration or enlargement or other change.

Signature Guaranteed:

_____

Qualified Financial Institution

By: _____

Authorized Signature

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APPENDIX A

Special Pre-Conversion Interest Rates.

(a) The Holder and the Secretary contemplate that the majority of the outstanding Variable/Fixed Rate Notes will be purchased by underwriters selected by the Secretary for sale in public offerings to occur each year. If a public offering including this Note has not occurred by each March 1 following the initial Advance under this Note, the Secretary shall, upon request, advise the Holder as to when a public offering including this Note is expected to occur, and the Holder and the Secretary agree to consult with each other as to what the interest rate on this Note will be after May 1 of that year if a public offering has not occurred by such May 1. The Holder shall notify the Secretary if such consultation has not occurred by April 1 of that year. If no public offering including this Note has occurred on or before such May 1, the applicable interest rate on this Note from such May 1 shall be the rate (if any) negotiated and agreed upon by the Secretary and the Holder. Such rate may be the Standard Note Rate or some other rate agreed upon by the Holder and the Secretary at least two Business Days before such May 1 (such other rate, the "Negotiated Special Interest Rate"). The Secretary shall notify the Fiscal Agent and the Holder in writing of any Negotiated Special Interest Rate within two Business Days of the determination thereof.

(b) If the Secretary and the Holder do not, by the April 15th preceding such May 1, negotiate and agree under Section (a) of this Appendix on an interest rate applicable to this Note, then the Holder may, on or before the April 20th preceding such May 1, give written notice to the Secretary of its intent to change the interest rate on this Note and, if such notice was given during such period, the Holder may, on such May 1, unilaterally determine (subject to the terms of this paragraph) the interest rate that this Note will bear (such rate, the "Holder Determined Interest Rate") from and including such May 1 to but excluding the earliest of: (i) the Conversion Date; (ii) the date that this Note is purchased by a new Holder (as described in Section (c) below) or (iii) a Monthly Special Reset Date (as defined below). Interest from and including such May 1 to but excluding the Public Offering Date shall be paid on the unpaid principal balance of all outstanding Advances under this Note at the rate(s) to be determined by the Holder, which, based upon then prevailing market conditions and taking into account all the circumstances, will enable the Holder to sell this Note at one hundred percent (100%) of the aggregate amount of all Advances hereunder prior to the date of such sale. Such interest rate shall be determined as of such May 1 and shall be determined again on the foregoing basis on the first of each month thereafter (the first of each month after such May 1, a "Monthly Special Reset Date"). The Holder shall notify the Fiscal Agent and the Secretary in writing within two Business Days following such dates of the determination of the Holder

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Determined Interest Rate and each applicable interest rate determined on a Monthly Special Reset Date.

(c) If the Secretary and the Holder have failed to agree upon an interest rate pursuant to Section (a) of this Appendix A, the Secretary, upon seven calendar days notice to the Holder, may arrange for the purchase of this Note in full by another entity on the following May 1 or any Business Day thereafter. If such a purchase occurs, the Holder shall sell and assign this Note to the purchaser thereof without recourse to the Holder and deliver this Note and its Guarantee to the Fiscal Agent for registration in the name of the purchaser thereof in accordance with the Secretary's written instructions. The purchase price for this Note shall be 100% of the aggregate amount of all Advances owing hereunder plus accrued interest to the date of purchase. Payment to the Holder of the purchase price for this Note shall be made by the purchaser thereof in Federal funds at the offices of the Holder, or at such other place as shall be agreed upon by the Holder and the Secretary, at 10:00 a.m., New York time, on the date of purchase. After such purchase date this Note shall bear a rate of interest negotiated between the Secretary and the new interim Holder (the "New Purchaser Special Interest Rate"). The Secretary shall notify the Fiscal Agent and the new purchaser in writing of any New Purchaser Special Interest Rate within two Business Days following the date of determination thereof.

(d) Notwithstanding Sections (a) through (c) (inclusive) of this Appendix, no Borrower is obligated to pay interest at a variable rate exceeding the maximum rate permitted by generally applicable law of the Borrower's state (such rate, the "Maximum Rate"). If the Borrower receives notice of a variable interest payment that exceeds the Maximum Rate, then the Borrower shall timely pay such amount as does not exceed the Maximum Rate, and concurrently shall notify the Secretary and the Fiscal Agent of the reason for any interest non-payment.

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COMMITMENT SCHEDULE

Note No. _____

Principal Due Date	Commitment Amount
August 1, 2001	$
August 1, 2002	
August 1, 2003	
August 1, 2004	
August 1, 2005	
August 1, 2006	
August 1, 2007	
August 1, 2008	
August 1, 2009	
August 1, 2010	
August 1, 2011	
August 1, 2012	
August 1, 2013	
August 1, 2014	
August 1, 2015	
August 1, 2016	
August 1, 2017	
August 1, 2018	
August 1, 2019	
August 1, 2020	
Maximum Commitment Amount	$

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SCHEDULE P&I

Note No. _____

Principal Amount	Principal Due Date	Interest Rate	Optional Redemption Available	
			YES	NO
$	August 1, 2001			X
	August 1, 2002			X
	August 1, 2003			X
	August 1, 2004			X
	August 1, 2005			X
	August 1, 2006			X
	August 1, 2007			X
	August 1, 2008			X
	August 1, 2009			X
	August 1, 2010			X
	August 1, 2011		X	
	August 1, 2012		X	
	August 1, 2013		X	
	August 1, 2014		X	
	August 1, 2015		X	
	August 1, 2016		X	
	August 1, 2017		X	
	August 1, 2018		X	
	August 1, 2019		X	
	August 1, 2020		X	
=	Aggregate Principal Amount			

Principal Amounts for which Optional Redemption is available may be redeemed, subject to the terms contained herein and in the Trust Agreement, on any Interest Due Date on or after August 1, 2010.

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Exhibit D

Form of Loan Agreement with Lewiston Hotel Limited Partnership

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DRAFT 10/3/00
EXHIBIT D TO ORDINANCE

LOAN AGREEMENT

between

LEWISTON HOTEL LIMITED PARTNERSHIP

and

THE CITY OF SEATTLE

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LOAN AGREEMENT

THIS AGREEMENT, dated as of _____, 2000, is entered into by and between **LEWISTON HOTEL LIMITED PARTNERSHIP**, a Washington limited partnership, hereinafter called "Obligor" and THE CITY OF SEATTLE, a Washington municipal corporation, hereinafter called "City" or "the City."

RECITALS

This Agreement is entered into upon the basis of the following facts and circumstances:

A. Obligor is the purchaser and owner of the real property described in **Exhibit A** attached hereto and made a part hereof (the "Property"). Obligor acquired the Property in part with proceeds of a previous loan from the City pursuant to a loan agreement dated as of November 22, 1999 ("Housing Loan Agreement"), administered by the City's Office of Housing ("OH"). The Housing Loan Agreement and the related promissory note, regulatory agreement, deed of trust and other agreements executed by Obligor in connection with that loan are referred to as the "Housing Loan Documents." A portion of the funds advanced under the Housing Loan Agreement was a bridge loan (the "Bridge Loan") made in anticipation of long-term financing to be provided by the loan under this Agreement and funds to be obtained by Obligor from other sources. Obligor intends to conduct certain renovations and to operate the residential part of the Property as housing for low-income persons. The Obligor's acquisition of the Property for such purposes and the intended renovation of a portion of the Property ("Renovation") in accordance with the description set forth on **Exhibit B** hereto, which Renovation is being financed separately from this Loan (defined in Section 1.1 below), together constitute the rehabilitation project for which this Loan provides a portion of the financing, and are referred to herein collectively as the "Project."

B. City has applied for and received a commitment from HUD to guarantee a non-recourse note ("City Note") to be issued by City, the proceeds of which are to be lent to Obligor for the purpose of refinancing a portion of the costs of the acquisition of the Property, under Section 108 of the Housing and Community Development Act of 1974, as amended (such Act and the federal regulations promulgated thereunder are hereinafter collectively called the "Act"). The City Note is the subject of a Contract for Loan Guarantee Assistance between the City and HUD (the "HUD Contract") and certain Letter Agreements for Section 108 Guarantee Program Custodial Account ("Letter Agreements") among the City, HUD and _____ (hereinafter referred to, with any successors under such agreement or successor agreement, as "Custodian"). City has also entered into a Custodial Agreement with the Custodian (referred to herein, together with any modification thereof or substitute therefor entered into consistent with Section 7.2 below, as the "Custodial Agreement"), which provides for the Custodian to hold certain security for the City Note on behalf of HUD and for the establishment and management of certain accounts pursuant to the HUD Contract and Letter Agreements. The HUD Contract is entered into pursuant to an application submitted to HUD by the City dated February 2, 2000, a copy of which Obligor has received and reviewed ("Application"). The Application, HUD Contract, Letter Agreements and Custodial Agreement are incorporated herein by this reference. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to them in the HUD Contract or City Note, as applicable.

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C. The Office of Economic Development of the City ("OED") is responsible within The City of Seattle for making, subject to City Council approval, loans of funds obtained from HUD by pledges of Community Development Block Grant ("CDBG") funds to be made available to City by HUD, pursuant to the Act.

D. The Loan shall be evidenced by this Agreement and by Obligor's Promissory Note ("Obligor Note") in the form attached hereto as **Exhibit C** and hereby incorporated by reference and secured by a Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing ("Deed of Trust") on the Property dated on or about the date hereof. The Obligor Note, this Agreement, the Deed of Trust, any other documents or instruments executed by Obligor in favor of City pursuant hereto, with the sole exception of the Certificate and Indemnity Regarding Building Laws and Hazardous Substances dated on or about the date hereof ("Certificate and Indemnity"), are collectively referred to herein as the "Loan Documents". Where the context so requires, to the extent that the Loan Documents provide that Obligor's obligations or duties thereunder are determined by reference to any terms or provisions of documents incorporated by reference in any of the Loan Documents, any reference to the "Loan Documents" shall include such terms or provisions.

NOTICE: ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT, ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

NOW, THEREFORE, in consideration of the foregoing Recitals and the covenants, conditions, representations and warranties contained herein, the parties hereto agree as follows:

ARTICLE I - THE LOAN

1.1 The Loan. In reliance upon Obligor's representations and warranties, and subject to the terms and conditions herein, in the other Loan Documents and in the HUD Contract, the City hereby agrees to cause Loan funds to be advanced to Obligor through the Custodian (which funds shall constitute the "Loan") in an amount equal to ONE MILLION and NO/100 DOLLARS ($1,000,000.00), subject to deduction for certain costs and fees as described below, solely for the purposes set forth herein. Loan disbursements shall be made only to the extent of available funds received by the Custodian from the issuance by the City of the City Note, which term shall include any replacement note(s) issued by the City and guaranteed by HUD pursuant to the HUD Contract, and City shall have no obligation to make disbursements from any other source. Obligor shall have the right to receive Loan funds only pursuant to the terms and conditions of this Agreement and the HUD Contract and in accordance with the Act.

1.2 Purpose of Loan. The Loan is solely for Obligor's costs of refunding costs of the acquisition of the Property, by retiring a portion of the Bridge Loan currently secured by a deed of trust in favor of the City.

1.3 Loan Documentation, Interest. The Loan shall be evidenced by this Agreement and by the Obligor Note, and shall be secured by the Deed of Trust. As provided in the Obligor Note, interest shall accrue on the Loan at a rate per annum equal to the effective interest rate on the City Note, as the same may change from time to time under the terms of the City Note and HUD Contract. After the Conversion Date each amount of principal scheduled to become due on a particular date pursuant to the City Note shall bear a separate rate of interest, and the corresponding

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Obligor Principal Amount under the Obligor Note shall bear interest at the same rate, as described in the Obligor Note. Such interest shall accrue from the date principal funds are Outstanding (as such term is defined in the Obligor Note) under the Obligor Note until all principal is paid or becomes due, whichever first occurs. Any principal or interest outstanding and unpaid after the date when payment is due shall bear interest at the rate stated for amounts past due in the Obligor Note. Interest, principal and premium, if any, shall be payable as set forth in the Obligor Note.

1.4 Security.

A. Deed of Trust with Assignment of Leases and Rents. The obligations of Obligor under the Loan Documents at all times shall be secured by the Deed of Trust, which shall be a first lien on the Property. The Deed of Trust shall include a perfected security interest in all personal property of Obligor used in connection with the Property. The Deed of Trust shall include an assignment of leases and rents. Obligor understands and agrees that City may assign the Deed of Trust to HUD as security for HUD's rights in connection with its guarantee of the City Note.

B. Reserve Accounts. Obligor's obligations under the Loan Documents also shall be secured by all funds and investments in the all of the accounts established hereunder and under the Custodial Agreement, and in the Operating Reserve Account and Replacement Reserve Account, as described in the Housing Loan Agreement (all such accounts shall be referred to as the "Reserve Accounts"). Obligor hereby pledges to the City, and grants the City a security interest in, all right, title and interest of Obligor in and to the funds and investments now or hereafter in such accounts (and any substitute accounts or subaccounts that may be established by Obligor or by any Custodian), and all earnings thereon and proceeds thereof, and any right, title or interest that Obligor may claim in any other account established under the Custodial Agreement, for the purpose of securing all of Obligor's obligations under the Loan Documents. Obligor agrees that such funds and other assets shall constitute "cash collateral" as described in the United States Bankruptcy Code. Obligor shall promptly take such actions as shall be reasonably requested by the City in order to perfect and continue the City's security interest in such accounts, the funds and investments therein, and the proceeds thereof. Obligor agrees that, in addition to all other rights and remedies with respect to Reserve Accounts and otherwise under the Loan Documents, immediately upon acceleration of the balance owing on the Loan, whether upon an Event of Default or any other circumstance permitting acceleration, the City shall have the absolute right, without notice or demand, to apply all funds and assets pledged under this Section to amounts owing under the Loan Documents, and for such purpose to liquidate or cause to be liquidated any investments in any commercially reasonable manner, and irrevocably authorizes any Custodian, upon notice from the City of an Event of Default or any other circumstance permitting acceleration, to comply with the City's directions to so apply any or all such funds and assets and to liquidate investments for such purpose.

C. Rights of City With Respect to Security. Obligor irrevocably agrees that, to the full extent permitted by applicable law, the City may realize upon any security for the Loan either before, concurrently with, or after either (1) any action to realize upon any other form of security (including without limitation the Deed of Trust), or (2) any suit or other proceeding on the Obligor Note, in each case without affecting the status of or waiving any rights or remedies under the Loan Documents or with respect to any security. Obligor consents to any and all actions that the City or Custodian may take to release, subordinate, accept substitution for, modify, compromise or waive

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any or all security with respect to the Loan, and Obligor agrees that no such action shall impair any rights or remedies of the City or Custodian under the Loan Documents.

1.5 Loan Fee and Monitoring Fee. Obligor shall pay to City a loan fee of TEN THOUSAND Dollars ($10,000.00), payable directly to City upon and from the first disbursement of Loan funds hereunder, payment of which loan fee is in addition to Obligor's duty to pay City's costs and fees pursuant to Section 1.6 of this Agreement. Obligor also shall pay to the City, for so long as this Loan or any part thereof remains Outstanding, an annual Monitoring Fee equal to one-half of one percent (0.5%) of the principal balance of the Loan Outstanding. The Monitoring Fee shall be payable semiannually commencing _____on the date when payments are due on the Obligor Note, and shall be based upon the principal balance Outstanding as of the previous Obligor Payment Date, after crediting payments made on such previous Obligor Payment Date. In case of prepayment or acceleration a prorated Monitoring Fee shall become due for the period since the last Obligor Payment Date.

1.6 Obligor's Payment of Costs and Fees. Obligor shall pay to City or at City's direction, as and when due, all costs and fees of whatever nature incurred by City (whether or not with recourse to the City) pursuant to the HUD Contract and City Note. The costs and fees payable by Obligor shall include, without limitation, (i) any and all charges and costs billed by the Fiscal Agent in respect of the City Note under the Master Fiscal Agency Agreement and Series _____ Fiscal Agency Agreement to be entered into by the City in connection with the issuance of the City Note, and (ii) if such Fiscal Agency Agreement shall be superseded wholly or in part by a trust agreement in connection with the offering of certificates backed by the City Note and other notes, any charges and costs billed by the trustee thereunder in respect of the City Note. Those costs and fees incurred by the City and payable by Obligor in connection with the execution and delivery of this Agreement and in connection with the Public Offering are estimated as follows: Fiscal Agent, Trustee and Underwriting Fees and Costs: _____; Custodian's initial fee: $_____; City's Outside Counsel Fees, $_____; Custodian's Outside Counsel Fees: $_____. These estimates do not include the following to be paid by Obligor: the fees described in Section 1.5; fees of the Custodian other than the initial set-up fee; costs and fees of the closing agent and title insurer; and any fees or costs incurred in case of breach or failure to perform by Obligor or in case of any litigation arising in connection with this Agreement. Obligor shall pay all costs and fees in connection with the escrow closing of the Loan, including without limitation escrow fees and title insurance premiums. Obligor shall pay, as provided in the Custodial Agreement as and when due thereunder, and upon demand therefor by the Custodian, all fees, charges, and expenses (including reasonable attorneys fees) to which the Custodian is entitled pursuant to the Custodial Agreement.

1.7 City Funds Not Obligated. The Loan will be made only from non-City funds that the Custodian receives under the HUD Contract and City Note. In accordance with RCW 35.21.735, the City Note, and any payments or obligations under the HUD Contract and any documents or agreements relating thereto including without limitation this Loan Agreement shall be a valid claim only against and payable solely from, the Accounts held by the Custodian and from the security pledged under the HUD Contract, and shall not be an obligation of The City of Seattle or the State of Washington, and neither the faith and credit nor the taxing power of the City or State or any municipal corporation or subdivision of the State or any agency of any of the foregoing is pledged to the payment of principal, interest or premium, if any, on the City Note or for any amounts due under the HUD Contract or any documents or agreements relating thereto including without limitation this Agreement. Nothing herein shall constitute a debt or indebtedness of the City payable from public

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funds within the meaning of any constitutional or statutory limitation on the incurring of debt. Obligor agrees and acknowledges that this Agreement does not create any recourse to or claim upon the City's general fund, or any other funds of the City, and Obligor hereby disclaims any such claim.

1.8 Application of Payments.

So long as the City or its Custodian shall have received, in immediately available funds, timely payments of interest and principal on the Obligor Note in the amounts required thereunder, the City shall apply such payments to payment of interest and principal on the City Note, as such interest and principal shall become due.

1.9 Acceleration on Certain Events.

The City shall have the absolute right, in its discretion, to declare all or any part of the principal balance owing on the Loan immediately due and payable in the event that:

(i) HUD or any court of competent jurisdiction shall determine that the Loan or the issuance of the City Note must be terminated, canceled or rescinded for failure to comply with the Act or other applicable law, or that for any reason any City Note cannot be issued or cannot be guaranteed by HUD; or

(ii) HUD shall notify the City that any or all of the City Note cannot be included in the pool of notes for purposes of a scheduled public offering for any reason, and that HUD or the holder of the City Note is not willing to allow the interim terms of the City Note to remain in effect pending a later public offering,

provided, that unless otherwise required by HUD or by the effect of a court order, Obligor shall be allowed a period of ninety (90) days after notice to Obligor thereof to seek to have such determination reversed or rescinded, or the effect thereof stayed, prior to acceleration of all or any part of the principal balance. If any such stay is obtained, then the City shall have the right to accelerate all or part of the principal balance immediately upon the lifting or termination of such stay.

ARTICLE II -- OBLIGOR'S REPRESENTATIONS AND WARRANTIES

In order to induce City to make the Loan and enter into the HUD Contract, Obligor represents and warrants as set forth below in this Article II as of the date hereof and as of the date of Closing (as defined in Section 4.1 below). These representations and warranties shall survive the execution, delivery and performance of the Loan Documents but shall terminate upon the satisfaction of all of the obligations of Obligor hereunder and under the other Loan Documents, subject to revival after such satisfaction if any amount paid under the Loan Documents is recaptured in bankruptcy or similar proceedings.

2.1 Organization of Obligor; Authority to Enter into Agreement. Obligor is a limited partnership duly organized and validly existing pursuant to the laws of the State of Washington. Obligor has the right and power to purchase, own, develop and lease the Property, and Obligor has full power and authority to enter into this Agreement, to borrow money as contemplated herein and to execute and perform the provisions of the Loan Documents. The execution, delivery and performance of this Agreement and the Loan Documents have been duly authorized by all necessary

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corporate action, and no other action of Obligor or any other party is required for the execution, delivery and performance of this Agreement or the Loan Documents. This Agreement, the Obligor Note, the Deed of Trust and the Certificate and Indemnity constitute valid and binding obligations of Obligor, each enforceable in accordance with their respective terms.

2.2 Nondiscrimination, Fair Contracting Practices.

(a) During the performance of this Loan Agreement, neither Obligor nor any party contracting with Obligor who would be paid with Loan funds under this Loan Agreement shall discriminate on the basis of race, color, sex, religion, national origin, creed, marital status, sexual orientation, gender identity, age or the presence of any sensory, mental or physical handicap in employment or application for employment or in the administration or delivery of services or any other benefits under this Loan Agreement. The Obligor shall comply fully with all applicable federal, state and local laws, ordinances, executive orders and regulations which prohibit such discrimination. These laws include, but are not limited to, Chapter 49.60 of the Revised Code of Washington, Titles VI and VII of the Civil Rights Act of 1964 and Chapter 14.04 of the Seattle Municipal Code.

(b) Each party is required to comply with the Fair Contracting Practices Ordinance of The City of Seattle (Ordinance 119601), as amended. Conduct made unlawful by that ordinance constitutes a breach of contract. Engaging in an unfair contracting practice may also result in the imposition of a civil fine or forfeiture under the Seattle Criminal Code as well as various civil remedies.

2.3 No Litigation. There are no actions, suits or proceedings pending, or to the knowledge of Obligor threatened against or affecting Obligor or the Property in any court of law or in equity, or before or by any governmental or municipal authority.

2.4 Title. Obligor represents and warrants that Obligor is the owner in fee simple absolute of the Property, and that upon closing of the Loan, the Property shall be subject to no liens or encumbrances except:

(a) the Deed of Trust in favor of City securing this Loan which shall at all times during the term hereof be a first lien on the Property;

(b) other deeds of trust, regulatory agreements and covenants in favor of the City;

(c) the following leases (collectively, the "Leases"): _____-- The tenants under the Leases are referred to collectively herein as the "Lessees". Each of the Leases shall be subordinated to the Deed of Trust pursuant to a Subordination, Attornment, Non-disturbance and Estoppel Agreement reasonably acceptable to the City and the respective Lessee (the "SAND Agreements");

(d) Special Exceptions Nos. _____ as shown on schedule B of the Commitment for Title Insurance issued by Chicago Title Insurance Company dated _____, no. _____ ("Title Commitment"); and

(e) Liens for property taxes or assessments on the Property not yet due.

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(f) A deed of trust in favor of the State of Washington securing a loan in the amount of $_____ on terms acceptable to the City;

(g) a Low-Income Housing Covenant in favor of the State of Washington;

(h) a Regulatory Agreement ("Extended Use Agreement") in favor of the Washington State Housing Finance Commission, in form and content acceptable to the City.

2.5 Covenants, Zoning, and Codes and Permits. The Property and its current and intended uses are in compliance in all material respects with, and Obligor covenants that the Property and its uses will continue to comply in all material respects with, all applicable zoning and land use codes, building and construction codes, fire codes, environmental statutes and regulations, and other laws, ordinances, and regulations applicable to the development and operation of the Property. All permits, consents, approvals or authorizations by, or registrations, declarations, withholding of objections or filings with any governmental body necessary in connection with the valid execution, delivery and performance of this Agreement, or necessary for the present and intended operations of the Property, have been obtained, are valid, adequate and in full force and effect, and all conditions and requirements of such permits are satisfied, and Obligor covenants that they shall continue to be satisfied. The Property is in compliance with all covenants, conditions, restrictions and reservations affecting the Property and with the provisions of all of the Leases. Obligor has not received notice from any regulatory body or agency of any actual or alleged noncompliance with any applicable law, regulation, code, ordinance or permit affecting the Property, nor any notice of any requirement that any additional permit or approval be obtained for the Property or any operations conducted thereon or therein.

2.6 Description of Property, Renovation, and Budget. The description of the Renovation in **Exhibit B** hereto and the Project Budget set forth in **Exhibit D** hereto are accurate and complete in all material respects.

2.7 Compliance With Documents. Obligor is and will remain in full compliance with all of the terms and conditions of this Agreement, the Loan Documents, and any and all other material agreements, instruments or other documents affecting the Property, and no occurrence has or shall have occurred and be continuing, which, with the passage of time or the giving of notice, or both, would constitute a default under any of the foregoing.

2.8 Taxes Are Paid. Obligor has filed all material tax returns which are required and has paid or made provision for the payment prior to the last day on which payment may be made without interest or penalty of all taxes which have or may become due pursuant to said returns or pursuant to any assessments levied against the Obligor or its personal or real property by any taxing agency, federal, state or local, and Obligor has withheld any paid over to proper authorities all withholding taxes required by law. No due or overdue tax liability or lien has been asserted by the Internal Revenue Service or other taxing agency, federal, state or local, and the Obligor knows of no basis for any such deficiency assessment or lien.

ARTICLE III -- CONDITIONS PRECEDENT TO LOAN CLOSING

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City's obligation to perform its duties under this Agreement, including without limitation causing disbursement of any funds, shall be subject to the full and complete satisfaction of the following conditions precedent:

3.1 Documents and Security. City shall have received fully executed originals of each of the following documents which shall have been duly authorized, executed (and acknowledged where appropriate) and delivered by the parties thereto, and shall be in form and content satisfactory to City: this Agreement; the Obligor Note; the Deed of Trust; a UCC-1 Financing Statement from Obligor; Subordination, Attornment, Non-Disturbance and Estoppel Agreements from tenants with respect to all Leases; Certificate and Indemnity Regarding Building Laws and Hazardous Substances from Obligor; a recent survey of the Property by a registered surveyor; a Subordination Agreement from the State of Washington and such other documents as City shall reasonably request. City shall have received evidence satisfactory to the City that all security instruments, guaranties and assignments contemplated by this Agreement are in full force and effect and have the priority contemplated hereby.

3.2 Evidence of Authority; Officer's Certificate. City shall have received evidence satisfactory to it that Obligor and the persons signing on behalf of Obligor have the capacity and authority to execute and deliver Loan Documents on behalf of Obligor, including, but not limited to, a copy of Obligor's charter, bylaws and resolution authorizing the transactions contemplated hereby, all as certified by an officer of Obligor as true, complete and in full force and effect. City shall have received a Certificate of Obligor, executed by Obligor's general partner by its _____, in the form attached hereto as **Exhibit E**.

3.3 Insurance.

The Obligor shall have provided to the City evidence of insurance coverage as required by the Deed of Trust.

3.4 Title Insurance. Obligor shall furnish City, at Obligor's expense, from Chicago Title Insurance Company ("Title Company"), an ALTA 1970 Form Extended Coverage lender's policy of title insurance in the amount of the Loan, showing City as an insured mortgagee, that fee title to the Property is vested in Obligor and that the Deed of Trust is a valid lien upon Obligor's interest in the Property, subject only to such encumbrances and exceptions as may be explicitly permitted by the Loan Documents, including Section 2.4 of this Agreement, and any others that may be satisfactory to City in its sole discretion. The title policy shall be in form, and shall include the endorsements, satisfactory to the City, shall limit exceptions for taxes limited to those not yet due and payable, shall identify the specific Leases for purposes of the form 119.2 endorsement, and shall show no additional exceptions or encumbrances, whether senior or junior to the Deed of Trust.

3.5 Legal Opinions.

A. City shall have received a legal opinion, containing reasonable and customary exclusions and qualifications, and in form and content reasonably satisfactory to City and the City's outside counsel, from Obligor's counsel, who shall be satisfactory to City, to the effect that:

i. Obligor is duly organized and validly existing and in good standing as a limited partnership in the State of Washington, and has full power

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and authority to execute and deliver the Loan Documents and to perform all of its obligations thereunder, and Obligor's general partner is duly organized and validly existing as a nonprofit corporation under the laws of the State of Washington, and has full power to take such actions as general partner; and

ii. The execution and delivery of the Loan Documents by Obligor do not, and the transactions contemplated by the Loan Documents will not, violate any laws or regulations applicable to Obligor and will not conflict with and will not cause a default under (i) any provisions of the Obligor's charter, bylaws or other governing documents, or (ii) any other material agreements, instruments, judgments, decrees, orders or undertakings known to such counsel after reasonable inquiry by which Obligor is bound or to which the Property is subject; and

iii. The Loan Documents have been duly authorized, executed and delivered by Obligor and constitute the legal, valid, binding obligations of Obligor, enforceable in accordance with their terms.

3.6 Additional Conditions Precedent to Each Advance of Funds.

(a) Receipt by City of any other documents and further assurances as it may reasonably request or which are required by HUD or any federal, state or county regulatory agency.

(b) Obligor shall be in full compliance and shall not be in breach or default hereunder or under any of the Loan Documents or the Housing Loan Documents; provided, however, that City may, in its discretion, elect to make advances notwithstanding the existence of Obligor's noncompliance or default, and any advance so made shall be deemed to have been made pursuant to this Agreement and secured by the Deed of Trust.

(c) Neither the Property nor any part thereof shall have been materially damaged, destroyed, condemned or threatened with condemnation.

(d) No order or notice shall have been made by, or received from, any governmental agency having jurisdiction stating that the Property, its current or intended uses, or the Renovation, is or will be in violation of any law, ordinance, code or regulation affecting the Property.

(e) The representations and warranties of Obligor contained herein shall remain accurate in all material respects as of the date of the requested disbursement.

(f) Neither HUD nor any court of competent jurisdiction shall have determined that the issuance of the City Note or the making of the Loan must be terminated, canceled or rescinded for failure to comply with the Act or other applicable law, or that for any reason any City Note cannot be issued or cannot be guaranteed by HUD.

ARTICLE IV -- LOAN DISBURSEMENTS AND REPAYMENTS; RESERVE ACCOUNTS

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4.1 Lump Sum Disbursement for Refinancing Property Acquisition.

Conditioned upon receipt of proceeds of the City Note and satisfaction of all conditions hereunder, Loan funds in the entire amount of the City Note proceeds, after deduction for costs and fees payable hereunder and amounts to be withheld hereunder, shall be disbursed in a lump sum at a closing for the retirement of a portion of the Bridge Loan ("Closing"). Funds shall be disbursed by check or wire transfer from the Custodian to the City as payee of the Bridge Loan. Obligor and City agree to execute and deliver reasonable joint disbursement instructions to the Custodian consistent with this Section. To the extent that final information as to any costs payable by Obligor hereunder is not available at the time of Closing, the deductions from the Custodian's disbursement will be based on estimates provided by the City or Custodian; the City shall provide a final accounting to Obligor within thirty (30) days after Closing; and the parties agree to make an appropriate adjustment within ten (10) days thereafter, either by transfer of unused funds in the Guaranteed Loan Funds Account (as defined in Section 4.2 below) to the Debt Service Reserve Account (as defined in Section 4.5 below) in reduction of the next deposit required therein, or by a direct payment of the additional costs by Obligor, as appropriate.

4.2 Withholding for Costs Related to Public Offering.

The amount of **$10,000**, out of the City Loan proceeds, shall be held in the Guaranteed Loan Funds Account established by the Custodian under the Letter Agreements ("Guaranteed Loan Funds Account"), for the purpose of paying the costs to be incurred in connection with the Public Offering, including without limitation trustee's fees and underwriters' fees and costs. Such funds shall nonetheless be considered Outstanding under the Obligor Note. After the Conversion Date, upon payment of all of such fees and costs allocable to the City Note, any remaining amount in the Guaranteed Loan Funds Account shall be transferred to the Loan Repayment Account maintained by the Custodian under the Letter Agreements ("Loan Repayment Account"), and the next deposit(s) required to the Debt Service Reserve Account in respect of principal under Section 4.5 below shall be reduced, dollar for dollar, by the amount of such transfer. In any event all amounts remaining in the Guaranteed Loan Funds Account on _____ shall be transferred to the Loan Repayment Account un'ess otherwise agreed by HUD and the City. If the Obligor Note shall be paid in full prior to the Conversion Date, the amount so withheld, and earnings thereon, shall be applied as part of such prepayment of the Obligor Note and transferred to the Loan Repayment Account to redeem the City Note.

4.3 Request for Interim Funding Advance; Cancellation upon Failure to Satisfy Closing Conditions; Payment of City's Costs. Obligor understands that, pursuant to current HUD procedures, an interim funding advance on the City Note can be made on a Wednesday and only if a request for such advance is made by the City to HUD no later than the previous Wednesday, and that after a request has been submitted it may not be possible to cancel the request. The Obligor shall deliver to the City, no later than the close of business on the Monday prior to the week in which Obligor desires an advance of funds hereunder, an "Obligor's Request for Submission of City's Request for Interim Advance of Funds" in form acceptable to the City. The City shall not be required to submit a request for funds to HUD unless the City has received reasonable assurance that all other conditions to closing will be satisfied by the date of disbursement by HUD. If the City does submit a request for funds to HUD, the City shall not be liable or responsible for any failure or delay by HUD, the Fiscal Agent or the interim purchaser of the City Note, or for any delay in the process of transferring funds to the Custodian and to the escrow agent. If Obligor fails to submit a "Request

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for City's Request for Interim Funding Advance" seeking disbursement of funds no later than _____, 2000, the City shall have the right to cancel this Agreement by notice to Obligor. If Obligor submits such request and funds are disbursed by HUD on the City Note, but the conditions to disbursement of funds to Obligor are not fully satisfied within fifteen (15) days thereafter, then the City shall have the right to cancel this Agreement, and Obligor shall then pay on demand all fees and costs of the Custodian and Fiscal Agent, and shall reimburse the City for all reasonable fees and costs of its outside counsel and consultants incurred in connection with this Loan, but shall not be liable for the Loan fee described in Section 1.5 of this Agreement. In addition, if this Loan Agreement shall be canceled under this Section after proceeds of the City Note shall have been disbursed to the Custodian, then the Obligor shall pay to the Custodian on demand an amount equal to all interest that shall accrue on the City Note from the date of such disbursement to the date of redemption thereof, less net earnings actually received (if any) by the Custodian on the proceeds of the City Note prior to such redemption.

4.4 Delegation of Loan Administration. City may delegate administration of any or all of the matters described in this Article IV to the Custodian in accordance with the provisions of the HUD Contract, the City Note and the Custodial Agreement. Upon execution of the Custodial Agreement by the parties thereto Obligor shall provide the appropriate requests and information to the Custodian and to the City at such times and in such form as is provided in the Custodial Agreement.

4.5 Debt Service Reserve Account.

A. Monthly Deposits. Commencing in the first calendar month after the first calendar month in which any principal amount is Outstanding on the City Note, Obligor shall make monthly installment payments to the Custodian for deposit in an account maintained by the Custodian for the accumulation of funds for payments on the Obligor Note (the "Debt Service Reserve Account," which term shall include any related Debt Service Reserve Investment Account established under the Custodial Agreement and Letter Agreements), in order that the Custodian shall have sufficient funds to make transfers to the Loan Repayment Account in payment of installments on the Obligor Note as they come due. (Funds in the Loan Repayment Account shall be used to make payments on the City Note as they come due.) Each such monthly payment shall be due and payable, in immediately available funds, on the "Deposit Day," which shall be the fifteenth (15th) day of the month, or if such day is not a Business Day, then on the previous Business Day. Each such payment shall be in an amount equal to one month's interest on the Obligor Note at the rate then in effect ("Interest Component"), plus _____% of the principal balance Outstanding on the Obligor Note as of the last Obligor Payment Date, giving effect to payments made on that date ("Monitoring Fee Component"), plus one-twelfth (1/12th) of the total principal due on the Obligor Note on the next Obligor Payment Date on which principal is due on the Obligor Note ("Principal Component"), except that for each monthly payment made before and through July, 2001, the Principal Component shall be in an amount equal to the principal payment due in July, 2001 divided by the number of months from and including the month in which any amount is first Outstanding under the Obligor Note on the Deposit Day through and including July, 2001 (For example, if the amounts are first Outstanding on the Obligor Note on January 15, 2001, then Obligor shall pay, as the portion of each payment allocable to principal, one-seventh (1/7) of $_____ each month from January through July, 2001). Obligor shall not be entitled to any reductions in, or credits against, deposits to the Debt Service Reserve Account based upon interest or earnings credited to the Debt Service Reserve Account (including any Debt Service Reserve Investment Account).

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B. Transfers Authorized; Crediting Payments on Obligor Note.

(i) The Custodian is hereby irrevocably authorized to transfer funds from the Debt Service Reserve Account to the Loan Repayment Account on each Obligor Payment Date, in the full amount due on the Obligor Note on each such date. The Custodian is then authorized and directed to apply funds in the Loan Repayment Account to the timely payment of amounts due on the City Note.

(ii) On each Obligor Payment Date the Custodian is hereby irrevocably authorized and directed by Obligor to apply funds in the Debt Service Reserve Account to pay to the City, or to transfer to such account as the City shall designate, in payment of the Monitoring Fee, an amount equal to _____ of one percent (0._%) per annum on the principal amount Outstanding on the Obligor Note immediately after crediting the payment made on the last Obligor Payment Date.

(iii) Obligor's monthly installment payments into the Debt Service Reserve Account shall not constitute payments under the Obligor Note. Obligor shall be credited with the payment of interest and principal on the Obligor Note only when and solely to the extent that funds shall be transferred to the Loan Repayment Account under this subsection B.

(iv) The Custodian is further irrevocably authorized by Obligor to liquidate investments in the Debt Service Reserve Account, in the Custodian's discretion, and without liability for any loss on any such liquidation, for the purposes described in this subsection B. The authorization by Obligor in this subsection B is in addition to, and not in limitation of, the authorization in Section 1.4B above.

C. Investment of Funds; Earnings Remain on Deposit. Funds in the Debt Service Reserve Account shall be invested at the direction of Obligor, but only in instruments that mature (or are redeemable without penalty) within six (6) months and in any event no later than five (5) Business Days before the next Obligor Payment Date, and that are guaranteed as to payment of principal by the United States Government, or in money market funds that invest solely in such instruments. All earnings in the Debt Service Reserve Account shall remain therein until applied in accordance with this Agreement or until all amounts owing under the Loan Documents have been paid in full. When all amounts owing under the Loan Documents have been paid in full, then the remaining balance shall be disbursed to Obligor, provided that if any amount shall then be due and owing to the City under the Housing Loan Documents the City shall have the right to direct that such remaining balance be paid to the City for application against such debt.

D. Late Charge. If any deposit required to be made into the Debt Service Reserve Account is not received within ten (10) days after the date when such deposit is due, then Obligor agrees to pay a late charge equal to two and one-half percent (2.5%) of the amount past due, as compensation to the City and Custodian for the staff time and resources required to handle such delinquencies, and not as a penalty. Such late charges shall not be credited to the Debt Service Reserve Account or Loan Repayment Account, but shall be retained by the City and/or Custodian. Late charges under this Section are in addition to, and not in substitution for, the other remedies provided in the Loan Documents.

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4.9 Application of Payments. Any amounts transferred into the Loan Repayment Account in accordance with this Agreement shall be applied first to accrued interest on the Obligor Note, next to any premium then due, and the balance, if any, to reduction of principal. Notwithstanding the foregoing, City or Custodian shall have the right, each in its respective discretion, to apply funds available in the Debt Service Reserve Account to fees, costs, reimbursements and late charges then due under the Loan Documents prior to application of funds against the Obligor Note.

ARTICLE V -- OBLIGOR'S LOAN COVENANTS

Obligor covenants and agrees as follows:

5.1 General. From and after the date hereof and so long as any amount remains unpaid on the Obligor Note, or for so long as any commitment exists to extend credit hereunder, Obligor covenants and agrees that it will:

(a) Promptly pay principal, interest and premium (if any) pursuant to the Obligor Note as and when the same becomes due and payable, and make any and all other payments and deposits required by the Loan Documents;

(b) Preserve and keep in full force and effect its existence as a limited partnership under the laws of the State of Washington; except that if the Property shall be transferred to Obligor's general partner or another non-profit or public entity approved by the City Housing Director pursuant to Section 4.5B of the Housing Loan Agreement, and such entity shall assume this Loan pursuant to documents acceptable to OED, then such entity shall maintain its existence as a non-profit or public entity, and the original Obligor may be dissolved.

(c) Maintain, preserve and keep the Property and all equipment used in connection with the Property in good repair, working order and condition, ordinary wear and tear excepted, and from time to time make all necessary repairs, renewals, replacements and additions thereto so that at all times the efficiency thereof shall be fully preserved and maintained.

5.2 Progress of Renovation; Changes.

(a) Obligor acknowledges and agrees that the purpose of this Loan is to enable Obligor to complete financing of the purchase of the Property as described in the Application and consistent with the Act, in order that Obligor may conduct the Renovation for the purpose of providing housing for low-income persons. Therefore the terms of this Section 5.2 are material to the City and shall be requirements for continuation of the Loan.

(b) Obligor represents and warrants that, as of the date hereof, Obligor has sufficient funding and commitments to complete the Renovation.

(c) Obligor shall have substantially completed the Renovation, and shall have obtained any necessary certificate of occupancy for the Property or final approvals from the Department of Design, Construction and Land Use and any other agencies with jurisdiction, on or before December 31, 2001.

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(d) So long as the Renovation is conducted substantially consistent with the terms of the Housing Loan Documents and the plans and specifications approved by OH thereunder, Obligor shall not be required to submit plans, specifications, or changes in plans, budgets or schedules to OED. However, Obligor shall promptly submit to OED copies of any correspondence to or from the Department of Design, Construction and Land Use of the City relating to the Renovation. There shall be no material change in the Renovation that would make it substantially inconsistent with the terms of the Application or HUD Contract, without the prior written approval of OED, and, to the extent that such approvals may be required, other appropriate governmental authorities. Any approval granted by the City for purposes of this Agreement shall not constitute, nor waive the requirement for, any other approval that may be required under any other agreement, law, ordinance, or regulation, nor may any such approval be relied upon by any person for any purpose other than compliance with this Section.

5.3 Compliance with Laws. All use and operation of the Property, and all work performed in connection with the Renovation shall comply in all material respects with all applicable laws, ordinances, rules and regulations and executive orders of federal, state, county or municipal governments or agencies now in force or which may be enacted hereafter.

5.4 Inspections. City and its representatives shall have the right, subject to the rights of tenants on the Property, at all reasonable times after three (3) days' prior written notice during regular business hours (and at any time in the event of an emergency) to enter upon the Property and inspect the Property to determine that the same is in conformity with this Agreement and all laws, ordinances, rules and regulations. City shall have the further right, from time to time, to inspect and copy Obligor's books and records relating to the Property. Without limiting the foregoing, Obligor shall permit City to examine and copy all books, records and other papers relating to Obligor's use of the Loan proceeds and to Obligor's compliance with this Agreement, the Act and applicable provisions of federal, state, and local laws, ordinances, rules and regulations.

5.5 Notify City of Litigation or Complaints. Obligor shall promptly notify City in writing of all litigation or threatened litigation involving the Property or any part of the Property, and any other litigation that reasonably could have a material adverse affect on the financial condition of Obligor, and of all complaints or charges made by any governmental authority affecting the Property or Obligor which may require changes in the development or use of the Property.

5.6 Indemnify the City and Custodian. Obligor shall indemnify and hold harmless the City, its elected and appointed officials and any employees or agents of the City, and the Custodian and its officers, employees, and agents, from all claims, demands, liability and costs arising from any actual or alleged action, omission, damage or injury of whatsoever nature arising out of or in any way connected with the Property and/or the Renovation, including without limitation any such liability or costs related to any hazardous or toxic substances, or arising out of Obligor's breach of the provisions of this Agreement, and including the cost of defense thereof using counsel approved by the City or the Custodian or both, as applicable. The City or Custodian, or both, may appear in or defend any action or proceeding purporting to affect the rights, duties or liabilities of the parties hereto, or the Property, and Obligor shall pay all of the City's and Custodian's costs and expenses incurred thereby on demand. The indemnity in this Section shall not include any claims, demands, liabilities or costs to the extent that they arise out of the negligence or willful misconduct of the City, the Custodian, or any of their respective employees, agents, officers or elected or appointed officials.

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This Section shall survive execution, delivery and performance of this Agreement, the Obligor Note, the Loan Documents and the Custodial Agreement.
Obligor waives, after mutual negotiation, and with respect to the City only, its immunity under RCW Title 51, Industrial Insurance.

Initials: Obligor: ____ City: _____

5.7 Federal Regulations. Obligor acknowledges that the Loan is to be made with funds received by the Custodian under the Section 108 program of the Act and that such funds are subject to CDBG program regulations of HUD, and certain other federal laws and regulations. Accordingly, Obligor agrees, represents and warrants that Obligor shall comply with all applicable requirements under HUD regulations for the CDBG program and under other laws and regulations applicable to loans of such federal funds, including without limitation:

a) National Objective; Low-Income Housing. Obligor covenants that upon completion of the Renovation, at least fifty-one percent (51%) of the fifty (50) residential units in the Property will be occupied by low- and moderate-income households as defined by federal CDBG regulations, 24 CFR Section 570.3, and that the rents then charged to all such households shall be consistent with the terms of the Regulatory Agreement recorded in connection with the Housing Loan Agreement.. Obligor represents and warrants that the Property satisfied the foregoing standards immediately upon its acquisition by Obligor and as of the date hereof. Nothing herein shall relieve the Obligor of the obligation to comply with stricter limits on tenant incomes and rents contained in any other agreements with the City or another governmental entity providing financing for the Property.

(b) Nondiscrimination. No person shall on the grounds of race, color, national origin, religion or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with CDBG funds. Obligor shall comply fully with all requirements of Title VI of the Civil Rights Act of 1964, 42 U.S.C. 2000d et seq., which provides that no person in the United States shall on the ground of race, color or national origin, be excluded from participation in, denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance; and with Department of Housing and Urban Development ("HUD") regulations implementing such requirements, 24 C.F.R. Part 1.

Obligor shall comply with all applicable requirements and prohibitions of the following: 24 C.F.R. Section 570.602, implementing the nondiscrimination requirements of Section 109 of the Act; HUD regulations under the Rehabilitation Act of 1973, as amended, 24 C.F.R. Part 8; HUD Regulations under the Americans with Disabilities Act; and HUD regulations under the Age Discrimination Act of 1975, 42 U.S.C. Section 6101 et seq., at 24 C.F.R. Part 146.

No otherwise qualified handicapped individual in the United States shall, solely by reason of handicap, be excluded from the participation in, be denied the benefits, or be subjected to discrimination under any program or activity receiving Federal financial assistance.

(c) Conflict of Interest. Obligor shall ensure compliance with the provisions of 24 CFR Section 570.611, which provide generally that no officer, agent, employee, consultant or elected or appointed official of The City of Seattle or of any subrecipient receiving CDBG funds who

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exercises or has exercised any functions or responsibilities with respect to activities assisted by CDBG funds or who is in a position to participate in a decisionmaking process or gain inside information with respect to these activities, shall obtain any financial interest or benefit from, or have any financial interest in, the activity funded under this Loan Agreement or any contract or subcontract or agreement with respect thereto or the proceeds thereof, for himself or herself or those with whom he or she has business or immediate family ties; nor shall (s)he for one year after completion of his or her tenure with the City or such subrecipient obtain or have any such financial interest or benefit. Obligor shall incorporate in all such contracts or subcontracts a provision prohibiting any conflict of interest prohibited by this subsection.

(d) Debarred Contractors. No portion of the Loan shall be used directly or indirectly to employ, award contracts to, or otherwise engage the services of, or fund, any contractor or subrecipient during any period of debarment, suspension, or placement in ineligibility status of such contractor or subrecipient under the provisions of 24 C.F.R. Part 24. Obligor represents and warrants that neither Obligor nor its principals is debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in federal assistance programs under such regulations or Executive Order 12549, "Debarment and Suspension." Obligor shall obtain, and shall require contractors and subcontractors to obtain, the certification required by appendix B of 24 CFR part 24 from each prospective contractor or subcontractor on the Project.

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(e) Lead-Based Paint. Obligor shall comply with all applicable requirements of federal, state. and local laws and regulations with regard to lead-based paint, including without limitation 24 CFR Part 35, and 24 CFR Section 570.608. Obligor shall be responsible for all testing and abatement activities, and all disclosures, required by such regulations or other applicable laws. Obligor shall, in connection with any rehabilitation of existing improvements, abate any defective lead-based paint surfaces in full compliance with all applicable laws, regulations, HUD guidelines and prudent practices and properly dispose of all waste and debris, and if any lead-based paint is not removed or permanently covered, Obligor shall periodically inspect and maintain the affected surfaces in compliance with all applicable laws, regulations, and HUD guidelines now in effect or hereafter issued. Obligor shall maintain, and shall deliver to City promptly upon completion of the Renovation and at such other times as City may request, complete and accurate records demonstrating that the Renovation and the Property comply with the requirements referred to in this Section.

(f) Lobbying. Obligor hereby certifies and agrees as follows, in accordance with 31 U.S.C. Section 1352, to the best of its knowledge and belief:

1. No Federal appropriated funds have been paid or will be paid, by or on behalf of Obligor, to any person for influencing or attempting to influence an officer or employee of any agency, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress in connection with the awarding of any Federal contract, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement;

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2. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress in connection with this Federal loan, it will complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions; and

3. It will require that the language of this Section be included in the award documents for subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

4. This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is made a prerequisite for making or entering into this transaction by section 1352, title 31, U. S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure.

(g) Davis-Bacon and Related Acts. Obligor shall comply with any and all applicable requirements of the Davis-Bacon Act and related acts. These requirements include, but are not limited to: language within each contract for construction work; payment of prevailing wages and fringe benefits; the submittal of various documents as evidence of compliance; withholding of funds; equal employment opportunity; and work hours.

The requirements are defined in the: Davis-Bacon Act, 40 U.S.C. Section 276(a) et seq.; Contract Work Hours and Safety Standards Act, 40 U.S.C. Section 328 et seq.; Copeland Act (Anti-Kickback Act), 18 U.S.C. Section 874; the Fair Labor Standards Act, and regulations under such Acts, including 29 C.F.R. Parts 3 and 5.

(h) Economic Opportunities for Low- and Very Low-Income Persons. Obligor shall comply, and cause all contractors and subcontractors to comply, with any and all applicable provisions of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u, the purpose of which is to ensure that employment and other economic opportunities generated by Federal financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed toward low- and very low-income persons, particularly those who are recipients of government assistance for housing. Obligor shall comply, and shall require all contractors and subcontractors to comply, with all applicable provisions of regulations issued pursuant thereto by the Secretary of HUD and set forth in 24 C.F.R. Part 135, and with all applicable rules and orders of HUD issued thereunder.

(i) Relocation and Acquisition. Obligor represents, warrants and agrees that no residential tenants have been or will be displaced in connection with the Project and the Obligor has taken and shall take all reasonable steps to minimize the displacement of persons (families, individuals, businesses, nonprofit organizations, and farms) in connection with the Project. If the Obligor represents and warrants that Obligor has provided to City a complete and accurate list of all occupants of the Property as of the date that Obligor obtained site control, and Obligor shall provide a complete and accurate list of all persons occupying the Property at any time after site control and

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through the date of full occupancy after the Renovation. Obligor shall comply fully, at Obligor's sole expense, with the City's Residential Anti-displacement and Relocation Assistance Plan ("RARAP"). If the Project involves the temporary and/or permanent displacement of persons, Obligor represents, warrants and agrees that Obligor has provided and shall provide, at a minimum, all relocation assistance required by 24 CFR Section 42; the federal Uniform Relocation Act and regulations thereunder, 49 CFR Part 24; 24 CFR Section 570.606 and any other applicable federal laws or regulations, and shall maintain complete and accurate records demonstrating such compliance. Obligor agrees that any determination by City of the amount of relocation assistance due to any person shall be final and binding upon Obligor, unless a different determination is made by HUD at the request of such person, in which case the HUD determination shall be final and binding on Obligor. Obligor agrees that the City may, at its option, provide relocation assistance directly to any person in connection with the Project and that any payment by the City for such person shall, at City's option, constitute an advance on the Loan, without any requirement for a draw request by, or consent of, Obligor. If, as a result of any such direct payments, either (i) the amount advanced by City shall exceed the maximum Loan amount stated herein, or (ii) the amount expended on relocation assistance from all Project funding sources exceeds the amount provided in the Project Budget for relocation, then in either such case the excess shall be immediately due and payable by Obligor to City, at City's demand. Obligor represents and warrants that, except as expressly stated in a relocation plan submitted by Obligor to City in connection with this Loan, no residential tenants have been required to vacate or will be required to vacate the Property permanently because of the Project. Obligor shall carry out the terms of any relocation plan approved by City, but the terms of any such plan shall not limit Obligor's obligations under this Loan Agreement or applicable laws or regulations, and no such approval by City shall be construed as a waiver or modification of any requirement of this Agreement or applicable laws or regulations.

(j) Architectural Barriers. Obligor shall ensure that the Property, upon completion of the Renovation funded by the Loan, shall comply with the applicable requirements of the Architectural Barriers Act of 1968 (see 42 U.S.C. Sections 4151-57), and shall comply with the Uniform Federal Accessibility Standards (Appendix A to 24 CFR part 40 for residential structures, and Appendix A to 41 CFR part 101-19, subpart 101-19.6, for general type buildings).

(k) Records. Obligor shall maintain and make available to the City and HUD all records reasonably required to demonstrate compliance with all of the requirements of this Agreement, for at least four (4) years after full repayment of the Loan. Such records shall include, without limitation, records establishing the household size of, household income of, unit occupancy by, and rents charged to, all households in occupancy of the Property from immediately after the acquisition thereof, up to and including the dated immediately after the completion of the Renovation.

(l) Disclosures. Obligor represents, warrants and agrees that it has provided to OH any and all disclosures required by the HUD Reform Act, 42 U.S.C. Section 3545, and regulations thereunder, 24 CFR Part 4; that it will provide timely updated disclosures to OH to the extent required by such act and regulations; and that all such disclosures are and shall be complete and accurate.

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(m) Prior Actions. Obligor represents and warrants that in all actions related to the Project to date Obligor has complied with all requirements referred to in this Section 5.7.

(n) Indemnity. Obligor shall indemnify and hold harmless the City from any loss, damage, expense, claim or demand resulting from Obligor's failure to comply with any federal requirement to be complied with pursuant to this Agreement or failure to maintain adequate records to demonstrate such compliance. This provision shall survive expiration of this Agreement.

5.8 Reports. Obligor shall deliver to OED the following reports and information:

(a) At the time of submission to OH, and in any event not later than the dates required in the Housing Loan Agreement, copies of (i) the Cost Certification required by the Housing Loan Agreement; (ii) the final disbursement request under the Housing Loan Agreement, with the certifications required thereunder; and (iii) the Closeout Report required under the Housing Loan Agreement.

(b) On or before each date when any annual financial report is due to OH under the Housing Loan Agreement, a copy of such report.

(c) If so requested by OED, such other reports and information as OED may require for purposes of monitoring and evaluating the performance of the Obligor, which may include copies of monthly progress reports to OH, copies of tenant certifications, rent rolls, leases, property management agreements and any other contracts affecting the Property.

5.9 Liens or Claims of Liens. Obligor shall keep the Property free from liens and encumbrances of all kinds, superior or inferior to the Deed of Trust, except for those permitted pursuant to Section 2.4 above and any of the following:

(a) liens for property taxes on the Property not yet due and payable;

(b) any of the following encumbering the Property that are subordinate to the lien of the Deed of Trust, to the Leases (as defined herein), and to any other material leases, which subordinate status shall be insured by endorsement to the City's title insurance policy, at Obligor's expense, within thirty (30) days of request to Obligor by the City:

(i) the rights of tenants as tenants only under leases entered into in the ordinary course of Obligor's operation of the Property and in accordance with this Agreement and the other Loan Documents;

(ii) such other liens or encumbrances as may be approved by City in writing, in its sole discretion.

If any claims of lien shall be asserted against the Property other than as permitted by this Section, Obligor, regardless of any action that City may otherwise be authorized to take, shall obtain a release and satisfaction of such lien claim, bond the lien claim, procure title insurance satisfactory to City protecting City from any loss relating to such lien claim, or otherwise provide to City assurances and security satisfactory to City that the lien claim will be paid or satisfied not later than ten (10) days

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after a judgment on the lien claim. Provided Obligor complies with the previous sentence, Obligor may in good faith contest any worker's or material supplier's lien in legal proceedings that will prevent enforcement of the lien claim and prevent foreclosure of the Property. If such a lien claim is not released or satisfied or a bond or other security satisfactory to City provided within forty-five (45) days of written request from City to Obligor, then the failure to do so shall allow the City to declare an Event of Default (as defined in Section 6.1 below) regardless of whether such lien claim is or is not superior to the Deed of Trust.

5.10 Political Activity. No portion of the Loan shall be used for any political activity or to further the election or defeat of any candidate for public office or to influence the approval or defeat of any ballot issue or legislation.

5.11 Further Actions. Obligor will at any time and from time to time upon request of City take or cause to be taken any action, execute, acknowledge, deliver or record any further documents, opinions, or other instruments or obtain such additional insurance as City is required to do or obtain by HUD or other federal, state or county regulatory agency.

5.12 Hazardous Substances.

(a) Representations and Warranties. Obligor represents, warrants and covenants that: (i) except as disclosed to the City in environmental reports delivered to the OED prior to the date hereof ("Reports") and except for Hazardous Substances (as defined in subsection (b) below) used by tenants of the Property in the ordinary course of such tenants' businesses, to the best of Obligor's knowledge, no Hazardous Substance is currently being generated, processed, stored, transported, handled or disposed of, on, under or in the Property; (ii) Obligor has inspected the Property and has made due inquiry as to the prior uses of the Property and, based on such inspection and inquiry, except as stated in the Reports, Obligor represents and warrants that Obligor has not caused or permitted and, to the best of Obligor's knowledge, no other person or entity has caused or permitted any Hazardous Substance to be generated, processed, stored, transported, handled or disposed of, on, under or in the Property except for Hazardous Substances used by tenants of the Property in the ordinary course of such tenants' businesses; (iii) Obligor has not received any notice of, nor is Obligor aware of, any actual or alleged violation with respect to the Property of any federal, state or local statute, ordinance, rule, regulation or other law pertaining to Hazardous Substances, and there is no action or proceeding pending before or appealable from any court, quasi-judicial body or administrative agency relating to Hazardous Substances affecting or alleged to be affecting the Property; (iv) Obligor and its lessees, as applicable, have all necessary permits and approvals for the handling, storage and disposal of Hazardous Substances on and from the Property; (v) Obligor shall not cause or permit the use of any Hazardous Substance in connection with the Renovation except in accordance with standard industry practices and in accordance with all applicable laws, regulations and codes; (vi) Obligor shall not cause or permit the Property to be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce or process Hazardous Substances, except for Hazardous Substances that both (x) are customarily used or handled in the businesses of tenants, and (y) are used, handled and disposed of in full compliance with all applicable Federal, State and local laws and regulations; and (vii) Obligor shall not cause or permit, as a result of any intentional or unintentional act or omission on the part of Obligor or any tenant or subtenant of Obligor, a release of Hazardous Substances onto the Property or onto any other property, except such releases as are both customarily made in the businesses of tenants and are made in full compliance with all applicable Federal, State and local laws and regulations.

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(b) Definition. As used herein, the term "Hazardous Substance" means any hazardous, toxic or dangerous substance, waste or material which is regulated under any federal, state or local statute, ordinance, rule, regulation or other law pertaining to environmental protection, contamination or cleanup, including asbestos, petroleum, medical waste, radioactive substances, and biologically hazardous materials, and further including without limitation any substance, waste or material which is designated as a "Hazardous Substance" or as hazardous or toxic under the Resource Conservation and Recovery Act, as amended, 42 U.S.C. Section 6901 et seq.; the Federal Water Pollution Control Act, as amended, 33 U.S.C. Section 1251 et seq.; the Clean Air Act, as amended, 42 U.S.C. Section 7401 et seq.; the Comprehensive Environmental Response, Compensation and Liability Act, as amended, 42 U.S.C. 9601 et seq., or the Washington Model Toxics Control Act, as amended, RCW Chapter 70.105D, or as a "dangerous waste" under the Washington Hazardous Waste Management Act, as amended, RCW chapter 70.105. Without limiting the foregoing, Hazardous Substances shall include, but not be limited to, any substance which after being released into the environment and upon exposure, ingestion, inhalation, or assimilation, either directly from the environment or indirectly by ingestion through food chains, will or may reasonably be anticipated to cause death, disease, behavior abnormalities, cancer and/or genetic abnormalities.

(c) Notification; Cleanup. Obligor will promptly notify City in writing should Obligor (i) become aware of any discharge or discovery of any Hazardous Substances at, upon, under or within the Property existing outside the ordinary course of business, (ii) receive any notice of or become aware of any actual or alleged violation with respect to the Property of any federal, state or local statute, ordinance, rule, regulation or other law pertaining to Hazardous Substances, or (iii) become aware of any lien or action with respect to any of the foregoing. Obligor shall, at its sole expense, promptly take or cause to be taken all actions as may be necessary or advisable to comply with all statutes, regulations and ordinances, and with all orders, decrees or judgments of governmental authorities or courts which have jurisdiction over the use, collection, storage, treatment, control, removal or cleanup of Hazardous Substances with respect to the Property, and in all events in a manner satisfactory to City, and shall further pay or cause to be paid all cleanup, administrative and enforcement costs of governmental agencies if obligated to do so by contract or by law. City may, but is not obliged to, enter upon the Property and take such actions and incur such costs and expenses to effect such compliance as it deems advisable to protect its security interest; and whether or not Obligor has actual knowledge of the existence of Hazardous Substances, in, on, or under the Property or any adjacent property as of the date hereof, Obligor shall reimburse City on demand for the full amount of all reasonable costs and expenses incurred by City in connection with such compliance activities prior to the City acquiring title to the Property by way of foreclosure or deed in lieu of foreclosure.

d) Right of Entry. City is hereby authorized but not required to enter the Property, including the interior of any structures, at reasonable times, subject to the terms of Section 5.4 hereof, for the purpose of inspecting the Property to ascertain the accuracy of all representations and warranties in this Agreement relating to Hazardous Substances, and the observances of all covenants contained in this Section.

e) Survival of Agreement. The provisions of this Section shall be in addition to any and all other obligations and liabilities Obligor may have to City at common law, under the Certificate and Indemnity or under any other agreement, and shall survive the transactions contemplated in this Agreement and the payment in full of the Obligor Note.

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5.13 Payment of Compensation of Custodian. Obligor shall be responsible for and pay the fees of the Custodian as provided under the Custodial Agreement. The Custodian's acceptance fee, prorated first annual fee and counsel fees and expenses shall be disbursed to Custodian from the Guaranteed Loan Funds Account at the time of initial Loan disbursement. The Custodian is hereby authorized to withdraw from interest and/or investment earnings on the Debt Service Reserve Account established pursuant to such Custodial Agreement up to the amount of its annual fee and any other fees and expenses to which it is entitled thereunder, and if such interest and/or investment earnings are insufficient to pay in full the Custodian's fees and expenses, then upon Custodian's notice thereof to Obligor, Obligor shall promptly pay the remaining amount of the Custodian's fees and expenses directly to the Custodian.

5.14 Payment of Other Indebtedness. Obligor shall timely pay the principal, interest and all other amounts due on any other indebtedness or liability now or hereafter owing by the Obligor to any person and secured by the Property, provided that nothing in this Section shall authorize Obligor to make any payment from any funds or assets pledged to the City hereunder.

5.15 Transfer of Property. Obligor shall not cause or permit any transfer of the Property or any interest of Obligor therein, voluntary or involuntary, without the advance written consent of OED, except for the creation of liens, encumbrances or leases that are expressly permitted under the Loan Documents without the City's consent. OED's consent shall not be unreasonably withheld for a transfer of the Property to a non-profit or public entity as described in Section 4.5B of the Housing Loan Agreement, if such transfer is approved by the City's Housing Director and the transferee assumes all of Obligor's obligations under the Loan Documents, subject to the nonrecourse provisions therein, pursuant to assumption documents in form and content acceptable to OED.

ARTICLE VI -- DEFAULT AND REMEDIES

6.1 Event of Default. Upon the occurrence of any of the following events and prior to the complete cure thereof by Obligor in a manner satisfactory to the City, the City shall have the right to declare an Event of Default hereunder, without notice or demand by City, except as expressly provided in this Section:

(a) Any failure to pay when due any principal, interest or premium under the Obligor Note;

(b) Any failure to make a payment or deposit of money required by any of the Loan Documents, other than amounts referred to in Subsection (a) above, that is not cured within ten (10) days of the due date of such payment or deposit (or within ten (10) days of demand in case of amounts due on demand);

(c) Any transfer of the Property or any interest therein, voluntary or involuntary, contrary to Section 5.15 of this Loan Agreement;

(d) Any failure to comply with the terms of Section 5.9 of this Loan Agreement (relating to lien claims) within the time period permitted by such Section;

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(e) Any Event of Default as defined in the Housing Loan Agreement or any other event causing the principal balance thereunder to become due;

(f) Any failure by Obligor to comply with the any of the provisions of Section 5.2 hereof, including without limitation the deadlines therein;

(g) Any breach or nonperformance by Obligor of any provision of any of the Loan Documents not included within any of Subsections (a)-(f) above that is not cured within sixty (60) days after notice to Obligor of such breach or nonperformance, or such longer cure period as may be permitted under the specific terms of the Loan Document, provided, however, that unless HUD shall otherwise require, if (i) such breach or nonperformance is susceptible to cure but cannot reasonably be cured within such cure period, (ii) Obligor shall commence to cure such breach or nonperformance within such cure period and shall thereafter diligently and expeditiously proceed to cure the same, and (iii) Obligor shall inform the City in writing of the status of the cure at the expiration of such cure period and every thirty days thereafter, then such cure period shall be extended for such time as is reasonably necessary for Obligor in the exercise of due diligence to cure such breach or nonperformance;

(h) A petition in bankruptcy or for reorganization or for an arrangement under any bankruptcy or insolvency law or for a receiver or trustee for any of Obligor's property is filed by Obligor, or is filed against Obligor and is not dismissed within ninety (90) days, or if Obligor makes an assignment for the benefit of creditors or becomes insolvent or unable to pay its debts as they mature or any attachment or execution is levied against a substantial portion of the property of Obligor and is not discharged within ninety (90) days, or if any law or court order shall require the City, Custodian or any other party to refund or otherwise relinquish any portion of any amount paid under the Obligor Note or this Agreement as a preference or for any other reason except refund of duplicative payment;

(k) Any representation, warranty or disclosure made to City by Obligor, or contained in any information submitted by Obligor to City or to any government agency in connection with the Loan or the Property, proves to be materially false or misleading as of the date when made or reaffirmed, whether or not such representation or disclosure appears in this Agreement.

6.2 Declaration of Event of Default. City's declaration of an Event of Default hereunder shall be made by notice to Obligor pursuant to Section 7.15 of this Agreement and shall be effective as provided therein.

6.3 Remedies.

(a) Upon declaring an Event of Default, City may, in addition to any other remedies which City may have hereunder or under the Loan Documents or by law, at its option and without prior demand or notice take any or all of the following actions:

(1) Immediately terminate any further advances of Loan funds hereunder and revoke any instructions to any third party holding any such funds;

(2) Declare the Loan immediately due and payable in full;

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(3) Foreclose under the Deed of Trust, judicially or nonjudicially;

(4) Apply any or all funds in the Reserve Accounts to amounts due under the Loan Documents, whether by reason of acceleration or otherwise, and cause investments in such accounts to be liquidated for such purpose;

(5) Seek judicial appointment of a receiver.

(b) All remedies of City provided for herein and in any other Loan Documents are cumulative and shall be in addition to all other rights and remedies provided by law. The exercise of any right or remedy by City hereunder shall not in any way constitute a cure or waiver of default hereunder or under any other Loan Document or invalidate any act done pursuant to any notice of default, or prejudice City in the exercise of any of its rights hereunder or under any other Loan Documents unless, in the exercise of said rights, City realizes all amounts owed to it under such Loan Documents.

6.4 No Default Prior to Declaration. No default or Event of Default shall exist under this Agreement or the Obligor Note until the same shall have been declared by the City or other party authorized to make such declaration; provided, that failure to declare, or delay in declaring, a default hereunder shall not constitute a waiver of any rights or remedies or excuse any failure by Obligor to strictly comply with its obligations under all of the Loan Documents.

ARTICLE VII -- MISCELLANEOUS

7.1 No Waiver. No waiver of any noncompliance or breach by Obligor hereunder shall be implied from any failure by City to take action on account of such noncompliance or breach, and no express waiver shall affect any breach or noncompliance other than as specified in the waiver. Any waiver shall be operative only for the time and to the extent therein stated. Waivers of any covenant, term or condition contained herein shall not be construed as a waiver of any subsequent breach of the same covenant, term or condition. The consent or approval by City to, or of, any act by Obligor requiring further consent or approval shall not be deemed to waive or render unnecessary the consent or approval to, or of, any subsequent similar act.

7.2 Successors and Assigns; Delegation to Custodian; Changes in Custodian and Custodial Agreement. This Agreement is made and entered into for the sole protection and benefit of City, HUD, and Obligor, their successors and assigns, and no other person or persons shall have any right of action hereunder. The terms hereof shall inure to the benefit of the successors and assigns of the parties hereto; provided, however, that the Obligor's interest hereunder cannot be assigned or otherwise transferred without the prior written consent of City. Obligor acknowledges and agrees that City may assign to HUD or any custodian or trustee for HUD any or all of City's rights under this Agreement and any of the Loan Documents and may direct that any payment or performance be provided directly to HUD or such custodian or trustee, whether or not the Obligor Note or this Agreement have been assigned. Obligor agrees that City may delegate to the Custodian the right to make demands and give directions on behalf of City under the Loan Documents, but that the scope of any such delegation shall be strictly limited to the terms of a written instrument duly signed on behalf of the City. Obligor further acknowledges that the Custodial Agreement may be modified or

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terminated, or a substitute Custodial Agreement executed, or a successor Custodian appointed, in each case without the consent of Obligor so long as the obligations of Obligor are not increased and the rights of the Obligor under the Loan Documents are not adversely affected in any material respect. Except for minor modifications to the Custodial Agreement not affecting Obligor, City agrees to give reasonable advance notice to the Obligor of any action as described in the preceding sentence, and agrees in each case to provide a copy of any modification or substitute Custodial Agreement to Obligor within fifteen (15) days after the execution thereof.

7.3 No Defense Based on City Regulatory Actions. Obligor understands that (a) the operations of Obligor in the Property and elsewhere are subject to numerous laws, regulations, ordinances and permits, including those of City and other governmental bodies relating to land use, environmental hazards, and other regulatory matters, and (b) the modification, interpretation, application, or revocation of such laws, regulations, rules or permits could adversely affect economic return to Obligor from the Property. Obligor has conducted its own investigation and relied on the advice of its own counsel and experts as to all such matters in connection with Obligor's acquisition of the Property. Obligor acknowledges that by entering into this Agreement the City does not make, and that the City expressly disclaims, any representation or assurance whatever as to (i) the present or future status of the Property or the uses thereof under applicable laws or regulations, including those of the City; (ii) the availability, issuance or continuation of any permits, approvals, or interpretations of any kind that may be required or desired by Obligor or any other party in connection with the Property. Obligor agrees that notwithstanding any regulatory action or omission of City affecting Obligor or affecting the use or development of the Property (whether or not such action or omission shall be determined to be consistent with applicable law in any proceeding), no defense, offset or reduction of liability shall be available to Obligor, at law or in equity.

7.4 Time. Time is of the essence of all provisions of the Loan Documents.

7.5 Entire Agreement, Amendments. This Agreement, the other Loan Documents, and the documents, laws and regulations incorporated by reference herein constitute the entire agreement of the parties hereto with respect to the Loan and supersede any prior agreements or understandings, written or oral, with respect to the Loan. Obligor is not relying upon any promises, representations or understandings, written or oral, in entering into the Loan Documents, other than as expressly set forth in the Loan Documents. The obligations of Obligor under the Loan Documents are not conditioned upon, and shall not be affected by, any other agreement, understanding, performance or nonperformance by the City or any other party, and in any proceeding to enforce any of Obligor's obligations under the Loan Documents, Obligor shall not be entitled to assert, by way of excuse, offset, counterclaim, grounds for equitable relief, or otherwise, any actual or alleged action or inaction by or on behalf of the City except to the extent that any such action or inaction is expressly required of the City by, and is made a condition of Obligor's obligation by, the Loan Documents. No amendment, modification, or termination of any provisions of this Agreement or of any of the Loan Documents shall in any event be effective unless the same shall be in writing and signed by a duly authorized officer of City and by Obligor, and no such writing shall be construed to modify, waive, or affect the terms of the Loan Documents except to the extent that such document expressly so provides.

7.6 Headings. The article and section headings in no way define, limit, extend or interpret the scope of this Agreement or of any particular article or section.

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7.7 Number and Gender. When the context in which the words are used in this Agreement indicate that such is the intent, words in the singular number shall include the plural and vice-versa. References to any one gender shall also include the other gender if applicable under the circumstances.

7.8 Validity. In the event that any provision of this Agreement shall be held to be invalid, the same shall not affect in any respect whatsoever the validity of the remainder of this Agreement.

7.9 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Washington, and The City of Seattle, except to the extent federal law applies.

7.10 Survival. All agreements, representations and warranties made herein and in the Obligor Note shall survive the execution and delivery of this Agreement and of the Loan Documents and the making of the Loan hereunder and continue in full force and effect until the obligations of Obligor hereunder and the indebtedness evidenced by the Obligor Note have been fully paid and satisfied, and thereafter to the extent provided in the Loan Documents, regardless of whether the Obligor Note is surrendered or marked as canceled or paid in full.

7.11 Venue and Forum. In the event that any legal action should be filed by either party against the other, the venue and forum for such action shall be the Superior Court of the State of Washington for the County of King.

7.12 Attorney's Fees. In the event either party shall bring an action to enforce the terms and conditions of this Agreement, the prevailing party shall be entitled to recover all of its costs and expenses, including, but not limited to, reasonable attorney's fees as determined by the court.

7.13 Duplicate Originals. This Agreement shall be executed in duplicate and each of the parties hereto shall receive an original. Each original shall constitute one and the same agreement.

7.14 Construction. The Loan Documents shall be construed so as to conform to the requirements of the HUD Contract and applicable federal laws and regulations. The Loan Documents are the product of negotiation between the parties and therefore shall not be construed strictly in favor of, or against, either party except as may be specifically provided in the Loan Documents with respect to particular provisions thereof.

7.15 Notices. Any notice, demand or request required hereunder shall be given in writing at the addresses set forth below by personal service, by facsimile transmission, or by first class mail. The addresses may be changed by notice to the other party given in the same manner as provided above. Notices personally served or sent be facsimile shall be effective when actually received during normal business hours, and otherwise on the following Business Day. If notice is given by mail, it shall be deemed received on the earlier of: (i) if by certified mail, the date of receipt as shown on the return receipt, or (ii) three (3) days after its deposit in the U.S. mail.

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If to Obligor:

LEWISTON HOTEL LIMITED PARTNERSHIP
c/o Plymouth Housing Properties
2209 First Avenue
Seattle, Washington 98104
Attn: _____
fax: _____

If to City:

OFFICE OF ECONOMIC DEVELOPMENT
City of Seattle
2nd Floor, 600 Fourth Avenue
Seattle, Washington 98104
Attn: Director
fax: 684-0379

IN WITNESS WHEREOF, Obligor and City have executed this Agreement as of the date first written above by and through their duly authorized representatives.

City:
THE CITY OF SEATTLE, a
Washington municipal corporation

By:_____
Mary Jean Ryan
Director of Economic Development

OBLIGOR:
Lewiston Hotel Limited Partnership, a Washington limited partnership
By: Plymouth Housing Properties, a Washington non-profit corporation,
its general partner

By: _____
Print Name:_____
Title:_____

LIST OF EXHIBITS

A. Real Property Description
B. Renovation Description
C. Form of Promissory Note
D. Project Budget
E. Certificate of Obligor

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ATTACHMENT A TO EXHIBIT D TO ORDINANCE

Real Property Description

The property in King County, Washington, located at **2201 1st Avenue, Seattle, WA** and legally described as follows:

Lot 11, Block 40, Addition to the Town of Seattle, as laid out by A. A. Denny (commonly known as A. A. Denny's 6th Addition to the City of Seattle), according to the plat thereof recorded in volume 1 of Plats, Page 99, in King County, Washington.
Except the easterly 9 feet thereof condemned for street purposes, and
Except for Transferable Development Rights, pursuant to Seattle Municipal Code Chapter 23.49, conveyed by deed recorded under King County recording no. _____.

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ATTACHMENT B TO EXHIBIT D TO ORDINANCE

Project Description

Summary

The Lewiston Hotel is a three story un-reinforced masonry building located at 2201 First Avenue in the Belltown District of Seattle. The top two floors contain 49 low-income, single room occupancy housing units and two manager apartments. The first floor is occupied by two commercial tenants, Queen City Grill and the Frontier Room. The basement is occupied by Belltown Billiards (a restaurant and billiards parlor). The total building square footage is 25,360, split approximately equally between the commercial and residential uses.

In anticipation of a Section 108 loan guarantee, the Lewiston Hotel Limited Partnership (LHLP), using bridge financing and a long-term loan provided by the City of Seattle – Office of Housing, acquired the Lewiston Hotel on November 22, 1999. The LHLP will rehabilitate the low income housing units. These units will be maintained as low-income and very low-income housing for a minimum of 40 years. The project does not require rehabilitation to the leasehold commercial space and none is contemplated.

Project Description

The proposed project is to acquire and make moderate improvements to the Lewiston Hotel, located at 2201 First Avenue in the Belltown District of Seattle, WA. The Lewiston Hotel was designed by engineer / contractor George Dietrich in 1910 for Martin Paup, the grandfather of the current owner. The 60 foot by 111 foot building contains a sub-basement boiler room, commercially leased basement and first floor, and two floors of single room occupancy (SRO) apartments. The Lewiston is built of un-reinforced masonry and wood frame construction and has approximately 25,360 gross square feet (excluding the boiler room and two interior light courts). Originally containing 56 units, the apartment floors currently consist of 49 SRO units (with sinks and hot plates), 2 one-bedroom units (with bathrooms), common bathrooms on each floor and miscellaneous other spaces (office, community room, laundry and social service office). The apartments vary in size from approximately 80 square feet to 400 square feet (the average being 125 square feet). The units face south, east and west or into the two 9 foot by 35 foot light courts. The building systems that serve the apartment floors include central domestic hot water and hot water heating. The heat system temperature cannot be individually regulated and the pipes and radiators appear to be original. The oil fired boiler dates from 1979. According to the current owner, the plumbing waste lines and the water supply risers were replaced in 1980. The horizontal water supply lines reportedly are old galvanized pipe, which have reduced flows due to clogging. New

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plumbing fixtures were also installed in 1980 and are worn and/or not water efficient. Electrical power is near maximum capacity and light fixtures, outlets and switches are few (one of each per unit and without GFI). The building has no elevator and the upper floors are not disabled accessible.

The exterior envelope appears in good condition, except that the upper metal cornice is rusted in spots. Upper floor window-sashes were mostly replaced with insulated aluminum and vinyl types in 1980 and 1994. The light court and upper roofs were replaced in the early 1990's and are in good condition. Original wood panel doors and transoms have been retrofitted with layer of GWB for fire rating. Unit shelving and cabinetry is hodge-podge and in marginal condition. Common bathroom finishes and toilet partitions are worn but serviceable.

Presently the three commercial spaces located in the basement and first floor of the Lewiston Hotel are occupied, as are the 49 SRO units. Proposed renovation work is moderate in scope and designed to be completed while the building remains occupied. No work is proposed for the commercial areas. The only reconfiguration that will occur will be to convert one of the 1-bedroom units to an SRO unit. The resulting surplus room and another SRO unit will be converted to common kitchen areas so that there is one on each floor. The new unit count will be 49 SRO units and 1 one-bedroom apartment.

Plymouth Housing Group has been managing the housing portion of the project, through a lease with the prior owner, for the last 16 years. The average rent presently paid by tenants is $175 per month. Most present tenants have income below 30 percent of median income (the average income of the present population is $7,700 per year). If not purchased by LHLP, the building probably would have been sold to someone who would convert the property to market rate housing, given the building's prime location in the Belltown area of Seattle. LHLP intends to continue to serve the same population presently being served (i.e. mostly formerly homeless individuals living on some type of public assistance). The Lewiston Hotel Limited Partnership has been awarded a Seattle Operating & Maintenance Trust Fund grant to support operation of the housing.

Living arrangements will stay in the present configuration once improvements are complete with the exception of creating the community kitchens described above. Community kitchens have been very effective in other Plymouth projects. There will be 49 SRO units equipped with a refrigerator and microwave oven, shared common bathrooms and a community kitchen on each floor. In addition, one one-bedroom unit will be maintained for the live-in manager. Plymouth Housing Group will continue to provide case management and referral services at the site.

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Building improvements will include the following:

A. Fire-Life Safety / Security / Code Improvements

- Brace parapets above sidewalks
- Fire protection sprinklers
- Unit entry doors/jams/hardware
- Entry intercom system

B. Improvements to Major Systems

- Electrical (upgrade existing service, rewire to meet code, corridor alarm & unit 120V smoke detectors, corridor exit lighting, corridor and unit lighting
- Plumbing (sanitary waste and vent piping, unit sinks and faucets, water saver toilets, cutting/patching)
- Heating (furnace, fin-tube radiators & supply/return piping, individual room temperature controls)

C. Routine Maintenance /Tenant Improvements

- Light court metal repair / replacement
- Upper cornice repair and painting
- New common kitchens (2)
- Unit refrigerators / Microwaves
- Bathroom ventilation
- Unit cabinets and counters
- Paint, carpet, VCT, rubber base

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ATTACHMENT C TO EXHIBIT D TO ORDINANCE

PROMISSORY NOTE

$1,000,000.00

_____ __, 200_
Seattle, Washington

FOR VALUE RECEIVED, the undersigned, **LEWISTON HOTEL LIMITED PARTNERSHIP, a Washington limited partnership** ("Obligor") promises to pay to the order of The City of Seattle, a Washington municipal corporation ("City"), at 600 Fourth Avenue, Seattle, Washington 98104, or such other place as the holder of this Note may from time to time designate, the principal sum of ONE MILLION and NO/100 DOLLARS (U.S. $1,000,000.00) with interest thereon and in installments as set forth below. This Promissory Note ("Note") is made pursuant to the terms of the Loan Agreement between the Obligor and the City of approximately even date herewith (hereinafter the "Loan Agreement").

1. HUD Contract and Related Agreements

Reference is made to that certain Contract for Loan Guarantee Assistance between the City and United States Department of Housing and Urban Development (referred to herein, together with any successor agency, as "HUD"), made pursuant to a loan guarantee commitment dated _____, which contract is referred to herein, together with any replacement therefor, as the "HUD Contract", and to the note to be issued by the City thereunder, referred to therein as no. _____ (the "City Note"), the form of which shall be substantially in the form of the specimen attached hereto as **Attachment 1** and incorporated herein by this reference, but which term also shall include any note that shall be substituted for City Note (a "Replacement Note"). The City Note and HUD Contract are executed pursuant to Section 108 of the Housing and Community Development Act of 1974, as amended, to provide the funds loaned under this Note. Any capitalized terms not otherwise defined in this Note or the Loan Agreement shall have the meanings specified in the City Note or the HUD Contract unless the context otherwise requires. Reference also is made to those certain Letter Agreements for Section 108 Guarantee Program Custodial Accounts dated _____ (collectively, "Letter Agreement"), and the Custodial Agreement executed pursuant to the HUD Contract and Letter Agreement ("Custodial Agreement") among the City and _____ (hereinafter referred to, with any successors under such agreement or successor agreement, as "Custodian") for the benefit of HUD. Obligor acknowledges that Obligor has received and read copies of the City Note, HUD Contract, Letter Agreement and Custodial Agreement.

2. Interest Rates

Prior to the Conversion Date, as defined in the City Note, the Outstanding principal on this Note shall bear interest at the rate in effect on the City Note, as determined under Section I. B thereof or Appendix A thereto, as applicable. Obligor acknowledges that the negotiations and other actions by which an interest rate may be determined under Appendix A to the City Note are

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not within the control of the City, agrees that the City has no obligation to take any action with respect to the determination of such interest rate, and agrees that the rates determined as a result of negotiations or by the Holder of the City Note unilaterally as described in such Appendix A shall be binding upon Obligor.

On and after the Conversion Date, the portion of the principal amount of this Note scheduled to become due in each year (each such portion, an "Obligor Principal Amount", shall bear interest at the same rate as shall apply to the Principal Amount (as defined in the City Note) that is scheduled to become due on the City Note in the same year. Obligor acknowledges that each such rate is to be established pursuant to the HUD Contract, under Section I C thereof, which provides:

> **Conversion; Public Offering.** On the Conversion Date (if any), trust certificates backed by the [City] Note (and similar notes issued by other Section 108 borrowers) will be purchased for a purchase price of the full principal amount thereof by underwriters selected by the Secretary (the "Underwriters") pursuant to an Underwriting Agreement between the Underwriters and the Secretary, at a closing on such Conversion Date as determined by the Secretary and the Underwriters. The Borrower agrees that the interest rate at which the trust certificate of a specified maturity is sold to the Underwriters shall govern the interest rate inserted on the Conversion Date in Schedule P&I of the [City] Note for the Principal Amount of corresponding maturity.

Interest shall accrue on the principal amount Outstanding (as such term is defined below), and except as otherwise expressly provided herein shall be computed in the same manner as, and the rate shall be adjusted on the same date as, interest on the City Note. The principal amount "Outstanding" on this Note means (i) the amount that has been disbursed as proceeds of the City Note, including amounts disbursed to or for the benefit of the Obligor, amounts disbursed by the Custodian to pay costs and fees as contemplated by the Loan Agreement, amounts held by the Custodian to pay such costs and fees, and amounts deducted by the Fiscal Agent, less (ii) repayments of principal credited on this Note.

3. Insertion of Interest Rates; Timing of Conversion Date

The City and its designees are hereby authorized to insert on the City Note the interest rates applicable to each Principal Amount on the City Note, but failure to make such insertions shall not impair the obligation of Obligor for interest after the Conversion Date at the rates determined pursuant to the HUD Contract. Obligor acknowledges that the timing of any public offering of trust certificates based on a pool of notes including the City Note, shall be as determined by HUD and the underwriters pursuant to the HUD Contract and that the Conversion Date is not within the control of Obligor or the City.

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4. Interest Payments

Interest shall be due and payable prior to the end of each period for which interest is payable under the City Note, as follows:

(a) After the date of this Note and prior to the Conversion Date, interest on this Note shall be due and payable on the fifteenth (15th) day of January, April, July, and October of each year.

(b) After the Conversion Date semi-annual interest payments shall be due and payable in each January and July, on the on the fifteenth (15th) day of the month.

In addition, all unpaid interest accruing up to the Conversion Date shall be due and payable on the later of five (5) Business Days prior to the Conversion Date, or one (1) Business Day after telephonic or facsimile notice to Borrower of the scheduled Conversion Date and the amount of interest due, which amount may be an estimate provided by the holder of this Note, the Fiscal Agent, or the Custodian.

Each date on which interest or principal is due hereunder shall be referred to as a "Obligor Payment Date." Interest on this Note for each Obligor Payment Date shall be computed through the last day of the month during which such Obligor Payment Date occurs or the date when payment of the amount due hereunder on such Obligor Payment Date is actually made, whichever is later, except that for the Obligor Payment Date immediately prior to the Conversion Date, interest shall be computed through the Conversion Date or the date when payment is actually made, whichever is later. In any case when the date specified in this Section is not a Business Day, the payment shall be due on the next Business Day.

Borrower agrees that if a final determination of the amount of interest due on the City Note on any Payment Date up to and including the first Payment Date after the Conversion Date is not available two (2) Business Days prior to the Obligor Payment Date next preceding such Payment Date, then at the request of the holder of this Note, Borrower shall pay an amount estimated by such holder or the Fiscal Agent on such Obligor Payment Date, subject to later adjustment. If the actual amount of interest accruing on the City Note for the period up to a Payment Date shall be determined by the Fiscal Agent to be higher than the estimated amount paid by Borrower for such period, then Borrower shall pay on demand the difference between such actual amount and the amount paid by Borrower.

5. Principal Payments

Payments of principal on this Note shall be due and payable in immediately available funds on July 15 in each of the following years in the following respective amounts:

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City Note Payment Date	PRINCIPAL DUE ("Obligor Principal Amount")
August 1, 2001	$5,000
August 1, 2002	$10,000
August 1, 2003	$15,000
August 1, 2004	$15,000
August 1, 2005	$20,000
August 1, 2006	$25,000
August 1, 2007	$25,000
August 1, 2008	$25,000
August 1, 2009	$25,000
August 1, 2010	$30,000
August 1, 2011	$30,000
August 1, 2012	$30,000
August 1, 2013	$35,000
August 1, 2014	$35,000
August 1, 2015	$40,000
August 1, 2016	$45,000
August 1, 2017	$45,000
August 1, 2018	$50,000
August 1, 2019	$60,000
August 1, 2020	$435,000
Total	$1,000,000

6. Loan Agreement and Security

This Note is issued pursuant to, and is entitled to the benefits of, the Loan Agreement. All amounts now or hereafter owing under this Note shall be secured by the Deed of Trust (as defined in the Loan Agreement) from Obligor as Grantor to City as Beneficiary, and by the additional security granted in the Loan Agreement.

7. Prepayments and Premium

The principal owing on this Note may be prepaid in whole or in part on any Obligor Payment Date, upon at least thirty (30) days' advance written notice (or as otherwise required under subsection (c) below) to the holder hereof and to the Custodian, which notice shall set forth the intended date and amount of prepayment and shall bind the Obligor to make such prepayment, provided that Obligor's right to prepay shall be subject to the following terms and conditions:

(a) unless otherwise agreed in writing by the holder hereof, any prepayment(s) shall be applied to the Obligor Principal Amounts hereunder in inverse chronological order

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commencing with the latest Obligor Payment Date hereunder for which principal then remains Outstanding;

(b) except as provided in subsection (c) of this Section, any prepayment made after the Conversion Date must include, as a prepayment premium, any amounts necessary, in addition to the amount of principal being prepaid, to defease, in full compliance with the HUD Contract, one or more Principal Amounts outstanding on the City Note that are equal to, and are to become due in the same year as, the Obligor Principal Amounts to which the prepayment is to be applied hereunder. Such prepayment premium shall be sufficient to cover (i) all transactional costs, including without limitation the costs of necessary computations and costs of acquiring and holding in escrow Government Obligations, incurred by the holder of this Note or any custodian or agent (including without limitation the Custodian or Fiscal Agent) acting on its behalf in the defeasance of such Principal Amounts, plus (ii) the excess, if any, of (A) the cost of Government Obligations required to be purchased (and cash deposited, if any) in order to defease such Principal Amounts on the City Note, over (B) the principal prepaid. In no event shall such prepayment premium be less than the total amount of the transactional costs incurred. Obligor shall include in any notice of prepayment a detailed calculation of the estimated cost of defeasance under this subsection, including the precise identification, amounts, and maturities of the Government Obligations to be purchased and the source and date of the quotations upon which the calculation is based. The holder of this Note shall review such calculation and shall provide an estimate of the total prepayment premium to Obligor not later than ten (10) days before the due date of the payment and Obligor shall pay such estimated amount with the prepayment. Such estimate may be based upon a determination by the holder of this Note, in its reasonable discretion, or by the Fiscal Agent, or HUD, in the discretion of either of them, that different Government Obligations should be purchased than specified by Obligor, and may include an allowance for market fluctuations in the prices of Government Obligations between the date of such estimate and the purchase of such Government Obligations for the purpose of defeasance of Principal Amounts of the City Note. If the final computation based on the actual cost to purchase Government Obligations acceptable to HUD results in a higher prepayment premium than was estimated in such notice to Obligor, then Obligor shall pay the difference on demand; if the final computation results in a lower prepayment premium then the difference shall be refunded to Obligor. Obligor acknowledges and agrees that the final determination of the Government Obligations and funds required to be deposited with the Fiscal Agent to defease any Principal Amount on the City Note will be made by HUD in its discretion; that the purchase of the Government Obligations will be performed by the Fiscal Agent; and that the holder of [illegible] Note shall have no responsibility for the manner of such purchase or prices paid. Obligor acknowledges that any funds that may remain in any defeasance account maintained by the Fiscal Agent with respect to any Principal Amount of the City Note after such Principal Amount has been paid in full will be delivered to HUD and that Obligor shall have no right to any such excess funds except to the extent, if any, that such funds are remitted by HUD to the City.

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(c) A prepayment made on or after the Obligor Payment Date hereunder immediately preceding the first date when the Principal Amounts remaining outstanding on the City Note are subject to optional redemption shall not require a premium if Obligor complies strictly with the following conditions:

(i) the prepayment must be made only on an Obligor Payment Date in January or July;

(ii) the prepayment must be in the full amount Outstanding of one or more Obligor Principal Amounts; and

(iii) Obligor must provide written notice to the holder of this Note not less than sixty (60) nor more than ninety (90) days prior to the date when such prepayment is to be made, specifying the amount to be prepaid and the Obligor Principal Amounts to which such amounts apply, all consistent with this subsection.

The foregoing prepayment terms are intended to ensure that prepayments hereunder may be made only at times, in amounts, and on terms that permit matching prepayments on, redemption of, or defeasance of, the City Note or Principal Amounts thereunder. To the extent required to give full effect to such intent consistent with the requirements of HUD, the terms of this Section shall be subject to adjustment by written notice from the holder of this Note to Obligor prior to the Conversion Date.

8. Delinquency, Default, Acceleration and Interest on Amounts Past Due

Should any amount owing hereunder not be paid when due or in the event that the Obligor fails in the performance or observance of any of the covenants and agreements of this Note, then upon declaration of a default (which term shall have the same meaning as "Event of Default" under the Loan Agreement), which declaration shall be made as provided in the Loan Agreement and after giving Obligor notice and opportunity to cure to the extent required therein, the whole sum of principal and interest shall become immediately due and payable at the option of the holder. An Event of Default under the Loan Agreement shall be deemed a default hereunder, whereupon the holder may at its option declare all sums then outstanding hereunder immediately due and payable.

In the event that the holder of this Note or the Custodian shall be required by any law or court order to refund or otherwise relinquish any portion of any amount paid hereunder or otherwise credited to amounts owing hereunder, such amount shall again be deemed outstanding hereunder for all purposes.

Failure to declare a default or to exercise the option to accelerate shall not constitute a waiver of the right to exercise it in the event of a continuing breach or delinquency, or a subsequent default. Whether or not a default is declared or the entire balance is accelerated, all amounts of principal and interest past due shall bear interest at a rate four percent (4%) per annum higher than

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the interest rate computed under Section 2 above, from and after the due date. After acceleration the entire balance of principal and interest owing shall bear interest at such increased rate.

9. Premium Due Upon Acceleration

In order to protect the City from the potential loss of CDBG funds that could occur upon acceleration if the cost to defease the City Note should exceed the amount owing hereunder, Obligor agrees to pay upon acceleration of the principal balance of this Note subsequent to the Conversion Date, whether after an Event of Default or as otherwise provided in the Loan Documents, as a premium and not as a penalty, an amount equal to all prepayment premiums as determined under Section 7(b) above for all Obligor Principal Amounts then Outstanding as of the effective date of acceleration or such other date within thirty (30) days after the date of acceleration as the holder of this Note shall specify, regardless of whether Obligor would have the right to make a prepayment on such date. Such premium shall be due and payable immediately upon delivery to the Obligor of the computation of such premium by the holder of this Note or Custodian, and shall be payable regardless of whether or not any default was intended to evade the prepayment premium and regardless whether acceleration reasonably could have been avoided by Obligor.

10. Acknowledgment and Waiver Regarding Acceleration and Premium

Obligor understands and acknowledges that the City is not a commercial lender, but is acting as a conduit for funds provided under a federal program, and that therefore any premium under Section 9 of this Note shall be absolutely due and payable in accordance with such Section, regardless of whether the City might have the ability to avoid the costs of defeasance of the City Note by forbearance, waiver, acceptance of substitute security, or election not to accelerate this Note, or otherwise, and regardless whether acceleration would be considered commercially reasonable. Obligor irrevocably waives any claim or defense based upon any implied or equitable standard of materiality or commercial reasonableness, or similar standard, in connection with any declaration of default or election of acceleration or in connection with any premium.

11. Obligations Absolute; Waivers

The obligations of the Obligor under this Note are absolute, unconditional and irrevocable. All payments required hereunder shall be made without any setoff, counterclaim, deduction or withholding whatsoever.

Obligor hereby waives diligence, demand, presentment for payment, and notice of whatever kind or nature. Without discharging or in any way affecting the liability of the undersigned, the undersigned hereby consents to any and all extensions of this Note as the holder hereof may in its sole discretion grant from time to time, to the release of all or any part of the security for the payment hereof and to the release of any party liable for repayment of the obligations hereunder.

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12. Method of Payment

All payments due on this Note shall be payable in lawful money of the United States of America at the time of payment. Any payment by Obligor shall be in immediately available funds. Unless otherwise agreed by the holder hereof, payment shall be made by transfer of funds from the Debt Service Reserve Account established with the Custodian pursuant to the Loan Agreement, but if on any Obligor Payment Date there shall not be sufficient funds in the Debt Service Reserve Account to make the payment due hereunder or if for any reason sufficient funds in the Debt Service Reserve Account are not transferred to make payment of the full amount due hereunder, then Obligor shall make payment by wire transfer to the holder or its Custodian at such bank as the holder or Custodian shall specify from time to time, or at the option of the holder, shall make payment at the address first hereinabove indicated, or such other address as the holder may hereafter designate.

13. Governing Law

This Note shall be governed by the laws of the State of Washington, except to the extent that federal laws may preempt the laws of the State of Washington. Venue of any action arising hereunder shall be as provided in the Loan Agreement.

14. Attorneys Fees and Costs

In the event that this Note is placed in the hands of an attorney at law for collection after maturity or upon any breach or default or in the event that proceedings at law or in equity are instituted in connection herewith, the undersigned shall pay all costs actually incurred in collecting or attempting to collect this Note or protecting or enforcing such rights including, without limitation, reasonable attorney's fees (including fees incurred in any bankruptcy, appellate, or arbitration proceeding, and including the reasonable value of the services of attorneys and legal assistants who are employees of the holder); and all such amounts shall be deemed to be secured by the Deed of Trust and all other documents securing this Note.

15. No Usury

This Note and the Loan Agreement are subject to the limitation that in no event shall interest or any other amount paid or agreed to be paid for the use, forbearance or detention of money to be advanced hereunder or pursuant to the Loan Agreement exceed the highest lawful rate permissible under applicable usury laws (to the extent not preempted by federal law), if any. If fulfillment of any provision hereof or of the Loan Agreement shall be deemed by a court of competent and final jurisdiction to violate any applicable usury restrictions, then the obligation to be fulfilled automatically shall be reduced to the limit of such validity, and any amount received in excess of such limit shall be applied to reduce the unpaid principal balance hereof and not to the payment of interest.

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16. Time of the Essence

Time is of the essence of this Note and of each and every provision hereof.

17. Non-Recourse

Neither Obligor, nor any general or limited partner of Obligor, shall have any liability for payment of this Note other than to have the Property (as defined in the Loan Agreement) and all other collateral under the Deed of Trust and under the Loan Agreement, and the rents, income and proceeds from such Property and collateral, applied to satisfy the obligations hereunder; provided, however, that Obligor shall be liable for damages or deficiencies (including costs and reasonable attorneys' fees) resulting from fraud; waste; material misrepresentation; misappropriation of rents, insurance proceeds, condemnation proceeds, or reserves; failure to maintain required insurance without advance written notice to Lender; breaches of covenants or warranties relating to hazardous or toxic substances; and costs of compliance with laws, regulations and orders of environmental agencies regarding hazardous or toxic substances.

NOTICE: ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FOREBEAR FROM ENFORCING REPAYMENT OF A DEBT, ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

IN WITNESS WHEREOF, Obligor has executed this Promissory Note as of the date first above written.

Lewiston Hotel Limited Partnership, a Washington limited partnership
By: Plymouth Housing Properties, a Washington non-profit corporation,
its general partner

By: _____
Print Name: _____
Title: _____

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ATTACHMENT D TO EXHIBIT D OF ORDINANCE

Project Budget

DEVELOPMENT BUDGET Project Name: LEWISTON HOTEL	Total Cost	Housing	Non Housing
Acquisition Costs:			
Purchase Price	$2,285,000	$1,142,500	$1,142,500
Closing, Title & Recording Costs	$25,000	$12,500	$12,500
SUBTOTAL	$2,310,000	$1,155,000	$1,155,000
Construction			
Basic Construction Contract	$907,471	$879,971	$27,500
Hazardous Abate. & Monitoring	$25,000	$25,000	
Construction Contingency (____%)	$81,013	$78,624	$2,389
Sales Taxes	$80,193	$77,828	$2,365
Other Construction Costs: Special Insp	$2,500	$1,250	$1,250
SUBTOTAL	$1,096,177	$1,062,673	$33,504
Development Costs: Professional			
Appraisal	$8,000	$4,000	$4,000
Architect/Engineer	$93,600	$93,600	
Environmental Assessment	$11,000	$11,000	
Legal	$50,000	$37,500	$12,500
Developer Fee	$394,467	$354,467	$40,000
Other: Printing/Advertising	$6,000	$6,000	
SUBTOTAL	$563,067	$506,567	$56,500
Other Development Costs			
Insurance	$10,000	$5,000	$ 5,000
Relocation	$12,500	$12,500	
Permits, Fees & Hookups	$55,000	$55,000	
Construction Loan Fees	$10,000	$0	$ 10,000
Construction Interest - lender legal	$20,000	$0	$ 20,000
Other Loan Fees (WCDLF, State HTF, etc.)	$7,250	$7,250	
LIHTC Fees	$19,139	$19,139	
Accounting/Audit	$11,000	$11,000	
Operating Reserves	$150,000	$150,000	
Other: Soft Cost Contingency	$75,000	$65,000	$ 10,000
SUBTOTAL	$369,889	$324,889	$45,000
Total Development Cost:	$4,339,133	$3,049,129	$1,290,004

Sources

Section 108 Loan or Private Financing	$ 1,000,000
City of Seattle	$ 1,050,000
State of Washington	$ 650,000
General Partner Equity	$ 50,000
LIHTC	$ 1,535,516
Deferred Development Fee	$ 53,617
Total Sources	$ 4,339,133

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Seattle City Council

PUBLIC HEARING SIGN-UP SHEET

HUD 108 Loan to the Lowiston Hotel

INFORMATION ON THIS SIGN-UP SHEET IS *PUBLIC RECORD*

#	(PLEASE PRINT) NAME	ORGANIZATION	(OPTIONAL) ADDRESS	ZIP
	Paul W Locke			

F:\PHSIGNIN.DOC

MCG/HRT
Ordinance.doc
September 19, 2000
(Version 4)

ORDINANCE _____

AN ORDINANCE relating to the Lewiston Hotel; authorizing and providing for the issuance of a note for the purpose of financing the Lewiston Hotel building in order to preserve low-income housing units; authorizing a Funding Approval/Agreement and a contract with the United States Department of Housing and Urban Development for a Section 108 guaranty of the note; authorizing agreements with a custodian to establish separate accounts or funds; authorizing related agreements; and ratifying and confirming prior acts.

WHEREAS, the City Council held a public hearing on December 7, 1999, on a proposed application to the United States Department of Housing and Urban Development ("HUD") for a federal loan guaranty under Section 108 of the Housing and Community Development Act of 1974, as amended ("Section 108"), to assist in financing the acquisition of the Lewiston Hotel building; and

WHEREAS, acquisition of the building will assist community and economic development in the City by preserving low-income housing units, thereby furthering the City's Consolidated Plan for Housing and Community Development Goals to "[a]ssist homeless persons to obtain affordable housing," "[r]etain affordable housing stock," and "[i]ncrease the availability of permanent housing that is affordable to low-income persons without discrimination"; and

WHEREAS, Resolution 30097, adopted by the City Council on December 13, 1999, authorized the Mayor to submit an application to HUD for a Section 108 loan guaranty and the Mayor did submit such application; and

WHEREAS, the City has received a Funding Approval/Agreement from HUD under which HUD will provide a Section 108 loan guaranty in an amount not to exceed One Million Dollars ($1,000,000); and

WHEREAS, under the federal Section 108 program, HUD's assistance to the project must take the form of the City's issuance of a non-recourse note guaranteed by HUD, and a loan of the proceeds of the note for a private project that fulfills a public purpose and provides revenues to repay the note; and

WHEREAS, the City's participation in the Section 108 loan guaranty program and the expenditure of guaranteed loan proceeds thereunder is authorized by RCW 35.21.735; and the City Council by this Ordinance intends to implement the transactions authorized by that statute and in compliance therewith; and

WHEREAS, Lewiston Hotel Limited Partnership has acquired the Lewiston Hotel building, for the purpose of preserving and rehabilitating low-income housing, with loans from the City's Office of Housing, including a bridge loan made in anticipation of receipt of long-term financing from the Section 108 loan guaranty and other sources; and

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WHEREAS, the City, HUD, and the Lewiston Hotel Limited Partnership and other parties are ready to enter into the necessary agreements to implement the Section 108 loan guaranty;

NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. The Mayor or the Director of the Office of Economic Development ("OED Director") is authorized, on behalf of The City of Seattle, to accept a Funding Approval/Agreement from HUD, in the form attached as Exhibit A with such additions, modifications and amendments as HUD may require or the Mayor or OED Director may deem necessary or advisable to carry out the purposes of this Ordinance, for a Section 108 loan guaranty in the amount of up to ONE MILLION DOLLARS ($1,000,000). The Mayor or OED Director is further authorized, on behalf of the City, to execute, deliver, perform and administer a contract with HUD (the "Contract") in the form attached as Exhibit B with such additions, modifications and amendments as HUD may require or the Mayor or OED Director deem necessary or advisable to carry out the purposes of this Ordinance. The Mayor or OED Director is further authorized, on behalf of The City of Seattle, at the request of HUD, to execute and deliver an amendment to, or replacement for, the Contract in such form as HUD may require or the Mayor or OED Director may deem necessary or advisable to carry out the purposes of this Ordinance. The Contract, and any replacement contract, shall state that the note issued by the City pursuant to Section 2 of this Ordinance shall be a non-recourse note, that the City's liability on the Note and the Contract shall be limited solely to the security pledged therefor, that they are not obligations of the City or the State of Washington, that neither the Note nor the Contract shall constitute a debt payable from the City's public funds, and that neither the faith and credit nor the

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taxing power of the City shall be pledged for the City's obligations under the Contract or for payment of principal, interest or premium, if any, on the Note.

Section 2. The Mayor or OED Director is authorized, on behalf of The City of Seattle, to issue a non-recourse promissory note ("Note") in the principal amount of not to exceed ONE MILLION DOLLARS ($1,000,000) in the form attached as Exhibit C, with such modifications, additions or amendments as HUD may require or the Mayor or OED Director may deem necessary or advisable to carry out the purposes of this Ordinance. The interest rates for the Note shall be as determined in accordance with the terms of the Note and Contract. The Note shall provide for a schedule of maturities of principal approximately as stated in Attachment C to the attached Exhibit D, with such modifications and amendments as HUD may require or the Mayor or OED Director deem necessary or advisable to carry out the purposes of this Ordinance. The Mayor or OED Director is further authorized, on behalf of the City, to cause the proceeds of the Note to be disbursed by the financial institution acting as Custodian pursuant to Section 4 of this Ordinance to the order of Lewiston Hotel Limited Partnership, a Washington limited partnership, or any substitute entity approved by the Mayor or OED Director ("LHLP"), pursuant to the Loan Agreement authorized in Section 3 of this Ordinance, to partially refinance the acquisition of the Lewiston Hotel building. The Mayor or OED Director is further authorized, on behalf of The City of Seattle, at the request of HUD, to execute and deliver one or more replacement non-recourse promissory notes ("Replacement Note") in the aggregate principal amount of not to exceed One Million Dollars ($1,000,000), with substantially the same schedule of principal repayments and with interest rates determined substantially as contemplated by the Contract, and otherwise in such form as the Mayor or OED Director may deem necessary or advisable to carry out the purposes of this Ordinance. Pursuant to RCW 35.21.735, the Note

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(including any Replacement Note) shall contain a recital to the effect that it is not an obligation of the City or the State of Washington, and that neither the faith and credit nor the taxing power of the State, the City or any other municipal corporation or subdivision of the State or any agency of any of the foregoing is pledged to the payment of principal, interest or premium if any, thereon.

Section 3. The Mayor or OED Director is authorized, on behalf of The City of Seattle, to execute, deliver, administer and cause to be performed a Loan Agreement with LHLP, in the form attached as Exhibit D, with such additions, modifications, and amendments as HUD may require or the Mayor or OED Director may deem necessary or advisable to carry out the purposes of this Ordinance, together with such ancillary and related documents as the Mayor or OED Director may deem necessary or advisable to carry out the purposes of this Ordinance. Such modifications may include, without limitation, provision for an interest rate payable by LHLP higher than the interest rate payable on the Note; provisions establishing, adjusting or eliminating the periodic monitoring fee or a similar fee payable by LHLP, or both. The loan shall be secured by a first lien position deed of trust on the property on which the Lewiston Hotel building is located, but which deed of trust may be subject to regulatory covenants restricting the residential portion of the property to low-income housing.

Section 4. The Mayor or OED Director is authorized, on behalf of the City, to negotiate and execute one or more agreements with a financial institution to act as trustee and/or custodian (the "Custodian") to receive and disburse the proceeds of the City's non-recourse Note and to receive, administer and expend such funds as are received from LHLP as repayments or other payments under the Loan Agreement or from realization on the security for the loan. Such agreement shall include establishment by the Custodian of one or more special funds or accounts

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from which the City's Note shall be repaid, and any other funds or accounts that HUD may require or the Mayor or OED Director may deem necessary or appropriate. Such funds or accounts shall at all times be kept segregated and set apart from all funds and accounts of the City, and into such funds or accounts shall be deposited all money that is pledged as security to HUD in connection with the guaranty that is required under the HUD Contract to be deposited therein. The agreement(s) with the Custodian and all funds or accounts established thereunder shall comply with RCW 35.21.735. The Mayor or OED Director is further authorized to negotiate and execute such additional agreements as the Mayor or OED Director deem necessary or advisable to carry out the purposes of this Ordinance and to implement the Section 108 loan guaranty. The agreement(s) with the Custodian and the additional agreements authorized by this Section 4 shall be in the form and contain such terms and conditions as the Mayor or OED Director may deem necessary or advisable to carry out the purposes of this Ordinance.

The Mayor or OED Director may enter into a fiscal agency agreement, for and on behalf of the City, under which Chase Manhattan Bank, or such other financial institution as may be designated by HUD, shall serve as fiscal agent with respect to the Note, on such terms and conditions as the Mayor or OED Director shall determine are necessary or appropriate to implement the purposes of this Ordinance. The authority granted in this Section shall apply notwithstanding Seattle Municipal Code subsection 5.10.060A, to the extent it might be deemed applicable to the Note. The Fiscal Agent may be the same as the Custodian, or an affiliated entity thereof.

Section 5. The Mayor or OED Director may require LHLP to pay a loan origination fee of no more than TEN THOUSAND DOLLARS ($10,000). Such fee shall be paid directly to the Custodian to be held in trust for the purposes set forth in this Section 5. The OED Director is

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authorized to cause all or a portion of this fee to be disbursed by the Custodian to pay the National Development Council for consulting services related to this loan in accordance with the City's existing contract with the National Development Council, and to pay for the City's legal fees and any other costs related to the issuance and placement of the Note and the administration of the transactions authorized by this Ordinance, that are not paid by LHLP pursuant to the Loan Agreement. The OED Director is authorized to cause (i) any remaining portion of such fee and (ii) any payments received by the Custodian representing any difference between the interest rates charged to LHLP and the lower rates applicable to the Note or representing a periodic monitoring fee or similar fee, to be applied to payment of expenses incurred in the administration of any federally guaranteed or federally funded economic development loan or program administered by the OED Director or to be remitted to the City and deposited in the Housing and Community Development Revenue Sharing Fund.

Section 6. The Director of the Human Services Department ("HSD Director") is authorized to amend the City's 1999-2000 Consolidated Plan to reflect the transactions contemplated by this Ordinance. The Mayor, OED Director, and the HSD Director are authorized to take such other actions as they shall deem necessary to implement the actions authorized by this Ordinance.

Section 7. This Ordinance is not intended to create, and shall not be construed to create, any contractual or otherwise binding obligation upon, or commitment by, the City for the benefit of LHLP or any other party interested in the acquisition or rehabilitation of the Lewiston Hotel building. The commitment to LHLP authorized by this Ordinance, subject to the limitations herein and under applicable law, shall become effective only if and when the

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agreements authorized hereby are duly executed and delivered by the City and other necessary parties.

Section 8. Any act pursuant to the authority and prior to the effective date of this Ordinance is hereby ratified and confirmed.

Section 9. This Ordinance shall take effect and be in force thirty (30) days from and after its approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

Passed by the City Council the _____ day of _____, 2000, and signed by me in open session in authentication of its passage this _____ day of _____, 2000.

_____
President _____of the City Council

Approved by me this _____ day of _____, 2000.

_____
Paul Schell, Mayor

Filed by me this _____ day of _____, 2000.

_____
City Clerk

(Seal)

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Exhibits:

A. Funding Approval/Agreement
B. Form of HUD Contract
Attachment 1: Letter Agreement for Section 108 Loan Guarantee Program Custodial Account
Attachment 2: Letter Agreement for Section 108 Loan Guarantee Program Custodial Investment Account
C. Form of Non-Recourse Note of the City
D. Form of Loan Agreement with Lewiston Hotel Limited Partnership
Attachment A: Real Property Description
Attachment B: Project Description
Attachment C: Form of Promissory Note
Attachment D: Project Budget
Attachment E: Certificate of Obligor (Not Included)

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EXHIBIT A

Funding Approval/Agreement

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EXHIBIT A TO ORDINANCE

Funding Approval/Agreement

Title I of the Housing and Community Development Act (Public Law 930383)

U.S. Department of Housing and Urban Development
Office of Community Planning and Development
Community Development Block Grant Program

HI-00515R of 20515R

1. Name of Grantee (as shown in item 5 of Standard Form 424)	3. Grantee's 9-digit Tax ID Number	4. Date use of funds may begin (mm/dd/yyyy)
City of Seattle, Washington	91-6001275	11/01/99
2. Grantee's Complete Address (as shown in item 5 of Standard Form 424)	**5a. Project/Grant No. 1**	**6a. Amount Approved**
Office of Economic Development 600 Fourth Avenue, Room 205 Seattle, WA 98104	B-00-MC-53-0005	
	5b. Project/Grant No. 2	6b. Amount Approved
	5c. Project/Grant No. 3	6c. Amount Approved

Grant Agreement: This Grant Agreement between the Department of Housing and Urban Development (HUD) and the above named Grantee is made pursuant to the authority of Title I of the Housing and Community Development Act of 1974, as amended, (42 USC 5301 et seq.). The Grantee's submissions for Title I assistance, the HUD regulations at 24 CFR Part 570 (as now in effect and as may be amended from time to time), and this Funding Approval, including any special conditions, constitute part of the Agreement. Subject to the provisions of this Grant Agreement, HUD will make the funding assistance specified here available to the Grantee upon execution of the Agreement by the parties. The funding assistance specified in the Funding Approval may be used to pay costs incurred after the date specified in item 4 above provided the activities to which such costs are related are carried out in compliance with all applicable requirements. Pre-agreement costs may not be paid with funding assistance specified here unless they are authorized in HUD regulations or approved by waiver and listed in the special conditions to the Funding Approval. The Grantee agrees to assume all of the responsibilities for environmental review, decision making, and actions, as specified and required in regulations issued by the Secretary pursuant to Section 104(g) of Title I and published in 24 CFR Part 58. The Grantee further acknowledges its responsibility for adherence to the Agreement by sub-recipient entities to which it makes funding assistance hereunder available.

U.S. Department of Housing and Urban Development (By Name)		Grantee Name	Date (mm/dd/yyyy)
Jeff Ruster		Office of Economic Development City of Seattle, Washington	
Title Deputy Assistant Secretary for Economic Development		Title Director - Office of Economic Development	
Signature	Date (mm/dd/yyyy) AUG - 4 2000	Signature	Date (mm/dd/yyyy) 09/13/00

7. Category of Title I Assistance for this Funding Action (check only one)
- [ ] a. Entitlement, Sec 106(b)
- [ ] b. State-Administered, Sec 106(d)(1)
- [ ] c. HUD-Administered Small Cities, Sec 106(d)(2)(B)
- [ ] d. Indian CDBG Programs, Sec 106(a)(1)
- [ ] e. Surplus Urban Renewal Funds, Sec 112(b)
- [ ] f. Special Purpose Grants, Sec 107
- [x] g. Loan Guarantee, Sec 108

8. Special Conditions (check one)
- [ ] None
- [x] Attached

9a. Date HUD Received Submission (mm/dd/yyyy)

9b. Date Grantee Notified (mm/dd/yyyy)

9c. Date of Start of Program Year (mm/dd/yyyy)

10. check one
- [ ] a. Orig. Funding Approval
- [x] b. Amendment
  Amendment Number 1

11. Amount of Community Development Block Grant	FY (yyyy)	FY (yyyy)	FY (yyyy)
a. Funds Reserved for this Grantee			
b. Funds now being Approved			
c. Reservation to be Cancelled (11a minus 11b)			

12a. Amount of Loan Guarantee Commitment now being Approved
$1,000,000

12b. Name and complete Address of Public Agency
See Item 2 above.

12

12c. Name of Authorized Official for Designated Public Agency
Mary Jean Ryan

Title
Director - Office of Economic Development

Signature / Date (mm/dd/yyyy)
09/13/00

Loan Guarantee Acceptance Provisions for Designated Agencies:
The public agency hereby accepts the Grant Agreement executed by the Department Housing and Urban Development on the above date with respect to the above grant number(s) as Grantee designated to receive loan guarantee assistance, and agrees to comply with the terms and conditions of the Agreement, applicable regulations, and other requirements of HUD now or hereafter in effect, pertaining to the assistance provided it.

HUD Accounting use Only

Batch	TAC	Program	Y	A	Rec	Area	Document No.	Project Number	Category	Amount	Effective Date (mm/dd/yyyy)	F
	153 176											
			Y					Project Number		Amount		
			Y					Project Number		Amount		

Date Entered PAS (mm/dd/yyyy)	Date Entered LOCCS (mm/dd/yyyy)	Batch Number	Transaction Code	Entered By	Verified By

24 CFR 570 form HUD-7082 (4/93)

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8. Special Conditions.

(a) In the event the Borrower fails to submit notes or other obligations for inspection and guarantee by the Secretary of the Department of Housing and Urban Development (the Secretary) before September 1, 2001, the offer will expire as of such date.

(b) The repayment schedule for the guaranteed loan must be acceptable to the Secretary.

(c) The Borrower shall provide additional security for the guaranteed loan and such additional security must be acceptable to the Secretary. The additional security shall be identified in the Contract for Loan Guarantee Assistance specified by 24 CFR §570.705(b)(1) which will be executed at the time the guaranteed obligations are issued.

(d) Prior to submitting notes or other obligations for inspection and guarantee by the Secretary, the Borrower shall submit information required under Section 102(b) of the Department of Housing and Urban Development Reform Act of 1989 (42 U.S.C. 3531). Such information shall be submitted to the HUD Washington State Office.

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Exhibit B

Form of HUD Contract

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EXHIBIT B TO ORDINANCE

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

CONTRACT FOR LOAN GUARANTEE ASSISTANCE UNDER SECTION 108 OF THE HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974, AS AMENDED, 42 U.S.C. §5308

Date of Contract _____

This Contract for Loan Guarantee Assistance ("Contract") is entered into between _____, as Borrower (the "Borrower"), and the Secretary of Housing and Urban Development ("Secretary"), as guarantor for the Guarantee made pursuant to section 108 ("Section 108") of title I of the Housing and Community Development Act of 1974, as amended (the "Act") and 24 CFR Part 570, Subpart M, of the promissory note executed contemporaneously herewith and numbered _____, in the Maximum Commitment Amount of $_____, and any amended note or note issued in substitution for such note and having the same note number (the "Note"). The funds paid or credited to the account of the Borrower pursuant to the Note are referred to herein as the "Guaranteed Loan Funds." The Note (including the Fiscal Agency Agreement and the Trust Agreement as defined in Section I.A. of the Note and incorporated therein) is hereby incorporated into the Contract. Terms used in the Contract with initial capital letters and not otherwise defined in the text hereof shall have the respective meanings given thereto in the Note. The Fiscal Agency Agreement and the Trust Agreement are sometimes collectively referred to herein as the "Fiscal Agency/Trust Agreements," and the Fiscal Agent and the Trustee respectively are sometimes collectively referred to as the "Fiscal Agent/Trustee."

PART I

A. **The Note: Advances and Records.** The Note provides that Advances and Conversion Date Advances shall be made thereunder upon the written request of the Borrower and the approval of the Secretary, pursuant to this Contract and the Fiscal Agency Agreement. The Commitment Schedule attached to the Note represents the principal repayment schedule for the Maximum Commitment Amount of the Note. At all times, the total amount of all Advances and Conversion Date Advances under the Note for all Principal Due Dates shall not exceed the Maximum Commitment Amount of the Note. Prior to the Conversion Date (as defined in the Note, Section I.A.), the total amount of Advances made by the Holder for each Principal Due Date under the Note shall not exceed the applicable Commitment Amount for such Principal Due Date set forth in the Commitment Schedule of the Note. Prior to the Conversion Date, the Borrower agrees that the Fiscal Agent pursuant to the Fiscal Agency Agreement shall record the date

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and amount of each payment and Advance under the Note and shall maintain the books and records of all Advances and Conversion Date Advances for each Principal Due Date, interest rates on Advances, payments, and Principal Amounts outstanding for each Principal Due Date. On and after the Conversion Date, the Borrower agrees that the Trustee pursuant to the Trust Agreement will maintain the books and records of all payments on the Note and all Principal Amounts and interest rates on such Principal Amounts (each as to be set forth on Schedule P&I to the Note). No advances of any kind may be made on the Note after its Conversion Date.

B. **Borrower's Requests for Advances**. All requests for Advances or Conversion Date Advances by the Borrower under the Note shall: be in writing; specify the amount of the Advance requested; identify the Note by Borrower, number and Maximum Commitment Amount; be addressed to the Secretary at the address for notices specified in paragraph 12(f) of this Contract; be signed by an authorized official of the Borrower; and otherwise be in the form prescribed by HUD. Advances and Conversion Date Advances shall be requested and will only be approved and made in increments of not less than $1,000 for any Principal Due Date. A request for an initial Advance under a Note, or a request for a Conversion Date Advance, shall be received by the Secretary at least ten Business Days prior to the Borrower's proposed Funding Date or Conversion Date, as applicable. All other requests for Advances shall be received by the Secretary not less than five Business Days prior to the proposed Funding Date. The Borrower may not deliver a Note or a request for an Advance or Conversion Date Advance to the Secretary more than two calendar months prior to the Borrower's proposed Funding Date. At least two Business Days prior to the proposed Funding Date or Conversion Date if the Borrower's request was timely received, or the next available Funding Date for which the request was timely received, the Secretary shall, except as otherwise provided in paragraph 11(c) or 12 hereof, deliver a corresponding Authorization Order or Advance Order (as applicable) to the Fiscal Agent in accordance with Section 2.03 or 2.04 of the Fiscal Agency Agreement for the applicable Funding Date or Conversion Date. If the Borrower requests an Advance or Conversion Date Advance of less than the outstanding Maximum Commitment Amount under the Note, the Borrower may also specify in its written request the amount of the Advance or Conversion Date Advance to be allocated to each Commitment Amount or Principal Amount per Principal Due Date under the Note. If the Borrower does not specify how the Advance or Conversion Date Advance should be allocated among Commitment Amounts/Principal Due Dates, the Borrower hereby authorizes the Secretary to direct the Fiscal Agent to allocate the Advance to the respective Commitment Amounts or Principal Amounts in order of the earliest Principal Due Date(s).

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C. **Conversion; Public Offering.** On the Conversion Date (if any), trust certificates backed by the Note (and similar notes issued by other Section 108 borrowers) will be purchased for a purchase price of the full principal amount thereof by underwriters selected by the Secretary (the "Underwriters") pursuant to an Underwriting Agreement between the Underwriters and the Secretary, at a closing on such Conversion Date as determined by the Secretary and the Underwriters. The Borrower agrees that the interest rate at which the trust certificate of a specified maturity is sold to the Underwriters shall govern the interest rate inserted on the Conversion Date in Schedule P&I of the Note for the Principal Amount of corresponding maturity.

D. **Consents.** By execution of this Contract, the Borrower ratifies and consents to the Secretary's selection of the Underwriters and authorizes the Secretary to negotiate with the Underwriters the terms of the Underwriting Agreement and of the public offering of interests in the trust certificates to investors (including the applicable interest rates). In addition, by execution hereof the Borrower ratifies and consents to the Secretary's selection of the Fiscal Agent/Trustee and agrees to the respective terms of the Fiscal Agency/Trust Agreements. If Advances have been made in the Maximum Commitment Amount of the Note not less than ten Business Days prior to the proposed Conversion Date, or if the Borrower requests a Conversion Date Advance, the Borrower authorizes the Secretary to deliver Schedule P&I to the Note completed in accordance herewith to the Fiscal Agent/Trustee on the Conversion Date in accordance with the Fiscal Agency/Trust Agreements, concurrent with delivery of the Secretary's Guarantee of the trust certificates at the closing on the Conversion Date, and thereafter the Note shall be enforceable in accordance with its terms including Schedule P&I. In addition, the Secretary reserves the right to notify the Borrower not less than one calendar month in advance of a specified Conversion Date that the Note will be sold to the Underwriters on such date, if the Secretary in his sole discretion determines that market conditions or program needs require the participation in the proposed public offering of all or substantially all Borrowers with outstanding Advances.

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PART II

1. **Receipt, Deposit and Use of Guaranteed Loan Funds.**

(a) Except for funds deducted on the Conversion Date pursuant to paragraph 4(b) and fees and charges deducted by the Fiscal Agent/Trustee pursuant to paragraph 4(a), the Guaranteed Loan Funds shall be electronically transferred in accordance with the Borrower's instructions for deposit in a separate, identifiable custodial account (the "Guaranteed Loan Funds Account") with a financial institution whose deposits or accounts are Federally insured. The Guaranteed Loan Funds Account shall be established and designated as prescribed in the attached form document entitled "Letter Agreement for Section 108 Loan Guarantee Program Custodial Account" **(Attachment 1)** and shall be continuously maintained for the Guaranteed Loan Funds. Such Letter Agreement must be executed when the Guaranteed Loan Funds Account is established. (A fully executed copy of such Letter Agreement shall be submitted to the Secretary within thirty days of its execution.)

The Borrower shall make withdrawals from said account only for payment of the costs of approved Section 108 activities, for transfer to the Loan Repayment Account or for the temporary investment of funds pursuant to this paragraph 1(a). Such temporary investment of funds into the Guaranteed Loan Funds Investment Account shall be required within three Business Days after the balance of deposited funds exceeds the amount of the Federal deposit insurance on the Guaranteed Loan Funds Account. At that time, any balance of funds in the Guaranteed Loan Funds Account exceeding such insurance coverage shall be fully (100%) and continuously invested in Government Obligations, as defined in paragraph 10 hereof, held in the Guaranteed Loan Funds Investment Account.

All temporary investments, whether or not required as above, shall be limited to Government Obligations having maturities that are consistent with the cash requirements of the approved activities. In no event shall the investments mature on or after _____, or have maturities which exceed one year. All such investments shall be held in trust for the benefit of the Secretary by the above financial institution in an account (the "Guaranteed Loan Funds Investment Account") established and designated as prescribed in the attached form document entitled "Letter Agreement for Section 108 Loan Guarantee Program Custodial Investment Account" **(Attachment 2)**, which account shall be maintained for all Government Obligations purchased with funds from the Guaranteed Loan Funds Account. The Guaranteed Loan Funds Investment Account need only be established if and when the Borrower is required to invest, or otherwise invests, the

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Guaranteed Loan Funds in Government Obligations. Such Letter Agreement must be executed when the Guaranteed Loan Funds Investment Account is established. (A fully executed copy of such Letter Agreement shall be submitted to the Secretary within thirty days of its execution.) All proceeds and income derived from such investments shall be returned to the Guaranteed Loan Funds Account.

All funds in the Guaranteed Loan Funds Account or the Guaranteed Loan Funds Investment Account must be withdrawn and disbursed by the Borrower for approved activities by _____. Any funds remaining in either Account after this date shall be immediately transferred to the Loan Repayment Account established pursuant to paragraph 6 of this Contract.

(b) The Borrower shall by the fifteenth day of each month provide the Secretary with a written statement showing the balance of funds in the Guaranteed Loan Funds Account and the withdrawals from such account during the preceding calendar month, and a statement identifying the obligations and their assignments in the Guaranteed Loan Funds Investment Account.

(c) Upon the Secretary giving notice that the Borrower is in Default under this Contract or the Note, all right, title, and interest of the Borrower in and to the Guaranteed Loan Funds and Guaranteed Loan Funds Investment Accounts shall immediately vest in the Secretary for use in making payment on the Note, purchase of Government Obligations in accordance with paragraph 10, or payment of any other obligations of the Borrower under this Contract or the Fiscal Agency/Trust Agreements.

2. **Payments Due on Note.** The Borrower shall pay to the Fiscal Agent/Trustee, as collection agent for the Note, all amounts due pursuant to the terms of the Note. In accordance with the Note and the Fiscal Agency/Trust Agreements, payment shall be made by 3:00 P.M. (New York City time) on the seventh Business Day (the "Note Payment Date") preceding the relevant Interest Due Date or Principal Due Date (each as defined in the Note). If any Note Payment Date falls on a day that is not a Business Day, then the required payment shall be made on the next Business Day. Payment may be made by check or wire transfer.

3. **Selection of New Fiscal Agent or Trustee.** The Secretary shall select a new Fiscal Agent or Trustee if the Fiscal Agent or Trustee resigns or is removed by the Secretary. The Borrower hereby consents in advance to any such selection and to any changes in the Fiscal Agency/Trust Agreements agreed to by any Fiscal Agent or Trustee and the Secretary, subject to paragraph 4(e) of this Contract.

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4. **Payments Due Fiscal Agent or Trustee; Documents to the Secretary.**

(a) The Borrower agrees to pay the fees of the Fiscal Agent as required by Exhibit G to the Fiscal Agency Agreement, and any additional amounts that may be due pursuant to Section 6.01 of the Fiscal Agency Agreement. If not paid by the Borrower by any other means prior thereto, the Borrower agrees that any such fees or additional amounts that have been incurred prior to an Advance or a Conversion Date Advance may be deducted by the Fiscal Agent/Trustee from the proceeds of the Advance or Conversion Date Advance, as applicable.

(b) The Borrower agrees to pay the Borrower's share, as determined by the Secretary, of the customary and usual issuance, underwriting, and other costs related to the public offering and future administration of the Note and the trust certificates, as approved by the Secretary, including the cost of reimbursement and/or compensation of the Trustee pursuant to the Trust Agreement, including Sections 3.11 and 7.01 thereof. In connection with the public offering on the Conversion Date, such payment shall either be made by wire transfer to the Trustee on the day prior to the Conversion Date or shall be deducted from the Guaranteed Loan Funds on the Conversion Date.

(c) The Borrower shall submit to the Secretary not later than ten Business Days prior to the Funding Date for the initial Advance hereunder, or if not submitted earlier, prior to any Conversion Date or Public Offering Date applicable to the Note, this executed Contract, the executed Note, a request for an Advance or a Conversion Date Advance (as applicable) in proper form, and an opinion acceptable to the Secretary from the Borrower's counsel to the effect that: (i) the governing body of the Borrower has authorized by resolution or ordinance, in accordance with applicable State and local law, the issuance of the Note and the execution of this Contract; (ii) the Note and this Contract are valid, binding, and enforceable obligations of the Borrower; (iii) the pledge of funds pursuant to 24 CFR 570.705(b)(2) and paragraph 5(a) of this Contract is valid and binding; and (iv) there is no outstanding litigation that will affect the validity of the Note or this Contract. In addition, the Borrower shall submit any other additional documents or opinions specifically required by this Contract (e.g., paragraph 5(c), or paragraph 15, et seq.), at the time required thereby.

(d) The Borrower agrees to reimburse the Underwriters upon demand by the Secretary for the Borrower's share, as determined by the Secretary, of all reasonable out-of-pocket expenses (including reasonable fees and disbursements of

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counsel) incurred in connection with a proposed public offering, if the Underwriters incur such additional costs for the public offering because of any refusal, inability, or failure on the part of the Borrower timely to submit in acceptable form any document required by this Contract (including paragraph 4(c)), or because of any withdrawal by the Borrower from the public offering, after the Borrower has submitted a request for a Conversion Date Advance hereunder. By execution and delivery of this Contract to the Secretary, the Borrower hereby expressly authorizes the Secretary to pay amounts due under this paragraph from funds pledged under paragraph 5(a) of this Contract.

(e) The undertakings in paragraphs 3 and 4 of this Contract are expressly subject to the requirement that the Fiscal Agency/Trust Agreements shall in no event require payment of fees or charges, reimbursement of expenses, or any indemnification by the Borrower from any source other than funds pledged pursuant to paragraphs 5 or 15 et seq. of this Contract.

5. **Security.** The Borrower hereby pledges as security for repayment of the Note, and such other charges as may be authorized in this Contract, the following:

(a) All allocations or grants which have been made or for which the Borrower may become eligible under Section 106 of the Act, as well as any grants which are or may become available to the Borrower pursuant to Section 108(q).

(b) Program income, as defined at 24 CFR 570.500(a)(or any successor regulation), directly generated from the use of the Guaranteed Loan Funds.

(c) Other security as described in paragraph 15, *et seq.*

(d) All proceeds (including insurance and condemnation proceeds) from any of the foregoing.

(e) All funds or investments in the accounts established pursuant to paragraphs 1 and 6 of this Contract.

6. **Loan Repayment Account.**

(a) All amounts pledged pursuant to paragraphs 5(b), 5(c), and 5(d) of this Contract shall be deposited immediately on receipt in a separate identifiable custodial account (the "Loan Repayment Account") with a financial institution whose deposits or accounts are Federally insured. The Loan Repayment Account shall be established and designated as prescribed in the attached form document entitled "Letter Agreement for Section 108 Loan Guarantee Program Custodial Account" **(Attachment 1)** and shall be maintained for such

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pledged funds. The Loan Repayment Account need only be established if and when the Borrower receives amounts pledged pursuant to paragraph 5(b), 5(c) or 5(d). Such Letter Agreement must be executed when the Loan Repayment Account is established. (A fully executed copy of such Letter Agreement shall be submitted to the Secretary within thirty days of its execution.) Borrower shall make withdrawals from said account only for the purpose of paying interest and principal due on the Note (including the purchase of Government Obligations in accordance with paragraph 10 hereof), for payment of any other obligation of the Borrower under this Contract or the Fiscal Agency/Trust Agreements, or for the temporary investment of funds pursuant to this paragraph, until final payment and discharge of the indebtedness evidenced by the Note, unless otherwise expressly authorized by the Secretary in writing. Such temporary investment of funds shall be required within three Business Days after the balance of deposited funds exceeds the amount of the Federal deposit insurance on the Loan Repayment Account. At that time, the balance of funds in the Loan Repayment Account exceeding such insurance coverage shall be fully (100%) and continuously invested in Government Obligations, as defined in paragraph 10 hereof.

All temporary investments, whether or not required as above, shall be limited to Government Obligations having maturities that are consistent with cash requirements for payment of principal and interest as required under the Note. In no event shall the maturities of such investments exceed one year. All such investments shall be held in trust for the benefit of the Secretary by the above financial institution in an account (the "Loan Repayment Investment Account") established and designated as prescribed in the attached form document entitled "Letter Agreement for Section 108 Loan Guarantee Program Custodial Investment Account" **(Attachment 2)**, which account shall be maintained for all Government Obligations purchased with funds from the Loan Repayment Account. Such Letter Agreement must be executed when the Loan Repayment Investment Account is established. (A fully executed copy of such Letter Agreement shall be submitted to the Secretary within thirty days of its execution.) All proceeds and income derived from such investments shall be returned to the Loan Repayment Account.

(b) Borrower shall by the fifteenth day of each month, provide the Secretary with a written statement showing the balance of funds in the Loan Repayment Account and the deposits and withdrawals of all funds in such account during the preceding calendar month and a statement identifying the obligations and their assignments in the Loan Repayment Investment Account.

(c) Upon the Secretary giving notice that the Borrower is in

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Default under this Contract or the Note, all right, title, and interest of the Borrower in and to the Loan Repayment and Loan Repayment Investment Accounts shall immediately vest in the Secretary for use in making payment on the Note, purchase of Government Obligations in accordance with paragraph 10, or payment of any other obligation of the Borrower under this Contract or the Fiscal Agency/Trust Agreements.

7. **Use of CDBG or EDI Funds for Repayment.** Any funds available to the Borrower under Section 106 of the Act (including program income derived therefrom) are authorized to be used by the Borrower for payments due on the Note, Optional Redemption (as defined in the Note), payment of any other obligation of the Borrower under this Contract or the Fiscal Agency/Trust Agreements, or the purchase of Government Obligations in accordance with paragraph 10. Any funds specifically available to the Borrower for such payments or as a debt service reserve under an EDI Grant Agreement pursuant to Section 108(q) of the Act which supports the eligible project(s) and activities financed by the Note may also be used therefor; any other use of Section 108(q) funds for such purposes shall require the prior written approval of the Secretary. Unless otherwise specifically provided herein or unless otherwise expressly authorized by the Secretary in writing, the Borrower shall substantially disburse funds available in the Loan Repayment or the Loan Repayment Investment Accounts before funds from grants under Section 106 of the Act are withdrawn from the U.S. Treasury for such purposes.

8. **Secretary's Right to Restrict Use of CDBG Funds to Repayment.** Upon a determination by the Secretary that payments required by paragraph 2 and/or paragraph 4 of this Contract are unlikely to be made as specified, the Secretary may give the Borrower notice that the availability to the Borrower of funds pledged under paragraph 5(a) of this Contract for purposes other than satisfaction of the pledge is being restricted. This restriction shall be in an amount estimated by the Secretary to be sufficient to ensure that the payments referred to in paragraph 2 and/or paragraph 4 hereof are made when due. This restriction may be given effect by conditioning the restricted amounts to prohibit disbursement for purposes other than satisfaction of the pledge at the time such restricted funds are approved as grants, by limiting the Borrower's ability to draw down or expend the restricted funds for other purposes, and by disapproving payment requests submitted with respect to such grants for purposes other than satisfaction of the pledge.

9. **Secretary's Right to Use Pledged Funds for Repayment.** The Secretary may use funds pledged under paragraph 5(a) of this Contract or funds restricted under grants pursuant to paragraph 8 of this Contract to make any payment required of the Borrower under paragraph 2 and/or paragraph 4, if such payment has not been timely made by the Borrower.

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10. **Defeasance.** For purposes of this Contract, after the Conversion Date the Note shall be deemed to have been paid (defeased) if there shall have been deposited with the Trustee either moneys or Government Obligations (as defined below), which in the sole determination of the Secretary, mature and bear interest at times and in amounts sufficient, together with any other moneys on deposit with the Trustee for such purpose, to pay when due the principal and interest to become due on the Note. The Aggregate Principal Amount of the Note or any unpaid Principal Amount may be so defeased, in whole or in part, as of any Principal Due Date. In accordance with the Note and the Trust Agreement, the Borrower shall give timely notice and written instructions to the Secretary and the Trustee concerning any principal amounts proposed to be defeased, including any Optional Redemptions proposed, which instructions shall be approved by the Secretary. If the unpaid Aggregate Principal Amount of the Note guaranteed pursuant to this Contract shall be defeased and deemed to have been paid in full, then the Borrower shall be released from all agreements, covenants, and further obligations under the Note.

"Government Obligation" means a direct obligation of, or any obligation for which the full and timely payment of principal and interest is guaranteed by, the United States of America, including but not limited to, United States Treasury Certificates of Indebtedness, Notes and Bonds - State and Local Government Series or certificates of ownership of the principal of or interest on direct obligations of, or obligations unconditionally guaranteed by, the United States of America, which obligations are held in trust by a commercial bank which is a member of the Federal Reserve System and has capital and surplus (exclusive of undivided profits) in excess of $100,000,000.

11. **Default.** (a) A Default under the Note and this Contract shall occur upon failure by the Borrower to:

(i) pay when due an installment of principal or interest on the Note; or (ii) punctually and properly perform, observe, and comply with any covenant, agreement, or condition contained in: (A) this Contract, (B) any security agreement, deed of trust, mortgage, assignment, guarantee, or other contract securing payment of indebtedness evidenced by the Note, or (C) any future amendments, modifications, restatements, renewals, or extensions of any such documents.

(b) The Borrower waives notice of Default and opportunity for hearing with respect to a Default under paragraph 11(a).

(c) In addition to Defaults under paragraph 11(a), the Secretary may declare the Note in Default if the Secretary

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makes a final decision in accordance with the provisions of section 111 of the Act and 24 CFR 570.913 (or any successor provisions), including requirements for reasonable notice and opportunity for hearing, that the Borrower has failed to comply substantially with title I of the Act.
Notwithstanding any other provision, following the giving of such reasonable notice, the Secretary may, in the Secretary's sole discretion pending the Secretary's final decision, withhold the guarantee of any or all obligations not yet guaranteed on behalf of the Borrower under outstanding commitments, suspend approval of any further Advances or Conversion Date Advances under the Note, and/or direct the Borrower's financial institution to: refuse to honor any instruments drawn upon, or withdrawals from, the Guaranteed Loan Funds Account or the Loan Repayment Account initiated by the Borrower, and/or refuse to release obligations and assignments by the Borrower from the Guaranteed Loan Funds Investment Account or the Loan Repayment Investment Account.

12. **Remedial Actions.** Upon a Default or declaration of Default under this Contract, the Secretary may, in the Secretary's sole discretion, take any or all of the following remedial actions:

(a) With any funds or security pledged under this Contract, the Secretary may (i) continue to make payments due on the Note, (ii) make a prepayment under Section I.D. of the Note or make an acceleration payment with respect to the principal amount of the Note subject to Optional Redemption as provided in Section III of the Note, (iii) purchase Government Obligations in accordance with paragraph 10 of this Contract, (iv) pay any interest due for late payment as provided in the Note, this Contract, or the Fiscal Agency/Trust Agreements, (v) pay any other obligation of the Borrower under this Contract or the Fiscal Agency/Trust Agreements, and/or (vi) pay any reasonable expenses incurred by the Secretary or the Fiscal Agent/Trustee as result of the Borrower's Default.

(b) The Secretary may withhold the guarantee of any or all obligations not yet guaranteed or the disbursement of any or all grants not yet disbursed in full under outstanding guarantee commitments or grant approvals for the Borrower under Sections 108 and/or 106 of the Act.

(c) The Secretary may withhold approval of any or all further Advances or Conversion Date Advances under the Note (if applicable); direct the Borrower's financial institution to refuse to: honor any instruments drawn upon, or withdrawals from, the Guaranteed Loan Funds Account or the Loan Repayment Account by the Borrower, and/or to release obligations and assignments by the Borrower from the Guaranteed Loan Funds Investment Account or the Loan Repayment Investment Account; and/or direct the Borrower and/or the Borrower's financial institution to transfer remaining balances from the Guaranteed

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Loan Funds Account to the Loan Repayment Account.

(d) Until the Conversion Date, or with respect to amounts subject to Optional Redemption, the Secretary may accelerate the Note.

(e) The Secretary may exercise any other appropriate remedies or sanctions available by law or regulation applicable to the assistance provided under this Contract, or may institute any other action available under law to recover Guaranteed Loan Funds or to reimburse the Secretary for any payment under the Secretary's Guarantee or any reasonable expenses incurred by the Secretary as a result of the Default.

(f) All notices and submissions provided for hereunder shall be in writing (including by telex, telecopier or any other form of facsimile communication) and mailed or sent or delivered, as to each party hereto, at its address set forth below or at such other address as shall be designated by such party in a written notice to the other party hereto. All such notices and other communications shall be effective when received as follows: (i) if sent by hand delivery, upon delivery; (ii) if sent by mail, upon the earlier of the date of receipt or five Business Days after deposit in the mail, postage prepaid; (iii) if sent by telex, upon receipt by the sender of an answer back; and (iv) if sent by telecopier, upon receipt.

The Secretary:

U.S. Dept. of Housing and Urban Development
Attention: Paul Webster, Director
Financial Management Division
451 7th Street, SW, Room 7180
Washington, DC 20410

Borrower:

13. **Limited Liability.** Notwithstanding any other provision of this Contract, the Fiscal Agency/Trust Agreements or the Note, any recovery against the Borrower for any liability for amounts due pursuant to the Note, the Fiscal Agency/Trust Agreements or this Contract shall be limited to the sources of security pledged in paragraph 5 or any Special Conditions of this Contract. Neither the general credit nor the taxing power of the Borrower, or of the State in which the Borrower is located, is pledged for any payment due under the Note, the Contract, or the Fiscal Agency/Trust Agreements.

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14. **Incorporated Grant Agreement.** The Contract and the Note are hereby incorporated in and made a part of the Grant Agreement authorized by the Secretary on _____ under the Funding Approval for grant number _____ to the Borrower. In carrying out activities with the Guaranteed Loan Funds hereunder, the Borrower agrees to comply with the Act and 24 CFR Part 570, as provided in Subpart M thereof.

15. **Special Conditions and Modifications:**

[Type special conditions here or [ ] Check if continued on extra sheet(s) and attach.]

[Rest of Page Intentionally Left Blank]

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IN WITNESS WHEREOF, the undersigned, as authorized officials on behalf of the Borrower or the Secretary, have executed this Contract for Loan Guarantee Assistance, which shall be effective as of the date of execution hereof on behalf of the Secretary.

ATTEST:

_____
(Name)

_____
(Title)

_____
(Signature)

_____
BORROWER

BY: _____
(Name)

_____
(Title)

_____
(Signature)

_____
(Date)

SECRETARY OF HOUSING AND URBAN DEVELOPMENT

BY: _____
(Name)

_____
(Title)

_____
(Signature)

_____
(Date)

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ATTACHMENT 1

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

LETTER AGREEMENT FOR
SECTION 108 LOAN GUARANTEE PROGRAM
CUSTODIAL ACCOUNT

Name of Institution (and Branch)

Street

City

DATE

[] This account is established for funds received by the Borrower under note(s) guaranteed by the United States Department of Housing and Urban Development (HUD) under the Section 108 Loan Guarantee Program. (Guaranteed Loan Funds Account.)

[] This account is established for repayment of the note guaranteed by HUD under the Section 108 Loan Guarantee Program. (Loan Repayment Account).

[] This account is established as a debt service reserve under the Section 108 Loan Guarantee Program. (Debt Service Reserve Account.)

You are hereby authorized and requested to establish a custodial account to be specifically designated

"

Trustee of United States Department of Housing and Urban Development." All deposits made in such account shall be subject to withdrawal therefrom by the Borrower named below, and shall also be subject to withdrawal therefrom by HUD. No agent of the Borrower shall be authorized to withdraw funds from the account. You are also authorized to pay HUD at any time upon its written demand, which need not name a specific amount, the entire amount in such account subject only to notice requirements contained in applicable regulations governing this institution, but in no event to exceed seven business days.

You are further authorized upon the request of HUD to refuse to honor any instrument drawn upon or withdrawals from such account by

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parties other than HUD and to change the name of the aforesaid account to the "United States Department of Housing and Urban Development." In no instance shall the funds in the Custodial Account be used to offset funds which may have been advanced to, or on behalf of, the Borrower by the custodian institution.

This letter is submitted to you in duplicate. Please execute the duplicate copy of the certificate below, acknowledging the existence of such account, so that we may present the copy signed by you to HUD.

_____

Name of Borrower

_____

By (Signature)

_____

Title

_____

The undersigned institution certifies to the United States Department of Housing and Urban Development (HUD) that the account identified is in existence in this institution under account number _____, and agrees with the Borrower named above and HUD to honor demands on such account in the manner provided in the above letter, subject only to notice requirements contained in applicable regulations governing this institution, but in no event to exceed seven business days. The undersigned institution further agrees upon the request of HUD to refuse to honor any instruments drawn upon or withdrawals from such account by parties other than HUD and to change the name of the aforesaid account to "United States Department of Housing and Urban Development." In no instance shall the funds in the Custodial Account be used to offset funds which may have been advanced to, or on behalf of, the Borrower by the custodian institution. Deposits in this institution are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or the National Credit Union Administration.

_____

Name of Institution By

_____

Title Date

_____

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ATTACHMENT 2

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

LETTER AGREEMENT FOR
SECTION 108 LOAN GUARANTEE PROGRAM
CUSTODIAL INVESTMENT ACCOUNT

_____
Name of Institution (and Branch)

_____
Street

_____
City

_____ DATE

[] This account is established to hold obligations and their assignments, such obligations having been purchased with funds from the Guaranteed Loan Funds Account. (Guaranteed Loan Funds Investment Account.)

[] This account is established to hold obligations and their assignments, such obligations having been purchased with funds from the Loan Repayment Account. (Loan Repayment Investment Account.)

[] This account is established to hold obligations and their assignments, such obligations having been purchased with funds from the Debt Service Reserve Account. (Debt Service Reserve Investment Account.)

You are hereby authorized and requested to hold obligations and assignments of those obligations in trust for the United States Department of Housing and Urban Development (HUD) in an account specifically designated

"_____
Trustee of United States Department of Housing and Urban Development." All obligations and assignments shall be subject to release to the Borrower named below, and shall also be subject to release to HUD. No agent of the Borrower shall be authorized to release the obligations or assignments. You are also authorized to release the obligations and assignments to HUD at any time upon its written demand, which need not name specific obligations and assignments, all obligations and assignments being held in such account subject only to any notice requirements contained in applicable regulations governing this institution, but in no event to exceed seven business days.

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You are further authorized upon the request of HUD to refuse to honor any request for release of the obligations and assignments from such account by parties other than HUD and to change the name of the aforesaid account to the "United States Department of Housing and Urban Development." In no instance shall the obligations in the account be used to offset funds which may have been advanced to, or on behalf of, the Borrower by the custodian institution.

This letter is submitted to you in duplicate. Please execute the duplicate copy of the certificate below, acknowledging the existence of such account, so that we may present the copy signed by you to HUD.

_____

Name of Borrower

_____

By (Signature)

_____

Title

_____

The undersigned institution certifies to the United States Department of Housing and Urban Development (HUD) that the account identified is in existence in this institution under account number _____, and agrees with the Borrower named above and HUD to honor demands release on such account in the manner provided in the above letter, subject only to any notice requirements contained in applicable regulations governing this institution, but in no event to exceed seven business days. The undersigned institution further agrees upon the request of HUD to refuse to honor any request for release of the obligations and assignments from such account by parties other than HUD and to change the name of the aforesaid account to "United States Department of Housing and Urban Development." In no instance shall the obligations in the account be used to offset funds which may have been advanced to, or on behalf of, the Borrower by the custodian institution. Deposits in this institution are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or the National Credit Union Administration.

_____

Name of Institution By

_____

Title -- Date

_____

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Exhibit C

Form of Non-Recourse Note

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EXHIBIT C TO ORDINANCE

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Fixed Rate Note for Series 2000-A Certificates

BORROWER:

NOTE NO.

REGISTERED HOLDER: THE CHASE MANHATTAN BANK

DATE:

AGGREGATE PRINCIPAL AMOUNT : $

For value received, the undersigned, _____ (the "Borrower," which term includes any successors or assigns), a public entity or agency organized and existing under the laws of the State (or Commonwealth, if applicable) of _____, promises to pay to the order of THE CHASE MANHATTAN BANK, as Registered Holder (the "Holder," which term includes any successors or assigns), the Principal Amounts set forth on the attached Schedule P&I as of each applicable Principal Due Date set forth therein, together with interest on such unpaid Principal Amounts at the rates applicable thereto as specified on such attached Schedule P&I. Interest shall be calculated and payments shall be made in the manner set forth below. The Holder is acting hereunder on behalf of a trust (the "Trust") created pursuant to a Trust Agreement by and between the Secretary of Housing and Urban Development (the "Secretary") and The Chase Manhattan Bank, as trustee (the "Trustee"), dated as of January 1, 1995, as amended (the "Trust Agreement"), as supplemented by the applicable Supplement to the Trust Agreement, by and between the Secretary and the Trustee.

A. Principal and Interest

Interest on a Principal Amount of this Note that is due as of a given date specified on the Schedule P&I attached hereto (such date, the "Principal Due Date" for such Principal Amount) shall accrue at the per annum rate specified on such Schedule P&I from (and including) the date hereof to (but excluding) such Principal Due Date or, if applicable, to the applicable Interest Due Date on which an Optional Redemption (as defined below) occurs. The aggregate of the interest amounts accrued on the entire unpaid Principal Amount of this Note shall be due semiannually as of February 1 and August 1 of each year (each, an "Interest Due Date") commencing on August 1, 2000, until the Aggregate Principal Amount listed on the Schedule P&I attached to this Note is

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paid in full. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

B. Optional Redemption

Certain Principal Amounts indicated as being eligible for Optional Redemption on the Schedule P&I hereto may be paid, in whole or in part, at the option of the Borrower as of any Interest Due Date on or after the date specified in such Schedule (an "Optional Redemption"). In order to elect an Optional Redemption of a redeemable Principal Amount, the Borrower shall give notice of its intention to redeem a Principal Amount to the Trustee and the Secretary not less than 60 days nor more than 90 days prior to the Interest Due Date as of which the Borrower intends to redeem the Principal Amount. The Trustee shall apply any payments received in respect of Optional Redemptions in accordance with written instructions of the Borrower, as approved by the Secretary. Principal Amounts that are not indicated as being eligible for Optional Redemption on such Schedule may not be prepaid.

C. Additional Definitions

For purposes of this Note, the following terms shall be defined as follows:

"Business Day" shall mean a day on which banking institutions in New York City are not required or authorized to remain closed and on which the Federal Reserve Bank and the New York Stock Exchange are not closed. If any payment (including a payment by the Secretary) is required to be made on a day that is not a Business Day, then payment shall be made on the next Business Day.

"Contract" shall mean the Contract for Loan Guarantee Assistance, and any amendments thereto, between the Secretary and the Borrower, the designated public entity named therein (if applicable), or the State named therein (if applicable), which refers to and incorporates this Note by the number hereof.

D. Borrower's Timely Payment to Trustee

Notwithstanding anything contained in this Note, the Borrower, in accordance with the Contract, shall be required to make all payments of interest and principal, including any Optional Redemption payment, directly to the Trustee on the seventh Business Day prior to the appropriate Interest Due Date, Principal Due Date or date of Optional Redemption, as applicable.

E. Interest on Late Payments

If a payment of principal or interest herein provided for has not been duly received by the Holder from either the Borrower or the Secretary by the close of business on the applicable Interest Due Date or Principal Due Date, interest shall accrue on the amount of such payment at the applicable interest rate or rates payable on this Note, from the relevant due date until the date such payment is made. Nothing in the immediately preceding sentence shall be construed as permitting or implying that the Borrower may, without the written consent of the Holder and the

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Secretary, modify, extend, alter or affect in any manner whatsoever the right of the Holder timely to receive any and all payments of principal and interest specified in this Note.

F. Applicability of Fiscal Agency Agreement and Trust Agreement

This Note and payments made hereunder shall be administered pursuant to the terms of the Trust Agreement and are subject to such agreement. The terms and provisions of the Trust Agreement, insofar as they affect the rights, duties and obligations of the Holder and/or the Borrower, are hereby incorporated herein and form a part of this Note. Capitalized terms not defined in this Note shall have the meanings ascribed to them in Trust Agreement. The Amended and Restated Master Fiscal Agency Agreement dated as of May 17, 2000 between the Secretary and The Chase Manhattan Bank, as Fiscal Agent (the "Fiscal Agency Agreement") provides for The Chase Manhattan Bank, acting as Fiscal Agent to perform certain duties, including the duties of registrar for this Note until this Note is cancelled or a new registrar appointed in accordance with the Fiscal Agency Agreement. The Trust Agreement provides for the Trustee to perform certain duties, including the duties of paying agent and collection agent for this Note until a new Trustee is appointed in accordance with the Trust Agreement. This Note may be surrendered to the Fiscal Agent for registration of transfer or exchange, as provided in the Fiscal Agency Agreement. The Fiscal Agent and the Trustee shall permit reasonable inspection to be made of a copy of the Fiscal Agency Agreement or Trust Agreement kept on file at its corporate trust office. Neither the Fiscal Agency Agreement nor the Trust Agreement shall change the Borrower's payment obligations under this Note.

G. Applicability of Contract and Secretary's Guarantee

This Note evidences indebtedness incurred pursuant to and in accordance with the Contract and pursuant to Section 108 of Title I of the Housing and Community Development Act of 1974, as amended (42 U.S.C. § 5308) (the "HCD Act"). This Note is subject to the terms and provisions of the Contract, to which Contract reference is hereby made for a statement of said terms and provisions and for a description of the collateral security for this Note. The payment of principal on the applicable Principal Due Dates and interest on the applicable Interest Due Dates under this Note is unconditionally guaranteed by the Secretary to the Holder through a guarantee (the "Guarantee"). Execution of the Secretary's Guarantee is required before this Note is effective, and such Guarantee shall be issued pursuant to and in accordance with the terms of the Contract and Section 108 of the HCD Act.

H. Default

A default under this Note shall occur upon failure by the Borrower to pay principal or interest on this Note when due to the Trustee hereunder. If a Borrower defaults on the payment of any interest or Principal Amount when due, or if the Secretary gives notice of a final decision to declare the Borrower in default pursuant to the following paragraph, the Secretary may, but is not obligated to, make on the seventh Business Day preceding any Interest Due Date on or after the first permissible Optional Redemption Date, with seven Business Days prior notice to the Trustee an acceleration payment to the Trustee equal to the Aggregate Principal Amount of the Note, together with accrued and unpaid interest thereon to such Interest Due Date. In the event

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that any such acceleration payment is made from sources other than funds pledged by the Borrower as security under the Contract (or other Borrower funds), the amounts paid on behalf of the Borrower shall be deemed to be immediately due and payable to the Secretary. Nothing in this paragraph shall be construed as permitting or implying that the Borrower may, without the written consent of the Holder and the Secretary, modify, extend, alter or affect in any manner whatsoever the right of the Holder timely to receive any and all payments of principal and interest specified in this Note.

In addition, the Secretary may declare the Borrower in default under this Note if the Secretary makes a final decision in accordance with the provisions of 24 C.F.R. § 570.913 (or any successor regulation thereof), including requirements for reasonable notice and opportunity for hearing, that the Borrower has failed to comply substantially with Title I of the HCD Act. Following the giving of such reasonable notice, the Secretary may take the remedial actions specified as available in the relevant provisions of the Contract pending the Secretary's final decision.

I. Holder's Reliance on Guarantee

Following a default by the Borrower under the terms of this Note, the Holder agrees to rely wholly and exclusively for repayment of this Note upon the Guarantee. The enforcement of any instruments or agreements securing or otherwise related to this Note shall be the sole responsibility of the Secretary, and the Holder shall not be responsible for the preparation, contents or administration of such instruments and agreements, or for any actions taken in connection with such instruments and agreement. The Holder, to the extent it is legally able to do so, shall bind or cause to be bound its successors and assigns to all limitations imposed upon the Holder by this Note.

J. Amendment

This Note may only be amended with the prior written consent of the Secretary and the Borrower. No such amendment shall reduce, without the prior written consent of the Holder of this Note, in any manner the amount of, or delay the timing of, payments required to be received on this Note by the Holder or Trustee, including Guarantee Payments.

K. Waivers

The Borrower hereby waives any requirement for presentment, protest or other demand or notice with respect to this Note. The Borrower hereby waives notice of default and opportunity for hearing for any failure to make a payment when due.

L. Delivery and Effective Date

This Note is deemed issued, executed, and delivered on behalf of the Borrower by its authorized official as an obligation guaranteed by the Secretary pursuant to Section 108 of the HCD Act, effective as of the date of the Secretary's Guarantee.

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M. Borrower Specific Provisions

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[Signature page follows]

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IN WITNESS WHEREOF, the undersigned, as an authorized official of the Borrower, has executed and delivered this Note.

_____
BORROWER

By: _____
(Signature)

_____
(Name)

_____
(Title)

ATTEST: _____
(Signature)

_____
(Name)

_____
(Title)

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SCHEDULE P&I

Principal Amount	Principal Due Date	Interest Rate	Optional Redemption Available	
			YES	NO
$	August 1, 2000			X
	August 1, 2001			X
	August 1, 2002			X
	August 1, 2003			X
	August 1, 2004			X
	August 1, 2005			X
	August 1, 2006			X
	August 1, 2007			X
	August 1, 2008			X
	August 1, 2009			X
	August 1, 2010		X	
	August 1, 2011		X	
	August 1, 2012		X	
	August 1, 2013		X	
	August 1, 2014		X	
	August 1, 2015		X	
	August 1, 2016		X	
	August 1, 2017		X	
	August 1, 2018		X	
	August 1, 2019		X	

Aggregate
Principal
Amount of Note: $

Principal Amounts for which Optional Redemption is available may be redeemed, subject to the terms contained herein and in the Trust Agreement, on any Interest Due Date on or after August 1, 2009.

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Exhibit D

Form of Loan Agreement with Lewiston Hotel Limited Partnership

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EXHIBIT D TO ORDINANCE

LOAN AGREEMENT

between

LEWISTON HOTEL LIMITED PARTNERSHIP

and

THE CITY OF SEATTLE

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LOAN AGREEMENT

THIS AGREEMENT, dated as of _____, 2000, is entered into by and between **LEWISTON HOTEL LIMITED PARTNERSHIP**, a Washington limited partnership, hereinafter called "Obligor" and THE CITY OF SEATTLE, a Washington municipal corporation, hereinafter called "City" or "the City."

RECITALS

This Agreement is entered into upon the basis of the following facts and circumstances:

A. Obligor is the purchaser and owner of the real property described in **Exhibit A** attached hereto and made a part hereof (the "Property"). Obligor acquired the Property in part with proceeds of a previous loan from the City pursuant to a loan agreement dated as of November 22, 1999 ("Housing Loan Agreement"), administered by the City's Office of Housing ("OH"). The Housing Loan Agreement and the related promissory note, regulatory agreement, deed of trust and other agreements executed by Obligor in connection with that loan are referred to as the "Housing Loan Documents." A portion of the funds advanced under the Housing Loan Agreement was a bridge loan (the "Bridge Loan") made in anticipation of long-term financing to be provided by the loan under this Agreement and funds to be obtained by Obligor from other sources. Obligor intends to conduct certain renovations and to operate the residential part of the Property as housing for low-income persons. The Obligor's acquisition of the Property for such purposes and the intended renovation of a portion of the Property ("Renovation") in accordance with the description set forth on **Exhibit B** hereto, which Renovation is being financed separately from this Loan (defined in Section 1.1 below), together constitute the rehabilitation project for which this Loan provides a portion of the financing, and are referred to herein collectively as the "Project."

B. City has applied for and received a commitment from HUD to guarantee a non-recourse note ("City Note") to be issued by City, the proceeds of which are to be lent to Obligor for the purpose of refinancing a portion of the costs of the acquisition of the Property, under Section 108 of the Housing and Community Development Act of 1974, as amended (such Act and the federal regulations promulgated thereunder are hereinafter collectively called the "Act"). The City Note is the subject of a Contract for Loan Guarantee Assistance between the City and HUD (the "HUD Contract") and certain Letter Agreements for Section 108 Guarantee Program Custodial Account ("Letter Agreements") among the City, HUD and _____ (hereinafter referred to, with any successors under such agreement or successor agreement, as "Custodian"). City has also entered into a Custodial Agreement with the Custodian (referred to herein, together with any modification thereof or substitute therefor entered into consistent with Section 7.2 below, as the "Custodial Agreement"), which provides for the Custodian to hold certain security for the City Note on behalf of HUD and for the establishment and management of certain accounts pursuant to the HUD Contract and Letter Agreements. The HUD Contract is entered into pursuant to an application submitted to HUD by the City dated February 2, 2000, a copy of which Obligor has received and reviewed ("Application"). The Application, HUD Contract, Letter Agreements and Custodial Agreement are incorporated herein by this reference. Capitalized terms used herein and not

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otherwise defined herein shall have the meanings assigned to them in the HUD Contract or City Note, as applicable.

C. The Office of Economic Development of the City ("OED") is responsible within The City of Seattle for making, subject to City Council approval, loans of funds obtained from HUD by pledges of Community Development Block Grant ("CDBG") funds to be made available to City by HUD, pursuant to the Act.

D. The Loan shall be evidenced by this Agreement and by Obligor's Promissory Note ("Obligor Note") in the form attached hereto as **Exhibit C** and hereby incorporated by reference and secured by a Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing ("Deed of Trust") on the Property dated on or about the date hereof. The Obligor Note, this Agreement, the Deed of Trust, any other documents or instruments executed by Obligor in favor of City pursuant hereto, with the sole exception of the Certificate and Indemnity Regarding Building Laws and Hazardous Substances dated on or about the date hereof ("Certificate and Indemnity"), are collectively referred to herein as the "Loan Documents". Where the context so requires, to the extent that the Loan Documents provide that Obligor's obligations or duties thereunder are determined by reference to any terms or provisions of documents incorporated by reference in any of the Loan Documents, any reference to the "Loan Documents" shall include such terms or provisions.

NOTICE: ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT, ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

NOW, THEREFORE, in consideration of the foregoing Recitals and the covenants, conditions, representations and warranties contained herein, the parties hereto agree as follows:

ARTICLE I - THE LOAN

1.1 The Loan. In reliance upon Obligor's representations and warranties, and subject to the terms and conditions herein, in the other Loan Documents and in the HUD Contract, the City hereby agrees to cause Loan funds to be advanced to Obligor through the Custodian (which funds shall constitute the "Loan") in an amount equal to ONE MILLION and NO/100 DOLLARS ($1,000,000.00), subject to deduction for certain costs and fees as described below, solely for the purposes set forth herein. Loan disbursements shall be made only to the extent of available funds received by the Custodian from the issuance by the City of the City Note, which term shall include any replacement note(s) issued by the City and guaranteed by HUD pursuant to the HUD Contract, and City shall have no obligation to make disbursements from any other source. Obligor shall have the right to receive Loan funds only pursuant to the terms and conditions of this Agreement and the HUD Contract and in accordance with the Act.

1.2 Purpose of Loan. The Loan is solely for Obligor's costs of refunding costs of the acquisition of the Property, by retiring a portion of the Bridge Loan currently secured by a deed of trust in favor of the City.

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1.3 Loan Documentation, Interest. The Loan shall be evidenced by this Agreement and by the Obligor Note, and shall be secured by the Deed of Trust. As provided in the Obligor Note, interest shall accrue on the Loan at a rate per annum equal to the effective interest rate on the City Note, as the same may change from time to time under the terms of the City Note and HUD Contract. After the Conversion Date each amount of principal scheduled to become due on a particular date pursuant to the City Note shall bear a separate rate of interest, and the corresponding Obligor Principal Amount under the Obligor Note shall bear interest at the same rate, as described in the Obligor Note. Such interest shall accrue from the date principal funds are Outstanding (as such term is defined in the Obligor Note) under the Obligor Note until all principal is paid or becomes due, whichever first occurs. Any principal or interest outstanding and unpaid after the date when payment is due shall bear interest at the rate stated for amounts past due in the Obligor Note. Interest, principal and premium, if any, shall be payable as set forth in the Obligor Note.

1.4 Security.

A. Deed of Trust with Assignment of Leases and Rents. The obligations of Obligor under the Loan Documents at all times shall be secured by the Deed of Trust, which shall be a first lien on the Property. The Deed of Trust shall include a perfected security interest in all personal property of Obligor used in connection with the Property. The Deed of Trust shall include an assignment of leases and rents. Obligor understands and agrees that City may assign the Deed of Trust to HUD as security for HUD's rights in connection with its guarantee of the City Note.

B. Reserve Accounts. Obligor's obligations under the Loan Documents also shall be secured by all funds and investments in the all of the accounts established hereunder and under the Custodial Agreement, and in the Operating Reserve Account and Replacement Reserve Account, as described in the Housing Loan Agreement (all such accounts shall be referred to as the "Reserve Accounts"). Obligor hereby pledges to the City, and grants the City a security interest in, all right, title and interest of Obligor in and to the funds and investments now or hereafter in such accounts (and any substitute accounts or subaccounts that may be established by Obligor or by any Custodian), and all earnings thereon and proceeds thereof, and any right, title or interest that Obligor may claim in any other account established under the Custodial Agreement, for the purpose of securing all of Obligor's obligations under the Loan Documents. Obligor agrees that such funds and other assets shall constitute "cash collateral" as described in the United States Bankruptcy Code. Obligor shall promptly take such actions as shall be reasonably requested by the City in order to perfect and continue the City's security interest in such accounts, the funds and investments therein, and the proceeds thereof. Obligor agrees that, in addition to all other rights and remedies with respect to Reserve Accounts and otherwise under the Loan Documents, immediately upon acceleration of the balance owing on the Loan, whether upon an Event of Default or any other circumstance permitting acceleration, the City shall have the absolute right, without notice or demand, to apply all funds and assets pledged under this Section to amounts owing under the Loan Documents, and for such purpose to liquidate or cause to be liquidated any investments in any commercially reasonable manner, and irrevocably authorizes any Custodian, upon notice from the City of an Event of Default or any other circumstance permitting acceleration, to comply with the City's directions to so apply any or all such funds and assets and to liquidate investments for such purpose.

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C. Rights of City With Respect to Security. Obligor irrevocably agrees that, to the full extent permitted by applicable law, the City may realize upon any security for the Loan either before, concurrently with, or after either (1) any action to realize upon any other form of security (including without limitation the Deed of Trust), or (2) any suit or other proceeding on the Obligor Note, in each case without affecting the status of or waiving any rights or remedies under the Loan Documents or with respect to any security. Obligor consents to any and all actions that the City or Custodian may take to release, subordinate, accept substitution for, modify, compromise or waive any or all security with respect to the Loan, and Obligor agrees that no such action shall impair any rights or remedies of the City or Custodian under the Loan Documents.

1.5 Loan Fee and Monitoring Fee. Obligor shall pay to City a loan fee of TEN THOUSAND Dollars ($10,000.00), payable directly to City upon and from the first disbursement of Loan funds hereunder, payment of which loan fee is in addition to Obligor's duty to pay City's costs and fees pursuant to Section 1.6 of this Agreement. Obligor also shall pay to the City, for so long as this Loan or any part thereof remains Outstanding, an annual Monitoring Fee equal to one-half of one percent (0.5%) of the principal balance of the Loan Outstanding. The Monitoring Fee shall be payable semiannually commencing _____on the date when payments are due on the Obligor Note, and shall be based upon the principal balance Outstanding as of the previous Obligor Payment Date, after crediting payments made on such previous Obligor Payment Date. In case of prepayment or acceleration a prorated Monitoring Fee shall become due for the period since the last Obligor Payment Date.

1.6 Obligor's Payment of Costs and Fees. Obligor shall pay to City or at City's direction, as and when due, all costs and fees of whatever nature incurred by City (whether or not with recourse to the City) pursuant to the HUD Contract and City Note. The costs and fees payable by Obligor shall include, without limitation, (i) any and all charges and costs billed by the Fiscal Agent in respect of the City Note under the Master Fiscal Agency Agreement and Series _____ Fiscal Agency Agreement to be entered into by the City in connection with the issuance of the City Note, and (ii) if such Fiscal Agency Agreement shall be superseded wholly or in part by a trust agreement in connection with the offering of certificates backed by the City Note and other notes, any charges and costs billed by the trustee thereunder in respect of the City Note. Those costs and fees incurred by the City and payable by Obligor in connection with the execution and delivery of this Agreement and in connection with the Public Offering are estimated as follows: Fiscal Agent, Trustee and Underwriting Fees and Costs: _____; Custodian's initial fee: $_____; City's Outside Counsel Fees, $_____; Custodian's Outside Counsel Fees: $_____. These estimates do not include the following to be paid by Obligor: the fees described in Section 1.5; fees of the Custodian other than the initial set-up fee; costs and fees of the closing agent and title insurer; and any fees or costs incurred in case of breach or failure to perform by Obligor or in case of any litigation arising in connection with this Agreement. Obligor shall pay all costs and fees in connection with the escrow closing of the Loan, including without limitation escrow fees and title insurance premiums. Obligor shall pay, as provided in the Custodial Agreement as and when due thereunder, and upon demand therefor by the Custodian, all fees, charges, and expenses (including reasonable attorneys fees) to which the Custodian is entitled pursuant to the Custodial Agreement.

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1.7 City Funds Not Obligated. The Loan will be made only from non-City funds that the Custodian receives under the HUD Contract and City Note. In accordance with RCW 35.21.735, the City Note, and any payments or obligations under the HUD Contract and any documents or agreements relating thereto including without limitation this Loan Agreement shall be a valid claim only against and payable solely from, the Accounts held by the Custodian and from the security pledged under the HUD Contract, and shall not be an obligation of The City of Seattle or the State of Washington, and neither the faith and credit nor the taxing power of the City or State or any municipal corporation or subdivision of the State or any agency of any of the foregoing is pledged to the payment of principal, interest or premium, if any, on the City Note or for any amounts due under the HUD Contract or any documents or agreements relating thereto including without limitation this Agreement. Nothing herein shall constitute a debt or indebtedness of the City payable from public funds within the meaning of any constitutional or statutory limitation on the incurring of debt. Obligor agrees and acknowledges that this Agreement does not create any recourse to or claim upon the City's general fund, or any other funds of the City, and Obligor hereby disclaims any such claim.

1.8 Application of Payments.

So long as the City or its Custodian shall have received, in immediately available funds, timely payments of interest and principal on the Obligor Note in the amounts required thereunder, the City shall apply such payments to payment of interest and principal on the City Note, as such interest and principal shall become due.

1.9 Acceleration on Certain Events.

The City shall have the absolute right, in its discretion, to declare all or any part of the principal balance owing on the Loan immediately due and payable in the event that:

(i) HUD or any court of competent jurisdiction shall determine that the Loan or the issuance of the City Note must be terminated, canceled or rescinded for failure to comply with the Act or other applicable law, or that for any reason any City Note cannot be issued or cannot be guaranteed by HUD; or

(ii) HUD shall notify the City that any or all of the City Note cannot be included in the pool of notes for purposes of a scheduled public offering for any reason, and that HUD or the holder of the City Note is not willing to allow the interim terms of the City Note to remain in effect pending a later public offering,

provided, that unless otherwise required by HUD or by the effect of a court order, Obligor shall be allowed a period of ninety (90) days after notice to Obligor thereof to seek to have such determination reversed or rescinded, or the effect thereof stayed, prior to acceleration of all or any part of the principal balance. If any such stay is obtained, then the City shall have the right to accelerate all or part of the principal balance immediately upon the lifting or termination of such stay.

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ARTICLE II -- OBLIGOR'S REPRESENTATIONS AND WARRANTIES

In order to induce City to make the Loan and enter into the HUD Contract, Obligor represents and warrants as set forth below in this Article II as of the date hereof and as of the date of Closing (as defined in Section 4.1 below). These representations and warranties shall survive the execution, delivery and performance of the Loan Documents but shall terminate upon the satisfaction of all of the obligations of Obligor hereunder and under the other Loan Documents, subject to revival after such satisfaction if any amount paid under the Loan Documents is recaptured in bankruptcy or similar proceedings.

2.1 Organization of Obligor; Authority to Enter into Agreement. Obligor is a limited partnership duly organized and validly existing pursuant to the laws of the State of Washington. Obligor has the right and power to purchase, own, develop and lease the Property, and Obligor has full power and authority to enter into this Agreement, to borrow money as contemplated herein and to execute and perform the provisions of the Loan Documents. The execution, delivery and performance of this Agreement and the Loan Documents have been duly authorized by all necessary corporate action, and no other action of Obligor or any other party is required for the execution, delivery and performance of this Agreement or the Loan Documents. This Agreement, the Obligor Note, the Deed of Trust and the Certificate and Indemnity constitute valid and binding obligations of Obligor, each enforceable in accordance with their respective terms.

2.2 Nondiscrimination, Fair Contracting Practices.

(a) During the performance of this Loan Agreement, neither Obligor nor any party contracting with Obligor who would be paid with Loan funds under this Loan Agreement shall discriminate on the basis of race, color, sex, religion, national origin, creed, marital status, sexual orientation, gender identity, age or the presence of any sensory, mental or physical handicap in employment or application for employment or in the administration or delivery of services or any other benefits under this Loan Agreement. The Obligor shall comply fully with all applicable federal, state and local laws, ordinances, executive orders and regulations which prohibit such discrimination. These laws include, but are not limited to, Chapter 49.60 of the Revised Code of Washington, Titles VI and VII of the Civil Rights Act of 1964 and Chapter 14.04 of the Seattle Municipal Code.

(b) Each party is required to comply with the Fair Contracting Practices Ordinance of The City of Seattle (Ordinance 119601), as amended. Conduct made unlawful by that ordinance constitutes a breach of contract. Engaging in an unfair contracting practice may also result in the imposition of a civil fine or forfeiture under the Seattle Criminal Code as well as various civil remedies.

2.3 No Litigation. There are no actions, suits or proceedings pending, or to the knowledge of Obligor threatened against or affecting Obligor or the Property in any court of law or in equity, or before or by any governmental or municipal authority.

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2.4 Title. Obligor represents and warrants that Obligor is the owner in fee simple absolute of the Property, and that upon closing of the Loan, the Property shall be subject to no liens or encumbrances except:

(a) the Deed of Trust in favor of City securing this Loan which shall at all times during the term hereof be a first lien on the Property;

(b) other deeds of trust, regulatory agreements and covenants in favor of the City;

(c) the following leases (collectively, the "Leases"): _____-- The tenants under the Leases are referred to collectively herein as the "Lessees". Each of the Leases shall be subordinated to the Deed of Trust pursuant to a Subordination, Attornment, Non-disturbance and Estoppel Agreement reasonably acceptable to the City and the respective Lessee (the "SAND Agreements");

(d) Special Exceptions Nos. _____ as shown on schedule B of the Commitment for Title Insurance issued by Chicago Title Insurance Company dated _____, no. _____ ("Title Commitment"); and

(e) Liens for property taxes or assessments on the Property not yet due.

(f) A deed of trust in favor of the State of Washington securing a loan in the amount of $_____ on terms acceptable to the City;

(g) a Low-Income Housing Covenant in favor of the State of Washington;

(h) a Regulatory Agreement ("Extended Use Agreement") in favor of the Washington State Housing Finance Commission, in form and content acceptable to the City.

2.5 Covenants, Zoning, and Codes and Permits. The Property and its current and intended uses are in compliance in all material respects with, and Obligor covenants that the Property and its uses will continue to comply in all material respects with, all applicable zoning and land use codes, building and construction codes, fire codes, environmental statutes and regulations, and other laws, ordinances, and regulations applicable to the development and operation of the Property. All permits, consents, approvals or authorizations by, or registrations, declarations, withholding of objections or filings with any governmental body necessary in connection with the valid execution, delivery and performance of this Agreement, or necessary for the present and intended operations of the Property, have been obtained, are valid, adequate and in full force and effect, and all conditions and requirements of such permits are satisfied, and Obligor covenants that they shall continue to be satisfied. The Property is in compliance with all covenants, conditions, restrictions and reservations affecting the Property and with the provisions of all of the Leases. Obligor has not received notice from any regulatory body or agency of any actual or alleged noncompliance with any applicable law, regulation, code, ordinance or permit affecting the Property, nor any notice of any requirement that any additional permit or approval be obtained for the Property or any operations conducted thereon or therein.

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2.6 Description of Property, Renovation, and Budget. The description of the Renovation in **Exhibit B** hereto and the Project Budget set forth in **Exhibit D** hereto are accurate and complete in all material respects.

2.7 Compliance With Documents. Obligor is and will remain in full compliance with all of the terms and conditions of this Agreement, the Loan Documents, and any and all other material agreements, instruments or other documents affecting the Property, and no occurrence has or shall have occurred and be continuing, which, with the passage of time or the giving of notice, or both, would constitute a default under any of the foregoing.

2.8 Taxes Are Paid. Obligor has filed all material tax returns which are required and has paid or made provision for the payment prior to the last day on which payment may be made without interest or penalty of all taxes which have or may become due pursuant to said returns or pursuant to any assessments levied against the Obligor or its personal or real property by any taxing agency, federal, state or local, and Obligor has withheld any paid over to proper authorities all withholding taxes required by law. No due or overdue tax liability or lien has been asserted by the Internal Revenue Service or other taxing agency, federal, state or local, and the Obligor knows of no basis for any such deficiency assessment or lien.

ARTICLE III -- CONDITIONS PRECEDENT TO LOAN CLOSING

City's obligation to perform its duties under this Agreement, including without limitation causing disbursement of any funds, shall be subject to the full and complete satisfaction of the following conditions precedent:

3.1 Documents and Security. City shall have received fully executed originals of each of the following documents which shall have been duly authorized, executed (and acknowledged where appropriate) and delivered by the parties thereto, and shall be in form and content satisfactory to City: this Agreement; the Obligor Note; the Deed of Trust; a UCC-1 Financing Statement from Obligor; Subordination, Attornment, Non-Disturbance and Estoppel Agreements from tenants with respect to all Leases; Certificate and Indemnity Regarding Building Laws and Hazardous Substances from Obligor; a recent survey of the Property by a registered surveyor; a Subordination Agreement from the State of Washington and such other documents as City shall reasonably request. City shall have received evidence satisfactory to the City that all security instruments, guaranties and assignments contemplated by this Agreement are in full force and effect and have the priority contemplated hereby.

3.2 Evidence of Authority; Officer's Certificate. City shall have received evidence satisfactory to it that Obligor and the persons signing on behalf of Obligor have the capacity and authority to execute and deliver Loan Documents on behalf of Obligor, including, but not limited to, a copy of Obligor's charter, bylaws and resolution authorizing the transactions contemplated hereby, all as certified by an officer of Obligor as true, complete and in full force and effect. City shall have received a Certificate of Obligor, executed by Obligor's general partner by its _____, in the form attached hereto as **Exhibit E**.

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3.3 Insurance.

The Obligor shall have provided to the City evidence of insurance coverage as required by the Deed of Trust.

3.4 Title Insurance. Obligor shall furnish City, at Obligor's expense, from Chicago Title Insurance Company ("Title Company"), an ALTA 1970 Form Extended Coverage lender's policy of title insurance in the amount of the Loan, showing City as an insured mortgagee, that fee title to the Property is vested in Obligor and that the Deed of Trust is a valid lien upon Obligor's interest in the Property, subject only to such encumbrances and exceptions as may be explicitly permitted by the Loan Documents, including Section 2.4 of this Agreement, and any others that may be satisfactory to City in its sole discretion. The title policy shall be in form, and shall include the endorsements, satisfactory to the City, shall limit exceptions for taxes limited to those not yet due and payable, shall identify the specific Leases for purposes of the form 119.2 endorsement, and shall show no additional exceptions or encumbrances, whether senior or junior to the Deed of Trust.

3.5 Legal Opinions.

A. City shall have received a legal opinion, containing reasonable and customary exclusions and qualifications, and in form and content reasonably satisfactory to City and the City's outside counsel, from Obligor's counsel, who shall be satisfactory to City, to the effect that:

i. Obligor is duly organized and validly existing and in good standing as a limited partnership in the State of Washington, and has full power and authority to execute and deliver the Loan Documents and to perform all of its obligations thereunder, and Obligor's general partner is duly organized and validly existing as a nonprofit corporation under the laws of the State of Washington, and has full power to take such actions as general partner; and

ii. The execution and delivery of the Loan Documents by Obligor do not, and the transactions contemplated by the Loan Documents will not, violate any laws or regulations applicable to Obligor and will not conflict with and will not cause a default under (i) any provisions of the Obligor's charter, bylaws or other governing documents, or (ii) any other material agreements, instruments, judgments, decrees, orders or undertakings known to such counsel after reasonable inquiry by which Obligor is bound or to which the Property is subject; and

iii. The Loan Documents have been duly authorized, executed and delivered by Obligor and constitute the legal, valid, binding obligations of Obligor, enforceable in accordance with their terms.

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3.6 Additional Conditions Precedent to Each Advance of Funds.

(a) Receipt by City of any other documents and further assurances as it may reasonably request or which are required by HUD or any federal, state or county regulatory agency.

(b) Obligor shall be in full compliance and shall not be in breach or default hereunder or under any of the Loan Documents or the Housing Loan Documents; provided, however, that City may, in its discretion, elect to make advances notwithstanding the existence of Obligor's noncompliance or default, and any advance so made shall be deemed to have been made pursuant to this Agreement and secured by the Deed of Trust.

(c) Neither the Property nor any part thereof shall have been materially damaged, destroyed, condemned or threatened with condemnation.

(d) No order or notice shall have been made by, or received from, any governmental agency having jurisdiction stating that the Property, its current or intended uses, or the Renovation, is or will be in violation of any law, ordinance, code or regulation affecting the Property.

(e) The representations and warranties of Obligor contained herein shall remain accurate in all material respects as of the date of the requested disbursement.

(f) Neither HUD nor any court of competent jurisdiction shall have determined that the issuance of the City Note or the making of the Loan must be terminated, canceled or rescinded for failure to comply with the Act or other applicable law, or that for any reason any City Note cannot be issued or cannot be guaranteed by HUD.

ARTICLE IV -- LOAN DISBURSEMENTS AND REPAYMENTS; RESERVE ACCOUNTS

4.1 Lump Sum Disbursement for Refinancing Property Acquisition.

Conditioned upon receipt of proceeds of the City Note and satisfaction of all conditions hereunder, Loan funds in the entire amount of the City Note proceeds, after deduction for costs and fees payable hereunder and amounts to be withheld hereunder, shall be disbursed in a lump sum at a closing for the retirement of a portion of the Bridge Loan ("Closing"). Funds shall be disbursed by check or wire transfer from the Custodian to the City as payee of the Bridge Loan. Obligor and City agree to execute and deliver reasonable joint disbursement instructions to the Custodian consistent with this Section. To the extent that final information as to any costs payable by Obligor hereunder is not available at the time of Closing, the deductions from the Custodian's disbursement will be based on estimates provided by the City or Custodian; the City shall provide a final accounting to Obligor within thirty (30) days after Closing; and the parties agree to make an appropriate adjustment within ten (10) days thereafter, either by transfer of unused funds in the Guaranteed Loan Funds Account (as defined in Section 4.2 below) to the Debt Service Reserve Account (as defined in Section 4.5 below) in reduction of the next deposit required therein, or by a direct payment of the additional costs by Obligor, as appropriate.

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4.2 Withholding for Costs Related to Public Offering.

The amount of $_____, out of the City Loan proceeds, shall be held in the Guaranteed Loan Funds Account established by the Custodian under the Letter Agreements ("Guaranteed Loan Funds Account"), for the purpose of paying the costs to be incurred in connection with the Public Offering, including without limitation trustee's fees and underwriters' fees and costs. Such funds shall nonetheless be considered Outstanding under the Obligor Note. After the Conversion Date, upon payment of all of such fees and costs allocable to the City Note, any remaining amount in the Guaranteed Loan Funds Account shall be transferred to the Loan Repayment Account maintained by the Custodian under the Letter Agreements ("Loan Repayment Account"), and the next deposit(s) required to the Debt Service Reserve Account in respect of principal under Section 4.5 below shall be reduced, dollar for dollar, by the amount of such transfer. In any event all amounts remaining in the Guaranteed Loan Funds Account on _____ shall be transferred to the Loan Repayment Account unless otherwise agreed by HUD and the City. If the Obligor Note shall be paid in full prior to the Conversion Date, the amount so withheld, and earnings thereon, shall be applied as part of such prepayment of the Obligor Note and transferred to the Loan Repayment Account to redeem the City Note.

4.3 Request for Interim Funding Advance; Cancellation upon Failure to Satisfy Closing Conditions; Payment of City's Costs. Obligor understands that, pursuant to current HUD procedures, an interim funding advance on the City Note can be made on a Wednesday and only if a request for such advance is made by the City to HUD no later than the previous Wednesday, and that after a request has been submitted it may not be possible to cancel the request. The Obligor shall deliver to the City, no later than the close of business on the Monday prior to the week in which Obligor desires an advance of funds hereunder, an "Obligor's Request for Submission of City's Request for Interim Advance of Funds" in form acceptable to the City. The City shall not be required to submit a request for funds to HUD unless the City has received reasonable assurance that all other conditions to closing will be satisfied by the date of disbursement by HUD. If the City does submit a request for funds to HUD, the City shall not be liable or responsible for any failure or delay by HUD, the Fiscal Agent or the interim purchaser of the City Note, or for any delay in the process of transferring funds to the Custodian and to the escrow agent. If Obligor fails to submit a "Request for City's Request for Interim Funding Advance" seeking disbursement of funds no later than _____, 2000, the City shall have the right to cancel this Agreement by notice to Obligor. If Obligor submits such request and funds are disbursed by HUD on the City Note, but the conditions to disbursement of funds to Obligor are not fully satisfied within fifteen (15) days thereafter, then the City shall have the right to cancel this Agreement, and Obligor shall then pay on demand all fees and costs of the Custodian and Fiscal Agent, and shall reimburse the City for all reasonable fees and costs of its outside counsel and consultants incurred in connection with this Loan, but shall not be liable for the Loan fee described in Section 1.5 of this Agreement. In addition, if this Loan Agreement shall be canceled under this Section after proceeds of the City Note shall have been disbursed to the Custodian, then the Obligor shall pay to the Custodian on demand an amount equal to all interest that shall accrue on the City Note from the date of such disbursement to the date of redemption thereof, less net earnings actually received (if any) by the Custodian on the proceeds of the City Note prior to such redemption.

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4.4 Delegation of Loan Administration. City may delegate administration of any or all of the matters described in this Article IV to the Custodian in accordance with the provisions of the HUD Contract, the City Note and the Custodial Agreement. Upon execution of the Custodial Agreement by the parties thereto Obligor shall provide the appropriate requests and information to the Custodian and to the City at such times and in such form as is provided in the Custodial Agreement.

4.5 Debt Service Reserve Account.

A. Monthly Deposits. Commencing in the first calendar month after the first calendar month in which any principal amount is Outstanding on the City Note, Obligor shall make monthly installment payments to the Custodian for deposit in an account maintained by the Custodian for the accumulation of funds for payments on the Obligor Note (the "Debt Service Reserve Account," which term shall include any related Debt Service Reserve Investment Account established under the Custodial Agreement and Letter Agreements), in order that the Custodian shall have sufficient funds to make transfers to the Loan Repayment Account in payment of installments on the Obligor Note as they come due. (Funds in the Loan Repayment Account shall be used to make payments on the City Note as they come due.) Each such monthly payment shall be due and payable, in immediately available funds, on the "Deposit Day," which shall be the fifteenth (15th) day of the month, or if such day is not a Business Day, then on the previous Business Day, provided, that if any Alternate Payment Date, as defined in the Obligor Note, is earlier than the twentieth (20th) day of the month, then in such month the Deposit Day shall be the date five (5) days before such Obligor Payment Date, or if such day is not a Business Day (as defined in the City Note), then on the previous Business Day. Each such payment shall be in an amount equal to one month's interest on the Obligor Note at the rate then in effect ("Interest Component"), plus _____% of the principal balance Outstanding on the Obligor Note as of the last Obligor Payment Date, giving effect to payments made on that date ("Monitoring Fee Component") plus one-twelfth (1/12th) of the total principal due on the Obligor Note on the next Obligor Payment Date on which principal is due on the Obligor Note ("Principal Component"), except that for each monthly payment made before and through July, 2001, the Principal Component shall be in an amount equal to the principal payment due in July, 2001 divided by the number of months from and including the month in which any amount is first Outstanding under the Obligor Note on the Deposit Day through and including July, 2001 (For example, if the amounts are first Outstanding on the Obligor Note on January 15, 2001, then Obligor shall pay, as the portion of each payment allocable to principal, one-seventh (1/7) of $_____ each month from January through July, 2001). Obligor shall not be entitled to any reductions in, or credits against, deposits to the Debt Service Reserve Account based upon interest or earnings credited to the Debt Service Reserve Account (including any Debt Service Reserve Investment Account).

B. Transfers Authorized; Crediting Payments on Obligor Note.

(i) The Custodian is hereby irrevocably authorized to transfer funds from the Debt Service Reserve Account to the Loan Repayment Account on each Obligor Payment Date, in the full amount due on the Obligor Note on each such date. The Custodian is then

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authorized and directed to apply funds in the Loan Repayment Account to the timely payment of amounts due on the City Note.

(ii) On each Obligor Payment Date the Custodian is hereby irrevocably authorized and directed by Obligor to apply funds in the Debt Service Reserve Account to pay to the City, or to transfer to such account as the City shall designate, in payment of the Monitoring Fee, an amount equal to _____ of one percent (0._%) per annum on the principal amount Outstanding on the Obligor Note immediately after crediting the payment made on the last Obligor Payment Date.

(iii) Obligor's monthly installment payments into the Debt Service Reserve Account shall not constitute payments under the Obligor Note. Obligor shall be credited with the payment of interest and principal on the Obligor Note only when and solely to the extent that funds shall be transferred to the Loan Repayment Account under this subsection B.

(iv) The Custodian is further irrevocably authorized by Obligor to liquidate investments in the Debt Service Reserve Account, in the Custodian's discretion, and without liability for any loss on any such liquidation, for the purposes described in this subsection B. The authorization by Obligor in this subsection B is in addition to, and not in limitation of, the authorization in Section 1.4B above.

C. Investment of Funds; Earnings Remain on Deposit. Funds in the Debt Service Reserve Account shall be invested at the direction of Obligor, but only in instruments that mature (or are redeemable without penalty) within six (6) months and in any event no later than five (5) Business Days before the next Obligor Payment Date, and that are guaranteed as to payment of principal by the United States Government, or in money market funds that invest solely in such instruments. All earnings in the Debt Service Reserve Account shall remain therein until applied in accordance with this Agreement or until all amounts owing under the Loan Documents have been paid in full. When all amounts owing under the Loan Documents have been paid in full, then the remaining balance shall be disbursed to Obligor, provided that if any amount shall then be due and owing to the City under the Housing Loan Documents the City shall have the right to direct that such remaining balance be paid to the City for application against such debt.

D. Late Charge. If any deposit required to be made into the Debt Service Reserve Account is not received within ten (10) days after the date when such deposit is due, then Obligor agrees to pay a late charge equal to two and one-half percent (2.5%) of the amount past due, as compensation to the City and Custodian for the staff time and resources required to handle such delinquencies, and not as a penalty. Such late charges shall not be credited to the Debt Service Reserve Account or Loan Repayment Account, but shall be retained by the City and/or Custodian. Late charges under this Section are in addition to, and not in substitution for, the other remedies provided in the Loan Documents.

4.9 Application of Payments. Any amounts transferred into the Loan Repayment Account in accordance with this Agreement shall be applied first to accrued interest on the Obligor Note, next to any premium then due, and the balance, if any, to reduction of principal. Notwithstanding the foregoing, City or Custodian shall have the right, each in its respective

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discretion, to apply funds available in the Debt Service Reserve Account to fees, costs, reimbursements and late charges then due under the Loan Documents prior to application of funds against the Obligor Note.

ARTICLE V -- OBLIGOR'S LOAN COVENANTS

Obligor covenants and agrees as follows:

5.1 General. From and after the date hereof and so long as any amount remains unpaid on the Obligor Note, or for so long as any commitment exists to extend credit hereunder, Obligor covenants and agrees that it will:

(a) Promptly pay principal, interest and premium (if any) pursuant to the Obligor Note as and when the same becomes due and payable, and make any and all other payments and deposits required by the Loan Documents;

(b) Preserve and keep in full force and effect its existence as a limited partnership under the laws of the State of Washington;

(c) Maintain, preserve and keep the Property and all equipment used in connection with the Property in good repair, working order and condition, ordinary wear and tear excepted, and from time to time make all necessary repairs, renewals, replacements and additions thereto so that at all times the efficiency thereof shall be fully preserved and maintained.

5.2 Progress of Renovation; Changes.

(a) Obligor acknowledges and agrees that the purpose of this Loan is to enable Obligor to complete financing of the purchase of the Property as described in the Application and consistent with the Act, in order that Obligor may conduct the Renovation for the purpose of providing housing for low-income persons. Therefore the terms of this Section 5.2 are material to the City and shall be requirements for continuation of the Loan.

(b) Obligor represents and warrants that, as of the date hereof, Obligor has sufficient funding and commitments to complete the Renovation.

(c) Obligor shall have substantially completed the Renovation, and shall have obtained any necessary certificate of occupancy for the Property or final approvals from the Department of Design, Construction and Land Use and any other agencies with jurisdiction, on or before December 31, 2001.

(d) So long as the Renovation is conducted substantially consistent with the terms of the Housing Loan Documents and the plans and specifications approved by OH thereunder, Obligor shall not be required to submit plans, specifications, or changes in plans, budgets or schedules to OED. However, Obligor shall promptly submit to OED copies of any correspondence

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to or from the Department of Design, Construction and Land Use of the City relating to the Renovation. There shall be no material change in the Renovation that would make it substantially inconsistent with the terms of the Application or HUD Contract, without the prior written approval of City, and, to the extent that such approvals may be required, other appropriate governmental authorities. Any approval granted by the City for purposes of this Agreement shall not constitute, nor waive the requirement for, any other approval that may be required under any other agreement, law, ordinance, or regulation, nor may any such approval be relied upon by any person for any purpose other than compliance with this Section.

5.3 Compliance with Laws. All use and operation of the Property, and all work performed in connection with the Renovation shall comply in all material respects with all applicable laws, ordinances, rules and regulations and executive orders of federal, state, county or municipal governments or agencies now in force or which may be enacted hereafter.

5.4 Inspections. City and its representatives shall have the right, subject to the rights of tenants on the Property, at all reasonable times after three (3) days' prior written notice during regular business hours (and at any time in the event of an emergency) to enter upon the Property and inspect the Property to determine that the same is in conformity with this Agreement and all laws, ordinances, rules and regulations. City shall have the further right, from time to time, to inspect and copy Obligor's books and records relating to the Property. Without limiting the foregoing, Obligor shall permit City to examine and copy all books, records and other papers relating to Obligor's use of the Loan proceeds and to Obligor's compliance with this Agreement, the Act and applicable provisions of federal, state, and local laws, ordinances, rules and regulations.

5.5 Notify City of Litigation or Complaints. Obligor shall promptly notify City in writing of all litigation or threatened litigation involving the Property or any part of the Property, and any other litigation that reasonably could have a material adverse affect on the financial condition of Obligor, and of all complaints or charges made by any governmental authority affecting the Property or Obligor which may require changes in the development or use of the Property.

5.6 Indemnify the City and Custodian. Obligor shall indemnify and hold harmless the City, its elected and appointed officials and any employees or agents of the City, and the Custodian and its officers, employees, and agents, from all claims, demands, liability and costs arising from any actual or alleged action, omission, damage or injury of whatsoever nature arising out of or in any way connected with the Property and/or the Renovation, including without limitation any such liability or costs related to any hazardous or toxic substances, or arising out of Obligor's breach of the provisions of this Agreement, and including the cost of defense thereof using counsel approved by the City or the Custodian or both, as applicable. The City or Custodian, or both, may appear in or defend any action or proceeding purporting to affect the rights, duties or liabilities of the parties hereto, or the Property, and Obligor shall pay all of the City's and Custodian's costs and expenses incurred thereby on demand. The indemnity in this Section shall not include any claims, demands, liabilities or costs to the extent that they arise out of the negligence or willful misconduct of the City, the Custodian, or any of their respective employees, agents, officers or elected or appointed officials. This Section shall survive execution, delivery and performance of this Agreement, the Obligor Note, the Loan Documents and the Custodial Agreement.

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Obligor waives, after mutual negotiation, and with respect to the City only, its immunity under RCW Title 51, Industrial Insurance.

Initials: Obligor: ____ City: _____

5.7 Federal Regulations. Obligor acknowledges that the Loan is to be made with funds received by the Custodian under the Section 108 program of the Act and that such funds are subject to CDBG program regulations of HUD, and certain other federal laws and regulations. Accordingly, Obligor agrees, represents and warrants that Ob gor shall comply with all applicable requirements under HUD regulations for the CDBG program and under other laws and regulations applicable to loans of such federal funds, including without limitation:

a) National Objective; Low-Income Housing. Obligor covenants that upon completion of the Renovation, at least fifty-one percent (51%) of the fifty (50) residential units in the Property will be occupied by low- and moderate-income households as defined by federal CDBG regulations, 24 CFR Section 570.3, and that the rents then charged to all such households shall be consistent with the terms of the Regulatory Agreement recorded in connection with the Housing Loan Agreement.. Obligor represents and warrants that the Property satisfied the foregoing standards immediately upon its acquisition by Obligor and as of the date hereof. Nothing herein shall relieve the Obligor of the obligation to comply with stricter limits on tenant incomes and rents contained in any other agreements with the City or another governmental entity providing financing for the Property.

(b) Nondiscrimination. No person shall on the grounds of race, color, national origin, religion or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with CDBG funds. Obligor shall comply fully with all requirements of Title VI of the Civil Rights Act of 1964, 42 U.S.C. 2000d et seq., which provides that no person in the United States shall on the ground of race, color or national origin, be excluded from participation in, denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance; and with Department of Housing and Urban Development ("HUD") regulations implementing such requirements, 24 C.F.R. Part 1.

Obligor shall comply with all applicable requirements and prohibitions of the following: 24 C.F.R. Section 570.602, implementing the nondiscrimination requirements of Section 109 of the Act; HUD regulations under the Rehabilitation Act of 1973, as amended, 24 C.F.R. Part 8; HUD Regulations under the Americans with Disabilities Act; and HUD regulations under the Age Discrimination Act of 1975, 42 U.S.C. Section 6101 et seq., at 24 C.F.R. Part 146.

No otherwise qualified handicapped individual in the United States shall, solely by reason of handicap, be excluded from the partic ation in, be denied the benefits, or be subjected to discrimination under any program or activity receiving Federal financial assistance.

(c) Conflict of Interest. No officer, agent, employee or consultant of The City of Seattle, member of the Seattle City Council, or other public official of the City, who exercises any

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function or responsibilities with respect to the Project shall have any financial interest, direct or indirect, for himself or herself or those with whom he or she has family or business ties, in any contract or subcontract or agreement with respect thereto or the proceeds thereof, for work to be performed in connection with the Project; nor shall (s)he for one (1) year after completion of his or her tenure with the City have any financial interest with Obligor or any contractor or subcontractor under this Agreement.

(d) Debarred Contractors. No portion of the Loan shall be used directly or indirectly to employ, award contracts to, or otherwise engage the services of, or fund, any contractor or subrecipient during any period of debarment, suspension, or placement in ineligibility status of such contractor or subrecipient under the provisions of 24 C.F.R. Part 24. Obligor represents and warrants that neither Obligor nor its principals is debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in federal assistance programs under such regulations or Executive Order 12549, "Debarment and Suspension." Obligor shall obtain, and shall require contractors and subcontractors to obtain, the certification required by appendix B of 24 CFR part 24 from each prospective contractor or subcontractor on the Project.

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(e) Lead-Based Paint. Obligor shall comply with all applicable requirements of federal, state, and local laws and regulations with regard to lead-based paint, including without limitation 24 CFR Part 35, and 24 CFR Section 570.608. Obligor shall be responsible for all testing and abatement activities, and all disclosures, required by such regulations or other applicable laws. Obligor shall, in connection with any rehabilitation of existing improvements, abate any defective lead-based paint surfaces in full compliance with all applicable laws, regulations, HUD guidelines and prudent practices and properly dispose of all waste and debris, and if any lead-based paint is not removed or permanently covered, Obligor shall periodically inspect and maintain the affected surfaces in compliance with all applicable laws, regulations, and HUD guidelines now in effect or hereafter issued. Obligor shall maintain, and shall deliver to City promptly upon completion of the Renovation and at such other times as City may request, complete and accurate records demonstrating that the Renovation and the Property comply with the requirements referred to in this Section.

(f) Lobbying. Obligor hereby certifies and agrees as follows, in accordance with 31 U.S.C. Section 1352, to the best of its knowledge and belief:

1. No Federal appropriated funds have been paid or will be paid, by or on behalf of Obligor, to any person for influencing or attempting to influence an officer or employee of any agency, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress in connection with the awarding of any Federal contract, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement;

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2. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress in connection with this Federal loan, it will complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions; and

3. It will require that the language of this Section be included in the award documents for subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

4. This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is made a prerequisite for making or entering into this transaction by section 1352, title 31, U. S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure.

(g) Davis-Bacon and Related Acts. Obligor shall comply with any and all applicable requirements of the Davis-Bacon Act and related acts. These requirements include, but are not limited to: language within each contract for construction work; payment of prevailing wages and fringe benefits; the submittal of various documents as evidence of compliance; withholding of funds; equal employment opportunity; and work hours.

The requirements are defined in the: Davis-Bacon Act, 40 U.S.C. Section 276(a) et seq.; Contract Work Hours and Safety Standards Act, 40 U.S.C. Section 328 et seq.; Copeland Act (Anti-Kickback Act), 18 U.S.C. Section 874; the Fair Labor Standards Act, and regulations under such Acts, including 29 C.F.R. Parts 3 and 5.

(h) Economic Opportunities for Low- and Very Low-Income Persons. Obligor shall comply, and cause all contractors and subcontractors to comply, with any and all applicable provisions of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u, the purpose of which is to ensure that employment and other economic opportunities generated by Federal financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed toward low- and very low-income persons, particularly those who are recipients of government assistance for housing. Obligor shall comply, and shall require all contractors and subcontractors to comply, with all applicable provisions of regulations issued pursuant thereto by the Secretary of HUD and set forth in 24 C.F.R. Part 135, and with all applicable rules and orders of HUD issued thereunder.

(i) Relocation and Acquisition. Obligor represents, warrants and agrees that no residential tenants have been or will be displaced in connection with the Project and the Obligor has taken and shall take all reasonable steps to minimize the displacement of persons (families, individuals, businesses, nonprofit organizations, and farms) in connection with the Project. If the

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Obligor represents and warrants that Obligor has provided to City a complete and accurate list of all occupants of the Property as of the date that Obligor obtained site control, and Obligor shall provide a complete and accurate list of all persons occupying the Property at any time after site control and through the date of full occupancy after the Renovation. Obligor shall comply fully, at Obligor's sole expense, with the City's Residential Anti-displacement and Relocation Assistance Plan ("RARAP"). If the Project involves the temporary and/or permanent displacement of persons, Obligor represents, warrants and agrees that Obligor has provided and shall provide, at a minimum, all relocation assistance required by 24 CFR Section 42; the federal Uniform Relocation Act and regulations thereunder, 49 CFR Part 24; 24 CFR Section 570.606 and any other applicable federal laws or regulations, and shall maintain complete and accurate records demonstrating such compliance. Obligor agrees that any determination by City of the amount of relocation assistance due to any person shall be final and binding upon Obligor, unless a different determination is made by HUD at the request of such person, in which case the HUD determination shall be final and binding on Obligor. Obligor agrees that the City may, at its option, provide relocation assistance directly to any person in connection with the Project and that any payment by the City for such person shall, at City's option, constitute an advance on the Loan, without any requirement for a draw request by, or consent of, Obligor. If, as a result of any such direct payments, either (i) the amount advanced by City shall exceed the maximum Loan amount stated herein, or (ii) the amount expended on relocation assistance from all Project funding sources exceeds the amount provided in the Project Budget for relocation, then in either such case the excess shall be immediately due and payable by Obligor to City, at City's demand. Obligor represents and warrants that, except as expressly stated in a relocation plan submitted by Obligor to City in connection with this Loan, no residential tenants have been required to vacate or will be required to vacate the Property permanently because of the Project. Obligor shall carry out the terms of any relocation plan approved by City, but the terms of any such plan shall not limit Obligor's obligations under this Loan Agreement or applicable laws or regulations, and no such approval by City shall be construed as a waiver or modification of any requirement of this Agreement or applicable laws or regulations.

(j) Architectural Barriers. Obligor shall ensure that the Property, upon completion of the Renovation funded by the Loan, shall comply with the applicable requirements of the Architectural Barriers Act of 1968 (see 42 U.S.C. Sections 4151-57), and shall comply with the Uniform Federal Accessibility Standards (Appendix A to 24 CFR part 40 for residential structures, and Appendix A to 41 CFR part 101-19, subpart 101-19.6, for general type buildings).

(k) Records. Obligor shall maintain and make available to the City and HUD all records reasonably required to demonstrate compliance with all of the requirements of this Agreement, for at least four (4) years after full repayment of the Loan. Such records shall include, without limitation, records establishing the household size of, household income of, unit occupancy by, and rents charged to, all households in occupancy of the Property from immediately after the acquisition thereof, up to and including the dated immediately after the completion of the Renovation.

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(l) Disclosures. Obligor represents, warrants and agrees that it has provided to OH any and all disclosures required by the HUD Reform Act, 42 U.S.C. Section 3545, and regulations thereunder, 24 CFR Part 4; that it will provide timely updated disclosures to OH to the extent required by such act and regulations; and that all such disclosures are and shall be complete and accurate.

(m) Prior Actions. Obligor represents and warrants that in all actions related to the Project to date Obligor has complied with all requirements referred to in this Section 5.7.

(n) Indemnity. Obligor shall indemnify and hold harmless the City from any loss, damage, expense, claim or demand resulting from Obligor's failure to comply with any federal requirement to be complied with pursuant to this Agreement or failure to maintain adequate records to demonstrate such compliance. This provision shall survive expiration of this Agreement.

5.8 Reports. Obligor shall deliver to OED the following reports and information:

(a) At the time of submission to OH, and in any event not later than the dates required in the Housing Loan Agreement, copies of (i) the Cost Certification required by the Housing Loan Agreement; (ii) the final disbursement request under the Housing Loan Agreement, with the certifications required thereunder; and (iii) the Closeout Report required under the Housing Loan Agreement.

(b) On or before each date when any annual financial report is due to OH under the Housing Loan Agreement, a copy of such report.

(c) If so requested by OED, such other reports and information as OED may require for purposes of monitoring and evaluating the performance of the Obligor, which may include copies of monthly progress reports to OH, copies of tenant certifications, rent rolls, leases, property management agreements and any other contracts affecting the Property.

5.9 Liens or Claims of Liens. Obligor shall keep the Property free from liens and encumbrances of all kinds, superior or inferior to the Deed of Trust, except for those permitted pursuant to Section 2.4 above and any of the following:

(a) liens for property taxes on the Property not yet due and payable;

(b) any of the following encumbering the Property that are subordinate to the lien of the Deed of Trust, to the Leases (as defined herein), and to any other material leases, which subordinate status shall be insured by endorsement to the City's title insurance policy, at Obligor's expense, within thirty (30) days of request to Obligor by the City:

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(i) the rights of tenants as tenants only under leases entered into in the ordinary course of Obligor's operation of the Property and in accordance with this Agreement and the other Loan Documents;

(ii) such other liens or encumbrances as may be approved by City in writing, in its sole discretion.

If any claims of lien shall be asserted against the Property other than as permitted by this Section, Obligor, regardless of any action that City may otherwise be authorized to take, shall obtain a release and satisfaction of such lien claim, bond the lien claim, procure title insurance satisfactory to City protecting City from any loss relating to such lien claim, or otherwise provide to City assurances and security satisfactory to City that the lien claim will be paid or satisfied not later than ten (10) days after a judgment on the lien claim. Provided Obligor complies with the previous sentence, Obligor may in good faith contest any worker's or material supplier's lien in legal proceedings that will prevent enforcement of the lien claim and prevent foreclosure of the Property. If such a lien claim is not released or satisfied or a bond or other security satisfactory to City provided within forty-five (45) days of written request from City to Obligor, then the failure to do so shall allow the City to declare an Event of Default (as defined in Section 6.1 below) regardless of whether such lien claim is or is not superior to the Deed of Trust.

5.10 Political Activity. No portion of the Loan shall be used for any political activity or to further the election or defeat of any candidate for public office or to influence the approval or defeat of any ballot issue or legislation.

5.11 Further Actions. Obligor will at any time and from time to time upon request of City take or cause to be taken any action, execute, acknowledge, deliver or record any further documents, opinions, or other instruments or obtain such additional insurance as City is required to do or obtain by HUD or other federal, state or county regulatory agency.

5.12 Hazardous Substances.

(a) Representations and Warranties. Obligor represents, warrants and covenants that: (i) except as disclosed to the City in environmental reports delivered to the OED prior to the date hereof ("Reports") and except for Hazardous Substances (as defined in subsection (b) below) used by tenants of the Property in the ordinary course of such tenants' businesses, to the best of Obligor's knowledge, no Hazardous Substance is currently being generated, processed, stored, transported, handled or disposed of, on, under or in the Property; (ii) Obligor has inspected the Property and has made due inquiry as to the prior uses of the Property and, based on such inspection and inquiry, except as stated in the Reports, Obligor represents and warrants that Obligor has not caused or permitted and, to the best of Obligor's knowledge, no other person or entity has caused or permitted any Hazardous Substance to be generated, processed, stored, transported, handled or disposed of, on, under or in the Property except for Hazardous Substances used by tenants of the Property in the ordinary course of such tenants' businesses; (iii) Obligor has not received any notice of, nor is Obligor aware of, any actual or alleged violation with respect to the Property of any federal, state or local statute, ordinance, rule, regulation or other law pertaining to Hazardous Substances, and

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there is no action or proceeding pending before or appealable from any court, quasi-judicial body or administrative agency relating to Hazardous Substances affecting or alleged to be affecting the Property; (iv) Obligor and its lessees, as applicable, have all necessary permits and approvals for the handling, storage and disposal of Hazardous Substances on and from the Property; (v) Obligor shall not cause or permit the use of any Hazardous Substance in connection with the Renovation except in accordance with standard industry practices and in accordance with all applicable laws, regulations and codes; (vi) Obligor shall not cause or permit the Property to be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce or process Hazardous Substances, except for Hazardous Substances that both (x) are customarily used or handled in the businesses of tenants, and (y) are used, handled and disposed of in full compliance with all applicable Federal, State and local laws and regulations; and (vii) Obligor shall not cause or permit, as a result of any intentional or unintentional act or omission on the part of Obligor or any tenant or subtenant of Obligor, a release of Hazardous Substances onto the Property or onto any other property, except such releases as are both customarily made in the businesses of tenants and are made in full compliance with all applicable Federal, State and local laws and regulations.

(b) Definition. As used herein, the term "Hazardous Substance" means any hazardous, toxic or dangerous substance, waste or material which is regulated under any federal, state or local statute, ordinance, rule, regulation or other law pertaining to environmental protection, contamination or cleanup, including asbestos, petroleum, medical waste, radioactive substances, and biologically hazardous materials, and further including without limitation any substance, waste or material which is designated as a "Hazardous Substance" or as hazardous or toxic under the Resource Conservation and Recovery Act, as amended, 42 U.S.C. Section 6901 et seq.; the Federal Water Pollution Control Act, as amended, 33 U.S.C. Section 1251 et seq.; the Clean Air Act, as amended, 42 U.S.C. Section 7401 et seq.; the Comprehensive Environmental Response, Compensation and Liability Act, as amended, 42 U.S.C. 9601 et seq., or the Washington Model Toxics Control Act, as amended, RCW Chapter 70.105D, or as a "dangerous waste" under the Washington Hazardous Waste Management Act, as amended, RCW chapter 70.105. Without limiting the foregoing, Hazardous Substances shall include, but not be limited to, any substance which after being released into the environment and upon exposure, ingestion, inhalation, or assimilation, either directly from the environment or indirectly by ingestion through food chains, will or may reasonably be anticipated to cause death, disease, behavior abnormalities, cancer and/or genetic abnormalities.

(c) Notification; Cleanup. Obligor will promptly notify City in writing should Obligor (i) become aware of any discharge or discovery of any Hazardous Substances at, upon, under or within the Property existing outside the ordinary course of business, (ii) receive any notice of or become aware of any actual or alleged violation with respect to the Property of any federal, state or local statute, ordinance, rule, regulation or other law pertaining to Hazardous Substances, or (iii) become aware of any lien or action with respect to any of the foregoing. Obligor shall, at its sole expense, promptly take or cause to be taken all actions as may be necessary or advisable to comply with all statutes, regulations and ordinances, and with all orders, decrees or judgments of governmental authorities or courts which have jurisdiction over the use, collection, storage, treatment, control, removal or cleanup of Hazardous Substances with respect to the Property, and in all events in a manner satisfactory to City, and shall further pay or cause to be paid all cleanup, administrative and

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enforcement costs of governmental agencies if obligated to do so by contract or by law. City may, but is not obliged to, enter upon the Property and take such actions and incur such costs and expenses to effect such compliance as it deems advisable to protect its security interest; and whether or not Obligor has actual knowledge of the existence of Hazardous Substances, in, on, or under the Property or any adjacent property as of the date hereof, Obligor shall reimburse City on demand for the full amount of all reasonable costs and expenses incurred by City in connection with such compliance activities prior to the City acquiring title to the Property by way of foreclosure or deed in lieu of foreclosure.

d) Right of Entry. City is hereby authorized but not required to enter the Property, including the interior of any structures, at reasonable times, subject to the terms of Section 5.4 hereof, for the purpose of inspecting the Property to ascertain the accuracy of all representations and warranties in this Agreement relating to Hazardous Substances, and the observances of all covenants contained in this Section.

e) Survival of Agreement. The provisions of this Section shall be in addition to any and all other obligations and liabilities Obligor may have to City at common law, under the Certificate and Indemnity or under any other agreement, and shall survive the transactions contemplated in this Agreement and the payment in full of the Obligor Note.

5.13 Payment of Compensation of Custodian. Obligor shall be responsible for and pay the fees of the Custodian as provided under the Custodial Agreement. The Custodian's acceptance fee, prorated first annual fee and counsel fees and expenses shall be disbursed to Custodian from the Guaranteed Loan Funds Account at the time of initial Loan disbursement. The Custodian is hereby authorized to withdraw from interest and/or investment earnings on the Debt Service Reserve Account established pursuant to such Custodial Agreement up to the amount of its annual fee and any other fees and expenses to which it is entitled thereunder, and if such interest and/or investment earnings are insufficient to pay in full the Custodian's fees and expenses, then upon Custodian's notice thereof to Obligor, Obligor shall promptly pay the remaining amount of the Custodian's fees and expenses directly to the Custodian.

5.14 Payment of Other Indebtedness. Obligor shall timely pay the principal, interest and all other amounts due on any other indebtedness or liability now or hereafter owing by the Obligor to any person and secured by the Property, provided that nothing in this Section shall authorize Obligor to make any payment from any funds or assets pledged to the City hereunder.

ARTICLE VI -- DEFAULT AND REMEDIES

6.1 Event of Default. Upon the occurrence of any of the following events and prior to the complete cure thereof by Obligor in a manner satisfactory to the City, the City shall have the right to declare an Event of Default hereunder, without notice or demand by City, except as expressly provided in this Section:

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(a) Any failure to pay when due any principal, interest or premium under the Obligor Note;

(b) Any failure to make a payment or deposit of money required by any of the Loan Documents, other than amounts referred to in Subsection (a) above, that is not cured within ten (10) days of the due date of such payment or deposit (or within ten (10) days of demand in case of amounts due on demand);

(c) Any transfer of the Property or any interest therein, voluntary or involuntary, without the advance written consent of City, except for the creation of liens, encumbrances or leases that are expressly permitted under the Loan Documents without the City's consent;

(d) Any failure to comply with the terms of Section 5.9 of this Loan Agreement (relating to lien claims) within the time period permitted by such Section;

(e) Any Event of Default as defined in the Housing Loan Agreement or any other event causing the principal balance thereunder to become due;

(f) Any failure by Obligor to comply with the any of the provisions of Section 5.2 hereof, including without limitation the deadlines therein;

(g) Any breach or nonperformance by Obligor of any provision of any of the Loan Documents not included within any of Subsections (a)-(f) above that is not cured within sixty (60) days after notice to Obligor of such breach or nonperformance, or such longer cure period as may be permitted under the specific terms of the Loan Document, provided, however, that unless HUD shall otherwise require, if (i) such breach or nonperformance is susceptible to cure but cannot reasonably be cured within such cure period, (ii) Obligor shall commence to cure such breach or nonperformance within such cure period and shall thereafter diligently and expeditiously proceed to cure the same, and (iii) Obligor shall inform the City in writing of the status of the cure at the expiration of such cure period and every thirty days thereafter, then such cure period shall be extended for such time as is reasonably necessary for Obligor in the exercise of due diligence to cure such breach or nonperformance;

(h) A petition in bankruptcy or for reorganization or for an arrangement under any bankruptcy or insolvency law or for a receiver or trustee for any of Obligor's property is filed by Obligor, or is filed against Obligor and is not dismissed within ninety (90) days, or if Obligor makes an assignment for the benefit of creditors or becomes insolvent or unable to pay its debts as they mature or any attachment or execution is levied against a substantial portion of the property of Obligor and is not discharged within ninety (90) days, or if any law or court order shall require the City, Custodian or any other party to refund or otherwise relinquish any portion of any amount paid under the Obligor Note or this Agreement as a preference or for any other reason except refund of duplicative payment;

(k) Any representation, warranty or disclosure made to City by Obligor, or contained in any information submitted by Obligor to City or to any government agency in

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connection with the Loan or the Property, proves to be materially false or misleading as of the date when made or reaffirmed, whether or not such representation or disclosure appears in this Agreement.

6.2 Declaration of Event of Default. City's declaration of an Event of Default hereunder shall be made by notice to Obligor pursuant to Section 7.15 of this Agreement and shall be effective as provided therein.

6.3 Remedies.

(a) Upon declaring an Event of Default, City may, in addition to any other remedies which City may have hereunder or under the Loan Documents or by law, at its option and without prior demand or notice take any or all of the following actions:

(1) Immediately terminate any further advances of Loan funds hereunder and revoke any instructions to any third party holding any such funds;

(2) Declare the Loan immediately due and payable in full;

(3) Foreclose under the Deed of Trust, judicially or nonjudicially;

(4) Apply any or all funds in the Reserve Accounts to amounts due under the Loan Documents, whether by reason of acceleration or otherwise, and cause investments in such accounts to be liquidated for such purpose;

(5) Seek judicial appointment of a receiver.

(b) All remedies of City provided for herein and in any other Loan Documents are cumulative and shall be in addition to all other rights and remedies provided by law. The exercise of any right or remedy by City hereunder shall not in any way constitute a cure or waiver of default hereunder or under any other Loan Document or invalidate any act done pursuant to any notice of default, or prejudice City in the exercise of any of its rights hereunder or under any other Loan Documents unless, in the exercise of said rights, City realizes all amounts owed to it under such Loan Documents.

6.4 No Default Prior to Declaration. No default or Event of Default shall exist under this Agreement or the Obligor Note until the same shall have been declared by the City or other party authorized to make such declaration; provided, that failure to declare, or delay in declaring, a default hereunder shall not constitute a waiver of any rights or remedies or excuse any failure by Obligor to strictly comply with its obligations under all of the Loan Documents.

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ARTICLE VII -- MISCELLANEOUS

7.1 No Waiver. No waiver of any noncompliance or breach by Obligor hereunder shall be implied from any failure by City to take action on account of such noncompliance or breach, and no express waiver shall affect any breach or noncompliance other than as specified in the waiver. Any waiver shall be operative only for the time and to the extent therein stated. Waivers of any covenant, term or condition contained herein shall not be construed as a waiver of any subsequent breach of the same covenant, term or condition. The consent or approval by City to, or of, any act by Obligor requiring further consent or approval shall not be deemed to waive or render unnecessary the consent or approval to, or of, any subsequent similar act.

7.2 Successors and Assigns; Delegation to Custodian; Changes in Custodian and Custodial Agreement. This Agreement is made and entered into for the sole protection and benefit of City, HUD, and Obligor, their successors and assigns, and no other person or persons shall have any right of action hereunder. The terms hereof shall inure to the benefit of the successors and assigns of the parties hereto; provided, however, that the Obligor's interest hereunder cannot be assigned or otherwise transferred without the prior written consent of City. Obligor acknowledges and agrees that City may assign to HUD or any custodian or trustee for HUD any or all of City's rights under this Agreement and any of the Loan Documents and may direct that any payment or performance be provided directly to HUD or such custodian or trustee, whether or not the Obligor Note or this Agreement have been assigned. Obligor agrees that City may delegate to the Custodian the right to make demands and give directions on behalf of City under the Loan Documents, but that the scope of any such delegation shall be strictly limited to the terms of a written instrument duly signed on behalf of the City. Obligor further acknowledges that the Custodial Agreement may be modified or terminated, or a substitute Custodial Agreement executed, or a successor Custodian appointed, in each case without the consent of Obligor so long as the obligations of Obligor are not increased and the rights of the Obligor under the Loan Documents are not adversely affected in any material respect. Except for minor modifications to the Custodial Agreement not affecting Obligor, City agrees to give reasonable advance notice to the Obligor of any action as described in the preceding sentence, and agrees in each case to provide a copy of any modification or substitute Custodial Agreement to Obligor within fifteen (15) days after the execution thereof.

7.3 No Defense Based on City Regulatory Actions. Obligor understands that (a) the operations of Obligor in the Property and elsewhere are subject to numerous laws, regulations, ordinances and permits, including those of City and other governmental bodies relating to land use, environmental hazards, and other regulatory matters, and (b) the modification, interpretation, application, or revocation of such laws, regulations, rules or permits could adversely affect economic return to Obligor from the Property. Obligor has conducted its own investigation and relied on the advice of its own counsel and experts as to all such matters in connection with Obligor's acquisition of the Property. Obligor acknowledges that by entering into this Agreement the City does not make, and that the City expressly disclaims, any representation or assurance whatever as to (i) the present or future status of the Property or the uses thereof under applicable laws or regulations, including those of the City; (ii) the availability, issuance or continuation of any permits, approvals, or interpretations of any kind that may be required or desired by Obligor or any other party in connection with the Property. Obligor agrees that notwithstanding any regulatory action or omission of City affecting

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Obligor or affecting the use or development of the Property (whether or not such action or omission shall be determined to be consistent with applicable law in any proceeding), no defense, offset or reduction of liability shall be available to Obligor, at law or in equity.

7.4 Time. Time is of the essence of all provisions of the Loan Documents.

7.5 Entire Agreement, Amendments. This Agreement, the other Loan Documents, and the documents, laws and regulations incorporated by reference herein constitute the entire agreement of the parties hereto with respect to the Loan and supersede any prior agreements or understandings, written or oral, with respect to the Loan. Obligor is not relying upon any promises, representations or understandings, written or oral, in entering into the Loan Documents, other than as expressly set forth in the Loan Documents. The obligations of Obligor under the Loan Documents are not conditioned upon, and shall not be affected by, any other agreement, understanding, performance or nonperformance by the City or any other party, and in any proceeding to enforce any of Obligor's obligations under the Loan Documents, Obligor shall not be entitled to assert, by way of excuse, offset, counterclaim, grounds for equitable relief, or otherwise, any actual or alleged action or inaction by or on behalf of the City except to the extent that any such action or inaction is expressly required of the City by, and is made a condition of Obligor's obligation by, the Loan Documents. No amendment, modification, or termination of any provisions of this Agreement or of any of the Loan Documents shall in any event be effective unless the same shall be in writing and signed by a duly authorized officer of City and by Obligor, and no such writing shall be construed to modify, waive, or affect the terms of the Loan Documents except to the extent that such document expressly so provides.

7.6 Headings. The article and section headings in no way define, limit, extend or interpret the scope of this Agreement or of any particular article or section.

7.7 Number and Gender. When the context in which the words are used in this Agreement indicate that such is the intent, words in the singular number shall include the plural and vice-versa. References to any one gender shall also include the other gender if applicable under the circumstances.

7.8 Validity. In the event that any provision of this Agreement shall be held to be invalid, the same shall not affect in any respect whatsoever the validity of the remainder of this Agreement.

7.9 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Washington, and The City of Seattle, except to the extent federal law applies.

7.10 Survival. All agreements, representations and warranties made herein and in the Obligor Note shall survive the execution and delivery of this Agreement and of the Loan Documents and the making of the Loan hereunder and continue in full force and effect until the obligations of Obligor hereunder and the indebtedness evidenced by the Obligor Note have been fully paid and satisfied, and thereafter to the extent provided in the Loan Documents, regardless of whether the Obligor Note is surrendered or marked as canceled or paid in full.

CITY CLERK

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7.11 Venue and Forum. In the event that any legal action should be filed by either party against the other, the venue and forum for such action shall be the Superior Court of the State of Washington for the County of King.

7.12 Attorney's Fees. In the event either party shall bring an action to enforce the terms and conditions of this Agreement, the prevailing party shall be entitled to recover all of its costs and expenses, including, but not limited to, reasonable attorney's fees as determined by the court.

7.13 Duplicate Originals. This Agreement shall be executed in duplicate and each of the parties hereto shall receive an original. Each original shall constitute one and the same agreement.

7.14 Construction. The Loan Documents shall be construed so as to conform to the requirements of the HUD Contract and applicable federal laws and regulations. The Loan Documents are the product of negotiation between the parties and therefore shall not be construed strictly in favor of, or against, either party except as may be specifically provided in the Loan Documents with respect to particular provisions thereof.

7.15 Notices. Any notice, demand or request required hereunder shall be given in writing at the addresses set forth below by personal service, by facsimile transmission, or by first class mail. The addresses may be changed by notice to the other party given in the same manner as provided above. Notices personally served or sent be facsimile shall be effective when actually received during normal business hours, and otherwise on the following Business Day. If notice is given by mail, it shall be deemed received on the earlier of: (i) if by certified mail, the date of receipt as shown on the return receipt, or (ii) three (3) days after its deposit in the U.S. mail.

If to Obligor:

LEWISTON HOTEL LIMITED PARTNERSHIP
c/o Plymouth Housing Properties
2209 First Avenue
Seattle, Washington 98104
Attn: _____
fax: _____

If to City:

OFFICE OF ECONOMIC DEVELOPMENT
City of Seattle
2nd Floor, 600 Fourth Avenue
Seattle, Washington 98104
Attn: Director
fax: 684-0379

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IN WITNESS WHEREOF, Obligor and City have executed this Agreement as of the date first written above by and through their duly authorized representatives.

City:
THE CITY OF SEATTLE, a
Washington municipal corporation

By:_____
Mary Jean Ryan
Director of Economic Development

OBLIGOR:
Lewiston Hotel Limited Partnership, a Washington limited partnership
By: Plymouth Housing Properties, a Washington non-profit corporation,
its general partner

By: _____
Print Name:_____
Title:_____

LIST OF EXHIBITS

A. Real Property Description
B. Renovation Description
C. Form of Promissory Note
D. Project Budget
E. Certificate of Obligor

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ATTACHMENT A TO EXHIBIT D TO ORDINANCE

Real Property Description

The property in King County, Washington, located at **2201 1st Avenue, Seattle, WA** and legally described as follows:

Lot 11, Block 40, Addition to the Town of Seattle, as laid out by A. A. Denny (commonly known as A. A. Denny's 6th Addition to the City of Seattle), according to the plat thereof recorded in volume 1 of Plats, Page 99, in King County, Washington.
Except the easterly 9 feet thereof condemned for street purposes.

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ATTACHMENT B TO EXHIBIT D TO ORDINANCE

Project Description

Summary

The Lewiston Hotel is a three story un-reinforced masonry building located at 2201 First Avenue in the Belltown District of Seattle. The top two floors contain 49 low-income, single room occupancy housing units and two manager apartments. The first floor is occupied by two commercial tenants, Queen City Grill and the Frontier Room. The basement is occupied by Belltown Billiards (a restaurant and billiards parlor). The total building square footage is 25,360, split approximately equally between the commercial and residential uses.

In anticipation of a Section 108 loan guarantee, the Lewiston Hotel Limited Partnership (LHLP), using bridge financing and a long-term loan provided by the City of Seattle – Office of Housing, acquired the Lewiston Hotel on November 22, 1999. The LHLP will rehabilitate the low income housing units. These units will be maintained as low-income and very low-income housing for a minimum of 40 years. The project does not require rehabilitation to the leasehold commercial space and none is contemplated.

Project Description

The proposed project is to acquire and make moderate improvements to the Lewiston Hotel, located at 2201 First Avenue in the Belltown District of Seattle, WA. The Lewiston Hotel was designed by engineer / contractor George Dietrich in 1910 for Martin Paup, the grandfather of the current owner. The 60 foot by 111 foot building contains a sub-basement boiler room, commercially leased basement and first floor, and two floors of single room occupancy (SRO) apartments. The Lewiston is built of un-reinforced masonry and wood frame construction and has approximately 25,360 gross square feet (excluding the boiler room and two interior light courts). Originally containing 56 units, the apartment floors currently consist of 49 SRO units (with sinks and hot plates), 2 one-bedroom units (with bathrooms), common bathrooms on each floor and miscellaneous other spaces (office, community room, laundry and social service office). The apartments vary in size from approximately 80 square feet to 400 square feet (the average being 125 square feet). The units face south, east and west or into the two 9 foot by 35 foot light courts. The building systems that serve the apartment floors include central domestic hot water and hot water heating. The heat system temperature cannot be individually regulated and the pipes and radiators appear to be original. The oil fired boiler dates from 1979. According to the current owner, the plumbing waste lines and the water supply risers were replaced in 1980. The horizontal water supply lines reportedly are old galvanized pipe, which have reduced flows due to clogging. New

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plumbing fixtures were also installed in 1980 and are worn and/or not water efficient. Electrical power is near maximum capacity and light fixtures, outlets and switches are few (one of each per unit and without GFI). The building has no elevator and the upper floors are not disabled accessible.

The exterior envelope appears in good condition, except that the upper metal cornice is rusted in spots. Upper floor window-sashes were mostly replaced with insulated aluminum and vinyl types in 1980 and 1994. The light court and upper roofs were replaced in the early 1990's and are in good condition. Original wood panel doors and transoms have been retrofitted with layer of GWB for fire rating. Unit shelving and cabinetry is hodge-podge and in marginal condition. Common bathroom finishes and toilet partitions are worn but serviceable.

Presently the three commercial spaces located in the basement and first floor of the Lewiston Hotel are occupied, as are the 49 SRO units. Proposed renovation work is moderate in scope and designed to be completed while the building remains occupied. No work is proposed for the commercial areas. The only reconfiguration that will occur will be to convert one of the 1-bedroom units to an SRO unit. The resulting surplus room and another SRO unit will be converted to common kitchen areas so that there is one on each floor. The new unit count will be 49 SRO units and 1 one-bedroom apartment.

Plymouth Housing Group has been managing the housing portion of the project, through a lease with the prior owner, for the last 16 years. The average rent presently paid by tenants is $175 per month. Most present tenants have income below 30 percent of median income (the average income of the present population is $7,700 per year). If not purchased by LHLP, the building probably would have been sold to someone who would convert the property to market rate housing, given the building's prime location in the Belltown area of Seattle. LHLP intends to continue to serve the same population presently being served (i.e. mostly formerly homeless individuals living on some type of public assistance). The Lewiston Hotel Limited Partnership has been awarded a Seattle Operating & Maintenance Trust Fund grant to support operation of the housing.

Living arrangements will stay in the present configuration once improvements are complete with the exception of creating the community kitchens described above. Community kitchens have been very effective in other Plymouth projects. There will be 49 SRO units equipped with a refrigerator and microwave oven, shared common bathrooms and a community kitchen on each floor. In addition, one one-bedroom unit will be maintained for the live-in manager. Plymouth Housing Group will continue to provide case management and referral services at the site.

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Building improvements will include the following:

A. Fire-Life Safety / Security / Code Improvements

- Brace parapets above sidewalks
- Fire protection sprinklers
- Unit entry doors/jams/hardware
- Entry intercom system

B. Improvements to Major Systems

- Electrical (upgrade existing service, rewire to meet code, corridor alarm & unit 120V smoke detectors, corridor exit lighting, corridor and unit lighting
- Plumbing (sanitary waste and vent piping, unit sinks and faucets, water saver toilets, cutting/patching)
- Heating (furnace, fin-tube radiators & supply/return piping, individual room temperature controls)

C. Routine Maintenance /Tenant Improvements

- Light court metal repair / replacement
- Upper cornice repair and painting
- New common kitchens (2)
- Unit refrigerators / Microwaves
- Bathroom ventilation
- Unit cabinets and counters
- Paint, carpet, VCT, rubber base

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ATTACHMENT C TO EXHIBIT D TO ORDINANCE

PROMISSORY NOTE

$1,000,000.00 _____, 200_
Seattle, Washington

FOR VALUE RECEIVED, the undersigned, **LEWISTON HOTEL LIMITED PARTNERSHIP, a Washington limited partnership** ("Obligor") promises to pay to the order of The City of Seattle, a Washington municipal corporation ("City"), at 600 Fourth Avenue, Seattle, Washington 98104, or such other place as the holder of this Note may from time to time designate, the principal sum of ONE MILLION and NO/100 DOLLARS (U.S. $1,000,000.00) with interest thereon and in instal!ments as set forth below. This Promissory Note ("Note") is made pursuant to the terms of the Loan Agreement between the Obligor and the City of approximately even date herewith (hereinafter the "Loan Agreement").

1. HUD Contract and Related Agreements

Reference is made to that certain Contract for Loan Guarantee Assistance between the City and United States Department of Housing and Urban Development (referred to herein, together with any successor agency, as "HUD"), made pursuant to a loan guarantee commitment dated _____, which contract is referred to herein, together with any replacement therefor, as the "HUD Contract", and to the note to be issued by the City thereunder, referred to therein as no. _____ (the "City Note"), the form of which shall be substantially in the form of the specimen attached hereto as **Attachment 1** and incorporated herein by this reference, but which term also shall include any note that shall be substituted for City Note (a "Replacement Note"). The City Note and HUD Contract are executed pursuant to Section 108 of the Housing and Community Development Act of 1974, as amended, to provide the funds loaned under this Note. Any capitalized terms not otherwise defined in this Note or the Loan Agreement shall have the meanings specified in the City Note or the HUD Contract unless the context otherwise requires. Reference also is made to those certain Letter Agreements for Section 108 Guarantee Program Custodial Accounts dated _____ (collectively, "Letter Agreement"), and the Custodial Agreement executed pursuant to the HUD Contract and Letter Agreement ("Custodial Agreement") among the City and _____ (hereinafter referred to, with any successors under such agreement or successor agreement, as "Custodian") for the benefit of HUD. Obligor acknowledges that Obligor has received and read copies of the City Note, HUD Contract, Letter Agreement and Custodial Agreement.

2. Interest Rates

Prior to the Conversion Date, as defined in the City Note, the Outstanding principal on this Note shall bear interest at the rate in effect on the City Note, as determined under Section I. B thereof or Appendix A thereto, as applicable. Obligor acknowledges that the negotiations and other actions by which an interest rate may be determined under Appendix A to the City Note are

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not within the control of the City, agrees that the City has no obligation to take any action with respect to the determination of such interest rate, and agrees that the rates determined as a result of negotiations or by the Holder of the City Note unilaterally as described in such Appendix A shall be binding upon Obligor.

On and after the Conversion Date, the portion of the principal amount of this Note scheduled to become due in each year (each such portion, an "Obligor Principal Amount", shall bear interest at the same rate as shall apply to the Principal Amount (as defined in the City Note) that is scheduled to become due on the City Note in the same year. Obligor acknowledges that each such rate is to be established pursuant to the HUD Contract, under Section I C thereof, which provides:

> **Conversion; Public Offering.** On the Conversion Date (if any), trust certificates backed by the [City] Note (and similar notes issued by other Section 108 borrowers) will be purchased for a purchase price of the full principal amount thereof by underwriters selected by the Secretary (the "Underwriters") pursuant to an Underwriting Agreement between the Underwriters and the Secretary, at a closing on such Conversion Date as determined by the Secretary and the Underwriters. The Borrower agrees that the interest rate at which the trust certificate of a specified maturity is sold to the Underwriters shall govern the interest rate inserted on the Conversion Date in Schedule P&I of the [City] Note for the Principal Amount of corresponding maturity.

Interest shall accrue on the principal amount Outstanding (as such term is defined below), and except as otherwise expressly provided herein shall be computed in the same manner as, and the rate shall be adjusted on the same date as, interest on the City Note. The principal amount "Outstanding" on this Note means (i) the amount that has been disbursed as proceeds of the City Note, including amounts disbursed to or for the benefit of the Obligor, amounts disbursed by the Custodian to pay costs and fees as contemplated by the Loan Agreement, amounts held by the Custodian to pay such costs and fees, and amounts deducted by the Fiscal Agent, less (ii) repayments of principal credited on this Note.

3. Insertion of Interest Rates; Timing of Conversion Date

The City and its designees are hereby authorized to insert on the City Note the interest rates applicable to each Principal Amount on the City Note, but failure to make such insertions shall not impair the obligation of Obligor for interest after the Conversion Date at the rates determined pursuant to the HUD Contract. Obligor acknowledges that the timing of any public offering of trust certificates based on a pool of notes including the City Note, shall be as determined by HUD and the underwriters pursuant to the HUD Contract and that the Conversion Date is not within the control of Obligor or the City.

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4. Interest Payments

ınterest shall be due and payable prior to the end of each period for which interest is payable under the City Note, as follows:

(a) After the date of this Note and prior to the Conversion Date, interest on this Note shall be due and payable on the fifteenth (15th) day of January, April, July, and October of each year.

(b) After the Conversion Date semi-annual interest payments shall be due and payable in each January and July, on the on the fifteenth (15^{th}) day of the month.

In addition, all unpaid interest accruing up to the Conversion Date shall be due and payable on the later of five (5) Business Days prior to the Conversion Date, or one (1) Business Day after telephonic or facsimile notice to Borrower of the scheduled Conversion Date and the amount of interest due, which amount may be an estimate provided by the holder of this Note, the Fiscal Agent, or the Custodian.

Each date on which interest or principal is due hereunder shall be referred to as a "Obligor Payment Date." Interest on this Note for each Obligor Payment Date shall be computed through the last day of the month during which such Obligor Payment Date occurs or the date when payment of the amount due hereunder on such Obligor Payment Date is actually made, whichever is later, except that for the Obligor Payment Date immediately prior to the Conversion Date, interest shall be computed through the Conversion Date or the date when payment is actually made, whichever is later. In any case when the date specified in this Section is not a Business Day, the payment shall be due on the next Business Day.

Borrower agrees that if a final determination of the amount of interest due on the City Note on any Payment Date up to and including the first Payment Date after the Conversion Date is not available two (2) Business Days prior to the Obligor Payment Date next preceding such Payment Date, then at the request of the holder of this Note, Borrower shall pay an amount estimated by such holder or the Fiscal Agent on such Obligor Payment Date, subject to later adjustment. If the actual amount of interest accruing on the City Note for the period up to a Payment Date shall be determined by the Fiscal Agent to be higher than the estimated amount paid by Borrower for such period, then Borrower shall pay on demand the difference between such actual amount and the amount paid by Borrower.

5. Principal Payments

Payments of principal on this Note shall be due and payable in immediately available funds on July 15in each of the following years in the following respective amounts:

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City Note Payment Date	PRINCIPAL DUE ("Obligor Principal Amount")
August 1, 2001	$5,000
August 1, 2002	$10,000
August 1, 2003	$15,000
August 1, 2004	$15,000
August 1, 2005	$20,000
August 1, 2006	$25,000
August 1, 2007	$25,000
August 1, 2008	$25,000
August 1, 2009	$25,000
August 1, 2010	$30,000
August 1, 2011	$30,000
August 1, 2012	$30,000
August 1, 2013	$35,000
August 1, 2014	$35,000
August 1, 2015	$40,000
August 1, 2016	$45,000
August 1, 2017	$45,000
August 1, 2018	$50,000
August 1, 2019	$60,000
August 1, 2020	$435,000
Total	$1,000,000

6. Loan Agreement and Security

This Note is issued pursuant to, and is entitled to the benefits of, the Loan Agreement. All amounts now or hereafter owing under this Note shall be secured by the Deed of Trust (as defined in the Loan Agreement) from Obligor as Grantor to City as Beneficiary, and by the additional security granted in the Loan Agreement.

7. Prepayments and Premium

The principal owing on this Note may be prepaid in whole or in part on any Obligor Payment Date, upon at least thirty (30) days' advance written notice (or as otherwise required under subsection (c) below) to the holder hereof and to the Custodian, which notice shall set forth the intended date and amount of prepayment and shall bind the Obligor to make such prepayment, provided that Obligor's right to prepay shall be subject to the following terms and conditions:

(a) unless otherwise agreed in writing by the holder hereof, any prepayment(s) shall be applied to the Obligor Principal Amounts hereunder in inverse chronological order

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commencing with the latest Obligor Payment Date hereunder for which principal then remains Outstanding;

(b) except as provided in subsection (c) of this Section, any prepayment made after the Conversion Date must include, as a prepayment premium, any amounts necessary, in addition to the amount of principal being prepaid, to defease, in full compliance with the HUD Contract, one or more Principal Amounts outstanding on the City Note that are equal to, and are to become due in the same year as, the Obligor Principal Amounts to which the prepayment is to be applied hereunder. Such prepayment premium shall be sufficient to cover (i) all transactional costs, including without limitation the costs of necessary computations and costs of acquiring and holding in escrow Government Obligations, incurred by the holder of this Note or any custodian or agent (including without limitation the Custodian or Fiscal Agent) acting on its behalf in the defeasance of such Principal Amounts, plus (ii) the excess, if any, of (A) the cost of Government Obligations required to be purchased (and cash deposited, if any) in order to defease such Principal Amounts on the City Note, over (B) the principal prepaid. In no event shall such prepayment premium be less than the total amount of the transactional costs incurred. Obligor shall include in any notice of prepayment a detailed calculation of the estimated cost of defeasance under this subsection, including the precise identification, amounts, and maturities of the Government Obligations to be purchased and the source and date of the quotations upon which the calculation is based. The holder of this Note shall review such calculation and shall provide an estimate of the total prepayment premium to Obligor not later than ten (10) days before the due date of the payment and Obligor shall pay such estimated amount with the prepayment. Such estimate may be based upon a determination by the holder of this Note, in its reasonable discretion, or by the Fiscal Agent, or HUD, in the discretion of either of them, that different Government Obligations should be purchased than specified by Obligor, and may include an allowance for market fluctuations in the prices of Government Obligations between the date of such estimate and the purchase of such Government Obligations for the purpose of defeasance of Principal Amounts of the City Note. If the final computation based on the actual cost to purchase Government Obligations acceptable to HUD results in a higher prepayment premium than was estimated in such notice to Obligor, then Obligor shall pay the difference on demand; if the final computation results in a lower prepayment premium then the difference shall be refunded to Obligor. Obligor acknowledges and agrees that the final determination of the Government Obligations and funds required to be deposited with the Fiscal Agent to defease any Principal Amount on the City Note will be made by HUD in its discretion; that the purchase of the Government Obligations will be performed by the Fiscal Agent; and that the holder of this Note shall have no responsibility for the manner of such purchase or prices paid. Obligor acknowledges that any funds that may remain in any defeasance account maintained by the Fiscal Agent with respect to any Principal Amount of the City Note after such Principal Amount has been paid in full will be delivered to HUD and that Obligor shall have no right to any such excess funds except to the extent, if any, that such funds are remitted by HUD to the City.

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(c) A prepayment made on or after the Obligor Payment Date hereunder immediately preceding the first date when the Principal Amounts remaining outstanding on the City Note are subject to optional redemption shall not require a premium if Obligor complies strictly with the following conditions:

(i) the prepayment must be made only on an Obligor Payment Date in January or July;

(ii) the prepayment must be in the full amount Outstanding of one or more Obligor Principal Amounts; and

(iii) Obligor must provide written notice to the holder of this Note not less than sixty (60) nor more than ninety (90) days prior to the date when such prepayment is to be made, specifying the amount to be prepaid and the Obligor Principal Amounts to which such amounts apply, all consistent with this subsection.

The foregoing prepayment terms are intended to ensure that prepayments hereunder may be made only at times, in amounts, and on terms that permit matching prepayments on, redemption of, or defeasance of, the City Note or Principal Amounts thereunder. To the extent required to give full effect to such intent consistent with the requirements of HUD, the terms of this Section shall be subject to adjustment by written notice from the holder of this Note to Obligor prior to the Conversion Date.

8. Delinquency, Default, Acceleration and Interest on Amounts Past Due

Should any amount owing hereunder not be paid when due or in the event that the Obligor fails in the performance or observance of any of the covenants and agreements of this Note, then upon declaration of a default (which term shall have the same meaning as "Event of Default" under the Loan Agreement), which declaration shall be made as provided in the Loan Agreement and after giving Obligor notice and opportunity to cure to the extent required therein, the whole sum of principal and interest shall become immediately due and payable at the option of the holder. An Event of Default under the Loan Agreement shall be deemed a default hereunder, whereupon the holder may at its option declare all sums then outstanding hereunder immediately due and payable.

In the event that the holder of this Note or the Custodian shall be required by any law or court order to refund or otherwise relinquish any portion of any amount paid hereunder or otherwise credited to amounts owing hereunder, such amount shall again be deemed outstanding hereunder for all purposes.

Failure to declare a default or to exercise the option to accelerate shall not constitute a waiver of the right to exercise it in the event of a continuing breach or delinquency, or a subsequent default. Whether or not a default is declared or the entire balance is accelerated, all amounts of principal and interest past due shall bear interest at a rate four percent (4%) per annum higher than

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the interest rate computed under Section 2 above, from and after the due date. After acceleration the entire balance of principal and interest owing shall bear interest at such increased rate.

9. Premium Due Upon Acceleration

In order to protect the City from the potential loss of CDBG funds that could occur upon acceleration if the cost to defease the City Note should exceed the amount owing hereunder, Obligor agrees to pay upon acceleration of the principal balance of this Note subsequent to the Conversion Date, whether after an Event of Default or as otherwise provided in the Loan Documents, as a premium and not as a penalty, an amount equal to all prepayment premiums as determined under Section 7(b) above for all Obligor Principal Amounts then Outstanding as of the effective date of acceleration or such other date within thirty (30) days after the date of acceleration as the holder of this Note shall specify, regardless of whether Obligor would have the right to make a prepayment on such date. Such premium shall be due and payable immediately upon delivery to the Obligor of the computation of such premium by the holder of this Note or Custodian, and shall be payable regardless of whether or not any default was intended to evade the prepayment premium and regardless whether acceleration reasonably could have been avoided by Obligor.

10. Acknowledgment and Waiver Regarding Acceleration and Premium

Obligor understands and acknowledges that the City is not a commercial lender, but is acting as a conduit for funds provided under a federal program, and that therefore any premium under Section 9 of this Note shall be absolutely due and payable in accordance with such Section, regardless of whether the City might have the ability to avoid the costs of defeasance of the City Note by forbearance, waiver, acceptance of substitute security, or election not to accelerate this Note, or otherwise, and regardless whether acceleration would be considered commercially reasonable. Obligor irrevocably waives any claim or defense based upon any implied or equitable standard of materiality or commercial reasonableness, or similar standard, in connection with any declaration of default or election of acceleration or in connection with any premium.

11. Obligations Absolute; Waivers

The obligations of the Obligor under this Note are absolute, unconditional and irrevocable. All payments required hereunder shall be made without any setoff, counterclaim, deduction or withholding whatsoever.

Obligor hereby waives diligence, demand, presentment for payment, and notice of whatever kind or nature. Without discharging or in any way affecting the liability of the undersigned, the undersigned hereby consents to any and all extensions of this Note as the holder hereof may in its sole discretion grant from time to time, to the release of all or any part of the security for the payment hereof and to the release of any party liable for repayment of the obligations hereunder.

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12. Method of Payment

All payments due on this Note shall be payable in lawful money of the United States of America at the time of payment. Any payment by Obligor shall be in immediately available funds. Unless otherwise agreed by the holder hereof, payment shall be made by transfer of funds from the Debt Service Reserve Account established with the Custodian pursuant to the Loan Agreement, but if on any Obligor Payment Date there shall not be sufficient funds in the Debt Service Reserve Account to make the payment due hereunder or if for any reason sufficient funds in the Debt Service Reserve Account are not transferred to make payment of the full amount due hereunder, then Obligor shall make payment by wire transfer to the holder or its Custodian at such bank as the holder or Custodian shall specify from time to time, or at the option of the holder, shall make payment at the address first hereinabove indicated, or such other address as the holder may hereafter designate.

13. Governing Law

This Note shall be governed by the laws of the State of Washington, except to the extent that federal laws may preempt the laws of the State of Washington. Venue of any action arising hereunder shall be as provided in the Loan Agreement.

14. Attorneys Fees and Costs

In the event that this Note is placed in the hands of an attorney at law for collection after maturity or upon any breach or default or in the event that proceedings at law or in equity are instituted in connection herewith, the undersigned shall pay all costs actually incurred in collecting or attempting to collect this Note or protecting or enforcing such rights including, without limitation, reasonable attorney's fees (including fees incurred in any bankruptcy, appellate, or arbitration proceeding, and including the reasonable value of the services of attorneys and legal assistants who are employees of the holder); and all such amounts shall be deemed to be secured by the Deed of Trust and all other documents securing this Note.

15. No Usury

This Note and the Loan Agreement are subject to the limitation that in no event shall interest or any other amount paid or agreed to be paid for the use, forbearance or detention of money to be advanced hereunder or pursuant to the Loan Agreement exceed the highest lawful rate permissible under applicable usury laws (to the extent not preempted by federal law), if any. If fulfillment of any provision hereof or of the Loan Agreement shall be deemed by a court of competent and final jurisdiction to violate any applicable usury restrictions, then the obligation to be fulfilled automatically shall be reduced to the limit of such validity, and any amount received in excess of such limit shall be applied to reduce the unpaid principal balance hereof and not to the payment of interest.

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16. Time of the Essence

Time is of the essence of this Note and of each and every provision hereof.

17. Non-Recourse

Neither Obligor, nor any general or limited partner of Obligor, shall have any liability for payment of this Note other than to have the Property (as defined in the Loan Agreement) and all other collateral under the Deed of Trust and under the Loan Agreement, and the rents, income and proceeds from such Property and collateral, applied to satisfy the obligations hereunder; provided, however, that Obligor shall be liable for damages or deficiencies (including costs and reasonable attorneys' fees) resulting from fraud; waste; material misrepresentation; misappropriation of rents, insurance proceeds, condemnation proceeds, or reserves; failure to maintain required insurance without advance written notice to Lender; breaches of covenants or warranties relating to hazardous or toxic substances; and costs of compliance with laws, regulations and orders of environmental agencies regarding hazardous or toxic substances.

NOTICE: ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FOREBEAR FROM ENFORCING REPAYMENT OF A DEBT, ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

IN WITNESS WHEREOF, Obligor has executed this Promissory Note as of the date first above written.

Lewiston Hotel Limited Partnership, a Washington limited partnership
By: Plymouth Housing Properties, a Washington non-profit corporation,
its general partner

By: _____
Print Name:_____
Title:_____

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ATTACHMENT D TO EXHIBIT D OF ORDINANCE

Project Budget

DEVELOPMENT BUDGET Project Name: LEWISTON HOTEL	Total Cost	Housing	Non Housing
Acquisition Costs:			
Purchase Price	$2,285,000	$1,142,500	$1,142,500
Closing, Title & Recording Costs	$25,000	$12,500	$12,500
SUBTOTAL	$2,310,000	$1,155,000	$1,155,000
Construction			
Basic Construction Contract	$907,471	$879,971	$27,500
Hazardous Abate. & Monitoring	$25,000	$25,000	
Construction Contingency (____%)	$81,013	$78,624	$2,389
Sales Taxes	$80,193	$77,828	$2,365
Other Construction Costs: Special Insp	$2,500	$1,250	$1,250
SUBTOTAL	$1,096,177	$1,062,673	$33,504
Development Costs: Professional			
Appraisal	$8,000	$4,000	$4,000
Architect/Engineer	$93,600	$93,600	
Environmental Assessment	$11,000	$11,000	
Legal	$50,000	$37,500	$12,500
Developer Fee	$394,467	$354,467	$40,000
Other: Printing/Advertising	$6,000	$6,000	
SUBTOTAL	$563,067	$506,567	$56,500
Other Development Costs			
Insurance	$10,000	$5,000	$ 5,000
Relocation	$12,500	$12,500	
Permits, Fees & Hookups	$55,000	$55,000	
Construction Loan Fees	$10,000	$0	$ 10,000
Construction Interest - lender legal	$20,000	$0	$ 20,000
Other Loan Fees (WCDLF, State HTF, etc.)	$7,250	$7,250	
LIHTC Fees	$19,139	$19,139	
Accounting/Audit	$11,000	$11,000	
Operating Reserves	$150,000	$150,000	
Other: Soft Cost Contingency	$75,000	$65,000	$ 10,000
SUBTOTAL	$369,889	$324,889	$45,000
Total Development Cost:	$4,339,133	$3,049,129	$1,290,004

Sources

Section 108 Loan or Private Financing	$ 1,000,000
City of Seattle	$ 1,050,000
State of Washington	$ 650,000
General Partner Equity	$ 50,000
LIHTC	$ 1,535,516
Deferred Development Fee	$ 53,617
Total Sources	$ 4,339,133

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STATE OF WASHINGTON - KING COUNTY

123921
City of Seattle,Clerk's Office —ss.

No. ORDINANCE TI

Affidavit of Publication

City of Seattle

TITLE-ONLY PUBLICATION

The full text of the following ordinances, passed by the City Council on October 9, 2000, and published here by title only, will be mailed upon request, or can be accessed electronically at http://clerk.ci.seattle.wa.us. For further information, contact the Seattle City Clerk at 684-8344.

ORDINANCE NO. 120110

AN ORDINANCE relating to the Department of Parks and Recreation; making a potentially reimbursable appropriation from the Emergency Account, Emergency Subfund for acquisition of certain real property known as Ravenna Woods; all upon a three-fourths vote of the City Council.

ORDINANCE NO. 120112

AN ORDINANCE authorizing an expenditure from the Judgment/Claims Fund to be reimbursed by the Light Fund to settle the claim of Barcodes West (C-65486), all by a two-thirds vote of the City Council.

ORDINANCE NO. 120116

AN ORDINANCE relating to the Lewiston Hotel; authorizing and providing for the issuance of a note for the purpose of financing the Lewiston Hotel building in order to preserve low-income housing units; authorizing for a Funding Approval/Agreement and a contract with the United States Department of Housing and Urban Development for a Section 108 guaranty of the note; authorizing agreements with a custodian to establish separate accounts or funds; authorizing related agreements; and ratifying and confirming prior acts.

ORDINANCE NO. 120119

AN ORDINANCE creating a new salary band for the position of Hearing Examiner, deleting the five-step salary administration plan, and specifying the provision for the administration of said compensation.

Publication ordered by JUDITH PIPPIN, City Clerk.

Date of official publication in Daily Journal of Commerce, Seattle, October 25, 2000. 10/25(123921CI)

The undersigned, on oath states that he is an authorized representative of The Daily Journal of Commerce, a daily newspaper, which newspaper is a legal newspaper of general circulation and it is now and has been for more than six months prior to the date of publication hereinafter referred to, published in the English language continuously as a daily newspaper in Seattle, King County, Washington, and it is now and during all of said time was printed in an office maintained at the aforesaid place of publication of this newspaper. The Daily Journal of Commerce was on the 12th day of June 1941, approved as a legal newspaper by the Superior Court of King County.

The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

CTTO:120110,12,16,11

was published on

10/25/00

The amount of the fee charged for the foregoing publication is the sum of $, which amount has been paid in full.

R. Patterson

Subscribed and sworn to before me on 10/25/00

M. C. OLIVAREZ NOTARY PUBLIC STATE OF WASHINGTON COMMISSION EXPIRES OCT 1, 2004

M C Olivarez

Notary Public for the State of Washington, residing in Seattle

Affidavit of Publication

NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE IT IS DUE TO THE QUALITY OF THE DOCUMENT.