
REGULATORY AGREEMENT

between

**CITY OF MINNETONKA, MINNESOTA,
as Governmental Lender**

**MINNETONKA LEASED HOUSING ASSOCIATES III, LLLP,
as Borrower**

**U.S. BANK NATIONAL ASSOCIATION,
as Note Fiscal Agent**

and

**U.S. BANK NATIONAL ASSOCIATION,
as Bond Trustee**

Relating to

**Legends of Minnetonka
11001 Bren Road East
Minnetonka, Minnesota**

Dated September ____, 2018

This Instrument Drafted by:

Kennedy & Graven, Chartered (JAE)
470 US Bank Plaza
200 South Sixth Street
Minneapolis, Minnesota 55402

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REGULATORY AGREEMENT

THIS REGULATORY AGREEMENT, dated September ____, 2018 (the “**Regulatory Agreement**”), is made and entered into between the CITY OF MINNETONKA, MINNESOTA, a home rule charter city, municipal corporation, and political subdivision duly organized and existing under its charter and the Constitution and laws of the State of Minnesota (the “**Governmental Lender**”), MINNETONKA LEASED HOUSING ASSOCIATES III, LLLP, a Minnesota limited liability limited partnership, as the owner of the property described in EXHIBIT A hereto (the “**Borrower**”), U.S. BANK NATIONAL ASSOCIATION, a national banking association (the “**Note Fiscal Agent**”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association (the “**Bond Trustee**”).

RECITALS

The Governmental Lender is authorized to issue tax-exempt and taxable obligations to provide financing for multifamily housing developments in accordance with the terms of Minnesota Statutes, Chapter 462C, as amended (the “**Act**”).

The Borrower has proposed to undertake the acquisition, construction, and equipping of a 262-unit senior housing rental development to be located at 11001 Bren Road East, Minnetonka, Minnesota, on the real property described on EXHIBIT A attached hereto and to be known as Legends of Minnetonka (the “**Project**”).

In order to finance a portion of the costs of the Project, the Governmental Lender will issue its (i) Multifamily Note with designation as Multifamily Housing Revenue Note (Legends of Minnetonka Project), Series 2018A-1 in the maximum principal amount of \$____ (the “**Series A-1 Governmental Note**”); (ii) Multifamily Note with designation as Multifamily Housing Revenue Note (Legends of Minnetonka Project), Series 2018A-2 in the maximum principal amount of \$____ (the “**Series A-2 Governmental Note**”); (iii) the Taxable Multifamily Note with designation as Taxable Multifamily Housing Revenue Note (Legends of Minnetonka Project), Series 2018B-1 in the maximum principal amount of \$____ (the “**Series B-1 Governmental Note**”); and (iv) the Taxable Multifamily Note with designation as Taxable Multifamily Housing Revenue Note (Legends of Minnetonka Project), Series 2018B-2 in the maximum principal amount of \$____ (the “**Series B-2 Governmental Note**,” and together with the Series A-1 Governmental Note, the Series A-2 Governmental Note, and the Series B-1 Governmental Note, the “**Governmental Notes**”), each dated September ____, 2018. The Governmental Lender shall deliver the Governmental Notes to U.S. Bank National Association, a national banking association, as administrative agent (the “**Administrative Agent**”) for U.S. Bank National Association, a national banking association, and BMO Harris Bank N.A., a national banking association (together, the “**Initial Note Funding Lender**”), pursuant to the terms of a Funding Loan Agreement, dated as of September 1, 2018, between the Governmental Lender, the Administrative Agent, and the Note Fiscal Agent.

The Governmental Lender will loan the proceeds derived from the sale of the Governmental Notes to the Borrower pursuant to the terms of a Project Loan Agreement, dated as of September 1, 2018, between the Governmental Lender, the Note Fiscal Agent, and the Borrower, and the Borrower will apply such proceeds to finance a portion of the Project.

In order to finance a portion of the costs of the Project, the Governmental Lender will issue its Tax Increment Revenue and Subordinate Multifamily Housing Revenue Bonds (Legends of Minnetonka Project), Series 2018C (the “**Bonds**”), in the original aggregate principal amount of \$4,090,000, pursuant

to a Subordinate Indenture of Trust, dated as of September 1, 2018, between the Governmental Lender and the Bond Trustee.

The Governmental Lender will loan the proceeds of the Bonds to the Borrower pursuant to a Subordinate Loan Agreement, dated as of September 1, 2018, between the Governmental Lender and the Borrower, and the Borrower will apply such proceeds to finance a portion of the Project.

For good and valuable consideration, the Borrower, the Note Fiscal Agent, the Bond Trustee, and the Governmental Lender have determined to enter into this Regulatory Agreement in order to assure compliance with certain requirements of the Code (hereinafter defined) and of the Act applicable to the Project.

NOW, THEREFORE, the Borrower, the Note Fiscal Agent, the Bond Trustee, and the Governmental Lender do hereby impose upon the Project the following covenants, restrictions, charges, and easements, which shall run with the land and shall be binding and a burden upon the Project and all portions thereof, and upon any purchaser, grantee, owner, or lessee of any portion of the Project and any other person or entity having any right, title, or interest therein and upon the respective heirs, executors, administrators, devisees, successors, and assigns of any purchaser, grantee, owner, or lessee of any portion of the Project and any other person or entity having any right, title, or interest therein, for the length of time that this Regulatory Agreement shall be in full force and effect:

Section 1. Definitions. Unless otherwise expressly provided herein or unless the context clearly requires otherwise, the terms defined above shall have the meanings set forth above and the following terms shall have the respective meanings set forth below for the purposes hereof. Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Note Funding Loan Agreement.

“*Act*” means Minnesota Statutes, Chapter 462C, as amended.

“*Adjusted Income*” means the adjusted income of a person (together with the adjusted income of all persons eighteen (18) years or older who intend to reside with such person in one Dwelling Unit), as calculated in the manner prescribed under Section 142(d)(2)(B) of the Code.

“*Administrative Agent*” means U.S. Bank National Association, a national banking association, its successors and assigns, in its capacity as administrative agent for the Initial Funding Lender.

“*BMO Harris Bank*” means BMO Harris Bank N.A., a national banking association, its successors and assigns, in its capacity as a co-Initial Funding Lender.

“*Bond Counsel*” means Kennedy & Graven, Chartered, or any other attorney at law or firm of attorneys, of nationally recognized standing in matters pertaining to the federal tax exemption of interest on bonds and other obligations issued by states and political subdivisions thereof, duly admitted to practice law before the highest court of any state of the United States of America.

“*Bond Indenture*” means the Subordinate Indenture of Trust, dated as of September 1, 2018, between the Governmental Lender and the Bond Trustee, as it may be supplemented and amended from time to time.

“*Bond Loan Agreement*” means the Subordinate Loan Agreement, dated as of September 1, 2018, between the Governmental Lender and the Borrower, as it may be amended and supplemented from time to time.

“*Bonds*” means the Tax Increment Revenue and Subordinate Multifamily Housing Revenue Bonds (Legends of Minnetonka Project), Series 2018C, issued by the Governmental Lender on the Issue Date, in the original aggregate principal amount of \$4,090,000.

“*Bond Trustee*” means U.S. Bank National Association, a national banking association, its successors and assigns, in its capacity as trustee under the Bond Indenture.

“*Borrower*” means Minnetonka Leased Housing Associates III, LLLP, a Minnesota limited liability limited partnership, and its lawful successors and assigns to the extent permitted by the Note Project Loan Agreement and the Bond Loan Agreement.

“*Code*” means the Internal Revenue Code of 1986, as amended, and all applicable regulations (whether proposed, temporary or final) under the Code and the statutory predecessor of the Code, and any official rulings and judicial determinations under the foregoing applicable to the Tax-Exempt Obligations.

“*County*” means Hennepin County, Minnesota.

“*Dwelling Units*” means the units of multifamily residential rental housing comprising the Project.

“*Event of Default*” has the meaning specified in Section 13 hereof.

“*Functionally Related and Subordinate*” shall mean and include facilities for use by tenants, for example, laundry facilities, parking areas, and recreational facilities, provided that the same is of a character and size commensurate with the character and size of the Project.

“*Governmental Lender*” means the City of Minnetonka, Minnesota, a home rule charter city, municipal corporation, and political subdivision duly organized and existing under its charter and the Constitution and laws of the State, and its successors.

“*Governmental Notes*” means, collectively, the Series A-1 Governmental Note, the Series A-2 Governmental Note, the Series B-1 Governmental Note, and the Series B-2 Governmental Note.

“*Housing Act*” means the United States Housing Act of 1937, as amended, codified as 42 U.S.C. Sections 1401 et seq.

“*Initial Note Funding Lender*” means, together, U.S. Bank and BMO Harris Bank, their successors and assigns, each in its capacity as an initial holder of the Governmental Notes.

“*Issue Date*” means September _____, 2018, which is the date that the Governmental Notes and the Bonds are issued and delivered to their respective purchasers.

“*Loans*” means the loans provided by the Governmental Lender to the Borrower pursuant to the Note Project Loan Agreement and the Bond Loan Agreement to provide financing for the Project.

“*Low Income Tenants*” means Qualifying Tenants with Adjusted Income which does not exceed sixty percent (60%) of the Median Income for the Area adjusted for household size. In no event will the occupants of a unit be considered to be Low Income Tenants if all of such occupants are students (as defined in Section 152(f)(2) of the Code), unless the unit is occupied:

(i) by an individual who is (A) a student and receiving assistance under Title IV of the Social Security Act, (B) a student who was previously under the care and placement responsibility of the State agency responsible for administering a plan under Part B or Part E of Title IV of the Social Security Act, or (C) enrolled in a job training program receiving assistance under the Job Training Partnership Act or under other similar federal, State, or local laws; or

(ii) entirely by full-time students if such students are (A) single parents and their children and such parents are not dependents (as defined in Section 152 of the Code, determined without regard to subsections (b)(1), (b)(2), and (d)(1)(B) thereof) of another individual and such children are not dependents (as defined in Section 152 of the Code, determined without regard to subsections (b)(1), (b)(2), and (d)(1)(B) thereof) of another individual other than a parent of such children, or (B) married and entitled to file a joint return.

“*Low Income Units*” means the Dwelling Units in the Project designated for occupancy by Low Income Tenants pursuant to Section 4(a) of this Regulatory Agreement.

“*Median Income for the Area*” means the median yearly income for households of an applicable size in the applicable Primary Metropolitan Statistical Area as most recently determined by the Secretary of Housing and Urban Development under Section 8(f)(3) of the Housing Act, or, if such figures are no longer available, the method of calculation is substantially altered, or the programs under Section 8(f) are terminated, the Governmental Lender shall provide the Borrower with another income determination that is reasonably similar to the method used by the Secretary prior to such termination.

“*Note Fiscal Agent*” means U.S. Bank National Association, a national banking association, or any successor or assign, in its capacity as fiscal agent under the Note Funding Loan Agreement.

“*Note Funding Lender*” means the Administrative Agent and any subsequent holder of the Governmental Notes.

“*Note Funding Loan Agreement*” means the Funding Loan Agreement, dated as of September 1, 2018, between the Administrative Agent, the Governmental Lender, and the Note Fiscal Agent.

“*Note Project Loan Agreement*” means the Project Loan Agreement, dated as of September 1, 2018, between the Governmental Lender, the Note Fiscal Agent, and the Borrower, as amended from time to time.

“*Project*” has the meaning assigned to such term in the recitals to this Regulatory Agreement.

“*Qualified Project Period*” means the period beginning on the later of the date of issuance of the Governmental Notes and the first day on which ten percent (10%) of the Dwelling Units in the Project are occupied and ending on the latest of:

(i) the date which is fifteen (15) years after the date on which fifty percent (50%) of the Dwelling Units in the Project are occupied;

(ii) the first day on which no tax-exempt private activity bond issued with respect to the Project is outstanding; or

(iii) the date on which any assistance provided with respect to the Project under Section 8 of the United States Housing Act of 1937 terminates.

“*Qualifying Tenants*” means one or more occupants of a unit within the Project, so long as at least one of the occupants of the unit, at the time of initial occupancy of such unit, is 55 years of age or older; provided, however, if one or more of the occupants that qualifies as a Qualifying Tenant dies, the then current tenant of the unit shall be deemed a Qualifying Tenant.

“*Regulatory Agreement*” means this Regulatory Agreement, dated the Issue Date, between the Governmental Lender, the Borrower, the Note Fiscal Agent, and the Bond Trustee, together with any amendments or supplements hereto.

“*Section 474A Penalty*” means the penalty described in Minnesota Statutes, Section 474A.047, subdivision 3, as applied to the Project.

“*Series A-1 Governmental Note*” means the Multifamily Note with designation as Multifamily Housing Revenue Note (Legends of Minnetonka Project), Series 2018A-1, in the maximum aggregate principal amount of \$_____, dated the Issue Date, executed by the Governmental Lender and authenticated by the Note Fiscal Agent in favor of U.S. Bank, as the same may be amended, restated, supplemented, or otherwise modified from time to time, or any mortgage note executed in substitution therefor, as such substitute note may be amended, restated, supplemented, or otherwise modified from time to time.

“*Series A-2 Governmental Note*” means Multifamily Note with designation as Multifamily Housing Revenue Note (Legends of Minnetonka Project), Series 2018A-2, in the maximum aggregate principal amount of \$_____, dated the Issue Date, executed by the Governmental Lender and authenticated by the Note Fiscal Agent in favor of BMO Harris Bank, as the same may be amended, restated, supplemented, or otherwise modified from time to time, or any mortgage note executed in substitution therefor, as such substitute note may be amended, restated, supplemented, or otherwise modified from time to time.

“*Series B-1 Governmental Note*” means the Taxable Multifamily Note with designation as Multifamily Housing Revenue Note (Legends of Minnetonka Project), Series 2018B-1, in the maximum aggregate principal amount of \$_____, dated the Issue Date, executed by the Governmental Lender and authenticated by the Note Fiscal Agent in favor of U.S. Bank, as the same may be further amended, restated, supplemented, or otherwise modified from time to time, or any mortgage note executed in substitution therefor, as such substitute note may be amended, restated, supplemented, or otherwise modified from time to time.

“*Series B-2 Governmental Note*” means the Taxable Multifamily Note with designation as Multifamily Housing Revenue Note (Legends of Minnetonka Project), Series 2018B-2, in the maximum aggregate principal amount of \$_____, dated the Issue Date, executed by the Governmental Lender and authenticated by the Note Fiscal Agent in favor of BMO Harris Bank, as the same may be amended, restated, supplemented, or otherwise modified from time to time, or any mortgage note executed in substitution therefor, as such substitute note may be amended, restated, supplemented, or otherwise modified from time to time.

“*State*” means the State of Minnesota.

“*Tax-Exempt Governmental Note*” means, together, the Series A-1 Governmental Note and the Series A-2 Governmental Note.

“*Tax-Exempt Obligations*” means, together, the Tax-Exempt Governmental Note and the Bonds.

“*Treasury Regulations*” means the regulations promulgated or proposed by the Department of the Treasury pursuant to the Code from time to time or pursuant to any predecessor statute to the Code.

“*U.S. Bank*” means U.S. Bank National Association, a national banking association, its successors and assigns, in its capacity as a co-Initial Funding Lender.

Unless the context clearly requires otherwise, as used in this Regulatory Agreement words of the masculine, feminine or neuter gender shall be construed to include each other gender when appropriate, and words of the singular number shall be construed to include the plural number, and vice versa, when appropriate. This Regulatory Agreement and all of the terms and provisions hereof shall be construed to effectuate the purposes set forth herein and to sustain the validity hereof.

Section 2. Representations by the Borrower. The Borrower covenants, represents, and warrants that:

(a) The Borrower is a limited liability limited partnership organized and existing under the laws of the State. The Borrower is in good standing in the State and has duly authorized, by proper action, the execution and delivery of this Regulatory Agreement. The Borrower is duly authorized by the laws of the State to transact business in the State and to perform all of its duties hereunder.

(b) Neither the execution and delivery of this Regulatory Agreement or any other document in connection with the financing of the Project, the consummation of the transactions contemplated hereby and thereby nor the fulfillment of or compliance with the terms and conditions hereof and thereof conflicts with or results in a breach of any of the terms, conditions, or provisions of any agreement or instrument to which the Borrower is now a party or by which it is bound or constitutes a default (with due notice or the passage of time or both) under any of the foregoing or results in the creation or imposition of any prohibited lien, charge, or encumbrance whatsoever upon any of the property or assets of the Borrower under the terms of any instrument or agreement to which the Borrower is now a party or by which it is bound.

(c) The execution, delivery, and performance of this Regulatory Agreement and all other documents to be delivered by the Borrower in connection with the consummation of the transactions contemplated hereby will not conflict with, or constitute a breach of or default under, any indenture, mortgage, deed of trust, lease, commitment, agreement, or other instrument or obligation to which the Borrower is a party or by which the Borrower or any of its property is bound, or under any law, rule, regulation, judgment, order, or decree to which the Borrower is subject or by which the Borrower or any of its property is bound.

(d) There is no action, suit, proceeding, inquiry, or investigation by or before any governmental agency, public board, or body pending or to the best of the Borrower’s knowledge, threatened against the Borrower (nor to the best of its knowledge is there any basis therefor), which:

(i) affects or seeks to enjoin, prohibit, or restrain the issuance, sale, or delivery of the Governmental Notes or the Bonds or the use of the proceeds of the Governmental Notes or the Bonds to finance the acquisition or construction of the Project or the execution and delivery of this Regulatory Agreement,

(ii) affects or questions the validity or enforceability of the Governmental Notes, the Bonds, or this Regulatory Agreement,

(iii) questions the tax-exempt status of the Tax-Exempt Obligations (except for any loss of tax-exempt status that results from the application of Section 147(a) of the Code or any successor provisions of the Code and applicable Treasury Regulations or any successor law or regulation), or

(iv) questions the power or authority of the Borrower to own, acquire, construct, equip, or operate the Project or to execute, deliver, or perform the Borrower's obligations under this Regulatory Agreement.

(e) The Project will be located wholly within the boundaries of the City of Minnetonka in the County.

(f) On and after the date on which the Bonds are executed and delivered to the Bond Trustee and the Governmental Notes are executed and delivered to the Administrative Agent, the Borrower will have title to the Project sufficient to carry out the purposes of this Regulatory Agreement, and such title shall be in and remain in the name of the Borrower except as otherwise permitted by this Regulatory Agreement.

(g) The Project consists and will consist of those facilities described herein, which generally are described as a residential apartment building and related facilities situated on the real property described in EXHIBIT A hereto. The Borrower shall make no changes to the Project or to the operation thereof which would affect the qualification of the Project under the Act or impair the exemption from federal income taxation of the interest on the Tax-Exempt Obligations. The Borrower will utilize and operate the Project as a multifamily rental housing project so long as the Tax-Exempt Obligations are outstanding, in accordance with all applicable federal, State, and local laws, rules, and regulations applicable to the Project.

(h) The Borrower has obtained, or will obtain on or before the date required therefor, all necessary certificates, approvals, permits, and authorizations with respect to the operation of the Project.

(i) The Borrower acknowledges that if the Borrower or a "substantial user" of the Project financed with the proceeds of the Tax-Exempt Obligations or a "related person," as those terms are employed in Section 147(a) of the Code, owns the Tax-Exempt Obligations, or any portion thereof, interest on the Tax-Exempt Obligations during such period of ownership will not be excludable from gross income for federal income tax purposes.

(j) The Borrower does not own any buildings or structures which are proximate to the Project other than those buildings or structures which comprise the Project, which are being financed pursuant to a common plan under which the Project is also being financed. An affiliate of the Borrower will own a multifamily residential rental project adjacent to the Project.

(k) The statements made in the various certificates delivered by the Borrower to the Governmental Lender and the Note Fiscal Agent on the date of issuance of the Governmental Notes are true and correct.

(l) The statements made in the various certificates delivered by the Borrower to the Governmental Lender and the Bond Trustee on the date of issuance of the Bonds are true and correct.

Section 3. Qualified Residential Rental Project. The Borrower shall acquire, construct, own, manage, and operate the Project as a "qualified residential rental project," as such phrase is utilized in

Section 142(d) of the Code, on a continuous basis during the Qualified Project Period. To that end, the Borrower hereby represents, warrants, and covenants as follows:

(a) that a qualified residential rental project will be constructed on the property described in EXHIBIT A hereto, and the Borrower shall own, manage and operate the Project as a qualified residential rental project containing Dwelling Units and facilities Functionally Related and Subordinate to such Dwelling Units, in accordance with Section 142(a)(7) and Section 142(d) of the Code and all applicable Treasury Regulations promulgated thereunder, as the same may be amended from time to time;

(b) that all of the Dwelling Units of the Project will be similarly constructed and each Dwelling Unit in the Project will contain complete facilities for living, sleeping, eating, cooking, and sanitation for a single person or a family;

(c) that:

(i) none of the Dwelling Units in the Project shall at any time in the future be utilized on a transient basis;

(ii) that none of the Dwelling Units in the Project shall at any time in the future be leased or rented for a period of less than thirty (30) days; and

(iii) that neither the Project nor any portion thereof shall be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, nursing home, sanitarium, rest home, or trailer park or trailer court for use on a transient basis, or by a cooperative housing corporation (as defined in Section 216(b)(1) of the Code);

(d) that once available for occupancy:

(i) each Dwelling Unit in the Project must be rented or available for rental on a continuous basis to members of the general public, in compliance with this Regulatory Agreement, during the Qualified Project Period, except for any Dwelling Unit for a resident manager or maintenance personnel; and

(ii) other than Low Income Tenants as provided herein or as otherwise permitted by law, the Borrower shall not give preference in renting Dwelling Units in the Project to any particular class or group of persons,

(e) that the Project consists of one or more discrete edifices and other man-made construction, each consisting of an independent foundation, outer walls and roof, all of which will be (i) owned by the same person for federal tax purposes, (ii) located on a common tract of land or two or more parcels of land which are contiguous except for being separated only by a road, street, stream, or a similar property and (iii) financed by the Loans or otherwise pursuant to a common plan of financing, and which consists entirely of:

(i) units which are similar in quality and type of construction and amenities; and

(ii) property Functionally Related and Subordinate in purpose and size to the Project, *e.g.*, parking areas, laundries, swimming pools, tennis courts, and other recreational facilities (none of which may be unavailable to any person because such person is a Low Income Tenant) and other facilities which are reasonably required for the Project, *e.g.*, heating and cooling equipment, trash disposal equipment, or units for residential managers or maintenance personnel;

(f) that no portion of the Project shall be used to provide any health club facility, any facility primarily used for gambling, or any store the principal business of which is the sale of alcoholic beverages for consumption off premises;

(g) that the Project shall not include a Dwelling Unit in a building where all Dwelling Units in such building are not also included in the Project;

(h) that the Borrower shall not convert the Project to condominium or cooperative ownership;

(i) that no Dwelling Unit in the Project shall be occupied by the Borrower (or any person related to the Borrower within the meaning of Section 147(a)(2) of the Code) at any time unless such person resides in a Dwelling Unit in a building or structure which contains at least five (5) Dwelling Units and unless the resident of such Dwelling Unit is a resident manager or other necessary employee (e.g., maintenance and security personnel);

(j) that the Tax-Exempt Obligations will not be “federally guaranteed,” as defined in Section 149(b) of the Code;

(k) that the Project shall at all times be used and operated as a “multifamily housing development,” as defined in the Act; and

(l) that the Borrower shall not discriminate on the basis of race, creed, color, sex, sexual preference, source of income (e.g., AFDC or SSI), physical disability, national origin, or marital status in the rental, lease, use, or occupancy of the Project or in connection with the employment or application for employment of persons for the operation and management of the Project.

Section 4. Low Income Tenants. Pursuant to the requirements of the Act and Section 142(d) of the Code, the Borrower hereby represents, warrants, and covenants as follows:

(a) Upon completion of the Project, not less than forty percent (40%) of the completed units in the Project shall be continuously occupied or held for occupancy by Low Income Tenants. The Borrower will designate the Low Income Units and will make any revisions to such designations as necessary to comply with the applicable provisions of the Code and the Treasury Regulations. As set forth in paragraph (e) below, the Borrower shall advise the Governmental Lender, the Note Fiscal Agent, and the Bond Trustee by delivery of a certificate in writing of the status of the occupancy of the Project with respect to Low Income Tenants on an annual basis for the term of this Regulatory Agreement. An Annual Certification of a Residential Rental Project, Form 8703 (Rev. September 2013), or successor form, shall be prepared annually by the Borrower and filed with the United States Secretary of the Treasury pursuant to Section 142(d)(7) of the Code (currently with the Internal Revenue Service Center, Ogden, Utah 84201), with a copy to be filed by the Borrower with the Governmental Lender, the Note Fiscal Agent, and the Bond Trustee. The percentage of units is measured by number of units, and not square footage of units.

For purposes of satisfying the occupancy requirements set forth above, a unit occupied by a person or family who at the commencement of their occupancy qualified as a Low Income Tenant shall be treated as occupied by a Low Income Tenant until such time as any recertification of such tenant’s income in accordance with subsections (c) and (h) below demonstrates that such tenant’s income exceeds one hundred forty percent (140%) of the income limitation applicable to Low Income Tenants.

A unit occupied by a Low Income Tenant shall be deemed, upon the termination of such tenant's occupancy, to be continuously occupied by a Low Income Tenant until reoccupied, other than for a temporary period (not to exceed sixty (60) days), at which time the character of the unit shall be redetermined.

(b) The Borrower will notify the Governmental Lender on an annual basis of any vacancy of any Low Income Units.

(c) The Borrower will obtain, complete, and maintain on file income certifications from each Low Income Tenant, obtained immediately prior to the initial occupancy of such tenant in the Project and at least annually thereafter. Such income certifications (based upon their then current income) from each Low Income Tenant shall be provided in the form of income certification set forth in EXHIBIT B hereto or another form approved by Bond Counsel (the "Tenant Income Certification"). The preceding sentence shall not apply for any year if, during such year, no residential unit in the Project is occupied by a new resident whose income exceeds the applicable income limit for Low Income Tenants. The Borrower will also provide such additional information as may be required by Section 142(d) of the Code, as the same may be amended from time to time, or in such other form and manner as may be required by applicable rules, rulings, policies, procedures, Treasury Regulations now or hereafter promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service applicable to the Tax-Exempt Obligations. Such Tenant Income Certification shall be obtained prior to initial occupancy. If requested by the Governmental Lender, a copy of such Tenant Income Certification shall be filed with the Governmental Lender prior to occupancy by the tenant whenever possible but in no event more than one month after initial occupancy by the tenant. A copy of each re-certification of income shall be attached to each report filed with the Governmental Lender, the Bond Trustee, and the Note Fiscal Agent pursuant to subsection (a) above. The Borrower shall make a good faith effort to verify that the income reported by an applicant in an income certification is accurate by taking at least one of the following steps as a part of the verification process: (1) obtain a pay stub for the most recent pay period; (2) obtain an income tax return for the most recent tax year; (3) conduct a credit or similar search; (4) obtain an income verification form from the applicant's current employer; (5) obtain an income verification form from the Social Security Administration if the applicant receives assistance from such agency; or (6) if the applicant is unemployed and has no such tax return, obtain another form of independent verification. If the Low Income Tenant is a Section 8 Certificate Holder, the Borrower shall retain a copy of the certificate or voucher for verification of income in lieu of an income verification.

The Borrower understands that failure to file the Annual Certification of a Residential Rental Project, Form 8703 (Rev. September 2013), or successor form, as required by Section 142(d)(7) of the Code at the times stated therein may subject it to the penalty described in Section 6652(j) of the Code.

(d) The Borrower will maintain complete and accurate records pertaining to the Low Income Units and will permit, upon reasonable prior notice, any duly authorized representative of the Governmental Lender, the Note Funding Lender, the Note Fiscal Agent, the Bond Trustee, the Department of the Treasury, or the Internal Revenue Service to inspect the books and records of the Borrower pertaining to the Project, including those records pertaining to the occupancy of the Low Income Units. This section is not intended to create any additional duties to inspect records.

(e) The Borrower will prepare and submit to the Governmental Lender, the Note Fiscal Agent, the Bond Trustee, and if requested, the Administrative Agent (during the Construction Phase only) and the Note Funding Lender, on or before August 1 of each year during the Qualified Project Period, beginning the first August 1 following commencement of the Qualified Project Period, a Continuing Program Compliance Certificate in the form attached hereto as EXHIBIT C and executed by the Borrower, and, if requested by the Governmental Lender, the Bond Trustee, the Administrative Agent

(during the Construction Phase only) or the Note Funding Lender, the Tenant Income Certification described in subsection (c) above. The Note Fiscal Agent and the Bond Trustee may solely rely on the Continuing Program Compliance Certificate as evidence of compliance with this Section 4.

(f) The Borrower, upon becoming aware of an Event of Default, will notify the Governmental Lender, the Administrative Agent (during the Construction Phase only), the Note Funding Lender, the Note Fiscal Agent, and the Bond Trustee, in writing, of the occurrence of any such Event of Default hereunder or any event which, with the passage of time or service of notice, or both, would constitute an Event of Default hereunder, specifying the nature and period of existence of such event and the actions being taken or proposed to be taken with respect thereto. Such notice shall be given promptly and in no event longer than ten (10) Business Days after the Borrower receives notice or gains knowledge of the occurrence of any such event. The Borrower further agrees that it will give prompt written notice to the Governmental Lender, the Administrative Agent (during the Construction Phase only), the Note Funding Lender, the Note Fiscal Agent, and the Bond Trustee if insurance proceeds or condemnation awards are received with respect to the Project and are not used to repair or replace the Project, which notice shall state the amount of such proceeds or award.

(i) Except as provided in clause (ii) below, the Borrower shall accept as tenants on the same basis as all other prospective Low Income Tenants who are recipients of federal certificates for rent subsidies pursuant to the existing program under Section 8 of the Housing Act or its successor and shall not apply selection criteria to Section 8 certificate/voucher holders that are more burdensome than the criteria applied to all other prospective tenants.

(ii) The Borrower agrees to modify the leases for units in the Project as necessary to allow the rental of Low Income Units to Section 8 certificate/voucher holders.

(g) Each lease pertaining to a Low Income Unit shall contain a provision to the effect that the Borrower has relied on the income certification and supporting information supplied by the Low Income Tenant in determining qualification for occupancy of the Low Income Unit and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease.

(h) Throughout the Qualified Project Period, the Borrower shall re-certify each Low Income Tenant's income on or before the anniversary of the Low Income Tenant's tenancy by obtaining a completed Income Certification. The preceding sentence shall not apply for any year if, during such year, no residential unit in the Project is occupied by a new resident whose income exceeds the applicable income limit for Low Income Tenants. In the event the recertification demonstrates that any such tenant's household income exceeds one hundred forty percent (140%) of the applicable income limit, the Borrower shall hold the next available unit or units of comparable or smaller size in the Project available for rental by new Low Income Tenants.

The Borrower in its sole discretion may notify, in writing, each tenant who is no longer a Low Income Tenant of such fact, and that the rent of such tenant(s) is subject to increase thirty (30) days after receipt of such notice. The Borrower shall be entitled to so increase any such tenant's rent only if Borrower complies with any law applicable thereto and only after the Borrower has rented the next available unit or units in the Project on a one-for-one basis to a Low Income Tenant, or holds units vacant and available for occupancy by Low Income Tenants.

The Borrower agrees to inform all prospective Low Income Tenants of the requirements for recertification of income and of the provisions of the preceding paragraph.

Section 5. Restrictions Imposed by Chapter 474A. Because the Tax-Exempt Obligations are issued by the Governmental Lender as “residential rental project bonds,” as defined in Minnesota Statutes, Chapter 474A, as amended (“Chapter 474A”), and have received an allocation of tax-exempt bonding authority pursuant to applicable provisions of Chapter 474A, the restrictions imposed by Chapter 474A apply to the Project as described below.

(a) In addition to any other restrictions on rent or the income of tenants set forth in this Regulatory Agreement, during the Qualified Project Period, the Borrower shall restrict rents on at least twenty percent (20%) of the units in the Project (which shall consist of the same units as meet the requirements of Section 4) to an amount not exceeding the lesser of the area fair market rents or exception fair market rents, as applicable, for existing housing as established by the federal Department of Housing and Urban Development from time to time, which units shall be occupied, or held for occupancy, by Low Income Tenants.

(b) The annual certifications required to be made by the Borrower hereunder shall conform to the requirements of Section 474A.047, subdivision 3, and the Governmental Lender shall have the authority to impose upon the Borrower any and all penalties described in Section 474A.047, subdivision 3, from time to time, in addition to any remedies otherwise available under this Regulatory Agreement.

(c) The Borrower must satisfy the requirements of Section 474A.047, subdivision 1(a), during the Qualified Project Period. The Borrower must annually certify to the Governmental Lender over the term of this Regulatory Agreement that the rental rates for the rent-restricted units are within the limitations under Section 474A.047, subdivision 1(a). The Governmental Lender may request individual certification of the income of residents of the income-restricted units. The Commissioner of Minnesota Management and Budget may request from the Governmental Lender a copy of the annual certification prepared by the Borrower. The Commissioner of Minnesota Management and Budget may require the Governmental Lender to request individual certification of all residents of the income-restricted units.

Section 6. Covenants Run with the Land. The Borrower hereby declares its express intent that, upon filing this Regulatory Agreement in the appropriate property records of the County, the covenants, restrictions, charges, and easements set forth herein shall be deemed covenants running with the land and shall, except as otherwise provided in, or the Freddie Mac Rider to, this Regulatory Agreement, pass to and be binding upon the Borrower’s successors in title including any purchaser, grantee, owner, or lessee of any portion of the Project and any other person or entity having any right, title, or interest therein and upon the respective heirs, executors, administrators, devisees, successors, and assigns of any purchaser, grantee, owner, or lessee of any portion of the Project and any other person or entity having any right, title, or interest therein. Except as otherwise provided in, or the Freddie Mac Rider to, this Regulatory Agreement, each and every contract, deed, or other instrument hereafter executed covering or conveying the Project or any portion thereof or interest therein shall contain an express provision making such conveyance subject to the covenants, restrictions, charges, and easements contained herein; provided, however, that any such contract, deed, or other instrument shall conclusively be held to have been executed, delivered, and accepted subject to such covenants, regardless of whether or not such covenants are set forth or incorporated by reference in such contract, deed, or other instrument.

Section 7. Indemnification. The Borrower hereby covenants and agrees that it shall indemnify and hold harmless the Governmental Lender and its officers, agents, and employees (the “**Indemnified Parties**”), the Note Fiscal Agent, the Bond Trustee, the Administrative Agent, the Note Funding Lender, and their respective officers, members, directors, officials, and employees as provided in the Note Project Loan Agreement and the Bond Loan Agreement, respectively. All provisions of the Note Project Loan

Agreement and the Bond Loan Agreement relating to indemnification are incorporated by reference herein and are considered provisions of this Regulatory Agreement, as if expressly set out herein.

Section 8. Consideration. The Governmental Lender has issued the Governmental Notes and the Bonds in part to provide funds to make the Loans to finance the acquisition, construction, and equipping of the Project all for the purpose, among others, of inducing the Borrower to acquire, construct, equip, and operate the Project. In consideration of the issuance of the Governmental Notes and the Bonds by the Governmental Lender, the Borrower has entered into this Regulatory Agreement and has agreed to restrict the uses to which the Project can be put on the terms and conditions set forth herein.

Section 9. Reliance. The Governmental Lender and the Borrower hereby recognize and agree that the representations and covenants set forth herein may be relied upon by all persons interested in the legality and validity of the Governmental Notes and the Bonds and in the exemption from federal income taxation of the interest on the Tax-Exempt Obligations. In performing their duties and obligations hereunder, under the Note Funding Loan Agreement, and under the Bond Indenture, the Governmental Lender, the Note Fiscal Agent, and the Bond Trustee, as the case may be, may rely upon statements and certificates of the Borrower and the tenants and upon audits of the books and records of the Borrower pertaining to the Project. In addition, the Governmental Lender, the Note Fiscal Agent, and the Bond Trustee may consult with counsel, and the written opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Governmental Lender, the Note Fiscal Agent, or the Bond Trustee hereunder in good faith and in conformity with such written opinion. A copy of any such opinion shall be furnished by the Governmental Lender, the Note Fiscal Agent, the Administrative Agent (during the Construction Phase only), or the Bond Trustee to the Borrower or Note Funding Lender upon written request. In determining whether any default or lack of compliance by the Borrower exists under this Regulatory Agreement, the Governmental Lender, the Note Fiscal Agent, or the Bond Trustee shall not be required to conduct any investigation into or review of the operations or records of the Borrower and may rely solely on any notice or certificate delivered to the Governmental Lender, the Note Fiscal Agent, or the Bond Trustee by the Borrower with respect to the occurrence or absence of a default unless it knows, or in the exercise of reasonable care should have known, that the notice or certificate is erroneous or misleading.

Neither the Note Fiscal Agent nor the Bond Trustee shall be under any duty or obligation to make any investigation or inquiry as to any statements or other matters contained or referred to in any documents or any instruments delivered to it in accordance with this Regulatory Agreement, but the Note Fiscal Agent and the Bond Trustee may receive and accept the same as conclusive evidence of the truth and accuracy of such statements.

Section 10. Sale or Transfer of the Project. The Borrower hereby covenants and agrees not to sell, transfer, or otherwise dispose of the Project, or any portion thereof, except as permitted under the terms of the Note Project Loan Agreement. Any attempted sale, transfer, or disposition which would cause or result in the violation of any of the covenants herein, provisions, reservations, restrictions, charges, or easements shall be null and void ab initio and of no force and effect. Nothing herein shall prohibit the transfer, sale or assignment of the interests in the Borrower or any direct or indirect ownership interests in Borrower's partners. In the event of sale, transfer, or disposition of the Project, the Borrower shall provide notice to the Governmental Lender of such event.

Section 11. Term. This Regulatory Agreement and the terms hereof shall become effective upon its execution and delivery and shall remain in full force and effect for a term and period equal to the Qualified Project Period, it being expressly agreed and understood that the provisions hereof are intended to survive the retirement of the Governmental Notes and the Bonds and termination of the Note Project Loan Agreement and the Bond Loan Agreement and the Loans if the Qualified Project Period has not

expired at the time of such retirement and expiration. Notwithstanding anything in this Regulatory Agreement to the contrary:

(a) The Project may be transferred pursuant to a foreclosure, exercise of power of sale, or deed in lieu of foreclosure, or comparable proceedings without the consent of or fee of any kind payable to the Governmental Lender or compliance with the provisions of this Regulatory Agreement. In connection with any such foreclosure, deed in lieu of foreclosure, or other proceedings, this Regulatory Agreement shall be terminated upon completion of the foreclosure and expiration of the applicable redemption period, or recording of a deed in lieu of foreclosure.

(b) The requirements of this Regulatory Agreement shall terminate and be of no further force and effect in the event of involuntary noncompliance with the provisions of this Regulatory Agreement caused by fire or other casualty, seizure, requisition, foreclosure, transfer of title by deed in lieu of foreclosure, change in a federal law, or an action of a federal agency after the date of this Regulatory Agreement, which prevents the Governmental Lender, the Note Fiscal Agent, and the Bond Trustee from enforcing such provisions, or condemnation or a similar event, but only if, within a reasonable period, either the Tax-Exempt Obligations are retired or amounts received as a consequence of such event are used to provide a project that meets the requirements hereof (provided that this shall be deemed met if the Tax-Exempt Obligations have been previously retired); provided, however, that the preceding provisions of this sentence shall cease to apply and the restrictions contained herein shall be reinstated if, at any time subsequent to the termination of such provisions as the result of the foreclosure, or the delivery of a deed in lieu of foreclosure, or a similar event, the Borrower or any related person (within the meaning of Section 1.103-10(e) of the Treasury Regulations) obtains an ownership interest in the Project for federal income tax purposes. The Borrower hereby agrees that, following any foreclosure, transfer of title by deed in lieu of foreclosure, or similar event, if the Borrower or any such related person as described above obtains an ownership interest in the Project for federal tax purposes during the Qualified Project Period, the limitations imposed by Section 4 hereof shall apply to the Project for the remainder of the Qualified Project Period.

(c) This Regulatory Agreement, or any of the provisions or sections hereof, may be terminated upon agreement by the Governmental Lender, the Borrower, the Administrative Agent (during the Construction Phase only), the Note Funding Lender, and the Bond Trustee upon receipt by the Governmental Lender, the Borrower, the Administrative Agent (during the Construction Phase only), the Note Funding Lender, and the Bond Trustee of an opinion of Bond Counsel to the effect that such termination will not cause interest on the Tax-Exempt Obligations to become included in gross income for federal income tax purposes or cause interest on the Tax-Exempt Obligations to become included in the net taxable income of individuals, trusts, and estates for State income tax purposes.

Upon the termination of the terms of this Regulatory Agreement, the parties hereto agree to execute, deliver, and record appropriate instruments of release and discharge of the terms hereof; provided, however, that the execution and delivery of such instruments shall not be necessary or a prerequisite to the termination of this Regulatory Agreement in accordance with its terms.

Section 12. Burden and Benefit. The Governmental Lender and the Borrower hereby declare their understanding and intent that the burden of the covenants set forth herein touch and concern the land in that the Borrower's legal interest in the Project is rendered less valuable thereby. The Governmental Lender and the Borrower hereby further declare their understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Project by Low Income Tenants, the intended beneficiaries of such covenants, reservations, and restrictions, and by furthering the public purposes for which the Governmental Notes and the Bonds were issued.

Notwithstanding the foregoing, the Low Income Tenants are not intended to be third-party beneficiaries of this Regulatory Agreement and shall have no rights to enforce any provision herein.

Section 13. Enforcement. If the Borrower defaults in the performance or observance of any covenant, agreement, or obligation of the Borrower set forth in this Regulatory Agreement, and if such default remains uncured for a period of sixty (60) days after written notice thereof shall have been given by the Governmental Lender, the Note Fiscal Agent, or the Bond Trustee to the Borrower, then the Governmental Lender or the Note Fiscal Agent, acting upon the direction of the Administrative Agent (during the Construction Phase only) or the Note Funding Lender pursuant to the Note Funding Loan Agreement, or the Governmental Lender or the Bond Trustee, pursuant to the Bond Loan Agreement, may declare an “Event of Default” to have occurred hereunder and, at their respective option, may take any one or more of the following steps:

(a) by mandamus or other suit, action, or proceeding at law or in equity require the Borrower to perform its obligations and covenants hereunder or enjoin any acts or things which may be unlawful or in violation of the rights of the Governmental Lender, the Note Fiscal Agent, the Bond Trustee, or the Note Funding Lender hereunder;

(b) have access to and inspect, examine, and make copies of all the books and records of the Borrower pertaining to the Project;

(c) take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants, and agreements of the Borrower hereunder;

(d) with the Note Fiscal Agent’s consent (acting upon the direction of the Administrative Agent (during the Construction Phase only) or the Note Funding Lender), declare a default under its respective Loan, accelerate the indebtedness evidenced by the respective Loan, and proceed to redeem the Tax-Exempt Notes in accordance with their terms; or

(e) with the Bond Trustee’s consent (acting upon the direction of the holders of the Bonds), declare a default under the Loan related to the Bonds, accelerate the indebtedness evidenced by the Loan related to the Bonds, and proceed to redeem the Bonds in accordance with their terms.

Notwithstanding anything to the contrary contained herein, the Governmental Lender, the Note Fiscal Agent, and the Bond Trustee hereby agree that any cure of any default made or tendered by one or more of the Borrower’s partners or by the Administrative Agent (during the Construction Phase only) or the Note Funding Lender shall be deemed to be a cure by Borrower and shall be accepted or rejected on the same basis as if made or tendered by Borrower.

All fees, costs, and expenses of the Note Fiscal Agent, the Bond Trustee, or the Governmental Lender incurred in taking any action pursuant to this Section 13 shall be the sole responsibility of the Borrower and shall be paid to the Note Fiscal Agent, the Bond Trustee, or the Governmental Lender, as the case may be, on demand.

After the Tax-Exempt Obligations have been discharged, the Governmental Lender may act on its own behalf to declare an “Event of Default” to have occurred and to take any one or more of the steps specified hereinabove to the same extent and with the same effect as if taken by the Note Fiscal Agent at the direction of the holders of the Tax-Exempt Obligations or by the Bond Trustee at the direction of the holders of the Bonds.

Section 14. The Note Fiscal Agent, the Bond Trustee, and the Governmental Lender. The Note Fiscal Agent is entering into this Regulatory Agreement in its capacity as the Note Fiscal Agent under the terms of the Governmental Notes and the Note Funding Loan Agreement. The Bond Trustee is entering into this Regulatory Agreement in its capacity as the Bond Trustee under the terms of the Bonds and the Bond Indenture. The Governmental Lender may, at all times, assume the Borrower's compliance with this Regulatory Agreement unless otherwise notified in writing by the Note Fiscal Agent and the Bond Trustee (but the Note Fiscal Agent and the Bond Trustee shall have no obligation to so notify the Governmental Lender), or unless the Governmental Lender has actual knowledge of noncompliance. The Note Fiscal Agent and the Bond Trustee can rely on the accuracy of any certificates, instruments, opinions, or reports delivered to them by the Borrower. It is expected that the Governmental Notes will be discharged and the Note Funding Loan Agreement will terminate prior to the expiration of the Qualified Project Period. Following the payment in full and the discharge of the Tax-Exempt Obligations and the termination of the Note Funding Loan Agreement and the Bond Indenture: (i) all obligations, rights, and duties of the Note Fiscal Agent and the Bond Trustee, as applicable, under this Regulatory Agreement will terminate and be of no further force and effect; (ii) all actions required by the Note Fiscal Agent and the Bond Trustee, as applicable, will instead be undertaken by the Governmental Lender; (iii) all notices to be delivered to the Note Funding Lender, the Note Fiscal Agent, or the Bond Trustee will instead be delivered to the Governmental Lender; and (iv) the Note Fiscal Agent and the Bond Trustee, as applicable, shall no longer be a party to this Regulatory Agreement and shall be considered released from all obligations hereunder.

Section 15. Amendment. The provisions hereof shall not be amended or revised prior to the stated term hereof except by an instrument in writing duly executed by the Governmental Lender and the Borrower, and consented to by the Note Fiscal Agent and the Bond Trustee as may be required by the Note Project Loan Agreement, the Administrative Agent (during the Construction Phase only), the Note Funding Lender, and the Bond Indenture, and duly recorded. The consent of the Governmental Lender, the Note Fiscal Agent, and the Bond Trustee to any such amendment or revision (whether or not the Tax-Exempt Obligations shall then be outstanding) shall be given only upon receipt of an opinion of Bond Counsel addressed to the Governmental Lender, the Note Fiscal Agent, the Note Funding Lender, and the Bond Trustee that such amendment or revision will not adversely affect the exemption from federal income taxation of interest on the Tax-Exempt Obligations. The Governmental Lender, the Note Fiscal Agent, and the Bond Trustee shall have no duty to prepare any such consent, amendment, or revision.

Section 16. Right of Access to the Project and Records. The Borrower agrees that during the term of this Regulatory Agreement, the Governmental Lender, the Note Fiscal Agent, the Note Funding Lender, the Bond Trustee, and the duly authorized agents of any of them shall have the right at all reasonable times, and upon reasonable notice of at least twenty-four (24) hours, to enter upon the site of the Project during normal business hours to examine and inspect the Project and to have access to the books and records of the Borrower with respect to the Project, a copy of which shall be maintained at the site of the Project.

Section 17. No Conflict with Other Documents. The Borrower warrants that it has not executed and will not execute any other agreement with provisions contradictory to, or in opposition to, the provisions hereof.

Section 18. Severability. The invalidity of any clause, part, or provision of this Regulatory Agreement shall not affect the validity of the remaining portions thereof.

Section 19. Notices. All notices to be given pursuant to this Regulatory Agreement shall be in writing and shall be deemed given when sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods or when mailed by certified or registered mail, return receipt requested, to

the parties hereto at the addresses set forth below, or to such other place as a party may from time to time designate in writing:

To the Governmental Lender: CITY OF MINNETONKA, MINNESOTA
14600 Minnetonka Boulevard
Minnetonka, MN 55345-1502
Attn: Julie Wischnack, Community Development Director
Email: jwischnack@eminnetonka.com
Telephone: 952-939-8282

To the Note Fiscal Agent: U.S. BANK NATIONAL ASSOCIATION
Corporate Trust Services
60 Livingston Avenue, Third Floor
EP-MN-WS3C
Saint Paul, MN 55107-2292
Attn: Dan Sheff, Vice President
Email: dan.sheff@usbank.com
Telephone: 651-466-6302

To the Administrative Agent for the Note Funding Lender (for the Construction Phase only): U.S. BANK NATIONAL ASSOCIATION
Community Lending Division
800 Nicollet Mall, Third Floor
BC-MN-H5AD
Minneapolis, MN 55402
Attn: Daniel P. Smith
Email: daniel.smith1@usbank.com
Telephone: 612-303-3689

U.S. BANK NATIONAL ASSOCIATION
Community Lending
1307 Washington Avenue, Suite 300
St. Louis, MO 63103
Attn: Alexander J. Silversmith
Email: alexander.silversmith@usbank.com
Telephone: 314-335-2661

To the Borrower: MINNETONKA LEASED HOUSING ASSOCIATES III, LLLP
c/o Dominion Development & Acquisition, LLC
2905 Northwest Boulevard, Suite 150
Plymouth, MN 55441-7400
Attn: Ryan Lunderby
Email: rlunderby@dominiuminc.com
Telephone: 763-354-5634

with a copies to:

WINTHROP & WEINSTINE, P.A.
225 South Sixth Street, Suite 3500
Minneapolis, MN 55402-4629
Attn: John M. Stern, Esq.
Email: jstern@winthrop.com
Telephone: 612-604-6588
(which copy shall not constitute notice to Borrower)

CITIBANK, N.A.
388 Greenwich Street, Eighth Floor
New York, NY 10013
Attn: Mark Sherman
Email: mark.sherman@citi.com

NIXON PEABODY LLP
799 Ninth Street, NW, Suite 500
Washington, DC 20001-4501
Attn: Matthew W. Mullen, Esq.
Email: mmullen@nixonpeabody.com

TCAM
186 Lincoln Street
Boston, MA 02111-2408
Attn: Jenny Netzer

To the Bond Trustee:

U.S. BANK NATIONAL ASSOCIATION
Corporate Trust Services
60 Livingston Avenue, Third Floor
EP-MN-WS3C
Saint Paul, MN 55107-2292
Attn: Dan Sheff, Vice President
Email: dan.sheff@usbank.com
Telephone: 651-466-6302

Section 20. Governing Law. This Regulatory Agreement shall be governed by and construed in accordance with the laws and judicial decisions of the State, except as such laws may be preempted by any federal rules, regulations, and laws.

Section 21. Payment of Fees. Notwithstanding payment of the Loans, the termination of the Note Project Loan Agreement, the termination of the Bond Indenture, and the defeasance or discharge of the Tax-Exempt Obligations, throughout the term of the Qualified Project Period, the Borrower shall continue to pay:

(a) to the Governmental Lender, reimbursement for all reasonable fees and expenses, including, but not limited to, financial advisory and legal fees and expenses necessary for the Governmental Lender's reviewing and, if necessary, enforcing compliance by the Borrower with the terms of this Regulatory Agreement; and

(b) the fees and expenses of any entity or person designated by the Governmental Lender to perform the review of the Borrower's compliance with this Regulatory Agreement; provided that such fees and expenses are not duplicative of any fees and expenses paid under clause (a) above.

Section 22. Limited Liability. All obligations of the Governmental Lender hereunder shall be special, limited obligations of the Governmental Lender, payable solely and only from proceeds of the Governmental Notes and Bonds and amounts derived by the Governmental Lender from the Loans, the Note Project Loan Agreement, and the Bond Loan Agreement.

Section 23. Actions of Governmental Lender. The Governmental Lender shall be entitled to rely conclusively on an opinion of counsel in the exercise or non-exercise of any of the rights or powers vested in the Governmental Lender by virtue of this Regulatory Agreement or any other agreement or instrument executed in connection with the issuance of the Governmental Notes and the Bonds; it being the intent of the parties hereto that the Governmental Lender, and any and all present and future trustees, members, commissioners, officers, employees, attorneys, and agents of the Governmental Lender shall not incur any financial or pecuniary liability for the exercise or non-exercise of any rights or powers vested in the Governmental Lender by this Regulatory Agreement or any other instrument or agreement executed in connection with the issuance of the Governmental Notes; or for the performance or nonperformance of any obligation under, or the failure to assert any right, power, or privilege under this Regulatory Agreement, the Governmental Notes, the Note Project Loan Agreement, the Note Funding Loan Agreement, the Bonds, the Bond Indenture, the Bond Loan Agreement, or any other instrument or agreement executed in connection with the issuance of the Governmental Notes. If the Governmental Lender's consent or approval is required under this Regulatory Agreement, or any other agreement or instrument executed in connection with the issuance of the Governmental Notes or the Bonds, the Governmental Lender shall be entitled to rely conclusively on an opinion of counsel and shall not be responsible for any loss or damage resulting from any action or inaction in reliance upon such opinion.

Section 24. Counterparts. This Regulatory Agreement may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original; but such counterparts shall together constitute but one and the same Regulatory Agreement, and, in making proof of this Regulatory Agreement, it shall not be necessary to produce or account for more than one such counterpart.

Section 25. Recording and Filing. Upon obtaining fee title to the Property, the Borrower shall cause this Regulatory Agreement and all amendments and supplements hereto and thereto to be recorded and filed in the real property records of the County, the State, and in such other places as the Governmental Lender may reasonably request. The Borrower shall pay all fees and charges incurred in connection with any such recording.

Section 26. Third-Party Beneficiary. The parties to this Regulatory Agreement recognize and agree that the terms of this Regulatory Agreement and the enforcement of those terms are essential to the security of the Administrative Agent (during the Construction Phase only) and the Note Funding Lender and are entered into for the benefit of various parties, including the Administrative Agent (during the Construction Phase only) and the Note Funding Lender. The Administrative Agent (during the Construction Phase only) and the Note Funding Lender shall accordingly have contractual rights in this Regulatory Agreement and shall be entitled (but not obligated) to enforce, separately or jointly with the Governmental Lender, the Note Fiscal Agent, and/or the Bond Trustee or to cause the Governmental Lender, the Note Fiscal Agent, or the Bond Trustee to enforce, the terms of this Regulatory Agreement. In addition, the Administrative Agent (during the Construction Phase only) and the Note Funding Lender are intended to be and shall be third-party beneficiaries of this Regulatory Agreement.

Section 27. Freddie Mac Rider. The Freddie Mac Rider to Regulatory Agreement (the "Freddie Mac Rider") attached to this Regulatory Agreement forms an integral part of this Regulatory Agreement and the terms thereof are hereby incorporated in this Regulatory Agreement, provided that the

Freddie Mac Rider shall not be effective unless and until Conversion (as defined in the Note Funding Loan Agreement) occurs, and shall be terminated automatically and without further action required of any party hereto or Freddie Mac following the Freddie Mac Purchase Date (as defined in the Note Funding Loan Agreement) upon the earlier of (a) the date the Governmental Notes are paid, retired, or otherwise discharged and (b) the date Freddie Mac ceases to be the Note Funding Lender.

(The remainder of this page is intentionally left blank.)

IN WITNESS WHEREOF, the Governmental Lender, the Borrower, the Note Fiscal Agent, and the Bond Trustee have caused this Regulatory Agreement to be signed by their respective duly authorized representatives as of the day and year first written above.

CITY OF MINNETONKA, MINNESOTA

By _____
Its Mayor

By _____
Its City Manager

STATE OF MINNESOTA)
) SS.
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this ____ day of _____, 2018, by Brad Wiersum, the Mayor of the City of Minnetonka, Minnesota, a home rule city, municipal corporation, and political subdivision duly organized and existing under its Charter and the Constitution and laws of the State of Minnesota, on behalf of the Governmental Lender.

Notary Public

STATE OF MINNESOTA)
) SS.
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this ____ day of _____, 2018, by Geralyn Barone, the City Manager of the City of Minnetonka, Minnesota, a home rule city, municipal corporation, and political subdivision duly organized and existing under its Charter and the Constitution and laws of the State of Minnesota, on behalf of the Governmental Lender.

Notary Public

Execution page of the Borrower to the Regulatory Agreement, dated the date and year first written above.

MINNETONKA LEASED HOUSING ASSOCIATES III, LLLP, a Minnesota limited liability limited partnership

By: Minnetonka Leased Housing Associates SPE III, LLC, a Delaware limited liability company
Its: General Partner

By: _____
Name: Ryan J. Lunderby
Its: Vice President

STATE OF MINNESOTA)
) SS.
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this ____ day of _____, 2018, by Ryan J. Lunderby, the Vice President of Minnetonka Leased Housing Associates SPE III, LLC, a Delaware limited liability company, the general partner of Minnetonka Leased Housing Associates III, LLLP, a Minnesota limited liability limited partnership, on behalf of the Borrower.

Notary Public

EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY

Lot 1, Block 1, DOMINIUM 2ND ADDITION, Hennepin County, Minnesota

EXHIBIT B

FORM OF INCOME CERTIFICATION

FORM OF TENANT INCOME CERTIFICATION

TENANT INCOME CERTIFICATION <input type="checkbox"/> Initial Certification <input type="checkbox"/> Recertification <input type="checkbox"/> Other _____	Effective Date: _____ Move-in Date: _____ (MM/DD/YY): _____
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PART I. DEVELOPMENT DATA

Property Name: Preserve at Shady Oak Address: 11001 Bren Road East, Minnetonka, Minnesota	County: _____ Unit Number: _____	BIN #: _____ # Bedrooms: _____
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PART II. HOUSEHOLD COMPOSITION

HH Br #	Last Name	First Name & Middle Initial	Relationship to Head of Household	Date of Birth (MM/DD/Y Y)	F/T Student (Y or N)	Social Security or Alien Reg. No.
1			HEAD			
2						
3						
4						
5						
6						

PART III. GROSS ANNUAL INCOME (USE ANNUAL AMOUNTS)

HH Br #	(A) Employment or Wages	(B) Soc. Security / Pensions	(C) Public Assistance	(D) Other Income
TOTAL	\$ _____	\$ _____	\$ _____	\$ _____
Add totals from (A) through (D) above			TOTAL INCOME (E):	\$ _____

PART IV. INCOME FROM ASSETS

HH Mbr#	(F) Type of Asset	(G) C/I	(H) Cash Value of Asset	(I) Annual Income from Asset

TOTALS:			\$	\$
Enter Column (H) Total		Passbook Rate		
if over \$5,000	\$ _____	x 2.00 %	=	(J) Imputed Income
Enter the greater of the total column I, or J: imputed income			TOTAL INCOME FROM	\$
ASSETS (K)				
(L) Total Annual Household Income from all sources [Add (E) + (K)]				\$

HOUSEHOLD CERTIFICATION & SIGNATURES

The information on this form will be used to determine maximum income eligibility. I/we have provided for each person(s) set forth in Part II acceptable verification of current anticipated annual income. I/we agree to notify the landlord immediately upon any member of the household moving out of the unit or any new member moving in. I/we agree to notify the landlord immediately upon any member becoming a full-time student.

Under penalties of perjury, I/we certify that the information presented in this Certification is true and accurate to the best of my/our knowledge and belief. The undersigned further understands that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of the lease agreement.

_____	_____	_____	_____
Signature	(Date)	Signature	(Date)
_____	_____	_____	_____
Signature	(Date)	Signature	(Date)

PART V. DETERMINATION OF INCOME ELIGIBILITY

TOTAL ANNUAL HOUSEHOLD INCOME FROM ALL SOURCES From Item (L) on page 1	\$ <input type="text"/>	Household Meets Income Restriction	RECERTIFICATION ONLY:
		at:	Current Income Limit x 140%
		<input type="checkbox"/> 60% <input type="checkbox"/>	\$ _____
Current Income Limit per Family Size: \$ _____		50% <input type="checkbox"/> 40% <input type="checkbox"/>	Household income exceeds 140% at recertification:
		30% <input type="checkbox"/> ___%	<input type="checkbox"/> Yes <input type="checkbox"/> No
Household Income at Move-in \$ _____			Household Size at Move-in: _____

PART VI. RENT

Tenant Paid Rent \$ Rent Assistance: \$

Utility Allowance \$ Other non-optional charges: \$

GROSS RENT FOR UNIT:

Tenant paid rent plus Utility Allowance and other non-optional charges \$

Unit Meets Rent Restriction at:
 60% 50% 40% 30% ___%

Maximum Rent Limit for this unit: \$

PART VII. STUDENT STATUS

ARE ALL OCCUPANTS FULL-TIME STUDENTS?

yes no

If yes, enter student explanation** (also attach documentation)

Enter 1-4

Student explanation:

1. TANF assistance
2. Job training program
3. Single parent/dependent child
4. Married/joint return*

***Exception for married/joint return is the only exception available for units necessary to qualify tax-exempt bonds.**

PART VIII. PROGRAM TYPE

Mark the program(s) listed below (a. through e.) for which this household's unit will be counted toward the property's occupancy requirements. Under each program marked, indicate the household's income status as established by this certification/recertification

a. Tax Credit b. HOME c. Tax Exempt d. AHDP e. _____
(Name of Program)

See Part V above.

Income Status

- ≤ 50% AMGI
 ≤ 60% AMGI
 ≤ 80% AMGI
 ≤ OI **

Income Status

- 50% AMGI
 60% AMGI
 80% AMGI
 OI **

Income Status

- ≤ 50% AMGI
 ≤ 80% AMGI
 ≤ OI **

Income Status

- _____

 ≤ OI **

** Upon recertification, household was determined over income (OI) according to eligibility requirements of the program(s) marked above.

SIGNATURE OF OWNER / REPRESENTATIVE

Based on the representations herein and upon the proofs and documentation required to be submitted, the individual(s) named in Part II of this Tenant Income Certification is/are eligible under the provisions of Section 42 of the Internal Revenue Code, as amended, and the Regulatory Agreement (if applicable), to live in a unit in this Project.

SIGNATURE OF OWNER / REPRESENTATIVE

DATE

INSTRUCTIONS FOR COMPLETING TENANT INCOME CERTIFICATION

This form is to be completed by the owner or an authorized representative.

Part I – Development Data

Check the appropriate box for Initial Certification (move-in), Recertification (annual recertification), or Other. If Other, designate the purpose of the recertification (i.e., a unit transfer, a change in household composition, or other state-required recertification).

- Move-in Date Enter the date the tenant has or will take occupancy of the unit.
- Effective Date Enter the effective date of the certification. For move-in, this should be the move-in date. For annual recertification, this effective date should be no later than one year from the effective date of the previous (re)certification.
- Property Name Enter the name of the development.
- County Enter the county (or equivalent) in which the building is located.
- BIN # Enter the Building Identification Number (BIN) assigned to the building (from IRS Form 8609).
- Address Enter the unit number.
- Unit Number Enter the unit number.
- # Bedrooms Enter the number of bedrooms in the unit.

Part II – Household Composition

List all occupants of the unit. State each household member's relationship to the head of the household by using one of the following coded definitions:

- | | | | |
|---|-------------------|---|---------------------|
| H | Head of household | S | Spouse |
| A | Adult co-tenant | O | Other family member |
| C | Child | F | Foster child |
| L | Live-in caretaker | N | None of the above |

Enter the date of birth, student status, and Social Security number or alien registration number for each occupant.

If there are more than seven occupants, use an additional sheet of paper to list the remaining household members and attach it to the certification.

Part III – Annual Income

See HUD Handbook 4350.3 for complete instructions on verifying and calculating income, including acceptable forms of verification.

From the third party verification forms obtained from each income source, enter the gross amount anticipated to be received for the 12 months from the effective date of the (re)certification. Complete a separate line for each income-earning member. List the respective household member number from Part II.

- Column (A) Enter the annual amount of wages, salaries, tips, commissions, bonuses, and other income from employment; distributed profits and/or net income from a business.
- Column (B) Enter the annual amount of Social Security, Supplemental Security Income, pensions, military retirement, etc.
- Column (C) Enter the annual amount of income received from public assistance (i.e., TANF, general assistance, disability, etc.)
- Column (D) Enter the annual amount of alimony, child support, unemployment benefits, or any other income regularly received by the household.
- Row (E) Add the totals from columns (A) through (D) above. Enter this amount.

Part IV – Income from Assets

See HUD Handbook 4350.3 for complete instructions on verifying and calculating income from assets, including acceptable forms of verification.

From the third party verification forms obtained from each asset source, list the gross amount anticipated to be received during the 12 months from the effective date of the certification. List the respective household member number from Part II and complete a separate line for each member.

- Column (F) List the type of asset (i.e., checking account, savings account, etc.)
- Column (G) Enter C (for current, if the family currently owns or holds the asset), or I (for imputed, if the family has disposed of the asset for less than fair market value within two years of the effective date of (re)certification).
- Column (H) Enter the cash value of the respective asset.
- Column (I) Enter the anticipated annual income from the asset (i.e., savings account balance multiplied by the annual interest rate).
- TOTALS Add the total of Column (H) and Column (I), respectively.

If the total in Column (H) is greater than \$5,000, you must do an imputed calculation of asset income. Enter the Total Cash Value, multiply by 2% and enter the amount in (J), Imputed Income.

- Row (K) Enter the Greater of the total in Column (I) or (J)
- Row (L) Total Annual Household Income from All Sources Add (E) and (K) and enter the total

HOUSEHOLD CERTIFICATION AND SIGNATURES

After all verifications of income and/or assets have been received and calculated, each household member age 18 or older must sign and date the Tenant Income Certification. For move-in, it is recommended that the Tenant Income Certification be signed no earlier than five days prior to the effective date of the certification.

Part V – Determination of Income Eligibility

Total Annual Household Income from all sources	Enter the number from item (L).
Current Income Limit per Family Size	Enter the Current Move-in Income Limit for the household size.
Household income at move-in Household size at move-in	For recertifications only. Enter the household income from the move-in certification. On the adjacent line, enter the number of household members from the move-in certification.
Household Meets Income Restriction	Check the appropriate box for the income restriction that the household meets according to what is required by the set-aside(s) for the project.
Current Income Limit x 140%	For recertification only. Multiply the Current Maximum Move-in Income Limit by 140% and enter the total. Below, indicate whether the household income exceeds that total. If the Gross Annual Income at recertification is greater than 140% of the current income limit, then the available unit rule must be followed.

Part VI – Rent

Tenant Paid Rent	Enter the amount the tenant pays toward rent (not including rent assistance payments such as Section 8).
Rent Assistance	Enter the amount of rent assistance, if any.
Utility Allowance	Enter the utility allowance. If the owner pays all utilities, enter zero.
Other non-optional charges	Enter the amount of non-optional charges, such as mandatory garage rent, storage lockers, charges for services provided by the development, etc.
Gross Rent for Unit	Enter the total of Tenant Paid Rent plus Utility Allowance and other non-optional charges.
Maximum Rent Limit for this unit	Enter the maximum allowable gross rent for the unit.
Unit Meets Rent Restriction at ___%	Check the appropriate rent restriction that the unit meets according to what is required by the set-aside(s) for the project.

Part VII – Student Status

If all household members are full-time* students, check “yes.” If at least one household member is not a full-time student, check “no.”

If “yes” is checked, the appropriate exemption must be listed in the box to the right. If none of the exemptions apply, the household is ineligible to rent the unit.

* *Full time is determined by the school the student attends.*

Part VIII – Program Type

Mark the program(s) for which this unit will be counted toward the property’s occupancy requirements. Under each program marked, indicate the household’s income status as established by this certification/recertification. If the property does not participate in the HOME, Tax-Exempt Bond, Affordable Housing Disposition, or other housing program, leave those sections blank.

Tax Credit See Part V above.

HOME If the property participates in the HOME program and the unit this household will occupy will count towards the HOME program set-asides, mark the appropriate box indicating the household’s designation.

Tax Exempt If the property participates in the Tax Exempt Bond program, mark the appropriate box indicating the household’s designation.

AHDP If the property participates in the Affordable Housing Disposition Program (AHDP), and this household’s unit will count towards the set-aside requirements, mark the appropriate box indicating the household’s designation.

Other If the property participates in any other affordable housing program, complete the information as appropriate.

SIGNATURE OF OWNER / REPRESENTATIVE

It is the responsibility of the owner or the owner’s representative to sign and date this document immediately following execution by the resident(s).

The responsibility of documenting and determining eligibility (including completing and signing the Tenant Income Certification form) and ensuring such documentation is kept in the tenant file is extremely important and should be conducted by someone well-trained in tax credit compliance.

These instructions should not be considered a complete guide on tax credit compliance. The responsibility for compliance with federal program regulations lies with the owner of the building(s) for which the credit is allowable.

EXHIBIT C

CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

The undersigned, an authorized representative of Minnetonka Leased Housing Associates III, LLLP, a Minnesota limited liability limited partnership (the "Owner"), hereby certifies, represents, and warrants that:

1. The Owner owns the senior housing development located at 11001 Bren Road East in the City of Minnetonka, Minnesota commonly known as Legends of Minnetonka (the "Project").

2. The undersigned and the Owner have read and are thoroughly familiar with the provisions of (1) the Regulatory Agreement, dated September __, 2018 (the "Regulatory Agreement"), between the Owner, the City of Minnetonka, Minnesota (the "Governmental Lender"), U.S. Bank National Association, a national banking association, in its capacity as fiscal agent (the "Note Fiscal Agent"), and U.S. Bank National Association, a national banking association, in its capacity as trustee (the "Bond Trustee"); (2) the Project Loan Agreement, dated as of September 1, 2018 (the "Note Project Loan Agreement"), between the Borrower, the Governmental Lender, and the Fiscal Agent with respect to the Governmental Notes; and (3) the Subordinate Loan Agreement, dated as of September 1, 2018 (the "Bond Loan Agreement"), between the Governmental Lender and the Borrower. The Regulatory Agreement was executed, delivered, and recorded against the Project in connection with the issuance of the Governmental Notes and the Bonds. Capitalized terms used herein that are otherwise not defined shall have the meanings provided in the Regulatory Agreement.

3. A review of the activities of the Owner and of the Owner's performance under the Regulatory Agreement during the year ending ____ has been made under the supervision of the undersigned.

4. The Project's Qualified Project Period commenced on _____, 20__ (the date on which 10% of the residential units in the Project were occupied), and will end on the latest of:

(i) _____, 20__ (the date which is 15 years after the date on which 50% of the residential units in the Project were occupied);

(ii) the first day on which no tax-exempt private activity bond issued with respect to the Project is outstanding, or

(iii) the date on which any assistance provided with respect to the Project under Section 8 of the United States Housing Act of 1937 terminates.

5. As of the date of this Certificate, the following percentages of completed residential units in the Project are (i) occupied by Low Income Tenants or (ii) currently vacant and being held available for occupancy by Low Income Tenants and have been so held continuously since the date a Low Income Tenant vacated such unit, as indicated:

Occupied by Low Income Tenants	_____ % Units	Nos. _____
Continuously held vacant for occupancy by Low Income Tenants since last occupied by Low Income Tenants	_____ % Units	Nos. _____

6. At no time since the date of filing of the last Continuing Program Compliance Certificate (or since the issuance of the Governmental Notes and the Bonds, if this is the first such certificate) have fewer than forty percent (40%) of the completed units in the Project been occupied by, last occupied, or held for occupation by Low Income Tenants.

7. As of the date of this Certificate, all of the units in the Project are (i) occupied by persons or families with Adjusted Income which does not exceed 60% of the Median Income for the Area adjusted for household size; or (ii) held vacant for occupancy for persons or families with Adjusted Income which does not exceed 60% of the Median Income for the Area adjusted for household size. Project Units occupied or held vacant for persons or families with Adjusted Income which does not exceed 60% of the Median Income for the Area adjusted for household size include Unit numbers _____.

8. At all times since the date of filing of the last Continuing Program Compliance Certificate the rent on at least 20% of the units in the Project has not exceeded the lesser of: (1) 30% of the adjusted income of a household whose gross income equals 60% of the median family income as most recently established by the United States Department of Housing and Urban Development for the Minneapolis/St. Paul standard metropolitan statistical area, as adjusted for household size; or (2) the area fair market rents or exception fair market rents, as applicable, for existing housing as established by the United States Department of Housing and Urban Development.

9. To the knowledge of the undersigned, after due inquiry, all units were rented or available for rental on a continuous basis during the immediately preceding year to members of the general public, and the Owner is not now and has not been in default under the terms of the Regulatory Agreement, the Note Project Loan Agreement, or the Bond Loan Agreement and, to the knowledge of the undersigned, no Determination of Taxability has occurred with respect to the Governmental Notes or the Bonds.

10. **[CHOOSE ONE:** None/One or more] of the Tenants in the Project are currently receiving assistance under Section 8 of the United States Housing Act of 1937.

11. The Owner has not transferred any interest in the Project since the date of submission of the Continuing Program Compliance Certificate last submitted to the Governmental Lender, the Note Fiscal Agent, and the Bond Trustee with respect to the Project. **(If the Owner has transferred any interest in the Project, such transfer should be detailed here.)**

Dated: _____, 20____.

**MINNETONKA LEASED HOUSING
ASSOCIATES III, LLLP**, a Minnesota limited liability
limited partnership

By: Minnetonka Leased Housing Associates SPE III,
LLC, a Delaware limited liability company
Its: General Partner

By: _____
Name: _____
Its: _____

FREDDIE MAC RIDER

This Freddie Mac Rider (the “**Rider**”) is attached to and forms a part of the Regulatory Agreement (the “**Regulatory Agreement**”), dated September ____, 2018, between the CITY OF MINNETONKA, MINNESOTA, a home rule charter city, municipal corporation, and political subdivision duly organized and existing under its charter and the Constitution and laws of the State of Minnesota (the “**Governmental Lender**”), MINNETONKA LEASED HOUSING ASSOCIATES III, LLLP, a Minnesota limited liability limited partnership (together with any successor to its rights, duties and obligations hereunder and as owner of the Project identified herein, the “**Borrower**”), U.S. BANK NATIONAL ASSOCIATION, a national banking association (together with any successor in such capacity, the “**Fiscal Agent**”), and U.S. Bank National Association, a national banking association, as Bond Trustee (as defined in the Regulatory Agreement).

1. Definitions. Terms used in this Rider as defined terms shall have the meanings given those terms in the Regulatory Agreement and the Funding Loan Agreement. In addition, the following terms shall have the following meanings:

“Freddie Mac” means the Federal Home Loan Mortgage Corporation, a shareholder owned government sponsored enterprise organized and existing under the laws of the United States.

“Funding Lender” means the holder of the Governmental Note, initially on the Conversion Date, KeyBank National Association, and on the Freddie Mac Purchase Date, Freddie Mac, and any successors or assigns thereof.

“Funding Loan Agreement” means the Funding Loan Agreement, dated as of September 1, 2018, between the Governmental Lender, the Administrative Agent set forth therein and the Note Fiscal Agent, as such Funding Loan Agreement may from time to time be amended or supplemented.

“Governmental Note” means, together, the Multifamily Note with designation as Multifamily Housing Revenue Note (Legends of Minnetonka Project), Series 2018A-1 and the Multifamily Note with designation as Multifamily Housing Revenue Note (Legends of Minnetonka Project), Series 2018A-2 (which have been consolidated at Conversion), dated September ____, 2018, in the maximum principal amount of \$_____ and delivered by the Governmental Lender pursuant to the Funding Loan Agreement.

“Project Loan” means the loan to the Borrower pursuant to the Project Loan Documents, which Project Loan is to be assigned to the Note Fiscal Agent.

“Project Loan Agreement” means the Project Loan Agreement dated as September 1, 2018, between the Borrower, the Governmental Lender and the Fiscal Agent, as such Project Loan Agreement may from time to time be amended or supplemented.

“Project Loan Documents” means the Security Instrument, Project Note, the Project Loan Agreement, the Regulatory Agreement, the Continuing Covenant Agreement, any Subordination Agreement(s), and any and all other instruments and other documents, evidencing, securing or otherwise relating to the Project Loan or any portion thereof.

“Project Note” means the Amended and Restated Project Note, including applicable addenda, to be executed by the Borrower in favor of the Fiscal Agent, as assignee of the

Governmental Lender, evidencing the Borrower's financial obligations under the Project Loan, as the same may be amended, modified, supplemented or restated from time to time.

“Security Instrument” means the Amended and Restated Multifamily Mortgage, Assignment of Rents, Security Agreement and Fixture Financing Statement, together with all riders thereto, by the Borrower granting a first priority mortgage lien and security interest in the Project to the Fiscal Agent, and its successors and assigns, securing the Project Note, to be executed by the Borrower with respect to the Project, as it may be amended, modified, supplemented or restated from time to time.

“Servicer” means KeyBank National Association, or any successor Servicer selected by Freddie Mac.

2. Applicability. The provisions of this Rider shall amend and supplement the provisions of, and in the event of a conflict shall supersede the conflicting provisions of, the Regulatory Agreement.

3. Indemnification. Inasmuch as the covenants, reservations and restrictions of the Regulatory Agreement run with the land, the indemnification obligations of the Borrower contained in the Regulatory Agreement will be deemed applicable to any successor in interest to the Borrower, but, it is acknowledged and agreed, notwithstanding any other provision of the Regulatory Agreement to the contrary, that neither the Funding Lender nor any successor in interest to the Funding Lender will assume or take subject to any liability for the indemnification obligations of the Borrower for acts or omissions of the Borrower prior to any transfer of title to Freddie Mac, whether by foreclosure, deed in lieu of foreclosure or comparable conversion of the Project Loan. The Borrower shall remain liable under the indemnification provisions for its acts and omissions prior to any transfer of title to the Funding Lender. The Funding Lender shall indemnify the Governmental Lender following acquisition of the Project by the Funding Lender, by foreclosure, deed in lieu of foreclosure or comparable conversion of the Project Loan, during, and only during, any ensuing period that the Funding Lender owns and operates the Project, provided that the Funding Lender's liability shall be strictly limited to acts and omissions of the Funding Lender occurring during the period of ownership and operation of the Project by the Funding Lender. The Funding Lender shall have no indemnification obligations with respect to the Governmental Note or the Project Loan Documents. The Borrower shall remain liable under the Regulatory Agreement for its actions and omissions prior to any transfer of title to the Funding Lender.

4. Sale or Transfer. Restrictions on sale or transfer of the Project or of any interest in the Borrower, Governmental Lender, Fiscal Agent, and/or Bond Trustee consents, transferee agreements, transferee criteria and requirements, opinion requirements, assumption fees, transfer fees, penalties and the like shall not apply to any transfer of title to the Project to the Funding Lender or to a third party by foreclosure, deed in lieu of foreclosure or comparable conversion of the Project Loan or to any subsequent transfer by the Funding Lender following foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Project Loan. No transfer of the Project shall operate to release the Borrower from its obligations under the Regulatory Agreement. Nothing contained in the Regulatory Agreement shall affect any provision of the Security Instrument or any of the other Project Loan Documents that requires the Borrower to obtain the consent of the Funding Lender as a precondition to sale, transfer or other disposition of, or any direct or indirect interest in, the Project or of any direct or indirect interest in the Borrower, excluding transfers permitted by the Security Instrument. No covenant obligating the Borrower to obtain an agreement from any transferee to abide by all requirements and restrictions of the Regulatory Agreement shall have any applicability to a transfer to the Funding Lender upon foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Project Loan by the Funding Lender, or to any subsequent transfer by the Funding Lender following foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Project Loan.

5. Enforcement. Notwithstanding anything contained in the Regulatory Agreement to the contrary: (i) the occurrence of an event of default under the Regulatory Agreement shall not, under any circumstances whatsoever, be deemed or constitute a default under the Project Loan Documents, except as may be otherwise specified in the Project Loan Documents; and (ii) the occurrence of an event of default under the Regulatory Agreement shall not impair, defeat or render invalid the lien of the Security Instrument. No person other than the Funding Lender shall have the right to (a) declare the principal balance of the Project Note to be immediately due and payable or (b) commence foreclosure or other like action with respect to the Security Instrument. The Governmental Lender and the Fiscal Agent acknowledge and agree that the exercise of any rights and remedies under the Regulatory Agreement is subject to the provisions of the Project Loan Documents.

6. Notice of Violations. Promptly upon determining that a violation of the Regulatory Agreement has occurred, the Governmental Lender or the Fiscal Agent shall, by notice in writing to the Borrower, the Servicer and the Funding Lender, inform the Borrower, the Servicer and the Funding Lender that such violation has occurred, the nature of the violation and that the violation has been cured or has not been cured, but is curable within a reasonable period of time, or is incurable; notwithstanding the occurrence of such violation, neither the Governmental Lender nor the Fiscal Agent shall have, and each of them acknowledge that they shall not have, any right to cause or direct acceleration of the Project Loan, to enforce the Project Note or to foreclose on the Security Instrument.

7. Amendments. The Regulatory Agreement shall not be amended without the prior written consent of the Funding Lender.

8. Fees; Penalties. The Funding Lender shall not be liable for the payment of any compensation or any accrued unpaid fees, costs, expenses or penalties otherwise owed by the Borrower or any subsequent owner of the Project prior to the date of acquisition of the Project by the Funding Lender, whether such acquisition is by foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Project Loan.

9. Subordination. The terms, covenants and restrictions of the Regulatory Agreement, other than those set forth in Sections 3 through 5, are and shall at all times remain subject and subordinate, in all respects, to the liens, rights and interests created under the Project Loan Documents.

10. Third-Party Beneficiary. The parties to the Regulatory Agreement recognize and agree that the terms of the Regulatory Agreement and the enforcement of those terms are essential to the security of the Funding Lender and are entered into for the benefit of various parties, including the Funding Lender. The Funding Lender shall accordingly have contractual rights in the Regulatory Agreement and shall be entitled (but not obligated) to enforce, separately or jointly with the Governmental Lender and/or the Fiscal Agent, or to cause the Governmental Lender or the Fiscal Agent to enforce, the terms of the Regulatory Agreement. In addition, the Funding Lender is intended to be and shall be a third-party beneficiary of the Regulatory Agreement.

11. Notices. Copies of all notices under the Regulatory Agreement shall be sent to the Servicer at the address set forth below or to such other address as the Servicer may from time to time designate:

KEYBANK NATIONAL ASSOCIATION
11501 Outlook Street, Suite 300
Mailcode: KS-01-11-0501
Overland Park, KS 66211
Attention: Ms. Gina Sullivan
Email: Gina_Sullivan@KeyBank.com

Any notice to be given to Freddie Mac shall be sent to Freddie Mac at the address set forth below or to such other address as Freddie Mac may from time to time designate:

FEDERAL HOME LOAN MORTGAGE CORPORATION
8100 Jones Branch Drive, MS B4P
McLean, Virginia 22102
Attention: Multifamily Operations - Loan Accounting
Email: mfla@freddiemac.com
Telephone: (703) 714-4177

with a copy to:

FEDERAL HOME LOAN MORTGAGE CORPORATION
8200 Jones Branch Drive, MS 210
McLean, Virginia 22102
Attention: Managing Associate General Counsel –
Multifamily Legal Division
Email: joshua_schonfeld@freddiemac.com
Telephone: (703) 903-2000