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KAREN A. YARBROUGH

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Recording Requested by:
Troutman Pepper Hamilton Sanders LLP
401 9th Street, N. W., Suite 1000
Washington, D.C. 20004
Attn: Blair Schiff, Esq.

**Prepared By and
After Recording return to:**
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Chicago Regional Office
Ralph Metcalfe Federal Building
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Chicago, Illinois 60604-3507
Attn: Matthew Towey, Esq.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT REGULATORY AGREEMENT FOR MULTIFAMILY PROJECTS

UNDER SECTIONS 207, 220, 221(d)(3), 221(d)(4), 223(a)(7), 223(f) and 231 OF THE
NATIONAL HOUSING ACT AS AMENDED
Replaces HUD- 92465, 92466, FHA-1730, and 1733

Project Name: South Shore Apartments

HUD Project No.: 071-35961

HAP Contract No.: IL06H121158

Project Location: Chicago, Cook County, Illinois

Lender: WELLS FARGO BANK, NATIONAL
ASSOCIATION, a National banking association

Processed under: MAP TAP

Original Principal Amount of Multifamily Note:
\$54,000,000.00

Originally endorsed for insurance under:
221(d)(4)

Date of Note: June 1, 2023

Residual Receipts Rider: Yes No If "yes" is checked, the Surplus Cash provisions of this Agreement are modified by an attached Rider relating to residual receipts account requirements.

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This Regulatory Agreement for Multifamily Projects ("**Agreement**") is entered into as of the 1st day of June, 2023, between SOUTH SHORE IL PRESERVATION MASTER TENANT, LLC, a limited liability company organized and existing under the laws of New York whose address is 423 West 55th Street, New York, New York 10019, its successors, heirs, and assigns (jointly and severally) (Master Tenant) and the United States Department of Housing and Urban Development, acting by and through the Secretary, his or her successors, assigns or designates (HUD).

Master Tenant and South Shore IL Preservation, L.P. (Borrower) entered into that certain Master Lease Agreement dated June 7, 2023 (Master Lease), if Master Tenant becomes the operator of the Mortgaged Property owned by Borrower under the terms of the Master Lease, those provisions set forth herein regarding the Borrower shall also apply to the Master Tenant.

In consideration of, and in exchange for an action by HUD, HUD and Master Tenant agree to the terms of this Agreement. The HUD action may be one of the following: HUD's endorsement for insurance of the Note, HUD's consent to the transfer of the Mortgaged Property, HUD's sale and conveyance of the Mortgaged Property, or HUD's consent to other actions related to Master Tenant or to the Mortgaged Property.

Further, Master Tenant and HUD execute this Agreement in order to comply with the requirements of the National Housing Act, as amended, and the regulations adopted by HUD pursuant thereto. This Agreement shall continue during such period of time as HUD shall be the owner, holder, or insurer of the Note. Upon satisfaction of such Note, this Agreement shall automatically terminate. However, Master Tenant shall be responsible for any Violations of this Agreement which occurred prior to termination.

Violation of this Agreement may subject Master Tenant and other signatories hereto to adverse actions. Refer to Article VII below.

AGREEMENTS: Borrower and HUD covenant and agree as follows:

I. DEFINITIONS

1. **DEFINITIONS.** Any capitalized term or word used herein but not defined shall have the meaning given to such term in the Security Instrument between Borrower and Lender or the Note. The following terms, when used in this Agreement (including when used in the above recitals), shall have the following meanings, whether capitalized or not and whether singular or plural, unless, in the context, an incongruity results:

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- a. **"Affiliate"** means any person or business concern that directly or indirectly controls policy of a Principal or has the power to do so. Persons and business concerns controlled by the same third party are also Affiliates.
- b. **"Borrower"** means all entities identified as "Borrower" in the first paragraph of the Security Instrument, together with any successors, heirs, and assigns (jointly and severally). "Borrower" shall include any entity taking title to the Mortgaged Property whether or not such entity assumes the Note. Whenever the term "Borrower" is used herein, the same shall be deemed to include the obligor of the debt secured by the Security Instrument and shall also be deemed to be the mortgagor as defined by Program Obligations.
- c. **"Business Day"** is defined in Section 46.
- d. **"Construction Contract"** means the construction contract, approved by HUD, between Borrower and the contractor contracting to perform construction or substantial rehabilitation on the Project.
- e. **"Declaration of Default"** is defined in Section 37.
- f. **"Displaced Persons or Families"** means a person, family or families, displaced from (i) an urban renewal area, (ii) as a result of government action, or (iii) as a result of a major disaster determined by the President pursuant to the Robert T. Stafford Disaster Relief and Emergency Assistance Act.
- g. **"Distribution"** means any disbursement, conveyance or transfer of any portion of the Mortgaged Property, including the segregation of cash or assets for subsequent withdrawal as Surplus Cash, other than in payment of Reasonable Operating Expenses, or any other disbursement, conveyance, or transfer provided for in this Agreement.
- h. **"Elderly Person"** means any person, married or single, who is 62 years of age or older.
- i. **"Fixtures"** means all property or goods that become so related or attached to the Land or the Improvements that an interest arises in them under real property law, whether acquired now or in the future, excluding all tenant owned goods and property, and including but not limited to: machinery, equipment, engines, boilers, incinerators, installed building materials; systems and equipment for the purpose of supplying or distributing heating, cooling, electricity, gas, water, air, or light; antennas, cable, wiring and conduits used in connection with radio,

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television, computers, security, fire prevention, or fire detection or otherwise used to carry electronic signals; telephone systems and equipment; elevators and related machinery and equipment; fire detection, prevention and extinguishing systems and apparatus; security and access control systems and apparatus; plumbing systems; water heaters, ranges, stoves, microwave ovens, refrigerators, dishwashers, garbage disposals, washers, dryers and other appliances; light fixtures, awnings, storm windows and storm doors; pictures, screens, blinds, shades, curtains and curtain rods; mirrors; cabinets, paneling, rugs and floor and wall coverings; fences, trees and plants; swimming pools; playground and exercise equipment and classroom furnishings and equipment.

- j. **“Goods and Services”** is defined in Section 22.
- k. **“HUD”** means the United States Department of Housing and Urban Development acting by and through the Secretary in his or her capacity as insurer or holder of the Loan under the authority of the National Housing Act, as amended, the Department of Housing and Urban Development Act, as amended, or any other federal law or regulation pertaining to the Loan or the Mortgaged Property.
- l. **“Impositions”** and **“Imposition Deposits”** are defined in the Security Instrument.
- m. **“Improvements”** means the buildings, structures, and alterations now constructed or at any time in the future constructed or placed upon the Land, including any future replacements and additions.
- n. **“Indebtedness”** means the principal of, interest on, and all other amounts due at any time under the Note, the Security Instrument, and any other Loan Document, including prepayment premiums, late charges, default interest, and advances to protect the security as provided in the Security Instrument.
- o. **“Land”** means the estate in realty described in Exhibit A.
- p. **“Leases”** means all present and future leases, subleases, licenses, concessions or grants or other possessory interests now or hereafter in force, whether oral or written, covering or affecting the Mortgaged Property, or any portion of the Mortgaged Property (including but not limited to proprietary leases, non-residential leases or occupancy agreements if Borrower is a cooperative housing corporation), and all modifications, extensions or renewals. (Ground leases that create a leasehold interest in the Land and where the Borrower's leasehold is security for the Loan are not included in this definition.)

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- q. **“Lender”** means the entity identified as "Lender" in the first paragraph of the Security Instrument, or any subsequent holder of the Note, and whenever the term "Lender" is used herein, the same shall be deemed to include the Obligee, or the Trustee(s) and the Beneficiary of the Security Instrument and shall also be deemed to be the mortgagee as defined by Program Obligations.
- r. **“Loan”** means the loan initially made by Lender to Borrower, as defined in the Security Instrument.
- s. **“Mortgaged Property”** means all of Master Tenant's present and future right, title and leasehold interest pursuant to the Master Lease in and to all of the following property owned by Borrower whether now held or later acquired:
- (1) the Land;
 - (2) the Improvements;
 - (3) the Fixtures;
 - (4) the Personalty;
 - (5) all current and future rights, including air rights, development rights, zoning rights and other similar rights or interests, easements, tenements, rights-of-way, strips and gores of land, streets, alleys, roads, sewer rights, waters, watercourses, and appurtenances related to or benefiting the Land or the Improvements, or both, and all rights-of-way, streets, alleys and roads that may have been or may in the future be vacated;
 - (6) all insurance policies covering the Mortgaged Property, and all proceeds paid or to be paid by any insurer of the Land, the Improvements, the Fixtures, the Personalty or any other part of the Mortgaged Property, whether or not Borrower obtained such insurance policies pursuant to Lender's requirement;
 - (7) all awards, payments and other compensation made or to be made by any Governmental Authority with respect to the Land, the Improvements, the Fixtures, the Personalty or any other part of the Mortgaged Property, including any awards or settlements resulting from condemnation

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proceedings or the total or partial taking of the Land, the Improvements, the Fixtures, the Personalty or any other part of the Mortgaged Property under the power of eminent domain or otherwise and including any conveyance in lieu thereof;

- (8) all contracts, options and other agreements for the sale of the Land, the Improvements, the Fixtures, the Personalty or any other part of the Mortgaged Property entered into by Borrower now or in the future, including cash or securities deposited to secure performance by parties of their obligations;
- (9) all proceeds (cash or non-cash), liquidated claims or other consideration from the conversion, voluntary or involuntary, of any of the Mortgaged Property, and the right to collect such proceeds, liquidated claims or other consideration;
- (10) all Rents and Leases;
- (11) all earnings, royalties, instruments, accounts, accounts receivable, supporting obligations, issues and profits from the Land, the Improvements or any other part of the Mortgaged Property, and all undisbursed proceeds of the Loan and, if Borrower is a cooperative housing corporation, maintenance charges or assessments payable by shareholders or residents;
- (12) all Imposition Deposits;
- (13) all refunds or rebates of Impositions by any Governmental Authority or insurance company (other than refunds applicable to periods before the real property tax year in which the Security Instrument is dated);
- (14) all forfeited tenant security deposits under any Lease;
- (15) all names under or by which any of the above Mortgaged Property may be operated or known, and all trademarks, trade names, and goodwill relating to any of the Mortgaged Property;
- (16) all deposits and/or escrows held by or on behalf of Lender under Collateral Agreements; and
- (17) all awards, payments, settlements or other compensation resulting from litigation involving the Project.

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Notwithstanding items numbered (1) through (17) above, Borrower may hold non-project funds in separate, segregated accounts, specifically labeled as non-project funds, which are not part of the Mortgaged Property. These accounts may hold those assets owned or received by Borrower, through equity contributions, gifts, or loan proceeds that were not required by HUD to become part of the Mortgaged Property and were not made a part of the Mortgaged Property by Borrower and funds released from the Mortgaged Property in compliance with Program Obligations (such as Distributions of Surplus Cash and loan repayments, if allowed). The following accounts/reserves are designated non-project fund accounts: None.

- t. **“Note”** means the Note executed by Borrower described in the Security Instrument, including all schedules, riders, allonges and addenda, as such Note may be amended from time to time.
- u. **“Notice”** is defined in Section 46.
- v. **“Personalty”** means all equipment, inventory, and general intangibles. The definition of “Personalty” includes furniture, furnishings, machinery, building materials, appliances, goods, supplies, tools, books, records (whether in written or electronic form), computer equipment (hardware and software) and other tangible or electronically stored personal property (other than Fixtures) that are owned, leased or used by Borrower now or in the future in connection with the ownership, management or operation of the Land or the Improvements or are located on the Land or in the Improvements, and any operating agreements relating to the Land or the Improvements, and any surveys, plans and specifications and contracts for architectural, engineering and construction services relating to the Land or the Improvements, choses in action and all other intangible property and rights relating to the operation of, or used in connection with, the Land or the Improvements, including all certifications, approvals and governmental permits relating to any activities on the Land. Intangibles shall also include all cash and cash escrow funds related to the Project, such as but not limited to: Reserve for Replacement accounts, bank accounts, Residual Receipt accounts, and investments.
- w. **“Principal”** means:
 - (1) an individual, joint venture, partnership, corporation, trust, nonprofit association, or any other public or private entity proposing to participate, or participating, in a project as sponsor, owner, prime contractor, turnkey developer, management agent, packager, or consultant; and architects and attorneys who have any interest in the project other than an arms-length fee arrangement for professional services;

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- (2) the term principal also includes: (i) any Affiliates of a principal; (ii) if the principal is a partnership, all general partners, and each limited partner having a 25 percent or more interest in the partnership; (iii) if the principal is a public or private corporation or governmental entity; the president, vice-president, secretary and treasurer and any other executive officers who are directly responsible to the board of directors, or the equivalent thereof; all the directors; and each stockholder having a 10 percent or more interest; and
- (3) specifically excepted from this definition of a principal are: (i) parties whose sole interest is that of purchaser or owner of less than five individual unit(s) in the same condominium or cooperative development; (ii) parties whose sole interest is that of a tenant; and (iii) public housing agencies.
- x. **“Project”** and **“Project Assets”** mean the Mortgaged Property.
- y. **“Program Obligations”** means (1) all applicable statutes and any regulations issued by the Secretary pursuant thereto that apply to the Project, including all amendments to such statutes and regulations, as they become effective, except that changes subject to notice and comment rulemaking shall become effective only upon completion of the rulemaking process, and (2) all current requirements in HUD handbooks and guides, notices, and mortgagee letters that apply to the Project, and all future updates, changes and amendments thereto, as they become effective, except that changes subject to notice and comment rulemaking shall become effective only upon completion of the rulemaking process, and provided that such future updates, changes and amendments shall be applicable to the Project only to the extent that they interpret, clarify and implement terms in this Agreement rather than add or delete provisions from such document. Handbooks, guides, notices, and mortgagee letters are available on “HUDCLIPS,” at www.hud.gov.
- z. **“Property Jurisdiction”** is (are) the jurisdiction(s) in which the Land is located.
- aa. **“Reasonable Operating Expenses”** means the reasonable expenses and payments that arise from the purchase of goods or services which are exclusively used for the operation, maintenance, and routine repair of the Project (including all payments and deposits required under this Agreement, the Note, or the Security Instrument), or as otherwise permitted by Program Obligations.
- bb. **“Rents”** means all rents (whether from residential or non-residential space), revenues, issues, profits (including carrying charges, maintenance fees, and other cooperative revenues, and fees received by Borrower from leasing space on the Mortgaged Property), other income of the Land or the Improvements, gross receipts,

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receivables, parking fees, laundry and vending machine income and fees and charges for food and other services provided at the Mortgaged Property, whether now due, past due, or to become due, Residual Receipts, and escrow accounts, however and whenever funded and wherever held.

cc. **“Reserve for Replacement”** is defined in Section 10.

dd. **“Residual Receipts”** means certain funds which are restricted in their use by Program Obligations and applicable business documents (e.g., HAP Contract, Use Agreement) as may be more specifically described in a Residual Receipts Rider attached hereto.

ee. **“Security Instrument”** means the Multifamily Deed of Trust, Assignment of Leases and Rents and Security Agreement (HUD-94000M), and any other security for the Indebtedness between Borrower and Lender, and shall be deemed to be the “mortgage” as defined by Program Obligations.

ff. **“Surplus Cash”** means certain Project cash pursuant to the calculation set forth in Section 13.

gg. **“State”** includes the several states comprising the United States of America, and Puerto Rico, the District of Columbia, Guam, the Commonwealth of the Northern Marianas, American Samoa, and the U.S. Virgin Islands.

hh. **“Taxes”** means all taxes, assessments, vault rentals and other charges, if any, general, special or otherwise, including all assessments for schools, public betterments and general or local improvements, that are levied, assessed or imposed by any public authority or quasi-public authority, and that, if not paid, could become a lien on the Land or the Improvements.

ii. **“Undocumented Expense”** is defined in Section 16.

jj. **“Violation”** is defined in Section 36.

kk. **“Waste”** means a failure to keep the Mortgaged Property in decent, safe and sanitary condition and in good repair. During any period in which HUD insures the Loan or holds a security interest on the Mortgaged Property, Waste is committed when, without Lender’s and HUD’s express written consent, Master Tenant:

- (1) physically changes the Mortgaged Property, whether negligently or intentionally, in a manner that reduces its value;

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- (2) fails to maintain and repair the Mortgaged Property in accordance with Program Obligations;
- (3) fails to pay before delinquency any Taxes secured by a lien having priority over the Security Instrument;
- (4) materially fails to comply with covenants in the Note, the Security Instrument or this Regulatory Agreement respecting physical care, maintenance, construction, abandonment, demolition, or insurance against casualty of the Mortgaged Property; or
- (5) retains possession of Rents to which Lender or its assigns have the right of possession under the terms of the Loan Documents;

II. CONSTRUCTION; REFINANCING

2.

a. **CONSTRUCTION FUNDS.** Master Tenant shall keep funds of the Mortgaged Property to be used for construction or substantial rehabilitation separate and apart from operating funds of the Mortgaged Property. Funds for construction or substantial rehabilitation are identified in the Building Loan Agreement and/or Construction Contract.

b. **DEFERRED REPAIR FUNDS.** Master Tenant shall keep funds of the Mortgaged Property to be used for non-critical or other deferred repairs separate and apart from operating funds of the Mortgaged Property. Funds for non-critical or other deferred repairs are identified in the Escrow Agreement for Deferred Repairs, if applicable.

3. **UNPAID OR OUTSTANDING OBLIGATIONS.** Master Tenant certifies, upon final or initial/final endorsement of the Note by HUD, Master Tenant shall have no unpaid obligations in connection with the purchase of the Mortgaged Property, the construction or repair of the Mortgaged Property, or with respect to the Security Instrument, except such unpaid obligations as have the written approval of HUD as to terms, form and amount; and, except for those obligations approved by HUD in writing, the Land shall be paid for in full and is free from any liens or purchase money obligations, or if the Land is subject to a leasehold interest, it shall be subject to a HUD approved lease, and it shall be free from any lien. As of the date hereof, Master Tenant has no knowledge of any liens or encumbrances against the Mortgaged Property that are not reflected as exceptions to coverage in the lender's title policy insuring the Security Instrument accepted by HUD or that are not shown on the UCC search. All contractual obligations

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of Master Tenant or on behalf of Master Tenant with any party shall be fully disclosed to HUD.

4. LENDER'S CERTIFICATE. Master Tenant acknowledges receipt of the Lender's Certificate or the Request for Endorsement of Credit Instrument & Certificate of Lender, Borrower & General Contractor, as applicable. Master Tenant agrees that the fees and expenses enumerated in the applicable document have been fully paid or payment has been provided for as set forth in such document and that all funds deposited with Lender shall be used for the purposes set forth in such document insofar as Master Tenant has rights and obligations in respect thereto.

5. CONSTRUCTION COMMENCEMENT/REPAIRS.

a. Master Tenant certifies that it has not commenced construction or substantial rehabilitation of the Mortgaged Property prior to HUD's initial endorsement of the Note, except that this Section 5a is not applicable if HUD has given prior written approval to an early start of construction, or if this Project is an Insurance Upon Completion or if such work has been disclosed to and approved in writing by HUD. If Master Tenant has received prior written approval for early start, Master Tenant shall perform, observe and comply with all Program Obligations for early start prior to initial endorsement, which includes but is not limited to the release of liens in association with the Project, the funding of escrows for change orders, and the payment of an inspection fee.

b. Borrower shall complete any non-critical or other deferred repairs in accordance with the terms of the Firm Commitment. Borrower is in receipt of HUD's written acknowledgment of the satisfactory completion of any non-critical or other deferred repairs for the Mortgaged Property to the extent such repairs have been completed. Borrower has provided funds to complete any remaining repairs, as evidenced by the Escrow Agreement for Deferred Repairs, in accordance with Program Obligations, if applicable.

6. DRAWINGS AND SPECIFICATIONS. The Mortgaged Property shall be constructed and rehabilitated by Borrower in accordance with the terms of the Construction Contract as approved by HUD, if any, and with the Drawings and Specifications, if any, that have been approved by HUD and deemed attached to the Construction Contract.

7. REQUIRED PERMITS

a. The Borrower and/or Master Tenant has obtained, or caused to be obtained, all necessary certificates, permits, licenses, qualifications, authorizations, consents and approvals from all necessary Governmental Authorities to own and operate the Project and to carry out all of the transactions required by the Loan Documents and to comply with all applicable federal statutes and regulations of HUD in effect on the date of the

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Firm Commitment, except for those, if any, which customarily would be obtained at a later date, at an appropriate stage of construction or completion thereof, and which the Borrower shall obtain, or cause to be obtained, in the future. As the construction of the Project progresses, the Borrower and/or Master Tenant will obtain or cause to be obtained, and submit to HUD and Lender all necessary building and other permits required by Governmental Authorities. The Mortgaged Property shall not be available for occupancy by any tenant without the prior written approval of HUD and of all other legal authorities having jurisdiction of the Mortgaged Property.

b. Borrower has obtained, or cause to be obtained, all necessary certificates, permits, licenses, qualifications, authorizations, consents and approvals from all necessary Governmental Authorities to own and operate the Project, to carry out all of the transactions required by the Loan Documents and to comply with all applicable federal statutes and regulations of HUD in effect on the date of the Firm Commitment. If HUD requires that Borrower execute an Escrow Agreement for Deferred Repairs in connection with HUD's endorsement for insurance of the Note, the licenses and permits that are in effect as of the date hereof are sufficient to allow any repair of the improvements required pursuant to the terms of the Escrow Agreement for Deferred Repairs to proceed to completion in the ordinary course.

8. ACCOUNTING REQUIREMENTS.

a. Borrower shall submit a cost certification to HUD, if and as required by Program Obligations, for all receipts and disbursements during the period set forth therein. The excess of project income over property disbursements, as determined by HUD, shall be treated as a recovery of construction cost, except as otherwise allowed in Program Obligations.

b. Borrower and/or Master Tenant shall submit a cost certification to HUD, if and as required by Program Obligations, including all receipts and disbursements relating to repairs required pursuant to the Building Loan Agreement and/or the Escrow Agreement for Deferred Repairs. Any funds remaining after completion of the repairs shall be treated in accordance with Program Obligations, and pursuant to the Escrow Agreement for Deferred Repairs, if applicable.

III. FINANCIAL MANAGEMENT

9. **PAYMENTS.** Borrower shall make promptly all payments due under the Note, Security Instrument, and this Agreement.

10. **RESERVE FOR REPLACEMENT.** Borrower shall establish and maintain a Reserve for Replacement account for defraying certain costs of replacing major structural elements and mechanical equipment of the Project or for any other purpose.

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- a. The Reserve for Replacement shall be deposited by Borrower with Lender or in a safe and responsible depository designated by Lender in accordance with Program Obligations. Such funds shall at all times remain under the control of Lender or Lender's designee and shall be held in accounts insured or guaranteed by a federal agency and in accordance with Program Obligations.
- b. Borrower shall deposit a monthly amount of \$13,008.33 concurrently with the Amortization Commencement Date unless a different date or amount is established by HUD. The amount of the monthly deposit may be increased or decreased from time to time at the written direction of HUD without a recorded amendment to this Agreement. At least every ten years, starting from the date of initial or initial/final endorsement of the Note, and more frequently at HUD's sole discretion, Borrower shall submit to HUD a written analysis of its use of the Reserve for Replacement during the prior ten years and the projected use of the Reserve for Replacement in accordance with Program Obligations.
- c. Borrower shall carry the balance in this account on the financial records as a restricted asset. The Reserve for Replacement shall be invested in accordance with Program Obligations, and any interest earned on the investment shall be deposited in the Reserve for Replacement for use by the Project in accordance with this Section 10
- d. Disbursements from the Reserve for Replacement shall only be made after consent, in writing, of HUD, in its sole discretion, or as otherwise approved by HUD pursuant to Program Obligations. In the event of a Declaration of Default under the terms of the Security Instrument (pursuant to which the Indebtedness has been accelerated) a written notification by HUD to Borrower of a violation of this Agreement or at such other times as determined solely by HUD, HUD may direct the application of the balance in such account to the amount due on the Indebtedness as accelerated or for such other purposes as may be determined solely by HUD.
- e. In the case of a transfer of the Mortgaged Property where the Project is already subject to a Security Instrument insured or held by HUD as of the date hereof, and this Agreement is now being executed by Borrower as of the date hereof, the Reserve for Replacement now to be established shall be equal to the amount due to be in such account under this Agreement, and payments hereunder shall begin with the first payment due on the Security Instrument after acquisition, unless some other method of establishing and maintaining the account is approved in writing by HUD.

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f. Upon Borrower's full satisfaction of all HUD obligations, including but not limited to those imposed under this Agreement, Borrower shall receive any monies remaining in the Reserve for Replacement.

11. PROPERTY AND OPERATION; ENCUMBRANCES.

a. Borrower shall deposit all Rents and other receipts of the Project in connection with the financing of the Project, including equity or capital contributions required under the Firm Commitment or otherwise advanced for the purpose and as part of the Mortgaged Property, in the name of the Project in a federally insured depository or depositories and in accordance with Program Obligations. (Such required equity or capital contributions shall not include certain syndication proceeds, such as proceeds from Low Income Housing Tax Credit and Historic Tax Credit transactions used to repay bridge loans, all as more fully set forth in Program Obligations.) Such funds shall be withdrawn only in accordance with the provisions of this Agreement for Reasonable Operating Expenses of the Project or for Distribution of Surplus Cash or as reimbursement of advances as permitted by Sections 14 and 15 below; or for permitted deposits authorized by this Agreement or for any other reason authorized under this Agreement. Any person or entity receiving Mortgaged Property other than for payment of Reasonable Operating Expenses, authorized Distributions of Surplus Cash, or for any reason authorized under Section 34 of this Agreement, shall immediately deliver such Mortgaged Property to the Project and failing so to do shall hold such Mortgaged Property in trust.

b. Borrower and Master Tenant shall not engage in any business or activity, including the operation of any other project, or incur any liability or obligation not in connection with the Project, nor acquire an Affiliate or contract to enter into any affiliation with any party except as otherwise approved by HUD.

c. Borrower shall satisfy or obtain a release of any mechanic's lien, attachment, judgment lien, or any other lien that attaches to the Mortgaged Property or any part thereof, or Master Tenant shall so satisfy or release if such lien results from work commissioned by Master Tenant.

d. Penalties, including but not limited to delinquent tax penalties and civil money penalties, shall not be paid from the Project.

e. Borrower and Master Tenant shall promptly notify HUD of the appointment of any receiver for the Project, the filing of a petition in bankruptcy or insolvency or for reorganization.

f. Borrower shall keep the Mortgaged Property insured at all times in accordance with the Security Instrument and Program Obligations, and Borrower shall notify HUD of all

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payments received from an insurer. Master Tenant shall maintain insurance in accordance with the Master Lease.

g. Borrower shall notify HUD of any action or proceeding relating to any condemnation or other taking, or conveyance in lieu thereof, of all or any part of the Mortgaged Property, whether direct or indirect condemnation.

h. Master Tenant shall notify HUD of any litigation proceeding filed against Master Tenant or the Project, or any litigation proceeding filed by Master Tenant, except tenant eviction proceedings in the ordinary course of business or if such proceeding involves a dispute of \$25,000 or less.

12. SECURITY DEPOSITS. Any funds collected as security deposits shall be kept (a) separate and apart from all other funds of the Project; (b) in interest bearing trust accounts, to the extent required by State or local law; and (c) in an amount which shall at all times equal or exceed the aggregate of all outstanding obligations under said account. Security deposit account interest shall be paid on a pro rata basis to tenants or applied to sums due under their leases upon the termination of their tenancy in the Project. The use of tenant security deposits for Project operations is prohibited unless the tenant has forfeited the deposit.

13. Surplus Cash.

a. Surplus Cash shall equal the sum or:

- (1) Project cash and cash equivalents (excluding the Reserve for Replacement account and other HUD-required reserves);
- (2) short-term investments;
- (3) project-based Section 8 Housing Assistance Payments earned but not yet received by Borrower and/or Master Tenant; and
- (4) any amounts approved for withdrawal but not yet withdrawn from the Reserve for Replacements or any other reserves or escrow accounts; after deducting:
- (5) all sums due or required to be paid within the calendar month following the date as of which Surplus Cash is calculated under the terms of the Note and Security Instrument (including without limitation principal, interest, mortgage insurance premium deposits, deposits to the Reserve for Replacements and other reserves as may be required by HUD, and tax

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and insurance escrow deposits);

(6) all special funds required to be segregated by this Agreement, the Note, the Security Instrument, or Program Obligations, including tenant security deposits and any other amounts held in trust for tenants; and

(7) all other obligations of the Project payable within the next thirty days unless the obligation is paid subject to available Surplus Cash or subject funds for payment of the obligation are set aside or HUD has approved deferment of payment.

b. Borrowers that have elected not to take monthly Distributions of Surplus Cash as indicated in this Agreement, or are otherwise not eligible for monthly Distributions of Surplus Cash, must calculate Surplus Cash as of the last day of their fiscal year; such Borrowers may also, at their own election, and if permitted pursuant to Program Obligations, calculate Surplus Cash as of the last day of the sixth month of their fiscal year. Further, such Borrowers shall submit a report of their Surplus Cash calculation(s) to HUD with their required annual financial reports pursuant to Section 18 below.

c. Borrowers that have elected Monthly Surplus Cash Distributions as indicated in this Agreement, and that have established and maintained all eligibility requirements pursuant to Program Obligations, must calculate Surplus Cash as of the last day of their fiscal year; such Borrowers may also, at their own election, calculate Surplus Cash as of the last day of any other month of the fiscal year if eligible pursuant to Program Obligations. Such Borrowers shall include a report of the required annual computation of Surplus Cash to HUD with the required annual financial reports pursuant to Section 18 below; such Borrowers shall maintain a record of all other monthly Surplus Cash calculations and Distributions in accordance with Section 16 below. Further, upon each required annual calculation of Surplus Cash, Borrowers under this Section 13.c. must demonstrate positive Surplus Cash or, to the extent Surplus Cash is negative, repay to Project-related accounts any Distributions taken during the fiscal year associated with the annual calculation of Surplus Cash referenced herein. Such repayment must be made within sixty (60) days of the conclusion of the fiscal year associated with the annual calculation of Surplus Cash referenced herein or such longer period approved by HUD.

14. DISTRIBUTIONS. Borrower shall not make or take, or receive and retain, nor allow any Affiliate or Principal to receive or retain any Distribution of assets or any

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income of any kind of the Project, except from Surplus Cash or in accordance with Program Obligations. Distributions are governed by the following conditions:

- a. No Distribution shall be made or taken from borrowed funds. Distributions shall not be taken prior to the completion of the Project. Distributions shall not be taken after HUD has given Notice to Borrower of a Violation under this Agreement or an Event of Default occurs under the Note or Security Instrument. Distributions shall not be taken when a Project is under a forbearance agreement.
- b. No Distribution shall be made or taken when either (i) necessary services (utilities, trash removal, security, lawn service or any other services that Borrower is required to provide) are not being provided on a regular basis, which failure Borrower should have known about in the exercise of due care; (ii) notices of physical repairs or deficiencies (including, but not limited to, building code violations) by Governmental Authorities and/or by HUD have been issued and remain unresolved to the satisfaction of the issuing public body; or (iii) Borrower has been notified by HUD, Lender or a Governmental Authority that physical repairs and/or deficiencies exist and Borrower has not corrected or cured the identified items to HUD's satisfaction. Upon completion of the repairs, HUD may permit a Distribution to be placed in an escrow account until a subsequent inspection has been completed by HUD. If the Project passes a subsequent inspection, HUD may then authorize release of the funds in the escrow account to Borrower. HUD may also permit Distributions when there are minor or contested local code violations on a case-by-case basis.
- c. Any Distribution of any funds of the Project not permitted by this Agreement or Program Obligations shall be returned to the appropriate Project account as specified by HUD immediately.
- d. Any Distributions shall be made or taken only as permitted by the law of the applicable jurisdiction. Distributions, if taken, must be taken out of the appropriate Project account as specified by HUD within the accounting period immediately following the computation of Surplus Cash, and prior to the Borrower's next calculation of Surplus Cash, pursuant to Section 13 above, and if not taken within the identified period, these funds remain as Mortgaged Property and may only be used as permitted by this Agreement.
- e. Equity or capital contributions shall not be reimbursed from Project accounts without the prior written approval of HUD. Borrower advances for Reasonable Operating Expenses shall not be deemed to fall under this subsection but rather

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shall be treated under Section 15 below.

15. BORROWER ADVANCES.

- a. **"Master Tenant Advances"** means any advance of funds or loan to the Project made by Master Tenant or any Affiliate on behalf of Borrower. Master Tenant Advances do not include equity or capital contributions whether required in conjunction with the financing of the Project or otherwise. Master Tenant Advances may only be repaid by Borrower from Project funds pursuant to this Section 15.
- b. Any Master Tenant Advances must be deposited into the Borrower's operating account as required by Program Obligations. Interest may accrue on Master Tenant Advances pursuant to Program Obligations and may only be paid in accordance with this Section 15.
- c. Master Tenant Advances may only be repaid, and interest on Master Tenant Advances may only be paid:
 - (1) with prior written approval from HUD, or
 - (2) if and to the extent that Borrower is permitted to take Distributions, from funds allowable for Distributions, and only at times when Distributions are permitted pursuant to Sections 13 and 14 of this Agreement.
- d. Repayments of Master Tenant Advances, and payments of interest on Master Tenant Advances, approved by HUD and made pursuant to Section 15(c)(i) shall be considered Reasonable Operating Expenses.
- e. Master Tenant shall require, as a condition of any agreement to repay Master Tenant Advances, or to pay interest thereon, with any party making such Master Tenant Advances, that such agreement shall recognize the limitations of this Section 15 and, if all of the conditions of this Section 15 are not met, shall hold the Master Tenant and the Mortgaged Property harmless for failure to pay.

- 16. FINANCIAL ACCOUNTING.** Borrower and Master Tenant shall keep the books and accounts of the operation of the Mortgaged Property in accordance with Program Obligations. The books and accounts must be complete, accurate and current at all times. Posting must be made at least monthly to the ledger accounts, and year-end

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adjusting entries must be posted promptly in accordance with sound accounting principles. Any Undocumented Expense or Distribution shall be an ineligible Project expense, unless otherwise determined in writing by HUD. An “**Undocumented Expense**” is an expense without sufficient documentation that provides reasonable identification of the basis of the expense. Books, accounts and records shall be open and available for inspection by HUD, after reasonable prior notice, during normal office hours, at the Project or another mutually agreeable location.

17. BOOKS MAINTAINED BY MANAGEMENT AGENTS. The books and records of the Project maintained by management agents and Affiliates shall be maintained in accordance with Program Obligations and shall be open and available to inspection by HUD, after reasonable prior notice, during normal office hours, at the Project or another mutually agreeable location. Every agreement executed on behalf of the Project with any management agent or Affiliate shall include the provision that the books and records of the Project shall be properly maintained and open to inspection during normal business hours by HUD at the Project or another mutually agreeable location and that upon the termination of an agreement with management agent and/or Affiliates, the books and records of the Project maintained by the management agent and/or Affiliates shall remain with Master Tenant.

18. ANNUAL FINANCIAL REPORTS.

- a. Within ninety (90) days, or such period established in writing by HUD, following the end of each fiscal year, Master Tenant shall prepare a financial report for the Master Tenant's fiscal year, or the portion thereof that started with the Borrower's assumption of financial responsibility (or the portion thereof that ended with Master Tenant's permitted transfer pursuant to a HUD-approved transfer of the Project), based on an examination of the books and records of the Master Tenant in accordance with generally accepted accounting principles (GAAP) and in such other form and substance as specified by HUD in supplemental guidance, and provide such report to HUD in such form and substance as specified by HUD under the Uniform Financial Reporting Standards at 24 C.F.R. Section 5.801 (UFRS), or any successor regulations, and Program Obligations.
- b. Unless specifically waived or modified by HUD or through government notice (OMB Circular A-133 or any equally applicable notice), Master Tenant shall: (i) engage an independent, licensed Certified Public Accountant (CPA) to audit the Borrower's annual financial report and to produce an audit report in accordance with both Generally Accepted Government Auditing Standards (GAGAS) and Generally Accepted Auditing Standards (GAAS); (ii) engage an independent, licensed CPA to perform an agreed-upon procedure, in accordance with the

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American Institute of Certified Public Accountants (AICPA) Statement on Standards for Attestation Engagements (SSAE) Number 4, to compare the financial data template information submitted electronically by the Master Tenant to HUD against the annual financial report examined by, and the audit report prepared by, the independent, licensed CPA; and (iii) furnish to HUD the audit report, and any other reports relating to the annual financial report or the audit report as required by Program Obligations, by such means and in such form and substance as specified by HUD under UFRS, or any successor regulations, and Program Obligations.

- c. To the extent certain non-profit Master Tenants' requirement to submit audited annual financial reports may be waived or modified pursuant to OMB Circular A-133 or any successor notice, no provisions of such notice shall be construed to relieve Master Tenant of any requirements of this Section 18, except for those requirements specifically waived or modified by such notice.
- d. If Master Tenant fails to perform as required pursuant to this Section 18, HUD may, at its sole election, and in a manner determined by HUD, and without affecting any other provisions of this Agreement, and without first providing notice of violation of this Agreement pursuant to Section 36 of this Agreement, initiate a forensic audit of the Master Tenant's books, records, and accounts in such a manner as to provide to HUD with as much of the same information that would have been provided had the Master Tenant not failed to perform as required. Any such audit initiated by HUD does not relieve Master Tenant of the requirement to submit to HUD an annual audited financial report as required pursuant to this Agreement.

IV. PROJECT MANAGEMENT

19. PRESERVATION, MANAGEMENT AND MAINTENANCE OF THE MORTGAGED PROPERTY. Borrower and Master Tenant (a) shall not commit Waste, (b) shall not abandon the Mortgaged Property, (c) shall restore or repair promptly, in a good and workmanlike manner, any damaged part of the Mortgaged Property to the equivalent of its original condition, or such other condition as HUD may approve in writing, whether or not litigation or insurance proceeds or condemnation awards are available to cover any costs of such restoration or repair, and (d) shall keep the Mortgaged Property in decent, safe, sanitary condition and good repair, including the replacement of Personalty and Fixtures with items of equal or better function and quality, all in accordance with Program Obligations. By executing this Agreement, Master Tenant agrees and understands that obligations (a) through (d) of this Section 19 are absolute and

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unconditional and are not limited by any conditions precedent and are not contingent on HUD's performance of any administrative or contractual obligations. Furthermore, HUD is in no way obligated to provide funding or any financial assistance of any kind to Master Tenant to repair, rehabilitate, maintain, or make improvements to the Mortgaged Property. The Mortgaged Property must also be maintained in reasonable condition for proper audit and subject to examination by HUD at the Project or another mutually agreeable location. In the event all or any of the Improvements shall be destroyed or damaged by fire, by failure of warranty, or other casualty, the money derived from any settlement, judgment, or insurance on the Mortgaged Property shall be applied in accordance with the terms of the Security Instrument. In the event all or any of the Improvements shall be taken by an exercise of the power of eminent domain, all awards of compensation in connection with condemnation for public use of or a taking of any of the Improvements shall be paid in accordance with the Security Instrument.

20. FLOOD HAZARDS. Borrower and/or Master Tenant shall maintain flood insurance if required by the Security Instrument.

21. MANAGEMENT. Borrower and Master Tenant shall provide management of the Mortgaged Property in a manner deemed to be acceptable to HUD. At HUD's sole discretion, HUD may require replacement of the management under any circumstances set forth in subsection (d) of this Section 21 pursuant to Program Obligations, in which case Borrower shall immediately make arrangements for providing management satisfactory to HUD. Borrower and Master Tenant shall execute a management agreement or other document outlining procedures for managing or operating the Mortgaged Property. Such agreement or document must comply with Program Obligations. Borrower, Master Tenant and management agent (if applicable) shall submit and maintain a current management certification in accordance with Program Obligations. In addition to the requirements of Section 17 above, all management agreements must contain the following provisions:

- a. HUD's rights and requirements prevail in the event of any conflict with the terms of the management agreement.
- b. The management agreement shall not be assigned without the prior written approval of HUD.
- c. Management fees will be computed and paid in accordance with HUD requirements.
- d. HUD may require Borrower to terminate (or cause to be terminated) the management agreement:

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- (1) immediately without penalty if an Event of Default occurs under the Security Instrument, Note, or Regulatory Agreement;
 - (2) upon thirty (30) days written notice to Borrower and management agent, for failure to comply with the provisions of the Management Certification, or for other good cause; or
 - (3) immediately without penalty when HUD takes control of the Mortgaged Property pursuant to its rights under the Loan Documents as mortgagee in possession.
- e. If Borrower terminates (or causes to be terminated) the management agreement pursuant to a request from HUD, the management agent must immediately turn over to Borrower or Master Tenant, as the case may be, all of the cash, accounts, deposits, investments, and records pertaining to the Mortgaged Property.
 - f. Borrower may terminate (or cause the Master Tenant to terminate) the management agreement for cause with no more than a thirty (30) day notice period.
 - g. The management agreement shall not exempt the management agent from liability for damages, injuries or losses, resulting from the management agent's gross negligence or willful misconduct.

22. CONTRACTS FOR GOODS AND SERVICES. Consistent with Program Obligations, Borrower and Master Tenant shall obtain contracts for goods, materials, supplies, and services (**Goods and Services**) at costs, amounts, and terms that do not exceed reasonable and necessary levels and those customarily paid in the vicinity of the Land for Goods and Services received. The purchase price of Goods and Services shall be based on quality, durability and scope of work and shall be made upon the most advantageous terms for the Project operation. Reasonable Operating Expenses do not include amounts paid for Improvements and/or betterments, unless approved in writing by HUD. Borrower shall keep copies of all written contracts or other instruments that affect the Mortgaged Property, all or any of which may be subject to inspection and examination by HUD at the Project or another mutually agreeable location.

23. RESPONSIVENESS TO INQUIRIES. At the request of HUD, Borrower shall promptly furnish operating budgets and occupancy, accounting and other reports (including credit reports) and give specific answers to questions relative to income, assets, liabilities, contracts, operation, and conditions of the Mortgaged Property and the status of the Security Instrument.

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24. TENANT ORGANIZATIONS. If the Project is subject to 24 C.F.R. Part 245, Subpart B or any successor regulation covering the rights of tenants to organize, Borrower shall comply with this Section 24. Borrower shall not (a) impede the reasonable efforts of resident tenant organizations to represent their members or the reasonable efforts of tenants to organize, or (b) unreasonably withhold the use of any community room or other available space appropriate for meetings that is part of the Mortgaged Property when requested by: (i) a resident tenant organization in connection with the representational purposes of the organization; or (ii) tenants seeking to organize or to consider collectively any matter pertaining to their living environment, which includes the terms and conditions of their tenancy as well as activities related to housing and community development. Borrower may charge for the use of the Mortgaged Property any fees or costs approved by HUD as may normally be imposed for the use of such facilities or may waive any such fees or costs.

V. ADMISSIONS AND OCCUPANCY

25. RESIDENTIAL UNITS AND SERVICES. If the Project is subject to regulation of rent by HUD, Borrower and Master Tenant shall make residential units and services of the Project available to eligible tenants at charges not exceeding those established in accordance with a rental schedule approved in writing by HUD.

26. LEASE TERMS FOR RESIDENTIAL UNITS. Residential units shall not be rented for a period of less than thirty (30) days or for more than three (3) years and shall not be used for transient or hotel purposes. Rental for transient or hotel purposes shall mean: (a) rental for a period of less than thirty (30) days or (b) any rental, if the occupants of the residential units are provided customary hotel services such as room service for food and beverages, maid service, furnishings or laundering or linens, and bellhop service. Residential units in projects with Security Instruments initially endorsed for insurance pursuant to Section 231 of the National Housing Act, as amended, may be rented for a period of more than three (3) years.

27. COMMERCIAL (NON-RESIDENTIAL) LEASES. No portion of the Mortgaged Property shall be leased for any commercial purpose or use without receiving HUD's prior written approval as to terms, form and amount, except that for lease renewals or extensions or amendments involving no change in terms or use, rent increases are permitted without HUD approval. Master Tenant must deliver an executed copy of the commercial Lease to HUD.

28. SUBLEASES. All Leases of residential units by Borrower or Master Tenant to tenants must also prohibit assignment of the leasehold interest by the tenant without the prior written approval of Borrower or Master Tenant. All Leases of residential units by

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Borrower or Master Tenant to tenants must prohibit tenants from entering into any subleases that do not run for at least thirty (30) days and must require that all subleases be approved in advance in writing by Borrower or Master Tenant. Leases of residential units must prohibit the tenant from granting the right to occupy the premises for a period of less than thirty (30) days or from furnishing hotel services, as defined in Section 26. Assignment and subleasing of units by other than the tenant thereof without the prior written approval of Borrower or Master Tenant shall be prohibited in the Lease. Upon discovery of any unapproved assignment, sublease or occupancy, Borrower or Master Tenant shall, to the extent permitted by law, immediately demand cancellation and/or vacation of the premises, as appropriate, and notify HUD thereof.

29. TENANT SELECTION/OCCUPANCY.

- a. If the Security Instrument is originally a HUD-held purchase money mortgage, or is originally endorsed for FHA multifamily insurance under any Section of the National Housing Act, as amended, other than Section 231 units specially designed for use and occupancy of Elderly Persons exclusively, neither Borrower nor Master Tenant shall, in selecting tenants, discriminate against any person or persons by reason of the fact that there are children in the family, unless in accordance with the Fair Housing Act and otherwise approved in writing by HUD in accordance with the Program Obligations.
- b. If the Security Instrument is originally endorsed for insurance under Section 221, Borrower and Master Tenant shall, in selecting tenants, give to Displaced Persons or Families an absolute preference or priority of occupancy that shall be accomplished as follows: (1) For a period of sixty (60) days from the date of original offering, unless a shorter period of time is approved in writing by HUD, all units shall be held for such preferred applicants, after which time any remaining unrented units may be rented to non-preferred applicants; (2) thereafter, and on a continuing basis, such preferred applicants shall be given preference over non-preferred applicants in their placement on a waiting list to be maintained by Borrower or Master Tenant; and (3) through such further provisions agreed to in writing by the parties to this Agreement.
- c. At least 75% of the units in a Project insured under Section 231 shall be designed for the use and occupancy of Elderly Persons unless prior written approval is given by HUD for a lesser number of units.
- d. All advertising or efforts to rent a project insured under Section 231 shall reflect a bona fide effort of Borrower to obtain occupancy by Elderly Persons.

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30. **ADDITIONAL OCCUPANCY RESTRICTIONS AND POLICIES:** Not Applicable.

31. **RENTS.** If the Project is subject to regulation of rent by HUD, HUD will at any time entertain a written request for a rent increase that is properly supported by substantiating evidence and HUD will, within a reasonable time: (a) approve a rental schedule that is necessary to compensate for any net increase, occurring since the last approved rental schedule, in taxes (other than income taxes) and operating and maintenance costs over which Master Tenant has no effective control; or (b) deny the increase and state the reasons for its decision.

32. **CHARGES FOR SERVICES AND FACILITIES.** If the Project is subject to regulation of rent by HUD, Master Tenant shall only charge to and receive from any tenant such amounts as have the prior written approval of HUD and are mutually agreed upon between Master Tenant and the tenant for any facilities and/or services not included in the HUD approved rent schedule that may be furnished by, or on behalf of, Master Tenant to such tenant upon request.

33. **PROHIBITION OF CERTAIN FEES.** Master Tenant shall not charge any Project tenant or prospective Project tenant any fees prohibited under Program Obligations. Such prohibited fees may include an admission fee, a key fee, or similar payment pursuant to any agreement to furnish residential units or services to persons making such payments.

34. **SECURITY DEPOSITS AND OTHER FEES.** Master Tenant shall not require as a condition of occupancy or leasing of any unit in the Project, any consideration or deposit other than the prepayment of the first month's rent plus a security deposit in an amount not in excess of one month's rent to guarantee the performance of the lease terms. Borrower may charge certain application processing fees such as credit check or criminal background fees or pet deposits.

VI. ACTIONS REQUIRING THE PRIOR WRITTEN APPROVAL OF HUD

35. **ACTIONS REQUIRING THE PRIOR WRITTEN APPROVAL OF HUD.** Borrower and Master Tenant shall not without the prior written approval of HUD:

- a. Convey, assign, transfer, pledge, hypothecate, encumber, or otherwise dispose of the Mortgaged Property or any interest therein, or permit the conveyance, assignment, or transfer of any interest in Borrower or Master Tenant (if the effect of such conveyance, assignment or transfer is the creation or elimination of a Principal) unless permitted by Program Obligations. Borrower and Master Tenant need not obtain the prior written approval of HUD: (i) for a conveyance of the Mortgaged

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Property at a judicial or non-judicial foreclosure sale under the Security Instrument; (ii) for inclusion of the Mortgaged Property in a bankruptcy estate by operation of law under the United States Bankruptcy Code; (iii) for acquisition of an interest by inheritance or by Court decree; or (iv) for actions permitted under subsection (g) below.

- b. Enter into any contract, agreement or arrangement to borrow funds or finance any purchase or incur any liability, direct or contingent, other than for Reasonable Operating Expenses.
- c. Pay out any funds of the Mortgaged Property except as provided in this Agreement and Program Obligations.
- d. Except for permissible withdrawals of Surplus Cash, pay any compensation, including wages or salaries, or incur any obligation to do so, to any officer, director, stockholder, trustee, beneficiary, partner, member, manager (in the case of a Borrower formed as a Limited Liability Company or Limited Liability Corporation), or Principal of Borrower, or to any nominee thereof.
- e. Enter into or change any contract, agreement or arrangement for supervisory or managerial services or Leases for operation of the Project in whole or in part except as permitted under Program Obligations.
- f. Convey, assign or transfer any right to receive the Rents of the Mortgaged Property, except as provided in the Security Instrument.
- g. Remodel, add to, subtract from, construct, reconstruct or demolish any part of the Mortgaged Property, except as required by HUD under Section 19(c) and except that Borrower and/or Master Tenant may, without the prior written approval of HUD, dispose of obsolete or deteriorated Fixtures or Personalty if the same are replaced with like items of the same or greater quality or value and make minor alterations that do not impair the security.
- h. Permit the use of the Mortgaged Property for any other purpose except the use for which it was originally intended, or permit commercial use greater than that originally approved by HUD.
- i. Amend the organizational documents of Borrower or Master Tenant in a way that materially modifies the terms of the organization, including, but not limited to: any amendment that activates the requirement that a HUD previous participation certification be obtained from any additional partner or member; any amendment that would authorize any officer, partner or member other than the officer(s), general partner(s) or the managing member(s) of the corporation, partnership or company or

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pre-approved successor officer(s), general partner(s) or managing member(s) to bind the corporation, partnership or company for any matters concerning the Project which requires HUD's consent or approval; a change in the officer(s), general partner(s) or managing member(s) or pre-approved successor officer(s), general partner(s) or managing member(s) of the corporation, partnership or company and any proposed changes to the HUD-required provisions included in the organizational documents. Copies of all fully executed amendments to the organizational documents must be provided to HUD within ten (10) days of the effective date of the amendment. If the amendments to the organizational documents are recorded or filed, copies of the recorded or filed documents must be provided to HUD within ten (10) days of receipt by Borrower or Master Tenant.

- j. Reimburse any party from Mortgaged Property for payment of expenses or costs of the Project or for any purpose except for Reasonable Operating Expenses and in a manner consistent with Section 15.
- k. Receive any fee or payment of any kind from any managing agent, employee of the Project or of the managing agent, or other provider of Goods or Services of the Project, except for warranty claims from providers of Goods and Services.
- l. Initiate or acquiesce in a change in the zoning classification of the Mortgaged Property that results in any change in permitted use that was in effect at the time of initial/final endorsement.
- m. Establish any condominium or cooperative regime with respect to the Mortgaged Property.
- n. Materially change any unit configurations or change the number of units in the Mortgaged Property.

VII. ENFORCEMENT

36. VIOLATION OF AGREEMENT. The occurrence of any one or more of the following shall constitute a "**Violation**" under this Agreement:

- a. Any failure by Master Tenant to comply with any of the provisions of this Agreement;
- b. Any fraud or material misrepresentation or material omission by Master Tenant, any of its officers, directors, trustees, general partners, members, managers or managing agent in connection with (1) any financial statement, rent roll or other report or information provided to HUD or (2) any request for HUD's consent to any proposed

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action, including a request for disbursement of funds from any restricted account for which HUD's prior written approval is required; and/or

c. The commencement of a forfeiture action or proceeding, whether civil or criminal, which, in HUD's reasonable judgment, could result in a forfeiture of the Mortgaged Property or otherwise materially impair the value of the Mortgaged Property.

37. DECLARATION OF DEFAULT.

a. Upon a violation, HUD may give written Notice, pursuant to Section 46, of the Violation to Master Tenant, addressed to the addresses stated in this Agreement, or such other addresses as may subsequently, upon appropriate written Notice to HUD, be designated by Master Tenant as its legal business address. If, after receiving written Notice of a Violation, that Violation is not corrected to the satisfaction of HUD either within thirty (30) days after the date Notice is mailed, or within such shorter or longer time set forth in said Notice, HUD may declare a default (**Declaration of Default**) under this Agreement without further Notice. Alternatively, in order to protect the health and safety of the tenants, HUD may declare a default at any time during the existence of a Violation without providing prior written Notice of the Violation.

b. Upon any **Declaration of Default** HUD may:

- (1) If HUD holds the Note, declare the whole of said Indebtedness immediately due and payable and then proceed with the foreclosure of the Security Instrument;
- (2) If said Note is not held by HUD, notify the Lender of such default and require the Lender to declare a default under the Note and Security Instrument, and the Lender, after receiving such Notice and demand, may declare the whole Indebtedness due and payable and thereupon proceed with foreclosure of the Security Instrument or assignment of the Note and Security Instrument to HUD as provided in Program Obligations. Upon assignment of the Note and Security Instrument to HUD, HUD may then proceed with the foreclosure of the Security Instrument;
- (3) Collect all Rents and charges in connection with the operation of the Project and use such collections to pay Master Tenant's obligations under the Master Lease, Borrower's obligations under the Note and Security Instrument and the necessary expenses of preserving and operating the Mortgaged Property;

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- (4) Take possession of the Mortgaged Property, bring any action necessary to enforce any rights of Master Tenant growing out of the Mortgaged Property's operation, and maintain the Mortgaged Property in decent, safe, and sanitary condition and good repair;
- (5) Apply to any court, state or federal, for specific performance of this Agreement, for an injunction against any Violations of this Agreement, for the appointment of a receiver to take over and operate the Project in accordance with this terms of the Agreement, or for such other relief as may be appropriate, as the injury to HUD arising from a default under any of the terms of this Agreement would be irreparable and the amount of damage would be difficult to ascertain; and,
- (6) Collect reasonable attorney fees related to enforcing Master Tenant's compliance with this Agreement.

38. FORBEARANCE NO WAIVER. Any forbearance by HUD in exercising any right or remedy under this Agreement or otherwise afforded by applicable law shall not be a waiver of or preclude the exercise of any right or remedy.

39. MEASURE OF DAMAGES. The damage to HUD as a result of Master Tenant's breach of duties and obligations under this Agreement shall be, in the case of failure to maintain the Mortgaged Property as required by this Agreement, the cost of the repairs required to return the Project to decent, safe and sanitary condition and good repair. This contractual provision shall not abrogate or limit any other remedy or measure of damages available to HUD under any civil, criminal or common law.

VIII. MISCELLANEOUS

40. COMPLIANCE WITH LAWS.

a. Master Tenant shall comply with all applicable: laws; ordinances; regulations; requirements of any Governmental Authority; lawful covenants and agreements (including the Security Instrument) recorded against the Mortgaged Property; and Program Obligations including lead-based paint maintenance requirements of 24 C.F.R. Part 35, Subpart G, and any successor regulations; including but not limited to those of the foregoing pertaining to: health and safety; construction of improvements on the Mortgaged Property; fair housing; civil rights; zoning and land use; Leases; and maintenance and disposition of tenant security deposits; and, with respect to all of the foregoing, all subsequent amendments, revisions, promulgations or enactments. Master Tenant shall at all times maintain records sufficient to demonstrate compliance with the provisions of this Section 40. Master Tenant shall take appropriate measures to prevent,

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and shall not engage in or knowingly permit, any illegal activities at the Mortgaged Property, including those that could endanger tenants or visitors, result in damage to the Mortgaged Property, result in forfeiture of the Mortgaged Property, or otherwise impair the lien created by the Security Instrument or Lender's interest in the Mortgaged Property. Master Tenant represents and warrants to HUD that no portion of the Mortgaged Property has been or shall be purchased with the proceeds of any illegal activity.

b. HUD shall be entitled to invoke any remedies available by law to redress any breach or to compel compliance by Master Tenant with these requirements, including any remedies available hereunder.

41. BINDING EFFECT. This Agreement shall bind, and the benefits shall inure to, Borrower, its heirs, legal representative, executors, administrators, successors in office or interest, and assigns, and to HUD and HUD's successors, so long as the Contract of Insurance continues in effect, and during such further time as HUD shall be the Lender, holder, coinsurer, or reinsurer of the Security Instrument, or obligated to reinsure the Security Instrument.

42. PARAMOUNT RIGHTS AND OBLIGATIONS. Master Tenant warrants that it has not, and shall not, execute any other agreement with provisions contradictory of, or in opposition to, the provisions hereof, and that, in any event, the requirements of this Agreement are paramount and controlling as to the rights and obligations set forth and supersede any other requirements in conflict therewith.

43. SEVERABILITY. The invalidity of any clause, part, or provision of this Agreement shall not affect the validity of the remaining portions hereof.

44. RULES OF CONSTRUCTION. The captions and headings of the Sections of this Regulatory Agreement are for convenience only and shall be disregarded in construing this Regulatory Agreement. Any reference in this Regulatory Agreement to an "Exhibit" or a "Section" shall, unless otherwise explicitly provided, be construed as referring, respectively, to an Exhibit attached to this Regulatory Agreement or to a Section of this Regulatory Agreement. All Exhibits attached to or referred to in this Regulatory Agreement are incorporated by reference into this Regulatory Agreement. Use of the singular in this Regulatory Agreement includes the plural and use of the plural includes the singular. As used in this Regulatory Agreement, the term, "including" means "including, but not limited to." In this Regulatory Agreement, where the context may so require, feminine or masculine pronouns or adjectives shall be substituted for those of the neuter gender, and vice versa.

45. PRESENT ASSIGNMENT. As security for Master Tenant's obligations under the Master Lease, Master Tenant irrevocably and unconditionally assigns, pledges,

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mortgages and transfers to Borrower, and Borrower irrevocably and unconditionally assigns, pledges, mortgages and transfers to HUD its rights to the Rents, charges, fees, carrying charges, Project accounts, security deposits, and other revenues and receipts of whatsoever sort that it may receive or be entitled to receive from the operation of the Mortgaged Property, subject to the assignment of Rents in the Security Instrument. Until a default is declared under this Agreement, a revocable license is granted to Master Tenant to collect and retain such Rents, charges, fees, carrying charges, Project accounts, security deposits, and other revenues and receipts, but upon a Declaration of Default under this Agreement or under the Security Instrument, this revocable license is automatically terminated.

46. NOTICE.

a. All notices, demands and other communications ("**Notice**") under or concerning this Agreement shall be in writing. A courtesy copy of any Notice given by Master Tenant or HUD shall be sent simultaneously to Lender. Each Notice shall be addressed to the intended recipients at their respective addresses set forth below, and shall be deemed given on the earliest to occur of (i) the date when the Notice is received by the addressee; (ii) the first or second Business Day after the Notice is delivered to a recognized overnight courier service, with arrangements made for payment of charges for next or second Business Day delivery, respectively; or (iii) the third Business Day after the Notice is deposited in the United States mail with postage prepaid, certified mail, return receipt requested. As used in this Section 46, the term "**Business Day**" means any day other than a Saturday or a Sunday, a federal holiday or holiday in the state where the Project is located or other day on which the federal government or the government of the state where the Project is located is not open for business. When not specifically designated as a Business Day, the term "**day**" shall refer to a calendar day.

b. Any party to this Agreement and Lender may change the address to which Notices intended for it are to be directed by means of Notice given to the other party in accordance with this Section 46. Each party agrees that it shall not refuse or reject delivery of any Notice given in accordance with this Section 46, that it shall acknowledge, in writing, the receipt of any Notice upon request by the other party and that any Notice rejected or refused by it shall be deemed for purposes of this Section 46 to have been received by the rejecting party on the date so refused or rejected, as conclusively established by the records of the U.S. Postal Service or the courier service.

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Master Tenant:

SOUTH SHORE IL PRESERVATION MASTER TENANT, LLC
423 West 55th Street
New York, New York 10019

With a copy to:

South Shore Historic, LLC
c/o Wells Fargo Affordable Housing Corp.
c/o Wells Fargo Community Investment Holdings, LLC
550 S. Tryon Street
23rd Floor, D1086-239
Charlotte, NC 28202-4200
Attention: Director of Tax Credit Asset Management

With a copy to:

Bank of America, National Association
One Financial Plaza
Mail Code RI1-537-09-03
Providence, RI 02903
Attention: John Baer, Vice President

With a copy to:

Riemer & Braunstein LLP
100 Cambridge Street, 22nd Floor
Boston, MA 02114
Attention: Jeffrey D. Gaulin, Esq.

With a copy to:

Sidley Austin LLP
One South Dearborn Street
Chicago, IL 60603

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Attention: Philip C. Spahn, Esq.

HUD:

US Dept. of Housing and Urban Development
Chicago Regional Office
Ralph Metcalfe Federal Building
77 West Jackson Boulevard
Chicago, Illinois 60604-3507

LENDER:

WELLS FARGO BANK, NATIONAL ASSOCIATION
1751 Pinnacle Drive, 7th Floor
McLean, Virginia 22102

47. CONFLICTS PROVISION. Master Tenant shall comply with the requirements set forth in this Agreement as well as any other agreement Master Tenant enters into with HUD. However, if a conflict exists between this Agreement and any other HUD agreement executed by Master Tenant, the agreement which imposes the more restrictive requirements on Master Tenant shall control.

48. THIRD PARTY BENEFICIARY. Master Tenant agrees that it is not a third-party beneficiary to the Contract of Insurance between HUD and Lender, as more fully set forth in 24 C.F.R. Part 207, Subpart B.

49. EXPLANATION OF ROLES. HUD is not providing a loan to the Master Tenant. HUD operates insurance programs under the provisions of the National Housing Act. HUD, through the Federal Housing Administration (FHA) provides insurance to private and public lenders, which it has approved as financially responsible, against loss on mortgages financing multifamily projects. The mortgage insurance is a contract between the approved lender and HUD. These are the only two parties to the FHA insurance contract, the approved mortgage lender and HUD. The approved lender is the only party that is intended to benefit from the contract of mortgage insurance. While borrowers and other program participants may incidentally benefit in some manner from the insured mortgage financing that the approved lender provides, all other program participants are deemed not to be third party beneficiaries of the insurance contract. Thus, program participants have no rights and should not have any expectations in regard to decisions made or actions taken by HUD under the mortgage lender's contract of mortgage insurance, including but not limited to accepting a loan as eligible for insurance or paying a claim.

SECTION IX. NON RECOURSE

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50. INTENTIONALLY OMITTED.

[SIGNATURES APPEAR ON FOLLOWING PAGES]

Property of Cook County Clerk's Office

COOK COUNTY CLERK OFFICE
COOK COUNTY CLERK OFFICE
RECORDING DIVISION
118 N. CLARK ST. ROOM 120
118 N. CLARK ST. ROOM 120
CHICAGO, IL 60602-1387
COOK COUNTY CLERK OFFICE
RECORDING DIVISION
118 N. CLARK ST. ROOM 120
CHICAGO, IL 60602-1387

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IN WITNESS WHEREOF, the parties hereto have set their hands and seals on the date first herein above written.

Each signatory below hereby certifies that each of their statements and representations contained in this Agreement and all their supporting documentation thereto are true, accurate, and complete and that each signatory has read and understands the terms of this Agreement. This Agreement has been made, presented, and delivered for the purpose of influencing an official action of HUD in insuring the Loan, and may be relied upon by HUD as a true statement of the facts contained therein.

MASTER TENANT:

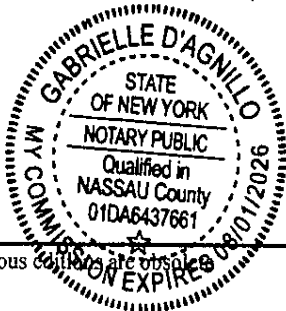
SOUTH SHORE IL PRESERVATION
MASTER TENANT, LLC,
a New York limited liability company

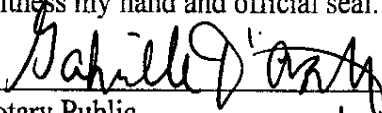
By: South Shore IL Preservation MM, LLC,
a New York limited liability company,
its managing member

By: 
David Pearson
Vice President

State of New York
County of New York

The foregoing instrument was subscribed and sworn before me this 5th day of May, 2023 by David Pearson, the Vice President of SOUTH SHORE IL PRESERVATION MM, LLC, a New York limited liability company, the Managing Member, SOUTH SHORE IL PRESERVATION MASTER TENANT, LLC, a New York limited liability company, whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.




Witness my hand and official seal.

Notary Public
My commission expires: 8/1/26

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South Shore Apartments
FHA Project No. 071-35961

U.S. DEPARTMENT OF HOUSING AND
URBAN DEVELOPMENT, ACTING BY AND
THROUGH THE SECRETARY

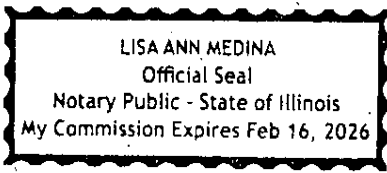
BY: 
Authorized Representative

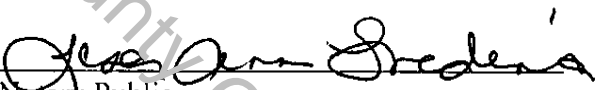
State of ILLINOIS

County of COOK

The foregoing instrument was acknowledged before me this 31st day of
May, 2023 by Stephen Ott, Authorized
Representative of the U.S. Department of Housing and Urban Development, acting by
and through the Secretary.

Witness my hand and official seal.




Notary Public
My commission expires: 02-16-2026

Warning

Any person who knowingly presents a false, fictitious, or fraudulent statement or claim in a matter within the jurisdiction of the U.S. Department of Housing and Urban Development is subject to criminal penalties, civil liability, and administrative sanctions.

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EXHIBIT A LEGAL DESCRIPTION

PARCEL 1:

LOTS 6 TO 9, INCLUSIVE AND THE WEST 1/2 OF LOT 5 IN BLOCK 3 OF SOUTH JACKSON PARK SUBDIVISION OF THE NORTHWEST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 24, TOWNSHIP 38 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL 2:

LOTS 8 AND 9 AND THE WEST 18.00 FEET OF LOT 7 IN BLOCK 2 OF SOUTH JACKSON PARK SUBDIVISION OF THE NORTHWEST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 24, TOWNSHIP 38 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL 3:

LOTS 4, 5, 6 AND THE WEST 12.00 FEET OF LOT 3 AND THE EAST 12.00 FEET OF LOT 7 IN BLOCK 2 OF SOUTH JACKSON PARK SUBDIVISION OF THE NORTHWEST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 24, TOWNSHIP 38 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL 4:

LOTS 6 TO 9, INCLUSIVE AND THE WEST 1/2 OF LOT 5 IN BLOCK 1 OF SOUTH JACKSON PARK SUBDIVISION OF THE NORTHWEST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 24, TOWNSHIP 38 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL 5:

LOTS 1 TO 4, INCLUSIVE AND THE EAST 1/2 OF LOT 5 IN BLOCK 1 OF SOUTH JACKSON PARK SUBDIVISION OF THE NORTHWEST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 24, TOWNSHIP 38 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL 6:

LOT 27 TO 30, INCLUSIVE IN BLOCK 3 OF SOUTH JACKSON PARK SUBDIVISION OF THE NORTHWEST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 24, TOWNSHIP 38 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL 7:

LOTS 25 AND 26 IN BLOCK 3 OF SOUTH JACKSON PARK SUBDIVISION OF THE NORTHWEST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 24, TOWNSHIP 38 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL 8:

LOTS 23 AND 24 IN BLOCK 2 OF SOUTH JACKSON PARK SUBDIVISION OF THE NORTHWEST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 24, TOWNSHIP 38 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL 9:

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LOTS 25 AND 26 IN BLOCK 2 OF SOUTH JACKSON PARK SUBDIVISION OF THE NORTHWEST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 24, TOWNSHIP 38 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL 10:

LOTS 23 AND 24 IN BLOCK 1 OF SOUTH JACKSON PARK SUBDIVISION OF THE NORTHWEST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 24, TOWNSHIP 38 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL 11:

LOTS 1 AND 2 IN BLOCK 5 OF SOUTH JACKSON PARK SUBDIVISION OF THE NORTHWEST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 24, TOWNSHIP 38 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL 12:

LOTS 39 AND 40 IN BLOCK 5 OF SOUTH JACKSON PARK SUBDIVISION OF THE NORTHWEST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 24, TOWNSHIP 38 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL 13:

LOTS 1 AND 2 IN BLOCK 6 OF SOUTH JACKSON PARK SUBDIVISION OF THE NORTHWEST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 24, TOWNSHIP 38 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL 14:

LOTS 37 TO 40, INCLUSIVE IN BLOCK 8 OF SOUTH JACKSON PARK SUBDIVISION OF THE NORTHWEST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 24, TOWNSHIP 38 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL 15:

LOTS 21, 22 AND 23 IN BLOCK 6 OF SOUTH JACKSON PARK SUBDIVISION OF THE NORTHWEST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 24, TOWNSHIP 38 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL 16:

LOTS 29 AND 30 IN BLOCK 2 OF SOUTH JACKSON PARK SUBDIVISION OF THE NORTHWEST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 24, TOWNSHIP 38 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL 17:

LOTS 14, 15, 16 AND THE NORTH 3.00 FEET OF LOT 17 IN BLOCK 2 OF SOUTH JACKSON PARK SUBDIVISION OF THE NORTHWEST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 24, TOWNSHIP 38 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

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PARCEL 18:

LOTS 19 AND 20 IN BLOCK 6 OF SOUTH JACKSON PARK SUBDIVISION OF THE NORTHWEST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 24, TOWNSHIP 38 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL 19:

LOTS 1, 2, 3 AND 4 AND THE EAST 1/2 OF LOT 5 IN BLOCK 3 OF SOUTH JACKSON PARK SUBDIVISION OF THE NORTHWEST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 24, TOWNSHIP 38 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL 20:

LOTS 36 AND 37 IN BLOCK 3 OF SOUTH JACKSON PARK SUBDIVISION OF THE NORTHWEST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 24, TOWNSHIP 38 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL 21 (formerly Parcel 25):

LOTS 24 AND 25 IN BLOCK 3 OF SOUTH JACKSON PARK SUBDIVISION OF THE NORTHWEST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 24, TOWNSHIP 38 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL 22 (formerly Parcel 26):

LOTS 38 IN BLOCK 3 OF SOUTH JACKSON PARK SUBDIVISION OF THE NORTHWEST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 24, TOWNSHIP 38 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL 23 (formerly Parcel 27):

LOT 17 AND 18 IN BLOCK 6 OF SOUTH JACKSON PARK SUBDIVISION OF THE NORTHWEST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 24, TOWNSHIP 38 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL 24 (formerly Parcel 29):

LOTS 2, 3 AND 4 IN BLOCK 3 IN DICKEY AND BAKER' S SUBDIVISION OF LOT 1 OF THE SOUTHWEST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 24, TOWNSHIP 38 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL 25 (formerly Parcel 31):

LOT 31 AND THE SOUTH 20.00 FEET OF LOT 32 IN BLOCK 2 OF SOUTH JACKSON PARK SUBDIVISION OF THE NORTHWEST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 24, TOWNSHIP 38 NORTH, RANGE 14, EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

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Permanent Index Number(s):

Parcel 1:	20-24-301-001-0000	Parcel 2:	20-24-302-001-0000
Parcel 3:	20-24-302-002-0000	Parcel 4:	20-24-303-001-0000
Parcel 5:	20-24-303-002-0000	Parcel 6:	20-24-301-017-0000
Parcel 7:	20-24-301-018-0000	Parcel 8:	20-24-302-012-0000
Parcel 9:	20-24-302-020-0000	Parcel 10:	20-24-303-012-0000
Parcel 11:	20-24-308-010-0000	Parcel 12:	20-24-309-001-0000
Parcel 13:	20-24-309-013-0000	Parcel 14:	20-24-311-001-0000
Parcel 15:	20-24-309-012-0000	Parcel 16:	20-24-302-018-0000
Parcel 17:	20-24-302-006-0000	Parcel 18:	20-24-309-024-0000
Parcel 19:	20-24-301-002-0000	Parcel 20:	20-24-301-014-0000
Parcel 21:	20-24-309-011-0000	Parcel 22:	20-24-301-013-0000
Parcel 23:	20-24-309-023-0000	Parcel 24:	20-24-316-016-0000
Parcel 25:	20-24-302-017-0000		

Common Address(es):

Parcel 1:	1627-1641 E. 67th Street, Chicago, IL 60649
Parcel 2:	1703-1705 E. 67th Street and 6701-6709 S. East End Avenue, Chicago, IL 60649
Parcel 3:	1707-1721 E. 67th Street, Chicago, IL 60649
Parcel 4:	1733-1745 E. 67th Street and 6711 S. Ridgeland Avenue, Chicago, IL 60649
Parcel 5:	1747-1757 E. 67th Street and 6708 S. Cregier Avenue, Chicago, IL 60649
Parcel 6:	6742-6752 S. East End Avenue, Chicago, IL 60649
Parcel 7:	1646-1650 E. 68th Street and 6754-6756 S. East End Avenue, Chicago, IL 60649
Parcel 8:	1708-1710 E. 68th Street and 6755-6757 S. East End Avenue, Chicago, IL 60649
Parcel 9:	1714-1716 E. 68th Street and 6754-6756 S. Ridgeland Avenue, Chicago, IL 60649
Parcel 10:	1740-1744 E. 68th Street and 6755-6757 S. Ridgeland Avenue, Chicago, IL 60649
Parcel 11:	6800-6802 S. Cornell Avenue, Chicago, IL 60649
Parcel 12:	1639-1641 E. 68th Street and 6801-6803 S. Cornell Avenue, Chicago, IL 60649
Parcel 13:	1645-1647 E. 68th Street and 6800-6803 S. East End Avenue, Chicago, IL 60649
Parcel 14:	1743-1745 E. 68th Street and 6801-6811 S. Ridgeland Avenue, Chicago, IL 60649
Parcel 15:	1634-1642 E. 69th Street and 6853-6855 S. Cornell Avenue, Chicago, IL 60649
Parcel 16:	6742 S. Ridgeland Avenue, Chicago, IL 60649
Parcel 17:	6727-6733 S. East End Avenue, Chicago, IL 60649
Parcel 18:	1646-1650 E. 69th Street and 6854-6856 S. East End Avenue, Chicago, IL 60649
Parcel 19:	1643-1657 E. 67th Street and 6708 S. East End Avenue, Chicago, IL 60649
Parcel 20:	6720 S. East End Avenue, Chicago, IL 60649
Parcel 21:	6847 S. Cornell Avenue, Chicago, IL 60649
Parcel 22:	6718 S. East End Avenue, Chicago, IL 60649
Parcel 23:	6848 S. East End Avenue, Chicago, IL 60649
Parcel 24:	1621-1627 E. 69th Street and 6904-6910 S. Cornell Avenue, Chicago, IL 60649
Parcel 25:	6736 S. Ridgeland Avenue, Chicago, IL 60649

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OMB Control # 2502-0029

Exp. 04/30/2020

**U.S. Department of Housing and Urban Development
Regulatory Agreement – Rider 2
For Multifamily Projects (Section 221(d)(4))**

Public reporting burden for this collection of information is estimated to average 0.75 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. The information is being collected for consideration of the endorsement for insurance by the Secretary or in consideration of the consent of the Secretary to the transfer of the mortgaged property or the sale and conveyance of the mortgaged property by the Secretary, and in order to comply with the requirements of the National Housing Act. The information will be used by HUD to ensure that viable projects are developed. This agency may not collect this information, and you are not required to complete this form, unless it displays a valid OMB control number.

Privacy Act Notice: The United States Department of Housing and Urban Development, Federal Housing Administration, is authorized to solicit the information requested in the form by virtue of Title 12, United States Code, Section 1701 seq., and regulations promulgated thereunder at Title 12 Code of Federal Regulation. While no assurance of confidentiality is pledged to respondents, HUD generally discloses this data only in response to a Freedom of Information Act request.

Master Tenant

THIS RIDER TO REGULATORY AGREEMENT- MULTIFAMILY HOUSING

PROJECTS ("Rider") is by and between South Shore IL Preservation Master Tenant, LLC, a New York limited liability company (the "**Master Tenant**"), and the **SECRETARY OF HOUSING AND URBAN DEVELOPMENT** (the "**Secretary**" or "**HUD**").

RECITALS:

WHEREAS, South Shore IL Preservation, L.P., a New York limited partnership ("**Owner**") owns the fee interest in certain tracts or parcels of land located in the City of Chicago, County of Cook, State of Illinois, and more particularly identified on Exhibit A of this Agreement and made a part hereof (the "**Property**"), including the improvements now existing and/or hereafter rehabilitated or constructed and located thereon (collectively, the "**Improvements**," which together with the Property are sometimes collectively referred to herein as the "**Mortgaged Property**"); and

WHEREAS, the Owner intends to rehabilitate certain Improvements in a manner that qualifies for federal and state historic rehabilitation tax credits (collectively, "**Historic Tax Credits**"), to facilitate the planned rehabilitation of and construction on the Mortgaged Property (the "**Project**");

WHEREAS, upon completion, the Project will consist of 446 multifamily units (the "**Multifamily Portion**");

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OMB Control # 2502-0029

Exp. 04/30/2020

WHEREAS, to maximize the benefits of the Historic Tax Credits, the Owner has requested that HUD permit, with respect to an application for mortgage insurance, a transaction (the "Transaction") that will include Owner entering into a lease of the Mortgaged Property (the "Master Lease") with Master Tenant;

WHEREAS, the Owner has further requested that HUD allow Master Tenant to sublease the Multifamily Portion; and

WHEREAS, to finance the Project the Owner intends to utilize, among other sources, the proceeds from a Fifty Four Million and 00/100 Dollars (\$54,000,000.00) loan to be insured under section 221(d)(4) of the National Housing Act ("FHA-Insured Loan"), and Owner and Master Tenant have each agreed to execute a separate HUD prescribed regulatory agreement (respectively, a "Regulatory Agreement"), with a rider attached to provide HUD with additional protection now and as reasonably may be deemed necessary from time-to-time in the future by HUD, with respect to the FHA-Insured Loan, the Transaction, and the operation of the Mortgaged Property.

NOW, THEREFORE, for and in consideration of the premises and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

1. **Incorporation of Recitals/Definitions.** The foregoing recitals are hereby incorporated by reference as if fully set forth herein.
2. **Definitions/Applicability.**
 - (a) Master Tenant is executing this Rider to amend and supplement the Regulatory Agreement (the Regulatory Agreement and this Rider are collectively referred to herein as the "Amended Regulatory Agreement").
 - (b) Except as otherwise provided, capitalized terms defined herein are for the purpose of convenience with respect to this Rider, and do not change or otherwise affect terms defined or used in the Regulatory Agreement.
 - (c) The undertakings and obligations stated to be the Owner's under the Amended Regulatory Agreement are hereby deemed to be obligations of the Master Tenant, substituting Master Tenant for Owner in the Regulatory Agreement, except to the extent that Master Tenant is incapable of performing, or otherwise should not be required to perform, such undertaking or obligation. The Master Tenant's capability or requirement to perform an undertaking or obligation shall be determined by HUD. For example, by way of illustration but not limitation, the Master Tenant is not obligated to make payments due under the note and mortgage, as required under paragraph 1 of the Regulatory

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OMB Control # 2502-0029

Exp. 04/30/2020

Agreement, but Master Tenant is obligated to provide to HUD the annual financial report required under paragraph 18(a) of the Regulatory Agreement.

3. Master Lease and Remedies.

- (a) Master Tenant covenants and agrees to comply with all of the terms and conditions contained in the Master Lease. A default by Master Tenant beyond any reasonable cure period that may be provided under the Master Lease is a default under the Amended Regulatory Agreement. Such default does not require notice and an opportunity to cure as a condition to HUD's exercise of remedies available under the Amended Regulatory Agreement.
- (b) The Master Tenant agrees that the Master Lease (i) hereby incorporates the obligations and undertakings of Master Tenant under the Amended Regulatory Agreement, as additional covenants and agreements under the Master Lease, and (ii) shall not be modified or amended, without the prior written consent of HUD. An uncured default under the Amended Regulatory Agreement shall be deemed to be an incurable default under the Master Lease.
- (c) Upon Master Tenant's receipt of notification of the issuance of a notice of a default under the Regulatory Agreement between HUD and the Owner, or a default under any other document that is executed to evidence, secure or otherwise executed in connection with the FHA-Insured Loan, Master Tenant agrees to pay all rent due Owner under the Master Lease to HUD or to the FHA-Insured Loan mortgagee ("Mortgagee"), as directed by HUD, as assignee of the Owner, so long as the Master Lease shall be in effect. Moreover, Master Tenant agrees that in the event that the FHA-Insured Loan is assigned to the Secretary, at HUD's selection and upon thirty (30) days notice to Master Tenant at any time thereafter the Master Lease shall terminate.
- (d) The Master Lease, including without limitation the estate and rights created thereunder, is and shall remain fully subordinate to the FHA-Insured Loan and to the documents that are executed to evidence, secure or otherwise executed in connection with the FHA-Insured Loan.

4. INTENTIONALLY OMITTED.**5. Further Conveyance.**

- (a) Notwithstanding the prohibition contained in paragraph 35(a) of the Regulatory Agreement against the conveyance or transfer of

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any interest in any of the Mortgaged Property, HUD recognizes the Subleases, and further, approves the (sub) subleasing by the Residential Tenant of the Residential Portion, subject to such (sub) subleasing being accomplished in a commercially reasonable and practical manner.

- (b) Intentionally Omitted.

6. Surplus Cash

Without limiting any provision of the Amended Regulatory Agreement, Master Tenant specifically acknowledges and agrees to conform to and be bound by the limitations and controls with respect to Distribution(s) and Surplus Cash, as defined and contained in the Amended Regulatory Agreement. Surplus Cash will be determined as if the Mortgaged Property is owned and operated by one single purpose entity, by consolidating all income derived from the Mortgaged Property by the Owner and Master Tenant, ("All Parties"),

- (a) and, then determining and excluding therefrom the reasonable expenses incident to the operation and maintenance of the Mortgaged Property, the expenditure and accounting of which shall be governed by HUD regulations, handbooks, guides, directives and the FASS-MF system guides. The costs of oversight by tax credit agencies, including any asset management fees, are entity expenses and may not be deemed to be an expense of the Mortgaged Property.
- (b) Distributions of Surplus Cash are permitted subject to the full compliance by All Parties (i) of each party's undertakings and obligations under their respective Regulatory Agreement, as amended, and (ii) with all other applicable statutory and regulatory provisions, and obligations to and/or contracts with HUD, including applicable HUD directives.
- (c) When available as a Distribution, Surplus Cash may be shared among All Parties in the amounts and manner determined by such parties.

7. Additional Compliance.

- (a) Master Tenant covenants and agrees to comply with all HUD statutes regulations, and directives with respect to the FHA-Insured Loan, to the extent HUD deems applicable, consistent with section 2(c) above, as if Master Tenant is the mortgagor thereunder.

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- (b) Without limiting the foregoing, there shall be full compliance with the provisions of (i) any State or local laws prohibiting discrimination in housing on the basis of race, color, creed, or national origin; and (ii) with the Regulations of the Federal Housing Administration providing for nondiscrimination and equal opportunity in housing. It is understood and agreed that failure or refusal to comply with any such provisions shall be a proper basis for HUD to take any corrective action deemed necessary including, but not limited to, the refusal to consent to a further renewal of the Master Lease, and the refusal to enter into future contracts of any kind in which the Master Tenant is identified; and further, if the Master Tenant is a corporation or any other type of business association or organization which may fail or refuse to comply with the aforementioned provisions, HUD shall have a similar right of corrective action (iii) with respect to any individuals who are officers, directors, trustees, managers, partners, members, associates or principal stockholders of the Master Tenant; and (iv) with respect to any other type of business association, or organization with which the officers, directors, trustees, managers, partners, members, associates or principal stockholders of the Master Tenant may be identified.
- (c) Master Tenant recognizes that annual financial reports required under paragraph 18(a) of the Regulatory Agreement cannot, at this time, be filed electronically in HUD's FASS-MF system. Master Tenant agrees to submit such reports to HUD on paper, but otherwise in conformance with the electronic filing requirements of the FASS-MF system. Upon direction from HUD, Master Tenant agrees to utilize the FASS-MF system to file annual financial reports.
- (d) Intentionally Omitted.
8. **Security Interest.** Contemporaneous with the execution of the Amended Regulatory Agreement and the funding of the FHA-Insured Loan, Master Tenant is executing the Master Lease which contains a security agreement that encumbers all personal property owned by the Master Tenant and used in the operation or maintenance of the Mortgaged Property, to secure its performance under the Master Lease, which Master Lease (including the security agreement contained therein) is being collaterally assigned to secure further the Mortgagee.
9. **Statutory Penalties.** Notwithstanding that Master Tenant is not the mortgagor or owner of record, for purposes of establishing liability for Master Tenant's actions, Master Tenant agrees to be treated as an "owner" or a "mortgagor" under the double damages provision at 12 U.S.C. § 1715z-4a, the equity skimming penalty under 12 U.S.C. §1715z-19, or the

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civil money penalty under Section 537 of the National Housing Act, 12 U.S.C. § 1735f-15.

10. **Further Assurances.** The Master Tenant and HUD each agree to execute and deliver all additional instruments and/or documents reasonably required by either party to this the Amended Regulatory Agreement to further evidence or confirm the intent of the Amended Regulatory Agreement.
11. **Headings.** The headings or titles to the sections of this Rider are inserted for convenience only and shall not be deemed a part hereof or affect the construction or interpretation of any provisions hereof.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

Property of Cook County Clerk's Office

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Project Name: South Shore Apartments
HUD Project Number: 071-35961

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OWNER:

SOUTH SHORE IL PRESERVATION
MASTER TENANT, LLC,
a New York limited liability company


By: South Shore IL Preservation MM, LLC,
a New York limited liability company,
its managing member

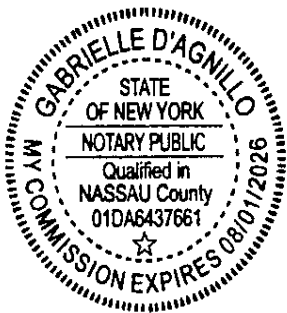
By: 
David Pearson
Vice President

State of New York
County of New York

The foregoing instrument was subscribed and sworn before me this 5th day of May, 2023 by David Pearson, the Vice President of SOUTH SHORE IL PRESERVATION MM, LLC, a New York limited liability company, the Managing Member, SOUTH SHORE IL PRESERVATION MASTER TENANT, LLC, a New York limited liability company, whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Witness my hand and official seal.


Notary Public
My commission expires: 8/1/24

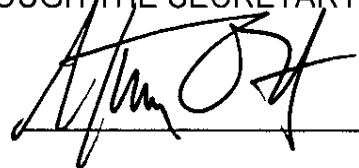


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Project Name: South Shore Apartments
HUD Project Number: 071-35961

South Shore Apartments
FHA Project No. 071-35961

U.S. DEPARTMENT OF HOUSING AND
URBAN DEVELOPMENT, ACTING BY AND
THROUGH THE SECRETARY

BY: 

Authorized Representative


State of ILLINOIS

County of COOK

The foregoing instrument was acknowledged before me this 31st day of May, 2023 by Stephen Ott, Authorized Representative of the U.S. Department of Housing and Urban Development, acting by and through the Secretary.

Witness my hand and official seal.




Notary Public
My commission expires: 02/16/2026

Warning

Any person who knowingly presents a false, fictitious, or fraudulent statement or claim in a matter within the jurisdiction of the U.S. Department of Housing and Urban Development is subject to criminal penalties, civil liability, and administrative sanctions.