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ORDINANCE _____

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AN ORDINANCE relating to economic and community development; authorizing and providing for the issuance by the City of multiple notes for the purpose of supporting eligible activities under the federal Section 108 program, including the acquisition and development of certain properties within the city; authorizing agreements with the United States Department of Housing and Urban Development for a Section 108 guaranty of the notes; authorizing agreements with a custodian to establish separate accounts or funds; authorizing a loan of a portion of the proceeds of the notes for a portion of the financing of an economic development project involving the INS Building at 815 Airport Way South; authorizing related agreements; and ratifying and confirming prior acts.

WHEREAS, the City Council's Regional Development and Sustainability Committee held a public hearing on the 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 eligible economic and community development activities, including acquisition and development of certain properties within the City of Seattle; and

WHEREAS, City Council adopted a Resolution authorizing the Mayor to submit an application to HUD for a Section 108 loan guaranty and the Mayor did submit such application; and

WHEREAS, HUD's Seattle field office has recommended that HUD approve a Section 108 loan guaranty in an amount not to exceed \$10,000,000; and

WHEREAS, under the federal Section 108 program, HUD's assistance must take the form of the City's issuance of multiple non-recourse notes guaranteed by HUD, and loans of the proceeds of the notes for projects that fulfill a public purpose and provide revenues to repay the notes; 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, a Section 108 loan guarantee will make the acquisition and development of certain properties economically feasible; and

WHEREAS, a Section 108 loan guarantee will benefit low and moderate income individuals including through the creation or retention of jobs and the preservation or creation of affordable housing, will help preserve certain historic buildings and may also address slums or blight on a spot basis; and



1 WHEREAS, proceeds of a Section 108 guaranteed loan will be applied to multiple projects; and

2 WHEREAS, the redevelopment of former INS Building, known as the INSCAPE Project, will be
3 the initial project; and

4 WHEREAS, the Office of Economic Development has made public a proposed application for a
5 Section 108 loan guarantee, and the City Council has held two public hearings on the
6 proposed application and to obtain citizens' views on community development needs, as
7 required by federal regulations; NOW, THEREFORE,

8 **BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:**

9 Section 1. The Mayor or the Director of the Office of Economic Development
10 ("OED Director") is authorized, on behalf of The City of Seattle, to execute, deliver, perform
11 and administer a contract for loan guarantee assistance (the "Contract") with the United States
12 Department of Housing and Urban Development ("HUD"), for a Section 108 loan guaranty in
13 the amount up to \$10,000,000. The Contract shall be based on the form attached as Exhibit A to
14 this ordinance, and with such additions, modifications and amendments as HUD may require or
15 the Mayor or OED Director deem necessary or advisable to carry out the purposes of this
16 ordinance. The Mayor or OED Director is further authorized, on behalf of The City of Seattle, at
17 the request of HUD, to execute and deliver an amendment to, or replacement for, the Contract in
18 such form as HUD may require or the Mayor or OED Director may deem necessary or advisable
19 to carry out the purposes of this ordinance. The Contract, and any replacement contract, shall
20 state in substance that the notes issued by the City pursuant to Section 2 of this ordinance shall
21 be non-recourse notes, that the City's liability on the notes and the Contract shall be limited
22 solely to the security pledged therefor, that they are not obligations of the City or the State of
23 Washington, that neither the notes nor the Contract shall constitute a debt payable from the
24 City's public funds, and that neither the faith and credit nor the taxing power of the City shall be
25 pledged for the City's obligations under the Contract or for payment of principal, interest or
26 premium, if any, on the notes. The Mayor or OED Director is further authorized, on behalf of



1 The City of Seattle, to enter into other agreements required by HUD for a Section 108 guaranty
2 of the notes.

3 Section 2. The Mayor or OED Director is authorized, on behalf of The City of
4 Seattle, to issue multiple non-recourse promissory notes in the total principal amount not to
5 exceed \$10,000,000 (such notes are referred to as the "Notes"), based on the form attached as
6 Exhibit B to this ordinance, and with such modifications, additions or amendments as HUD may
7 require or the Mayor or OED Director may deem necessary or advisable to carry out the
8 purposes of this ordinance. Each of the Notes shall provide for a schedule of maturities of
9 principal, and the cumulative schedule of maturities of principal for all Notes are approximately
10 as stated in Exhibit C, with such modifications and amendments as HUD may require or the
11 Mayor or OED Director deem necessary or advisable to carry out the purposes of this ordinance,
12 provided that no principal shall mature after 2031. Pursuant to RCW 35.21.735, the Notes shall
13 contain a recital to the effect that they are not an obligation of the City or the State of
14 Washington, and that neither the faith and credit nor the taxing power of the State, the City or
15 any other municipal corporation or subdivision of the State or any agency of any of the foregoing
16 is pledged to the payment of principal, interest or premium if any, thereon.

17 Section 3. For the initial project, the Mayor or OED Director is further authorized, on
18 behalf of the City, to execute and deliver a Note in the principal amount of up to \$3,000,000 and
19 to cause the Note proceeds to be disbursed, by the financial institution acting as Custodian
20 pursuant to Section 5 of this ordinance, to the order of Chase NMTC INS Investment Fund, LLC
21 ("Obligor"), or any substitute entities approved by the Mayor or OED Director. Obligor will be
22 an entity formed by JPMorgan Chase Bank or its affiliate ("Chase"), as investor member, and
23 Seattle Investment Fund LLC ("SIF"), which was formed by the City as described in Ordinance
24 123146, or an entity controlled by SIF, as manager. Obligor shall serve as the New Markets Tax
25 Credit investment fund that will assist in financing acquisition and development of the project
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1 known INSCAPE (815 Airport Way S) in Seattle, Washington. The initial project is more
2 particularly described in the Project Description attached as Attachment B to Exhibit D. Upon
3 receiving Section 108 loan proceeds, Obligor shall invest such proceeds in Seattle Subsidiary
4 Investment Fund II LLC, or any substitute entity approved by the Mayor or OED Director (the
5 "CDE"). The CDE shall serve as the New Markets Tax Credit community development entity
6 which will in turn disburse proceeds to the entities carrying out the project. The Section 108
7 loan shall be secured by an assignment and pledge for security purposes of the interest of Obligor
8 in the CDE, subordinate to an assignment and pledge of the same interest to Chase for a loan to
9 Obligor. The Mayor or OED Director is further authorized, on behalf of the City, to cause
10 additional proceeds of the Notes to be disbursed by the Custodian to the order of any additional
11 borrowers (referred to, along with the Obligor, as "obligors") that are approved by the City
12 Council by any subsequent ordinance.

13 Section 4. The Mayor or OED Director is authorized, on behalf of The City of
14 Seattle, to execute, deliver, administer and cause to be performed a Loan Agreement with the
15 Obligor, based on the form attached as Exhibit D, with such additions, modifications, and
16 amendments as HUD may require or the Mayor or OED Director may deem necessary or
17 advisable to carry out the purposes of this ordinance, together with such ancillary and related
18 documents as the Mayor or OED Director may deem necessary or advisable to carry out the
19 purposes of this ordinance. The authority under this Section includes, without limitation, making
20 agreements with lenders or investors that limit the right of the City to pursue remedies under loan
21 documents; allowing the assumption of the loan to Obligor by another entity; and the acceptance
22 of substitute security consistent with the City's obligations to HUD.

23 Section 5. The Mayor or OED Director is authorized, on behalf of the City, to
24 negotiate and execute one or more agreements with a financial institution to act as trustee and/or
25 custodian (the "Custodian") to receive and disburse the proceeds of the City's non-recourse
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1 Notes and to receive, administer and expend such funds as are received from obligors as
2 repayments or other payments under the Loan Agreements or from realization on the security for
3 the loans. Such agreement shall also include establishment by the Custodian of one or more
4 special funds or accounts from which the City's Notes shall be repaid, and any other funds or
5 accounts that HUD may require or the Mayor or OED Director may deem necessary or
6 appropriate. Such funds or accounts shall at all times be kept segregated and set apart from all
7 funds and accounts of the City, and into such funds or accounts shall be deposited all money that
8 is pledged as security to HUD in connection with the guaranty that is required under the HUD
9 Contract to be deposited therein. The agreement(s) with the Custodian and all funds or accounts
10 established thereunder shall comply with RCW 35.21.735.

11 Section 6. The Mayor or OED Director is further authorized to negotiate and
12 execute such additional agreements as the Mayor or OED Director deems necessary or advisable
13 to carry out the purposes of this ordinance and to implement the Section 108 loan guaranty. The
14 agreement(s) with the Custodian and the additional agreements authorized by this Section 6 shall
15 be in the form and contain such terms and conditions as the Mayor or OED Director may deem
16 necessary or advisable to carry out the purposes of this ordinance.

17 Section 7. The Mayor or OED Director may enter into a fiscal agency
18 agreement, for and on behalf of the City, under which Bank of New York Mellon, or such other
19 financial institution as may be designated by HUD, shall serve as fiscal agent with respect to the
20 Notes, on such terms and conditions as the Mayor or OED Director shall determine are necessary
21 or appropriate to implement the purposes of this ordinance. The authority granted in this Section
22 shall apply notwithstanding Seattle Municipal Code Section 5.10.060, to the extent it might be
23 deemed applicable to the Note. The Fiscal Agent may be the same as the Custodian, or an
24 affiliated entity thereof.



1 Section 8. The Mayor or OED Director may require obligors to pay a loan
2 origination fee of no more than two percent of the loan amounts, i.e., no more than the
3 cumulative amount of \$200,000. Such fee shall be paid directly to the Custodian to be held in
4 trust for the purposes set forth in this Section 8. The OED Director is authorized to cause all or a
5 portion of this fee to be disbursed by the Custodian to pay for the City's legal fees and any other
6 costs related to the issuance and placement of the Notes and the administration of the
7 transactions authorized by this ordinance, that are not paid by obligors pursuant to loan
8 agreements. The OED Director is authorized to cause any remaining portion of such fee to be
9 applied to payment of expenses incurred in the administration of any federally guaranteed or
10 federally funded economic development loan or program administered by the OED Director or to
11 be remitted to the City and deposited in the Housing and Community Development Revenue
12 Sharing Fund.

13 Section 9. The Director of the Human Services Department ("HSD Director")
14 is authorized to (a) further amend the City's 2009-2012 Consolidated Plan, including the Table
15 of Proposed Projects, to reflect the transactions contemplated by this ordinance and (b) provide
16 OED with technical assistance to ensure compliance with Community Development Block Grant
17 ("CDBG") regulations applicable to the Section 108 loan program. The Mayor, OED Director,
18 and the HSD Director are authorized to take such other actions as they shall deem necessary to
19 implement the actions authorized by this ordinance. Authority granted to the Mayor or a
20 Director in this ordinance may be exercised by their respective designees or by an official
21 generally authorized to act in place of the Mayor or such Director when unavailable.

22 Section 10. This ordinance is not intended to create, and shall not be construed
23 to create, any contractual or otherwise binding obligation upon, or commitment by, the City for
24 the benefit of the Obligor or any other party interested in the acquisition or development of the
25 INSCAPE project. The commitments to the Obligor authorized by this ordinance, subject to the
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1 limitations herein and under applicable law, shall become effective only if and when the
2 agreements authorized hereby are duly executed and delivered by the City and other necessary
3 parties.

4 Section 11. Any act pursuant to the authority and prior to the effective date of
5 this ordinance is hereby ratified and confirmed.

6 Section 12. This ordinance shall take effect and be in force 30 days after its
7 approval by the Mayor, but if not approved and returned by the Mayor within ten days after
8 presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

9 Passed by the City Council the ____ day of _____, 2011, and
10 signed by me in open session in authentication of its passage this
11 ____ day of _____, 2011.

12 _____
13 _____
14 President _____ of the City Council

15
16 Approved by me this ____ day of _____, 2011.

17 _____
18 _____
19 Michael McGinn, Mayor

20
21 Filed by me this ____ day of _____, 2011.

22 _____
23 _____
24 Monica Martinez Simmons, City Clerk

25 (Seal)

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Exhibits:

- A. Form of Contract for Loan Guaranty Assistance
- B. Form of City Note
- C. Cumulative Schedule of Maturities
- D. Form of Loan Agreement



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 The City of Seattle, Washington, 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 B- -MC- -, in the Maximum Commitment Amount of \$3,000,000 (INSCAPE Project), and any amended note or note issued in substitution for such note and having the same note number (the "Note," which term also includes each other note of Borrower with the same note number hereafter guaranteed by the Secretary). This is the first Contract under the Funding Approval ("Commitment") of the same number, which was approved by the Secretary on _____ in the amount of \$10,000,000, and this Contract covers other Notes having the same Note number up to such Commitment amount, and shall apply to each Note as if it were a separate contract made for that 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

Exhibit A to Ordinance: Form of Contract for Loan Guaranty Assistance - 1



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 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 the Secretary. 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).

- 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.



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 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 Deposit 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 September 30, _____, 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 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 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 September 30, _____. 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; Final Payment and Discharge.** 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

Exhibit A to Ordinance: Form of Contract for Loan Guaranty Assistance - 6



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.

Upon final payment of all amounts due to Holders under the Note, including any payment made by the Secretary pursuant to the Guarantee, the Fiscal Agent/Trustee is required by the Fiscal Agency/Trust Agreements to return the Note to the Secretary. Upon final payment to the Secretary of any amounts due as a result of Guarantee Payments or otherwise due under this Contract, the Secretary will cancel and return the Note to the Borrower in discharge of the Borrower's obligations under the Note.

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.
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 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 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 Deposit 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 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 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,

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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, EDI or BEDI 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 or BEDI 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 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 Interest Due Date, or any other Business Day acceptable to both HUD and the Borrower. 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:

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(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.

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.

(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:

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(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:

City of Seattle - Office of Economic Development
Attention: Director
P.O. Box 94708
700 Fifth Ave, Suite 5752
Seattle, WA 98124

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.

In accordance with RCW 35.21.735, the Note and any payments coming due to the Secretary or the United States under this Contract or the Fiscal Agency/Trust Agreements 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 Note or for any amounts due under this Contract or the Fiscal Agency/Trust Agreements. 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. Any obligations of Borrower under documents incorporated herein are subject to the limitation of liability set forth in this Contract.

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:**

(a) As used in this Contract, the following additional terms are defined as follows:

(i) "**Investment Obligor**" shall mean an Obligor to which the Borrower shall make a loan of Section 108 Guaranteed Loan Funds for purposes of carrying out a project in which New Markets Tax Credits ("NMTC") are part of the financing structure.

(ii) "**CDE**", or Community Development Entity, shall mean the entity into which the Investment Obligor shall invest the Section 108 Guaranteed Loan Funds. The CDE shall, in the opinion of its counsel addressed to the Borrower, be a community development entity which is authorized to receive and invest Section 108 loan proceeds and other investment funds as loans to, and/or equity in, qualified businesses in eligible low income areas pursuant to Section 45D of the Internal Revenue Code in order to generate New Markets Tax Credits for investors.

(iii) "**Qualified Business**" shall mean an entity for which the CDE will loan or invest funds, including Section 108 Guaranteed Loan Funds.



- (iv) "**QLICI**" shall mean a qualified low-income community investment as defined for purposes of Section 45D of the Internal Revenue Code.
 - (v) "**QLICI Loan**" shall mean a loan from the CDE to a Qualified Business.
 - (vi) "Mortgage" includes a deed of trust made to secure a loan in accordance with state law.
- (b) The Borrower shall not incur any obligations to be paid with guaranteed loan funds prior to the receipt of a written determination from the HUD's Seattle Field Office that either (i) each individual activity to be undertaken or supported with loan guarantee funds meets the eligibility requirements of 24 CFR §570.703, the national objective requirements of §570.208 and, if applicable, the public benefit standards of §570.209(b), or (ii) the Borrower's procedures for assuring compliance with the requirements are acceptable. Guaranteed Loan Funds shall be used by the Borrower for one or more of the following activities:

(i) To make one or more loans to an Investment Obligor (the "**Investment Obligor Loan**"), in accordance with 24 CFR §570.703(i) pursuant to §570.203(a), §570.203(b) or §570.204, which Investment Obligor shall invest all such loan proceeds as well as additional available funds into a CDE as equity.

The CDE will, in turn, make a loan of these equity monies to a Qualified Business (the "**QLICI Loan**") to assist with financing all or a part of a project eligible to generate NMTC (individually, a "**NMTC Project**"). **All portions of an NMTC Project assisted by a QLICI Loan are subject to all applicable Community Development Block Grant/Section 108 requirements.**

- (A) The Investment Obligor Loan shall be evidenced by a promissory note (an "Investment Obligor Note") and made pursuant to a loan agreement (the "Investment Obligor Loan Agreement"). The QLICI Loan shall be



evidenced by a promissory note (the "QLICI Note") and a made pursuant to a loan agreement (the "QLICI Loan Agreement"). The Investment Obligor Note, QLICI Note, Investment Obligor Loan Agreement, and QLICI Loan Agreement shall be in form and content consistent with this Contract (with such provisions as are necessary to ensure compliance with requirements applicable to the use of the Guaranteed Loan Funds), enforceable under State and local law, and shall contain such other provisions as a prudent lender would reasonably require.

(B) The amount of principal and/or interest payable under an Investment Obligor Note during the twelve-month period beginning July 16 of each year and ending on July 15 of the next succeeding year shall be equal to or greater than the amount of principal and/or interest payable for the corresponding period (which shall run from August 2 through August 1 of the next succeeding year) under the Borrower's Note issued to fund the Investment Obligor Loan. After Conversion of the Borrower's Note (as defined in such note), an Investment Obligor Note shall not be subject to redemption or prepayment earlier than the earliest possible redemption date under the terms of the Borrower's Note after Conversion except on such terms as would permit the Borrower to defease the corresponding maturities of the related Note in compliance with this Agreement;

(ii) To finance loans (individually, a "Business Loan") to one or more for-profit businesses or non-profit entities (individually, a "Business Obligor") pursuant to 24 CFR §570.703(i)(1) and §570.203 or §570.204.

Each Business Loan shall be evidenced by a promissory note (individually, the "Business



Note" and, collectively, the "Business Notes") and a loan agreement (the "Business Loan Agreement"). The Business Note and Business Loan Agreement shall contain such provisions as the Secretary deems necessary. The amount of principal and/or interest payable under the Business Notes during the twelve-month period beginning July 1 of each year and ending on June 30 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. No Business Note shall be subject to redemption or prepayment earlier than the earliest possible redemption date under the terms of the Note.

If the Business Obligor is a nonprofit entity, provisions of 24 CFR §570.503 and other provisions of §570.500 *et seq.* related to Subrecipients apply, except as otherwise provided in HUD regulations with respect to an activity under §570.204.

(iii) to assist with acquisition, clearance and demolition, site preparation, housing rehabilitation and/or public facilities activities in accordance with 24 CFR §570.703(a), (e), (f), (h), and (l). Activities may be carried out by the Borrower or one or more of its Subrecipients or other Obligors.

For any activity described in paragraph 15(b)(iii) carried out by a Subrecipient, provisions of 24 CFR §570.503 and other provisions of §570.500 *et seq.* related to Subrecipients apply.

(c) **For the Investment Obligor Loans and the QLICI Loans**

In order to secure the payment and performance of the secured obligations of an Investment Obligor to the Borrower, the Investment Obligor shall collaterally assign its membership interest [or partnership interest, if applicable] in the CDE to the Borrower for security purposes (a "Collateral Assignment of Membership Interest"). The Collateral Assignment of Membership Interest may be subordinated to an assignment securing



another loan to the Investment Obligor, substantially all of the proceeds of which are invested in the CDE, and may be the subject of a standstill agreement precluding enforcement action during the NMTC period. In addition, the Borrower may obtain such other alternative collateral or security arrangements as may be requested by the Borrower and approved by the Secretary in writing.

Upon the dissolution of the CDE, if the Investment Obligor becomes the holder of the QLICI Loan, Borrower may receive as acceptable substitute collateral, or as full satisfaction of the Investment Obligor Loan, an assignment of Investment Obligor's interest in a QLICI Loan.

Furthermore, the Investment Obligor shall require the CDE to obtain the following collateral for each QLICI Loan (collectively, the "QLICI Collateral"):

- (i) A lien on real property (the "Property"), established through an appropriate and properly recorded mortgage (the "QLICI Mortgage"). The QLICI Mortgage shall be in a form and content consistent with this Contract, enforceable under State and local law, shall contain such other provisions as a prudent lender would reasonably require, and may contain the provisions in paragraphs (ii) and (iii) below if applicable to this transaction. The QLICI Mortgage may be subordinated to another lien on the Property; provided, however, that the principal amount of the QLICI Loan secured by the Property shall not exceed the amount by which 80 percent of the "as improved" appraised market value of the Property exceeds the outstanding balance on other indebtedness secured by a mortgage lien of senior or equal priority on the Property.
- (ii) Any and all rights, titles, and interests of the Qualified Business in and to any leases covering the Property. Such rights, titles, and interests of the Qualified Business shall be the subject of an assignment of leases and rents to the CDE (a "QLICI Assignment of Leases and Rents"), which shall be in a form acceptable to the Borrower and



may be included in the QLICI Mortgage.

- (iii) Any and all rights, titles, and interests of the Qualified Business in and to any licenses, permits, and other agreements covering the Property. Such rights, titles, and interests shall be the subject of a collateral assignment of interest in licenses, permits, and other agreements to the CDE (a "QLICI Collateral Assignment of Interest in Licenses, Permits, and Agreements"), which shall be in a form acceptable to the Borrower and may be included in the QLICI Mortgage.
- (iv) As applicable, personal guaranties (individually and collectively a "Personal Guaranty") of all payments due under the Investment Obligor Note. The Personal Guaranty shall be in a form acceptable to the Secretary.
- (v) Such other alternative collateral or security arrangements as may be required by the Borrower and approved by the Secretary in writing.

For the Business Loans

The Business Loan shall be fully secured by one or more of the following forms of collateral (collectively, the "Collateral").

- (i) A lien on real property (the "Real Property"), established through an appropriate and properly recorded mortgage (the "Business Mortgage"). The Business Mortgage shall contain such provisions as the Secretary deems necessary. The Business Mortgage may be subordinated to another lien on the Real Property; provided, however, that the principal amount of the Business Loan secured by the Real Property shall not exceed the amount by which 80 percent of the "as improved" appraised market value of the Real Property exceeds the outstanding balance on other indebtedness secured by a mortgage lien of senior or equal priority on the Real Property.
- (ii) Any and all rights, titles, and interests of the Business Obligor to any leases covering the Real



Property. Such rights, titles, and interests shall be the subject of an appropriate and properly recorded assignment of leases and rents (the "Assignment of Leases and Rents"). The Assignment of Leases and Rents shall be in a form acceptable to the Secretary and may be included in the Business Mortgage.

(iii) A security interest (collectively referred to as the "Security Interests") in machinery and equipment ("M&E"), accounts receivable, inventory, and other items of personal property collectively, the "Personal Property"). The Security Interests may be subordinated to another lien; provided, however, that the principal amount of the Business Loan secured by the Personal Property shall not exceed an amount determined as follows:

(A) in the case of used M&E, not more than 90 percent of the appraised net liquidation value, less the outstanding balance of other indebtedness secured by a senior security interest in such M&E; and

(B) in the case of new M&E, not more than 80 percent of the cost thereof (including installation), less the outstanding balance of other indebtedness secured by a senior security interest in such M&E; and

(C) in the case of accounts receivable, not more than 80 percent of the average of the ending balances of the last three (3) years of accounts receivable, less the outstanding balance of other indebtedness secured by a senior security interest in said accounts receivable; and

(D) in the case of inventory, not more than 50 percent of the average of the ending inventory balances of the last three (3) years, less the outstanding balance of other indebtedness secured by a senior security interest in said inventory.

The Security Interests shall be granted pursuant to an appropriate security agreement (the



"Security Agreement"), which Security Agreement also shall be referenced in appropriate Uniform Commercial Code Financing Statements filed in accordance with the Uniform Commercial Code. The Security Agreement and such Uniform Commercial Code Financing Statements shall contain such provisions as the Secretary deems necessary.

- (iv) Any and all rights, titles, and interests of the Business Obligor in any loan or debt service reserve accounts established for the purpose of securing the Business Loan. Such rights, titles, and interests shall be the subject of a collateral assignment of interest in loan or debt service reserve accounts (the "Collateral Assignment of Interest in Loan or Debt Service Reserve Accounts"). The Collateral Assignment of Interest in Loan or Debt Service Reserve Accounts shall be in a form acceptable to the Secretary.
- (v) Such other alternative collateral or security arrangements as may be requested by the Borrower and approved by the Secretary in writing.
- (d) Unless otherwise agreed to by the Secretary, the Borrower shall select a financial institution acceptable to the Secretary (the "Custodian") to act as custodian for the documents specified in paragraphs 15(f) and (g) 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 on or before the date of delivery of documents pursuant to paragraph 15(f) or (g) below.
- (e) The Borrower enter into a written "**Collateral Agency Agreement**" with each CDE together with the Qualified Business receiving a loan from a CDE, in order to permit the Borrower or its designee to act as Collateral Agent for such CDE with respect to the exercise of the CDE's security rights under the Security Documents with respect to a QLICI Loan and the QLICI Collateral and to perform other functions identified and consented to therein by both a CDE and



a Qualified Business related to assuring completion of the project and compliance with applicable Section 108 Loan Guarantee-related requirements as provided in such Security Documents. The form and content of the Collateral Agency Agreement shall be satisfactory to the Secretary.

- (f) Not later than five business days after the initial disbursement of the Guaranteed Loan Funds to an Investment Obligor, the Borrower shall deliver to the Custodian the following, as applicable:
- (i) The original Investment Obligor Note, indorsed in blank and without recourse.
 - (ii) The original Investment Obligor Loan Agreement and collateral assignment(s) thereof to the Secretary, which assignment shall be in a form acceptable to the Secretary.
 - (iii) The original or a copy of the QLICI Loan Note, QLICI Loan Agreement, QLICI Mortgage and the Qualified Business Assignments of Leases and Rents and of Licenses, Permits and Agreements, if applicable.
 - (iv) If applicable, the original Personal Guaranty and an assignment thereof to the Secretary, which assignment shall be in a form acceptable to the Secretary.
 - (v) If applicable, the original Collateral Agency Agreement, and a collateral assignment thereof to the Secretary, which shall be in a form satisfactory to the Secretary.
 - (vi) The original Collateral Assignment of Membership Interest in the CDE and a collateral assignment thereof to the Secretary, which assignment shall be in a form acceptable to the Secretary.



(vii) An opinion of the Borrower's counsel on its letterhead, addressed and satisfactory to the Secretary, that:

- (A) The Investment Obligor, CDE, and Qualified Business are each duly organized and validly existing, respectively, as a **[corporation, partnership, limited liability company, etc.]** under the laws of its state of organization and they are **[existing, qualified to do business, in good standing, as applicable]** in and under the laws of the State of Washington;
- (B) The Investment Obligor Note and QLICI Note have each been duly executed and delivered by a party authorized by the respective Investment Obligor or Qualified Business to take such action and each is a valid and binding obligation of the respective Investment Obligor or Qualified Business, enforceable in accordance with its terms, except as limited by bankruptcy and similar laws affecting creditors generally; and
- (C) The security instruments, assignments and agreements specified in (ii) through (vi) above are valid and legally binding obligations, enforceable in accordance with their respective terms.

To the extent that the foregoing opinion deals with matters customarily within the due diligence of counsel to an Investment Obligor, CDE, or Qualified Business, Borrower's counsel may attach and expressly rely on an opinion of counsel to each such entity satisfactory to the Secretary.

(viii) In the event that the Borrower acquires or otherwise assumes the interest of the CDE in the QLICI Mortgage, then the Borrower shall also deliver 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 QLICI Mortgage or be accompanied by an endorsement of the policy to the Secretary.

- (ix) A certified survey with a legal description conforming to the title policy and the QLICI Mortgage.
 - (x) An appraisal of the fee simple ownership interest in the Property specifying an as-completed estimate of fair market value of not less than 125 percent (125%) of the sum of the principal balance of the QLICI Note plus any outstanding balance on other indebtedness secured by a mortgage lien of senior or equal priority on the Property. 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").
 - (xi) Any instruments, documents, agreements, and legal opinions required pursuant to paragraph 15(c)(v).
- (g) Not later than five (5) business days after disbursement by the Borrower or Custodian of Guaranteed Loan Funds to a Business Obligor, the Borrower shall deliver to the Custodian the following (as applicable to that activity):
- (i) The original Business Note endorsed in blank and without recourse.
 - (ii) The original Business Loan Agreement, and a collateral assignment thereof to the Secretary, which assignment shall be in a form acceptable to the Secretary.
 - (iii) The original or a copy showing recording number of the recorded Business Mortgage signed by the Business Obligor and an assignment thereof to the Secretary, in a recordable form but unrecorded, which assignment shall be in a form acceptable to the Secretary.



- (iv) The original Assignment of Leases and Rents and a security assignment thereof to the Secretary, in a recordable form but unrecorded, which assignment shall be in a form acceptable to the Secretary.
- (v) The original Security Agreement and a collateral assignment thereof to the Secretary, which assignment shall be in a form acceptable to the Secretary.
- (vi) The original Collateral Assignment of Interest in Loan or Debt Service Reserve Accounts.
- (vii) If Guaranteed Loan Funds are used to acquire real property, an appraisal of the fee simple ownership interest in the Property. 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").
- (viii) If Guaranteed Loan Funds are used to acquire used M&E, an appraisal of its net liquidation value.
- (ix) 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 Mortgage or be accompanied by an endorsement of the policy to the Secretary.
- (x) A certified survey with a legal description conforming to the title policy and the Business Mortgage.
- (xi) An opinion of Borrower's counsel on its letterhead, addressed and satisfactory to the Secretary, that:
 - (A) the Business Obligor is duly organized and validly existing as a **[corporation,**



partnership, etc.] under the laws of the State of _____ and is **[existing, qualified to do business, in good standing, as applicable]** in and under the laws of the State of Washington;

- (B) the Business Note has been duly executed and delivered by an authorized party and is a valid and binding obligation of the Business Obligor, enforceable in accordance with its terms, except as limited by bankruptcy and similar laws affecting creditors generally; and
- (C) the instruments specified in (ii) through (vi) above are valid and legally binding obligations, enforceable in accordance with their respective terms.

To the extent that the foregoing opinion deals with matters customarily within the due diligence of counsel to the Business Obligor, Borrower's counsel may attach and expressly rely on an opinion of Business Obligor's counsel satisfactory to the Secretary.

- (xii) Any instruments, documents, agreements, and legal opinions required pursuant to paragraph 15(c)(v).
- (h) The Borrower covenants that it shall:
 - (i) ensure the diligent performance of the usual and customary functions related to the servicing of the Business Notes; and
 - (ii) promptly perfect the Security Interests by filing a financing statement in accordance with the requirements of the Uniform Commercial Code and shall file such additional statements as are necessary to maintain the perfected Security Interests.
- (i) The Borrower shall promptly notify the Secretary in writing whenever an event which constitutes a default (an "Event of Default") under (and as defined in) any of the Security Documents pertaining to a Business



Loan has occurred and has continued unremedied for a period of 90 days after such occurrence. Such Business Loan shall be hereinafter referred to as the "Nonperforming Business Loan." However, if a Debt Service Reserve Fund has been established by the Borrower in an amount sufficient to satisfy at least one year's debt service to HUD on the Nonperforming Business Loan(s) at the date that the loan(s) become nonperforming, the Borrower shall have an additional year prior to the required notification to remedy the default. Notification of a Nonperforming Business Loan shall be delivered to the Secretary as directed in paragraph 12(f) above.

The Borrower shall within 60 days of such notification take one of the following actions:

- (i) The Borrower may replace the Nonperforming Business Loan with another, performing loan (the "Replacement Loan") which meets the security requirements for a Business Loan specified in Section 15. Such replacement shall be effected by delivery to the Custodian of the Security Documents that would be delivered if the Replacement Loan were made from Guaranteed Loan Funds. If the payments of principal and interest on the Replacement Loan are insufficient to satisfy the payments that are due on the Nonperforming Business Loan, the Borrower shall purchase Government Obligations that mature and bear interest at times and in amounts sufficient, together with payments due on the Replacement Loan, to pay when due the principal and interest to become due on the Nonperforming Business Loan. Such Government Obligations shall be deposited in the Loan Repayment Investment Account.
- (ii) If the Borrower elects not to replace a Nonperforming Business Loan, the Borrower shall purchase Government Obligations that mature and bear interest at times and in amounts sufficient to pay when due the principal and interest to become due on the Nonperforming Business Loan. (This action shall be required only with respect to Nonperforming Business Loans that have not been replaced as provided under (i) above.) Such



Government Obligations shall be deposited in the Loan Repayment Investment Account.

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

"(g) The Secretary may complete the endorsement of the Business Notes and record the assignments referred to in paragraph 15(g), and thereby effectuate the transfer of the documents referenced and underlying indebtedness from the Borrower to the Secretary or the Secretary's assignee.

"(h) 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(d)) against the Borrower, against the Business Obligor, or against any other person or property."

- (k) Additional Grounds for Default. Notice of Default. Restriction of Pledged Grants. Availability of Other Remedial Actions.

(i) The Borrower acknowledges and agrees that the Secretary's guarantee of the Note is made in reliance upon the availability of grants pledged pursuant to paragraph 5(a) (individually, a "Pledged Grant" and, collectively, the "Pledged Grants") in any Federal fiscal year subsequent to the Federal fiscal year ending September 30, 2011 to: (A) pay when due the payments to become due on the Note, or (B) defease (or, if permitted, prepay) the full amount outstanding on the Note. The Borrower further acknowledges and agrees that if the Secretary (in the Secretary's sole discretion) determines that Pledged Grants are unlikely to be available for either of such purposes, such determination shall be a permissible basis for any of the actions specified in paragraphs (ii) and (iii) below (without notice or hearing, which the Borrower expressly waives).



- (ii) Upon written notice from the Secretary to the Borrower at the address specified in paragraph 12(f) above that the Secretary (in the Secretary's sole discretion) has determined that Pledged Grants are unlikely to be available for either of the purposes specified in (A) and (B) of paragraph (i) above (such notice being hereinafter referred to as the "Notice of Impaired Security"), the Secretary may limit the availability of Pledged Grants by withholding amounts at the time a Pledged Grant is approved or by disapproving payment requests (drawdowns) submitted with respect to Pledged Grants.

- (iii) If after 60 days from the Notice of Impaired Security the Secretary (in the Secretary's sole discretion) determines that Pledged Grants are still unlikely to be available for either of the purposes specified in (A) and (B) of paragraph (i) above, the Secretary may declare the Note in Default and exercise any and all remedies available under paragraph 12. This paragraph (iii) shall not affect the right of the Secretary to declare the Note and/or this Contract in Default pursuant to paragraph 11 and to exercise in connection therewith any and all remedies available under paragraph 12.

- (iv) All notices and submissions provided for hereunder shall be submitted as directed in paragraph 12(f) above.

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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.

THE CITY OF SEATTLE, WASHINGTON
BORROWER

BY: _____
(Signature)

(Name)

(Title)

(Date)

SECRETARY OF HOUSING AND URBAN
DEVELOPMENT

BY: _____
(Signature)

Yolanda Chávez
(Name)

Deputy Assistant Secretary for
Grant Programs
(Title)

(Date)



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

VARIABLE/FIXED RATE NOTE

NOTE NUMBER:

DATE OF NOTE: _____

BORROWER: **City of Seattle, Washington**

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: **\$10,000,000**

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
on behalf of its Government Obligations Fund

I. Terms Applicable Before the Conversion Date

A. Advances

For value received, the undersigned, The City of Seattle, Washington (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 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 (now known as Bank of New York Mellon), 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 therefore by the purchasers selected by the Secretary to make such payment; and (ii) assigned to Bank of New York Mellon (or any successor thereto) acting in its capacity as Trustee (the "Trustee") pursuant to a Trust Agreement between 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.

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 on a given Business Day, 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 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 the Principal Amount 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), except to the extent such Principal Amount shall have been reduced by redemption 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 which 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, each Principal Amount, the fixed rate applicable to each Principal Amount, and the applicable Principal Due Date, 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.

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 hereunder shall not exceed the sum of any unused Commitment Amounts for all Principal Due Dates.

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 on or after the date specified in such schedule (an "Optional Redemption"). In order to elect an Optional Redemption of such a 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 and not 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 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, among the Secretary and the Borrower, the designated public entity named therein (if applicable), and the State named therein (if applicable), that 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 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

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 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

A. This is the first Note under _____ issued pursuant to the Contract for Loan Guarantee Assistance under Section 108 dated _____ (the "Contract").

B. IN ACCORDANCE WITH RCW 35.21.735, THIS NOTE SHALL BE REPAYED SOLELY FROM ONE OR MORE SPECIAL FUNDS HELD BY ONE OR MORE CUSTODIANS APPOINTED PURSUANT TO SUCH STATUTE AND FROM THE SECURITY PLEDGED UNDER THE CONTRACT. THIS NOTE IS NOT AN OBLIGATION OF THE CITY OF SEATTLE OR THE STATE OF WASHINGTON, AND NEITHER THE



FAITH AND CREDIT NOR THE TAXING POWER OF THE 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 THIS NOTE. NOTHING HEREIN SHALL CONSTITUTE A DEBT OR INDEBTEDNES OF THE BORROWER PAYABLE FROM PUBLIC FUNDS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION ON THE INCURRING OF DEBT. ANY OBLIGATIONS OF BORROWER UNDER DOCUMENTS INCORPORATED HEREIN ARE SUBJECT TO THE LIMITATION OF LIABILITY SET FORTH IN THE CONTRACT.

THE UNDERSIGNED, as an authorized official of the Borrower, has executed and delivered this Note.

BORROWER

By: _____
(Signature)

(Name)

(Title)



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

[This page to be completed by the Fiscal Agent for transfer of the Note by the Holder as of the
Conversion Date pursuant to the last paragraph of Section I.A. of this Note.]



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 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.



COMMITMENT SCHEDULE

Note No. _____

Principal Due Date

Commitment Amount

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
August 1, 2021
August 1, 2022
August 1, 2023
August 1, 2024
August 1, 2025
August 1, 2026
August 1, 2027
August 1, 2028
August 1, 2029
August 1, 2030

Maximum Commitment Amount =

\$



SCHEDULE P&I*

Note No. _____

Principal Amount	Principal Due Date	Interest Rate	Optional Redemption Available	
			YES	NO
	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
	August 1, 2021		X	
	August 1, 2022		X	
	August 1, 2023		X	
	August 1, 2024		X	
	August 1, 2025		X	
	August 1, 2026		X	
	August 1, 2027		X	
	August 1, 2028		X	
	August 1, 2029		X	
	August 1, 2030		X	

\$ _____ = Aggregate Principal Amount

Principal Amounts due on or after August 1, 2021, may be redeemed, subject to the terms contained herein and in the Trust Agreement, on any Interest Due Date on or after August 1, 2020.

*This schedule will not be completed when initially executed and delivered by the Borrower for Guarantee for interim, variable-rate financing. It will be completed when assigned by the Holder at the request of the Borrower for conversion to Fixed Rates on the Conversion Date. The first date shown above on which Optional Redemption is available is expected to be the same when this schedule is completed, if the Borrower participates in the initial Section 108 public offering after receiving an interim financing Advance hereunder. If the Borrower participates in a later public offering, the first date on which Optional Redemption is available is expected to be correspondingly later.



**Schedule of Maturities for
Section 108 Loan Fund in the Amount of \$10,000,000**

<u>Principal Due Date</u>	<u>Principal Repayment</u>
August 1, 2012	82,000
August 1, 2013	85,000 ⁴
August 1, 2014	100,000
August 1, 2015	175,000
August 1, 2016	250,000
August 1, 2017	330,000
August 1, 2018	350,000
August 1, 2019	375,000
August 1, 2020	400,000
August 1, 2021	430,000
August 1, 2022	460,000
August 1, 2023	490,000
August 1, 2024	530,000
August 1, 2025	570,000
August 1, 2026	610,000
August 1, 2027	650,000
August 1, 2028	690,000
August 1, 2029	740,000
August 1, 2030	790,000
August 1, 2031	<u>1,893,000</u>
Total:	\$10,000,000



LOAN AGREEMENT

between

CHASE NMTC INS INVESTMENT FUND, LLC
and

THE CITY OF SEATTLE



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Attachment A	Legal Description for Property
Attachment B	Description of Project
Attachment C	Form of Obligor Note



LOAN AGREEMENT

THIS LOAN AGREEMENT (as supplemented or amended from time to time, and including all documents and terms incorporated herein by reference, the "Agreement"), dated as of _____, 2011, is entered into by and between CHASE NMTC INS INVESTMENT FUND, LLC, a _____ limited liability company (hereinafter called "Obligor") and THE CITY OF SEATTLE, a Washington municipal corporation (hereinafter called "City").

RECITALS

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

A. INSCAPE\MRJ Group, LLC ("QALICB"), a Washington limited liability company, intends to acquire real property described in Attachment A, attached hereto and made a part hereof by this reference (the "Property"). The QALICB intends to develop the Property as described in Attachment B, attached hereto and incorporated herein by this reference (the acquisition and such development is referred to as the "Project").

B. Obligor has requested from City a loan of federal Section 108 loan proceeds in the amount of Three Million Dollars (\$3,000,000) in order to finance a portion of its equity investment in Seattle Subsidiary Investment Fund II LLC, a Washington limited liability company ("CDE") to finance the Project, which is intended to qualify for the New Markets Tax Credit allowed by Sections 38 and 45D of the Internal Revenue Code of 1986, as amended (the "Code").

The CDE will make a qualified low income community investment with funds invested by the Obligor derived in part from Section 108 loan proceeds for acquisition and non-construction development soft costs of the Project.

C. The United States Department of Housing and Urban Development ("HUD") has agreed, subject to certain conditions, to guarantee a non-recourse note or notes (collectively, as supplemented or amended from time to time, and together with any replacements thereof issued by the City and guaranteed by HUD pursuant to the HUD Contract described below, the "City Note") issued by City in part to fund the Loan (described in Section 1.1 below), in accordance with 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 will be a Variable/Fixed Rate Note in the maximum commitment amount of \$3,000,000, which will be issued pursuant to 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 (as supplemented or amended from time to time, the "Letter Agreements") among the City, HUD and The Bank of New York Mellon (hereinafter referred to, with any successors under such agreement or successor agreement, as "Custodian"). City will also enter into an Indenture of Trust and Custodial Agreement with the Custodian (as supplemented or amended from time to time, together with any substitute therefor in accordance with Section 7.2 below, the



“Custodial Agreement”), which provides for, among other things, 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 will be entered into pursuant to an application submitted to HUD by the City dated _____ (the “Application”). The Application, HUD Contract, Letter Agreements and Custodial Agreement are incorporated herein by this reference. Unless the context otherwise requires, 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.

D. 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 the City by HUD, pursuant to the Act. Unless the City otherwise notifies Obligor, in writing, OED shall be responsible for performance of the obligations of the City under this Agreement and the other Loan Documents, and for oversight of performance of such agreements by Obligor, and references hereinafter made to the City shall be deemed to mean the City, acting through OED. The Director of OED, or his or her duly authorized designee, and any official of the City succeeding to the functions of such Director, is referred to herein as the “OED Director.”

E. The Loan shall be evidenced by this Agreement and by Obligor’s Promissory Note (“Obligor Note”) in the form attached hereto as Attachment C and hereby incorporated by reference, and together with Obligor’s other obligations under the Loan Documents, secured by a Pledge of Membership Interest and Security Agreement (the “Security Agreement”) relating to Obligor’s interest in the CDE (“Membership Interest”), in form and content acceptable to the City. The Obligor Note, this Agreement, the Security Agreement, and any other documents or instruments executed by Obligor in favor of City pursuant hereto, 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.

F. The portion of principal on the City Note that is scheduled to become due and payable in any year, equal to that portion of principal on the Obligor Note scheduled to become due in the same year, is referred to as the “Corresponding Advance” to such portion of principal on the Obligor Note.

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 contained in this Agreement, the other Loan Documents, the HUD Contract, the Letter Agreements and the Custodial Agreement, the City hereby agrees to cause funds to be advanced to Obligor through the Custodian (which advances collectively shall constitute the "Loan") in a maximum aggregate principal amount equal to Three Million Dollars (\$3,000,000), solely for the purposes set forth in Section 1.2 below. Loan disbursements shall be made only to the extent of available funds received by the Custodian for such purposes through issuance by the City of the City Note, and the City shall have no obligation to make disbursements to or for the benefit of Obligor from any other source. Obligor shall have the right to receive Loan funds only pursuant to the terms and conditions of this Agreement and in accordance with the Act.

1.2 Purpose of Loan. Loan proceeds shall be used by Obligor solely to make an investment in the CDE, which will be used to finance a loan from the CDE to the QALICB ("QLICI Loan") for acquisition and predevelopment, non-construction costs of the Project in accordance with this Agreement.

1.3 Loan Documentation; Payment of Principal and Interest.

(a) Loan Documentation. The Loan shall be evidenced by this Agreement and by the Obligor Note and, together with Obligor's other obligations under the Loan Documents, shall be secured by the Security Agreement.

(b) Principal and Interest. The principal of and interest on this Loan shall be due and payable in accordance with the terms set forth in the Obligor Note.

1.4 Security.

(a) Security Agreement. The obligations of Obligor under the Loan Documents at all times shall be secured by a pledge of the membership interest of Obligor in the CDE and other collateral (collectively, the "Collateral") pledged by the Security Agreement, subject to any encumbrances, modifications, partial releases or substitutions of security that the OED Director may authorize in writing, in the discretion of the OED Director. The Obligor's Membership Interest in the CDE shall be at least a 99% equity interest, pursuant to an operating agreement satisfactory to the City and subject to such agreements as the City may require to ensure that the value of the Membership Interest and the rights appurtenant to it are not impaired. The Membership Interest shall not be subject to any other lien, encumbrance or claim prior to the Security Interest except as may be expressly agreed in writing by the City. The liens and security interests granted pursuant to the Security Agreement shall be perfected, to the extent possible, by filing under the Uniform Commercial Code ("UCC") in Washington and any other state in which the Obligor is located or where the City or HUD requires filing, and Obligor agrees to take all action reasonably requested by the City or Custodian, and to pay all fees and costs reasonably required to continue such perfection so long as the Loan or any of Obligor's other obligations under the Loan Documents remain



outstanding. In the event of an assignment of this Agreement, any deed of trust, or other security documents securing the obligations of Obligor under the Loan Documents shall be included as Collateral hereunder.

(b) Reserve Accounts. Obligor's obligations under the Loan Documents also shall be secured by all funds and investments in all of the accounts now or hereafter established under the Loan Documents, including without limitation, the Custodial Agreement, relating to the Obligor and specifically including without limitation, the respective subaccounts related to the Obligor Note in the Guaranteed Loan Funds Account, the Guaranteed Loan Funds Investment Account, the Loan Repayment Account, and the Loan Repayment Investment Account (all such accounts are collectively referred to herein as the "Reserve Accounts," and to the extent that the Custodian maintains any account for the purpose of more than one loan, all references to any such account, unless the context clearly requires otherwise, shall refer to the subaccount thereof related to the Obligor Note). Obligor hereby pledges to the City, and grants the City a security interest in, all right, title and interest of Obligor, if any, in and to the funds and investments now or hereafter in the Reserve Accounts, and all earnings thereon and proceeds thereof. Obligor agrees that such funds and other assets shall constitute "cash collateral" as described in the United States Bankruptcy Code.

(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 in any order, either before, concurrently with, or after either (1) any action to realize upon any other form of security, including without limitation the Collateral 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.

(d) Perfection of Security Interests. Obligor shall promptly take such actions as shall be reasonably requested by the City or Custodian, and pay all fees and costs reasonably required, in order to perfect and continue the perfection and priority of any and all security interests granted hereunder or pursuant to this Agreement, so long as the Loan remains outstanding. Obligor agrees that, in addition to all other rights and remedies 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 granted as security hereunder or otherwise for the Loan, 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.



1.5 Loan Fee. Obligor shall pay to City a loan fee of Sixty Thousand Dollars (\$60,000), representing two percent (2%) of the amount of the Loan, payable to or as directed by the City upon the 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. The loan fee shall not be paid out of Section 108 loan proceeds but paid directly by Obligor or from other Project funds.

1.6 Obligor's Payment of Costs and Fees. Obligor shall pay to City or at City's direction, as and when due, all other costs and fees of whatever nature incurred by City (whether or not with recourse to the City) in connection with the Loan, including without limitation, fees and costs incurred by the City pursuant to the HUD Contract and City Note (except for those items estimated below, to be allocated on a pro rata basis according to the total principal amount outstanding on the Obligor Note and the City Note at the time fees or costs are incurred from time to time). 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 Amended and Restated Master Fiscal Agency Agreement among HUD and The Chase Manhattan Bank (now known as JPMorgan Chase Bank) as Fiscal Agent ("Fiscal Agent") dated as of May 17, 2000 (the "Master Agreement"); (ii) on and after the Conversion Date, any charges and costs in respect of the City Note billed by the trustee under that certain Trust Agreement by and between HUD and Chemical Bank, as Trustee, dated as of January 1, 1995, as now and hereafter amended and supplemented, and under any other trust agreement or similar instrument that may be executed by HUD in connection with a public offering conducted with respect to notes guaranteed by HUD under the Section 108 program (each such offering is referred to herein as a "Public Offering") that involves the City Note, (iii) fees and costs of the Custodian in connection with the Custodial Agreement and Letter Agreements; (iv) fees and costs of the City's outside counsel and the Custodian's outside counsel; and (v) costs in connection with Closing. Such fees and costs as of the date of Closing are estimated (but not guaranteed) to be as follows: Custodian's initial fee and first annual fee: \$ _____; City's counsel fees and costs: \$ _____; Custodian's outside counsel fees and costs: \$N/A; Fiscal Agent fee: \$70; Bank fees and costs: \$ _____. These estimates do not include the following, which shall also be paid by Obligor: the fees described in Section 1.5; fees and costs of the Custodian, if any, other than the initial set-up fee; and any fees or costs of the City's outside counsel or Custodian's outside counsel incurred after the date of Closing, including without limitation, in connection with a Public Offering, and as may be incurred in case of breach or failure to perform by Obligor or in case of any litigation arising in connection with this 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 funds within the meaning of any constitutional or statutory limitation on the incurrence 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 the Custodian shall have received, in immediately available funds and in the manner required hereunder, timely payments of interest and principal on the Obligor Note in the amounts required thereunder, the City shall apply or cause the Custodian to apply such payments to payment of interest on and the principal of 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:

(a) 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

(b) 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, WARRANTIES AND COVENANTS

In order to induce City to make the Loan and to cause the Custodian to draw funds subject to the HUD Contract, Obligor represents, warrants and covenants as set forth below in this Article II as of the date hereof, as of the date of Closing, and at all times any of the principal of or interest on the Loan remain outstanding. These representations, warranties and covenants shall survive the execution, delivery and performance of the Loan Documents.

2.1 Organization of Obligor; Authority to Enter into Agreement. Obligor is a limited liability company, duly organized and validly existing pursuant to the laws of the State of _____ and is qualified to do business in and under the laws of the State of Washington.



Obligor has the right and power to own all of its properties and to transact the business in which it is currently engaged or proposes to engage, 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 other Loan Documents have been duly authorized by all necessary company action, and no other action of Obligor or any other party is required for the execution, delivery and performance of this Agreement or the other Loan Documents. This Agreement and the other Loan Documents constitute valid and binding obligations of Obligor, each enforceable in accordance with their respective terms.

2.2 Nondiscrimination, Fair Contracting Practices, WMBE.

(a) During the performance of this Loan Agreement, Obligor shall cause CDE to ensure and provide evidence to the City that no contractors contracting in connection with the Project (whether or not to be paid from Loan funds) 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. Obligor shall cause CDE to ensure and provide evidence to the City that each such other party has complied fully with, all applicable federal, state and local laws, ordinances, executive orders and regulations that 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.

(c) Affirmative Efforts to Utilize WMBEs. The City encourages the utilization of minority owned businesses ("MBEs") and women-owned businesses ("WBEs," collectively, "WMBEs"), in contracts funded by the City. Obligor shall cause the CDE to require the QALICB to provide or cause to be provided evidence, as applicable, that with respect to the Project, the following practices to open competitive opportunities for WMBEs are encouraged:

(1) Attending a pre-bid or pre-solicitation conference, if any, if scheduled by the City or Obligor, to provide project information and to inform WMBEs of contracting and subcontracting opportunities.

(2) Placing all qualified WMBEs attempting to do business in the City on solicitation lists, and providing written notice of subcontracting opportunities, if any, from Obligor to WMBEs capable of performing the work, including without limitation all businesses



on any list provided by the City, in sufficient time to allow such businesses to respond to the written solicitations.

(3) Breaking down total requirements into smaller tasks or quantities, where economically feasible and applicable, in order to permit maximum participation by small businesses including WMBEs.

(4) Establishing delivery schedules, as applicable, where the requirements of this contract permit, that encourage participation by WMBEs.

(5) Providing WMBEs that express interest with adequate and timely information about plans, specifications, and requirements of the contract with Obligor, if any.

(6) Utilizing the services of available minority community organizations, minority contractor groups, local minority assistance offices, the City, and other organizations that provide assistance in the recruitment and placement of WMBEs, as applicable.

Obligor shall provide or cause to be provided evidence that there were maintained, for at least twenty-four (24) months from the date of this Agreement, all relevant records and information necessary to document level of utilization of WMBEs and other businesses. The City shall have the right to inspect and copy such records. Nothing in this Section shall be construed to require or authorize any discrimination or preferential treatment contrary to applicable law.

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 Collateral in any court of law or in equity, or before or by any governmental or municipal authority.

2.4 Title. Obligor is, or shall be as of the time of the release of any proceeds of the loan the owner of the Collateral. The QALICB shall be the owner in fee simple of the Property.

(a) The Collateral is and shall be subject to no liens or encumbrances except the interests described in the Subordination and Standstill Agreement dated _____, 2011 among _____;

(b) The Property is and shall be subject to no liens or encumbrances except:

(i) The Deed or Deeds of Trust held by the CDE securing one or more loans to QALICB in the cumulative amount not to exceed \$9,700,000, including the QLICI loan, each with a term of no less than seven (7) years;

(ii) Any encumbrances in favor of the City;

(iii) Liens for property taxes or assessments on the Property not yet due;

and



(iv) Any other liens approved in writing by the City and, to extent required by the HUD Contract, by HUD.

2.5 Covenants, Zoning, Codes and Permits. Obligor covenants that the terms of the QLICI Loan shall require, and if the Loan is assumed by QALICB or an affiliate thereof, the Obligor shall ensure that, the Property and its uses will at all times 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, including without limitation, the Americans with Disabilities Act. 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 or will be obtained in due course as required to permit timely completion and continuous operation of the Project thereafter, and shall be valid, adequate and in full force and effect.

2.6 Description of the Project. The description of the Project set forth in Attachment B hereto, to the best of Obligor's knowledge, is accurate and complete in all material respects. Obligor is investing in the CDE to finance the Project described in Attachment B.

2.7 Compliance With Documents. Obligor is and will remain in full compliance with all of the terms and conditions of this Agreement and the other Loan Documents, and any and all other material agreements, instruments or other documents affecting the Collateral, 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 that 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 that 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.

2.9 TIN. Obligor's federal tax identification number is: _____.

2.10 QLICI Loan. The CDE and QALICB shall have executed and delivered final loan documents for the QLICI Loan, which shall include all terms and conditions required by the HUD Contract and shall include provisions satisfactory to the City by which the QALICB is obligated to comply with and document the requirements for creation of jobs under subsection 5.7(a) hereof.



ARTICLE III – CONDITIONS PRECEDENT TO LOAN CLOSING

The 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. City shall have received fully executed originals of each of the following, each of which shall have been duly authorized, executed (and acknowledged where appropriate) and delivered by the parties thereto, and shall be in form required by this Agreement, with such modifications as may be approved by the City in accordance with the Ordinance: this Agreement; the Obligor Note; the Security Agreement; any other security documents required by the City pursuant to Section 1.4 hereof, and such other documents as are required by the HUD Contract or that City shall reasonably request.

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 operating agreement and appropriate resolutions 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 a duly authorized officer of Obligor, in form and content acceptable to the City.

3.3 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 counsel, and sufficient to support such counsel's opinion as required by HUD, from Obligor's counsel, who shall be satisfactory to City, confirming among other matters reasonably requested by the City, that:

(1) Obligor is duly organized and validly existing as a limited liability company in the State of _____ and is authorized to do business in the State of Washington;

(2) Obligor has the corporate power and authority to execute and deliver the Loan Documents to be executed by Obligor and to perform all of its obligations thereunder;

(3) 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 certificate of formation, operating agreement 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 Collateral is subject; and



(4) 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.

(b) The City shall have received such additional items as may be required pursuant to the HUD Contract, including without limitation, opinions of counsel to the CDE, counsel to the QALICB, and counsel to the City.

3.4 Additional Conditions Precedent to Advance of Funds.

As conditions to any right of Obligor to the advance hereunder:

(a) The City shall have received such additional documents and further assurances as it may reasonably request or which are required by HUD or any federal, state or county regulatory agency. All documents for the transactions between the QALICB and the CDE, and between the CDE and the Obligor, shall be duly executed, delivered, and recorded as appropriate in full conformity with the HUD Contract and all requirements regarding Security Documents, as defined in the HUD Contract, shall be satisfied.

(b) Obligor shall be in full compliance with, and shall not be in breach or default under, this Agreement, any of the other 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 Security Agreement.

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

(d) 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 Single Disbursement. Conditioned upon receipt of proceeds of the City Note and satisfaction of all other applicable conditions to Loan disbursements under this Agreement, Loan funds in the amount of Three Million Dollars (\$3,000,000) shall be advanced to Obligor to be used to make an equity investment in the CDE in accordance with Section 1.5 of this Agreement, the fee charged by HUD or the Fiscal Agent for such disbursement and other fees and costs due and payable pursuant to Section 1.6 of this Agreement. To the extent that final information as to any costs payable by Obligor hereunder is not available at the time of Loan closing, the City may instruct the closing agent or Custodian to hold back a reasonable amount, as determined by the City,



to cover such costs when known, and after such costs have been determined and paid, to disburse any remainder first to the Obligor to reimburse any eligible Closing costs paid by Obligor from other funds, and then the residue, if any, to the Loan Repayment Account. Obligor shall not be entitled to any subsequent disbursement of Loan funds.

4.2 Request for Interim Funding Advance; Interest to Run from City Note Funding; Cancellation upon Failure to Satisfy Closing Conditions; Payment of City's Costs. Obligor acknowledges and confirms that it has requested that the City request of HUD an advance on the City Note to be made in the maximum amount of the Loan hereunder. The City has submitted a request for funds to HUD, but 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 any. Regardless of the actual date of funding of the Loan, interest shall run from the date of the advance on the City Note. If 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 disbursed to the Custodian for this Loan, prior to such redemption.

4.3 Reserved.

4.4 Loan Repayment Account.

(a) Monthly Deposits. Commencing in the first month disbursement of principal of the City Note in respect of the Obligor Note is to be made, 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 "Loan Repayment Account," established under the Custodial Agreement and Letter Agreements), in order that the Custodian shall have sufficient funds to pay installments of interest on the Obligor Note as they come due (each such due date being an "Obligor Note Payment Date") to and including July 15, 20____. Following July 15, 20____, Obligor shall make monthly installment payments to the Custodian for deposit in Loan Repayment Account, in order that the Custodian shall have sufficient funds to pay installments on the Obligor Note on each Obligor Note Payment Date. Obligor shall pay to the Custodian on each Deposit Day, the Interest Component and the Principal Component, each for deposit into the Loan Repayment Account. Funds in the Loan Repayment Account shall be used to make payments on the City Note as they come due. Each such monthly deposit 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; subject



to adjustment in respect of any Conversion Date. Subject to the provisions of Section 4.4(b) hereof, the Interest Component payable each month shall be in an amount equal to the interest accrued and to accrue on the Obligor Note during that entire calendar month, except that the Interest Component shall be adjusted ratably in any month the Loan is not outstanding for the entire month. Each Principal Component shall be one-twelfth (1/12th) of the total principal coming due on the Obligor Note on the next Obligor Note Payment Date on which principal shall become due. Except as provided in Section 4.4(c) below, Obligor shall not be entitled to any reductions in, or credits against, deposits to the Loan Repayment Account based upon interest or earnings credited to the Loan Repayment Account or the Loan Repayment Investment Account. If payments are made to the Custodian for deposit in the Loan Repayment Account by another party pursuant to a written agreement with the City expressly providing for such payments, and are available for payments on the Obligor Note when due, then such payments shall be credited against amounts required to be deposited by Obligor hereunder. The Obligor hereby irrevocably assigns all of its right, title and interest, if any, in funds deposited in the subaccounts of the Loan Repayment Account and Loan Repayment Investment Account related to the Obligor Note, to the Custodian and the City, and shall have no residual interest in any portion of such Reserves.

(c) Transfers Authorized; Crediting Payments on Obligor Note. The Custodian is hereby irrevocably authorized to transfer from the Loan Repayment Investment Account to the Loan Repayment Account on each Obligor Note Payment Date, funds 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. Obligor's monthly installment payments into the Loan Repayment 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 on deposit and/or transferred to the Loan Repayment Account under this Section 4.4(c) are applied to the payment of the City Note, except that if all amounts necessary to pay all amounts owing on the Obligor Note are on deposit in the Loan Repayment Account on the final maturity date of the Obligor Note, such amounts shall be credited on such maturity date. The Custodian is further irrevocably authorized by Obligor to liquidate investments in the Loan Repayment Investment Account in the Custodian's discretion, and without liability for any loss on any such liquidation, for the purposes described in this Section 4.4(c). The authorization by Obligor in this Section 4.4(c) is in addition to, and not in limitation of, the authorization in Section 1.4 above.

(d) Investment of Funds; Earnings Remain on Deposit. Funds in the Loan Repayment Account shall be invested at the direction of City, 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 Note 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 Loan Repayment 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 or upon the order of the City.



(e) Late Charge. If any deposit required to be made into the Loan Repayment Account is not received within ten (10) days after the date when such deposit is due, in addition to additional interest required to be paid in accordance with the Obligor Note, Obligor agrees to pay a late charge equal to five percent (5.0%) 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 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.

4.5 Application of Payments. Any amounts to be applied to the Obligor Note 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.

ARTICLE V – OBLIGOR’S LOAN COVENANTS

In addition to other obligations of the Obligor hereunder, 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 liability company under the laws of the State of _____ and its qualification to do business in the State of Washington;

(c) Maintain and preserve the Collateral, and if the Loan is assumed by QALICB or an affiliate thereof, maintain, preserve and keep the Property, improvements thereon, and all equipment used in connection therewith 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 Reserved.

5.3 Compliance with Laws. Conduct its business affairs in a reasonable and prudent manner and in compliance 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. The terms of the QLICI Loan shall require that, and if the Loan is assumed by QALICB or an affiliate thereof, the Obligor shall ensure that, all use and operation of the Property



and Project, and all work performed in connection with the Property and Project 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. Permit the City and its representatives at any reasonable time to inspect any and all Collateral and Obligor's other properties and to examine or audit Obligor's books, accounts, and records and to make copies and memoranda of Obligor's books, accounts and records. If the Loan is assumed by QALICB or an affiliate thereof, 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. The terms of the QLICI Loan shall provide that the CDE or its agent has such rights. 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 Collateral, or, to the extent Obligor becomes aware, 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 Waiver of Immunity.

If the Loan is assumed by QALICB or an affiliate thereof, 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 represents that the CDE has obtained covenants, representations and warranties from QALICB that it has complied and 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 those cited in this Section 5.7, and to comply with all of the provisions below, some of which extend beyond federal requirements. If the Loan is assumed by the QALICB or an affiliate thereof, 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 those cited in this Section 5.7, with all of the provisions below. However, except for current representations of the Obligor and provisions requiring the Obligor to impose responsibilities on the CDE, the following shall not be effective with respect to Obligor prior to [insert date for end of NMTC period], but shall be effective thereafter:

(a) Benefit to Low- and Moderate Income Individuals. Loan funds shall be used to make an equity investment in the CDE and the CDE shall make the QLICI Loan in an amount equal to the principal amount of the Loan (in addition to other loans to the QALICB). Use of funds shall satisfy the CDBG national objective of benefit to low- and moderate-income individuals (as defined by HUD for CDBG purposes) and the eligible activity criteria under 24 CFR 570.703(i)(1) and 570.203(b) as a special economic development activity.

The Project shall result in the creation or retention of at least sixty (60) permanent jobs (full-time equivalent) at the Property. The Project is located in a census block group having a poverty rate of at least 20% and is not located within the City's central business district. As such, all jobs created or retained for the Project will be presumed to benefit low- and moderate-income individuals, pursuant to Section 570.208(a)(4)(iv) and (v).

(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. 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 Department of Housing and Urban Development ("HUD") regulations implementing such requirements, 24 C.F.R. Part 1 shall be complied with fully.

All of the requirements and prohibitions of 24 C.F.R. Section 570.602, implementing the nondiscrimination requirements of Section 109 of the Housing and Community Development Act of 1974, as amended; those of the Americans with Disabilities Act, and regulations at 28 C.F.R. Parts 35 and 36 thereunder; those of HUD regulations under the Age Discrimination Act of 1975, 42 U.S.C. Section 6101 et seq., at 24 C.F.R. Part 146; and those of Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. Section 794), and implementing regulations at 24 C.F.R. Part 8 shall be complied with. The covenant required by 24 C.F.R. Section 8.50 with regard to compliance with regulations under Section 504 of the Rehabilitation Act of 1973 shall be included in any instrument effecting or recording any transfer of its interest in the Property.

There shall be compliance with the non-discrimination in employment and contracting opportunity laws, regulations and executive orders referenced in 24 CFR Section 570.607 (as amended by Executive Order 13403), and the regulations in 41 C.F.R. Part 60, which provide that no person shall be discriminated against because of race, color, religion, sex or



national origin in all phases of employment during the performance of federal contracts and subcontracts; and affirmative action to ensure fair treatment in employment, upgrading, demotion or transfer, recruitment or recruitment advertising, layoff or termination, rates of pay, or other forms of compensation and selection for training or apprenticeship shall be taken. The "equal opportunity clause" set forth in 41 C.F.R. Section 60-1.4(a) is hereby incorporated by reference as though fully set forth, with QALICB as "Contractor" thereunder. The appropriate "equal opportunity clause" shall be caused to be set forth in each "federally assisted construction contract" (as defined in 41 CFR Section 60-1.3, including subcontracts) for the Project, except as expressly exempted under 41 C.F.R. Part 60.

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. There shall be 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 a designated public agency, or of any subrecipient receiving CDBG funds, who 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 decision-making 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. A provision prohibiting any conflict of interest prohibited by this subsection shall be incorporated in all such contracts or subcontracts.

(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 2 C.F.R. Part 2424. 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 cause the CDE to require compliance with subpart C of 2 CFR Part 180, as supplemented by Subpart C of 2 CFR Part 2424, and shall include a term or condition requiring the same compliance in each lower tier "covered transaction" as defined in those regulations.

(e) Lobbying. Obligor shall certify and agree, and if the Loan is assumed by QALICB or an affiliate thereof, 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;

(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) Obligor shall include and cause CDE to 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.

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.

(f) Davis-Bacon and Related Acts. There shall be compliance 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.

If any CDBG funds are used to finance construction, as interpreted by HUD, then prevailing wages under the Davis-Bacon Act, 40 U.S.C. Section 3141 et seq., shall apply to all work on the Project and Obligor shall cause the CDE to ensure that all contractors and subcontractors to comply with the Davis-Bacon Act and regulations thereunder. In addition, there shall be compliance with all applicable provisions of the Contract Work Hours and Safety Standards Act, 40 U.S.C. Section 3701 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, and with HUD Handbook 1344.1.

(g) Economic Opportunities for Low- and Very Low-Income Persons. There shall be compliance with, and Obligor shall cause CDE to require QALICB to require that all contractors and subcontractors 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. There shall be compliance with and all contractors and subcontractors shall be required 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. Without limiting the foregoing, unless another method of demonstrating compliance has been approved in writing by the City or by HUD, Obligor shall cause CDE to require QALICB to comply, and require cause all contractors and subcontractors to comply, with the applicable numerical goals in 24 C.F.R. Section 135.30.

(h) Relocation and Acquisition. If applicable, Obligor shall cause CDE to obtain a representation, warranty and agreement that no residential tenants have been or will be displaced in connection with the Project and all reasonable steps shall be taken to minimize the displacement of persons (families, individuals, businesses, nonprofit organizations, and farms) in connection with the Project. If there is an acquisition or an agreement to acquire real property for the Project, then there shall be a representation and warranty that prior to making an offer for such property, (1) the owner shall be clearly advised in writing that the power of eminent domain was lacking and therefore there would be no power to acquire the property in the event negotiations failed to reach an amicable agreement, and (2) the owner shall be informed in writing of what was believed to be the fair market value of the property. If applicable, Obligor shall cause CDE to obtain a representation and warranty to provide to City a complete and accurate list of all occupants of the Property as of the date that site control was obtained, and 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 Project completion shall be provided. There shall be full compliance, at QALICB's or Obligor's sole expense, as applicable, 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 shall cause CDE to obtain a representation, warranty and agreement that that there shall be provided, 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 maintained complete and accurate records demonstrating such compliance. There shall be agreement that any determination by City of the amount of relocation assistance due to any person shall be final and binding, 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. There shall be a representation and warranty that, except as expressly stated in a relocation plan submitted to City in connection with the Project, no residential tenants have been required to vacate or will be required to vacate the Property permanently because of the Project. The terms of any relocation plan approved by City shall be carried out, but the terms of any such plan shall not limit QALICB's obligations under its loan agreement with the CDE or Obligor's obligations under this Loan Agreement, as applicable, or applicable laws or regulations, and no such approval by City shall be construed as a waiver or modification of any requirement of such agreements or applicable laws or regulations.

(i) Architectural Barriers. Obligor shall cause CDE to ensure that the Property, upon completion of the Project, 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 following: (a) for residential structures, the Uniform Federal Accessibility Standards (Appendix A to 24 CFR part 40), and (b) for other buildings, the Architectural Barriers Act Accessibility Standard (ABAAS), Appendices C and D to 36 CFR part 1191 (ABA Chapters 1 and 2, and Chapters 3 through 10), pursuant to 41 CFR Sec. 102-76.60.

(j) Flood Insurance Protection. If the Property is in a special flood hazard area as identified by the Federal Emergency Management Agency, then Obligor shall require that the CDE ensure that flood insurance is and shall remain in effect, at QALICB's expense, in accordance with Section 102(a) of the Flood Disaster Protection Act of 1973, as amended (42 U.S.C. Section 4001 et seq.), so long as any amount is outstanding on the Obligor Note.

(k) Records. If the Loan is assumed by QALICB or an affiliate thereof, 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.

(l) No Religious Preference or Inherently Religious Activities. Obligor agrees and represents that, in connection with the Project and the operation of the Property, Obligor shall require the CDE to require of the QALICB that it:

(1) shall not discriminate against any person on the basis of religion or religious belief and there shall be no limitation of any benefits or services or preference to any persons on the basis of religion or religious belief; and

(2) shall not engage in inherently religious activities, such as worship, religious instruction, or proselytization.

(m) Disclosures. Obligor represents, warrants and agrees that it or CDE has provided to the City 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.

(n) Prior Actions. Obligor represents and warrants that in all actions by the CDE related to the Project to date, CDE and each of its affiliates involved in the financing of the Project, has complied with all requirements referred to in this Section 5.7.

(o) Indemnity. Obligor shall indemnify and hold harmless the City from any loss, damage, expense, claim or demand resulting from Obligor's or CDE's or QALICB'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 the City reports and information as City may require for purposes of monitoring and evaluating the performance of the Obligor, and if the Loan is assumed by QALICB or an affiliate thereof, shall deliver such reports and information as City may require for purposes of monitoring and evaluating the operation of the Property and its compliance with the terms hereof, which may include copies of tenant certifications, rent rolls, leases, property management agreements and any other contracts affecting the Property.

5.9 Liens or Claims of Liens.

a. Obligor shall keep the Collateral free from liens and encumbrances of all kinds, except for those permitted pursuant to Section 2.4 above.

b. If the Loan is assumed by QALICB or an affiliate thereof, Obligor shall keep the Property free from liens and encumbrances of all kinds, except for those permitted pursuant to Section 2.4 above. 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).

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 Other Agreements. Obligor shall fully comply in a timely manner with all other agreements for the funding of the Loan. Nothing in this Section shall be construed to waive, or excuse noncompliance with, and provisions of this Agreement or any applicable City ordinances or permits.



5.13 Payment of Compensation of Custodian. Obligor shall be responsible for and pay its pro rata portion of 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. Thereafter, Obligor shall promptly pay 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 Collateral; 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 Collateral or any interest of Obligor therein, voluntary or involuntary, without the advance written consent of the City. If the Loan is assumed by QALICB or an affiliate thereof, 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 the City, except for the creation of liens, encumbrances or leases that are expressly permitted under the Loan Documents without the City's consent.

ARTICLE VI – DEFAULT AND REMEDIES

6.1 Events 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 deposit into the Loan Repayment Account in respect of principal or interest on 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 Section 6.1(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 Collateral or, if the Loan is assumed by QALICB or an affiliate thereof, 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;

(e) Any breach or nonperformance by Obligor of any provision of any of the Loan Documents not included within any of Subsections (a)-(d) 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 (1) such breach or nonperformance is susceptible to cure but cannot reasonably be cured within such cure period, (2) 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 (3) 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 may be extended in the sole discretion of the OED Director for such time as the OED Director determines is reasonably necessary for Obligor to cure such breach or nonperformance;

(f) 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;

(g) 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, 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) If the Loan is assumed by QALICB or an affiliate thereof, demand foreclosure 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) Proceed to enforce the Security Agreement and apply or realize on any other collateral or security;

(6) Set off any amounts then owing from the City to Obligor;

(7) Give notice to any person owing any obligation to the Obligor that has been assigned as security for the Loan, that further payments are to be made to the City; and

(8) 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 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 Property is 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 investment in the CDE and its evaluation of the QLICI Loan and 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 (1) the present or future status of the Property or the uses thereof under applicable laws or regulations, including those of the City; or (2) 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 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; Joint and Several Obligations. When the context in which the words are used in this Agreement indicates 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. If Obligor comprises more than one person or entity, then each such person or entity shall be bound jointly and severally by this Agreement and the Loan Documents except to the extent otherwise expressly provided therein.

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 as they apply to transactions between Washington residents made and performed wholly within the State of Washington, and of 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 Jurisdiction, 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. Obligor irrevocably consents to the jurisdiction of the courts of the State of Washington for purposes of any action arising in relation to the Loan.

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.



and conditions in this Section, and all other conditions to disbursement set forth in this Agreement, are for the benefit only of the City (and where applicable, HUD) and may be waived in whole or in part by the OED Director in his or her discretion, but no waiver shall be valid unless in writing signed by the OED Director.

(a) Asset Management and Loan Monitoring. Obligor acknowledges that it has reviewed the City's Section 108 loan monitoring and asset management policies, and agrees to provide information and otherwise comply with the requirements of such policies. Furthermore, no later than February 1st of each year of the Loan, Obligor agrees to pay an asset management and loan monitoring fee, in the annual amount of Three Thousand Dollars (\$3,000), until all amounts owing hereunder shall have been paid in full. It is anticipated that the loan monitoring and asset management duties will be performed by a private entity under contract to OED, and Obligor shall make payment directly to such private entity according to instructions provided by OED.

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: _____
Steve Johnson
Director of Office of Economic Development

OBLIGOR:
CHASE NMTC INS INVESTMENT FUND, LLC,
a _____ limited liability company

By: _____

Name: _____

Title: _____

Attachment A Legal Description for Property
Attachment B Description of Project
Attachment C Form of Obligor Note
Exhibit 1: Schedule of Obligor Note Payment Dates
Exhibit 2: Form of City Note



ATTACHMENT A

LEGAL DESCRIPTION FOR PROPERTY



ATTACHMENT B

DESCRIPTION OF PROJECT

Description of Project

The INSCAPE project is located at 815 Airport Way South, Seattle, Washington. The building will be renovated into working space for artists and other creative professionals, resulting in the creation and retention of at least sixty (60) permanent jobs. The Project also includes the payment by the purchaser, INSCAPE\MRJ Group, LLC to the U.S. Government of the deferred portion of the purchase price, and non-construction costs related to the acquisition, financing, and renovation.

Obligor has requested from City a loan of federal Section 108 loan proceeds in the amount up to Three Million Dollars (\$3,000,000) in order to invest in Seattle Subsidiary Investment Fund II LLC, a Washington limited liability company ("CDE") to enable the CDE to lend to INSCAPE\MRJ Group, LLC to finance the Project, which is intended to qualify for the New Markets Tax Credit allowed by Sections 38 and 45D of the Internal Revenue Code of 1986, as amended (the "Code").



ATTACHMENT C

FORM OF OBLIGOR NOTE

VARIABLE/FIXED RATE PROMISSORY NOTE

Seattle, Washington

\$3,000,000.00

_____, 2011

FOR VALUE RECEIVED, Chase NMTC INS Investment Fund, LLC (“Obligor”), a _____ limited liability company, promises to pay to THE CITY OF SEATTLE, WASHINGTON (“Payee”), a Washington municipal corporation, or order, at the time or times provided herein, in lawful money of the United States, the sum of Three Million Dollars (\$3,000,000), with interest as provided herein.

This Note is given to evidence a loan (the “Loan”) made pursuant to the Loan Agreement dated as of _____ (as supplemented or amended from time to time, the “Loan Agreement”), between the Obligor and the Payee. The funds used by the Payee to make the Loan have been obtained by Payee exclusively through the issuance of a note in the maximum commitment amount of \$3,000,000 issued by the Payee, a copy of which note, with a schedule of Principal Due Dates as established by agreement of the City and HUD, is attached hereto as Exhibit 2 and incorporated herein by this reference (including any note issued in replacement therefor or for a portion thereof that includes the amount disbursed in order to fund the Loan evidenced hereby, the “City Note”) pursuant to Section 108 of the Housing and Community Development Act of 1974, as amended (42 USC §5308) and 24 CFR 570.700, *et seq.*, pursuant to which the Payee has entered into certain agreements, including, but not limited to, (a) with the United States Department of Housing and Urban Development (“HUD”), a Contract for Loan Guarantee Assistance (as it may be amended, the “HUD Contract”) which contract incorporates by reference an Amended and Restated Master Fiscal Agency Agreement (“Master Agreement”) between HUD and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank) and (b) with The Bank of New York Trust Company, N.A., an Indenture of Trust and Custodial Agreement (as it may be amended, the “Custodial Agreement”). The Obligor acknowledges and agrees that the Loan is made subject to all of the terms and conditions of the HUD Contract, Master Agreement and the City Note. Any capitalized terms not defined herein shall have the meanings provided in the City Note, the Loan Agreement, the Custodial Agreement or the Master Agreement as applicable.

Each portion of principal outstanding on this Note shall bear interest from the date hereof at the rate applicable to the Corresponding Advance of principal under the City Note. For each installment of principal shown on Exhibit 1 hereto, the Corresponding Advance consists of an equal amount of principal on the City Note maturing in the same year as such installment of principal hereunder.



Interest on this Note shall be due and payable on the 15th day of each calendar month next preceding each of the following dates if interest on the City Note is scheduled to become due and payable on such date: February 1, May 1, August 1, and November 1 of each year. The amount of interest payable on this Note on each such 15th day shall include interest accrued through such date and interest to accrue through the end of the month in which the interest payment becomes due under this Note. Interest on this Note also shall be due 15 days before any other date when interest shall become due on the Corresponding Portion of the City Note, and the amount of interest then payable on this Note shall include interest accrued and to accrue up to such date when interest shall become due on the City Note. Interest on the City Note is due and payable quarterly in arrears prior to the Conversion Date, on the Conversion Date, and semiannually thereafter. Principal on this Note is due and payable as set out on Exhibit 1 attached hereto and incorporated herein by this reference. Each date upon which principal or interest, or both, is due and payable hereunder is an "Obligor Note Payment Date."

The principal amount due under this Note on each Obligor Note Payment Date shall be as set forth on the attached Exhibit 1, except to the extent such principal amount shall have been reduced by prepayment before such Obligor Note Payment Date as provided herein.

On and after the Conversion Date (whether conversion to a fixed rate or rates is effected with the consent of the Obligor or otherwise), as more fully set forth in the City Note, each Corresponding Advance will accrue interest on the City Note at the fixed rate that the underwriters of the City Note, or securities representing participation interests in a pool of notes guaranteed by HUD, including the City Note, determine will enable them to sell the City Note or such participation interests under then prevailing market conditions as of the Conversion Date at one hundred percent (100%) of the aggregate amount thereof.

Notwithstanding the foregoing, following the occurrence of any default hereunder or under the Loan Agreement, which default is not cured as permitted by the Loan Agreement, the outstanding principal balance of the Loan and this Note shall bear interest at the greater of the rate set as provided above or twelve percent (12%) per annum.

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 elapsed. Interest after the Conversion Date shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Anything herein to the contrary notwithstanding, all principal, interest, fees, costs and other charges that Obligor is obligated to pay in connection with this Note and the Loan shall be due and payable, in full, no later than July 15, 20____.

This Note and other obligations of Obligor under the Loan Documents are secured by a Pledge of Membership Interest and Security Agreement (as supplemented or amended from time to time, the "Security Agreement"), of even date herewith, from the Obligor for the benefit of the Payee. This Note and other obligations of Obligor under the Loan Documents are secured by



other collateral, including without limitation security interests in the monies and investments held in certain Reserves established in accordance with the Loan Agreement and Master Agreement, and other collateral described in the Loan Agreement.

The principal hereof and any interest accrued hereon may be prepaid, subject in the case of principal to approval by HUD of prepayment by the Payee of an equal amount of each respective Corresponding Advance on the City Note, and provided, however, that any prepayment shall be applied to the principal installment(s) with latest maturity unless otherwise agreed in writing by the holder hereof and by HUD, and provided, further:

(a) On or before the Conversion Date, this Note may be prepaid in whole or in part upon thirty (30) days prior written notice to the Payee and with, and only with, the consent of HUD. Any prepayment of the principal hereof shall be accompanied by all accrued interest thereon to the date of prepayment, and partial prepayments shall be credited against the principal amount last becoming due hereunder.

(b) After the Conversion Date, Obligor shall give 90 days prior written notice of its intention to make any prepayment. No partial prepayment shall relieve the Obligor of the obligation to make any future payments due after the date of any prepayment. Obligor shall pay, in addition to the principal amount of any prepayment, a premium sufficient so that the total amount paid is sufficient to defease the Corresponding Advances on the City Note, as provided in the Master Agreement. If in the event of any prepayment, the Payee incurs any costs, expenses, fees, charges, premiums or losses, the Obligor shall pay such items upon demand in addition to the principal and interest due hereunder.

After default, any payment by Obligor or any third party, or recovery from the disposition of any collateral, to the extent applied to amounts of principal that were not yet scheduled to fall due according to Exhibit 1, may be applied to such installments of principal as the holder hereof shall elect in its discretion, and shall be deemed a prepayment of such installment for purposes of the premium and other obligations set forth in paragraph (b) above, and Obligor shall pay all such amounts on demand, or the holder hereof may apply amounts so paid or collected to such other obligations, in the holder's discretion.

In the event of any default by Obligor in any term or condition of this Note, the Loan Agreement, the Security Agreement, or any other document executed in connection herewith, which default is not cured as permitted by the applicable document, the entire principal and accrued interest hereunder shall become immediately due and payable without notice or demand at the option of the holder of this Note. If the entire balance of principal and interest shall be declared due and payable after the Conversion Date, then the Obligor shall pay to the holder hereof, in addition to all other amounts owing, any further amount required in order that the holder is able to fully defease, solely from the payments by Obligor hereunder and without costs to such holder, all of the outstanding Corresponding Advances under the City Note. Obligor acknowledges that such additional amount, if any, is intended to protect the holder hereof from



potential loss resulting from the enforcement of the terms hereof after default, and not as a penalty.

If Obligor is in default under the provisions of this Note, the Loan Agreement, the Security Agreement, or any other document executed in connection herewith and Payee or other holder of this Note commences any action to enforce collection hereof or foreclosure under any security document or guaranty given in connection herewith or therewith, the Obligor agrees to pay all costs and expenses incurred by Payee or such holder, including but not limited to Payee's or such holder's reasonable attorneys' fees.

Demand, protest, and notice of demand and protest are hereby waived, and the Obligor, to the extent authorized by law hereby waives any and all homestead or other exemption rights which otherwise might apply to the obligation evidenced by this Note, and/or any property covered by any security document given in connection herewith. The Obligor executes this Note as a principal and not as a surety.

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

OBLIGOR:
CHASE NMTC INS INVESTMENT FUND, LLC, a
_____ limited liability company

By: _____
Name:
Title:



Exhibit 1 to Obligor Note

Principal repayment schedule.

Principal Due Date	Amount of Principal
July 15, 2012	82,000
July 15, 2013	95,000
July 15, 2014	99,000
July 15, 2015	104,000
July 15, 2016	108,000
July 15, 2017	113,000
July 15, 2018	118,000
July 15, 2019	129,000
July 15, 2020	135,000
July 15, 2021	141,000
July 15, 2022	145,000
July 15, 2023	150,000
July 15, 2024	160,000
July 15, 2025	165,000
July 15, 2026	175,000
July 15, 2027	185,000
July 15, 2028	190,000
July 15, 2029	200,000
July 15, 2030	210,000
July 15, 2031	296,000
TOTAL	3,000,000



Exhibit 2 to Obligor Note

[See Exhibit B to Ordinance]



FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
Office of Economic Development	Ken Takahashi/684-8378	Gregory Shiring/386-4085

Legislation Title:

AN ORDINANCE relating to economic and community development; authorizing and providing for the issuance by the City of multiple notes for the purpose of supporting eligible activities under the federal Section 108 program, including the acquisition and development of certain properties within the city; authorizing agreements with the United States Department of Housing and Urban Development for a Section 108 guaranty of the notes; authorizing agreements with a custodian to establish separate accounts or funds; authorizing a loan of a portion of the proceeds of the notes for a portion of the financing of an economic development project involving the INS Building at 815 Airport Way South; authorizing related agreements; and ratifying and confirming prior acts.

Summary of the Legislation:

The legislation authorizes the establishment of a \$10 million federal Section 108 loan fund and approval of the initial project in the 108 loan fund.

Background: Section 108 funds will be used to create a loan pool targeted to multiple projects that will help projects become economically feasible and result in the creation of positive economic and community development benefits.

The legislation includes approval of the initial project in the Section 108 loan pool – the INSCAPE project (815 Airport Way South). Section 108 loan funds in the amount of \$3,000,000 will be used to finance acquisition and non-construction soft costs of the INSCAPE project. The funding will help make the project feasible, resulting in the creation of over 100 permanent jobs (of which at least 60 permanent jobs meeting the HUD definition of job creation) and the preservation of a historic building.

The borrower will pay an asset management and loan monitoring fee in the annual amount of \$3,000, until all amounts owing on the 108 shall have been paid in full. However, the City will not receive such amounts as revenue. It is anticipated that the loan monitoring and asset management duties will be performed by a private entity under contract to the City, and borrower shall make payment directly to such private entity according to instructions provided by the City.

This legislation has financial implications. (Please complete all relevant sections that follow.)

Appropriations:

Fund Name and Number	Department	Budget Control Level*	2011 Appropriation	2012 Anticipated Appropriation
Special Purpose Grants Fund 17820	Office of Economic Development	6XD20	\$60,000	
TOTAL			\$60,000	

*See budget book to obtain the appropriate Budget Control Level for your department.

Appropriations Notes: Following project approval by HUD and City Council, proceeds of the \$10 million Section 108 loan fund will be deposited directly by HUD to the City's trustee/custodian known as Bank of New York



("Custodian"). According to an agreement with the Custodian, the City will direct the Custodian to disburse Section 108 funds to multiple projects.

Pursuant to Council adopted Section 108 policies, the City will receive a loan fee of \$60,000, i.e., 2% of the \$3 million Section 108 loan for the INSCAPE project, and OED is authorized to use such loan fees for management of the Section 108 loan program. It is anticipated that the loan fee will be paid directly by the borrower (rather than from 108 loan proceeds) and, as such, constitutes federal miscellaneous revenue. OED further anticipates that the funds will be deposited with Bank of New York Mellon, the City's loan servicing agent.

For future projects, the City will receive additional loan fees up to \$140,000, i.e., 2% of the remaining \$7 million in Section 108 loans.

Anticipated Revenue/Reimbursement: Resulting from this Legislation:

This table should reflect revenues/reimbursements that are a direct result of this legislation. In the event that the issues/projects associated with this ordinance/resolution have revenues or reimbursements that were, or will be, received because of previous or future legislation or budget actions, please provide details in the Notes section below the table.

Fund Name and Number	Department	Revenue Source	2011 Revenue	2012 Revenue
Special Purpose Grants Fund 17820	Special Purpose Grants Fund 17820	6XD20	\$60,000	
TOTAL			\$60,000	

Revenue/Reimbursement Notes:

The City will receive loan fees up to a total of \$200,000, representing 2% of the \$10 million loan fund. The INSCAPE project will result in revenue of \$60,000 in loan fees, i.e., 2% of \$3 million, with the remaining \$140,000 in loan fees to be collected in subsequent years as HUD and Council approve projects for the 108 fund.

Total Regular Positions Created, Modified, or Abrogated through this Legislation, Including FTE Impact:

Position Title and Department	Position # for Existing Positions	Fund Name & #	PT/FT	2011 Positions	2011 FTE	2012 Positions*	2012 FTE*
N/A							
TOTAL							

* 2012 positions and FTE are total 2012 position changes resulting from this legislation, not incremental changes. Therefore, under 2012, please be sure to include any continuing positions from 2011.

Position Notes: N/A

Do positions sunset in the future? N/A

(If yes, identify sunset date)

Spending/Cash Flow:

Fund Name & #	Department	Budget Control Level*	2011 Expenditures	2012 Anticipated Expenditures
N/A				
TOTAL				

* See budget book to obtain the appropriate Budget Control Level for your department.



Ken Takahashi
OED Section 108 FISC
May 23, 2011
Version #1

Spending/Cash Flow Notes: N/A

What is the financial cost of not implementing the legislation?

There is no financial cost for not implementing the legislation. The cost would be measured in terms of unachieved public benefits.

Does this legislation affect any departments besides the originating department? No.

What are the possible alternatives to the legislation that could achieve the same or similar objectives?

None.

Is the legislation subject to public hearing requirements?

Yes, a public hearing will be held before Council committee consideration of this Ordinance

Other Issues: (Include long-term implications of the legislation.) None

List attachments to the fiscal note below: None





City of Seattle
Office of the Mayor

May 31, 2011

Honorable Richard Conlin
President
Seattle City Council
City Hall, 2nd Floor

Dear Council President Conlin:

I am pleased to transmit the attached proposed Council Bill that authorizes the establishment of a \$10 million federal Section 108 loan fund and approves the initial project in the 108 loan fund. Section 108 funds will be used to create a loan pool targeted to projects that will have positive economic and community development benefits.

The initial project in the Section 108 loan pool is the INSCAPE project that will renovate the former INS Building at 815 Airport Way South into affordable commercial working space for artists. Section 108 loan funds in the amount of \$3,000,000 will help make the project feasible. Upon its completion, INSCAPE will create multiple public benefits including: reactivation of a building that will strengthen the connection of the Chinatown International District to the stadium district and Pioneer Square; creation and retention of over 100 permanent jobs that will help meet an increasing demand for affordable artist space; and public areas with interpretive displays designed by the Wing Luke Asian Museum that will honor the building's past use.

The Section 108 program is one of the few financing tools available to the City in assisting economic development projects. The City has a strong track record in making effective use of the program, most recently financing the rehabilitation of the Bush Hotel in the Chinatown-ID and relocation of a motion picture film laboratory called Alpha Cine to Southeast Seattle.

Approval of this legislation will result in significant public benefits in low-income neighborhoods. Should you have any questions, please contact Ken Takahashi of the Office of Economic Development at 684-8378.

Sincerely,

Michael McGinn
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

