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Oregon Housing & Community Services Department
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Klamath County, Oregon
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SPACE ABOVE FOR RECORDER'S USE

STATE OF OREGON
OREGON HOUSING AND COMMUNITY SERVICES DEPARTMENT

**PASS-THROUGH REVENUE BOND PROGRAM, LOW INCOME HOUSING TAX
CREDIT PROGRAM, LOCAL INNOVATION AND FAST TRACK PROGRAM &
MULTIFAMILY ENERGY PROGRAM**

**OPERATING AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS**

THIS OPERATING AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS (this "**Operating Agreement**" or "**Agreement**") is made and entered into as of this **1st day of April, 2020** by and between the State of Oregon, acting by and through its Housing and Community Services Department (together with its successors and assigns, the "**Department**" or "**OHCS**"), and **Sunrise Vista Apartments, LLC**, an Oregon limited liability company ("**Owner**" or "**Borrower**").

RECITALS

A. Owner has applied to the Department for financial assistance from multiple OHCS programs to finance the development, construction, furnishing, and equipping of an affordable, multifamily, rental-housing development comprised of a total of **fifty eight (58)** units contained in **eight (8)** residential buildings and **one (1)** community building (collectively, the "**Improvements**") on a leasehold interest in land in the City of Klamath Falls, Klamath County, Oregon, as more particularly described in Exhibit A attached hereto (the "**Property**"). The Property and the Improvements are collectively referred to herein as the "**Project**", which is commonly known as "**Sunrise Vista Apartments**." The above-referenced leasehold derives from a Lease Agreement dated on or about **April 16, 2020**, between Owner, as Lessee, and Klamath Housing Authority, an Oregon public body corporate and politic ("**KHA**"), as Lessor.

B. The Department has: (i) approved a conditional loan of Pass-Through Revenue Bond ("**Conduit Bond**") Program funds to Owner for the Project up to a maximum principal amount of **Eight Million One Hundred Thousand Dollars (\$8,100,000)** (the "**Conduit Bond Loan**"); (ii) approved a conditional reservation ("**Credit Reservation**") of federal 4% Low-Income Housing Tax Credit ("**LIHTC**") Program tax credits up to an aggregate amount not to exceed

Six Million Three Hundred Fifty Five Thousand Eight Hundred Twenty Dollars (\$6,355,820), and available in yearly increments with each increment not to exceed Six Hundred Thirty Five Thousand Five Hundred Eighty Two Dollars (\$635,582) (the “Credits”); (iii) approved a conditional loan of Local Innovation and Fast Track (“LIFT”) Program funds to Owner for the Project up to a maximum principal amount of Seven Million Two Hundred Twenty Five Thousand Seven Hundred and Two Dollars (\$7,225,702) (the “LIFT Loan”); and (iv) approved a conditional grant of Multifamily Energy Program (“MEP”) funds for the Project up to a maximum amount of One Hundred Thirty Six Thousand Nine Hundred Forty Three Dollars (\$136,943) (the “MEP Grant”). The terms of commitment for processing the Conduit Bond Loan, the Credits, the LIFT Loan, and the MEP Grant are contained, among other things, in that certain Letter of Intent between the Department and KHA on behalf of itself and Borrower dated on or about July 16, 2019 (the “LOI”).

C. Through the Conduit Bond Program, the Department and the State Treasurer, at the request of the Department (collectively, the “Issuer”), has or will issue its \$2,450,000 Oregon Housing and Community Services Department Housing Development Revenue Bonds (Sunrise Vista Apartments Project) 2020 Series D-1 (the “2020 Series D-1 Bonds”), and its \$5,650,000 Oregon Housing and Community Services Department Housing Development Revenue Bonds (Sunrise Vista Apartments Project) 2020 Series D-2 (the “2020 Series D-2 Bonds”). The 2020 Series D-1 Bonds and the 2020 Series D-2 Bonds are collectively referred to herein as the “Bonds”. Issuer is issuing the Bonds for the purpose of loaning the proceeds of the Bonds to Owner pursuant to that certain Loan Agreement, dated as of April 1, 2020 by and between the Issuer and Owner (the “Bond Loan Agreement”) in connection with the Project.

D. The Issuer, Owner, and Trustee (as hereinafter defined) have or will execute, deliver, and record in the official records of Klamath County, Oregon a Regulatory Agreement, dated April 1, 2020 (the “Regulatory Agreement”). The Regulatory Agreement will restrict the use of the Project so as to preserve the exemption from federal income taxation of interest on the Bonds including by, but not limited to, imposing covenants, restrictions, charges and easements, that shall run with the land and 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 or hereafter for the duration of the Regulatory Agreement. The Bond Loan Agreement and the Regulatory Agreement, together with all other documents related to the Bonds (including as further described below), including as amended from time to time, are hereinafter, collectively, known as the “Bond Documents.”

E. Through the LIHTC Program, the Department will potentially allocate the Credits for the Project. The Credits will be evidenced, among other things, by a 4% Low-Income Housing Tax Credit Reservation and Extended Use Agreement, dated April 1, 2020 (the “REUA”) between Owner and OHCS, and a 4% Tax Credit Allocation Indemnity and Hold Harmless Agreement, dated April 1, 2020 (the “LIHTC Indemnity”).

F. Owner and the Department will subsequently execute and record in the official records of Klamath County, Oregon a 4% Low-Income Housing Tax Credit Declaration of Land Use Restrictive Covenants (the “Declaration”) to comply with the requirements of Section 42 of the Internal Revenue Code of 1986, as amended, by, but not limited to, imposing covenants,

restrictions, charges and easements consistent with the terms of the REUA, that shall run with the land and 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 or hereafter for the duration of the Declaration. The documents referenced in Recitals E and F, together with all other documents related to the Credits, including as amended from time to time, are hereinafter, collectively, known as the **“LIHTC Documents.”**

G. Through the LIFT Program, OHCS will provide the conditional LIFT Loan for the Project. The LIFT Loan will be evidenced, among other things, by (i) a promissory note in the aggregate principal amount of **\$7,225,702**, dated April 1, 2020 (the **“LIFT Note”**) delivered to OHCS by Owner; (ii) a Line of Credit Trust Deed, Security Agreement, Fixture Filing and Assignment of Leases and Rents, dated April 1, 2020 (the **“LIFT Trust Deed”**) executed by Owner and KHA, jointly and severally, as Grantor, in favor of OHCS, as beneficiary, to be recorded in the official records of Klamath County, Oregon; (iii) a Loan Agreement, dated April 1, 2020 (the **“LIFT Loan Agreement”**) entered into by and between Owner and OHCS; (iv) a Repayment and Completion Guaranty Agreement, dated April 1, 2020 (the **“Guaranty”**) entered into between OHCS, Luckenbill-Drayton & Associates, LLC, an Oregon limited liability company (**“Luckenbill”**) and KHA (KHA, together with Luckenbill, are collectively referred to herein as the **“Guarantor”**), (v) a Project Management Agreement, dated April 1, 2020 (the **“Project Management Agreement”**) executed by OHCS, Owner, and the Management Agent on or about April 1, 2020; (vi) this Operating Agreement; and (vii) any ancillary documents related to the documents previously identified in this Recital G. The documents referenced in this Recital G, together with all other documents related to the LIFT Loan, including as amended from time to time, are hereinafter, collectively, referred to as the **“LIFT Documents.”**

H. Through the MEP Program, OHCS will provide the conditional MEP Grant for the Project. The MEP Grant will be evidenced, among other things, by: (i) that certain Multifamily Energy Program Grant Agreement and Declaration of Restrictive Covenants, dated April 1, 2020 between KHA and the Department (the **“MEP Grant Agreement”**); and (ii) that certain Multifamily Energy Program Assignment and Assumption Agreement and Declaration of Restrictive Covenants, dated April 1, 2020 by and among KHA, Owner, and the Department (the **“MEP Assignment”**). The MEP Grant Agreement, the MEP Assignment along with any ancillary documents related to the MEP Grant, including any amendments that may be made from time to time, are collectively referred to herein as the **“MEP Documents.”**

I. The LOI, the LIHTC Documents, the LIFT Documents, and the MEP Documents are collectively referred to herein as the **“Financing Documents.”**

K. Owner and OHCS are executing and recording this Operating Agreement in the official records of Klamath County, Oregon to restrict the use and control the operation of the Project so as to comply with the requirements of the Code and the Act by, but not limited to, imposing covenants, restrictions, charges and easements, that shall run with the land and 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 or hereafter for the duration of this Operating Agreement.

AGREEMENT

NOW, THEREFORE, for good and sufficient consideration, including the terms, conditions, covenants, warranties, and undertakings set forth herein, the parties hereto hereby agree as follows:

SECTION 1. INCORPORATIONS; DEFINITIONS.

1.1 Incorporation. The foregoing Recitals and referenced documents are incorporated herein by reference to the same extent and with the same force and effect as if fully set forth herein, provided, however, that nothing in the Recitals or in the incorporated documents shall be deemed to modify the express provisions hereinafter set forth.

1.2 Construction. The parties agree that they and their legal counsel have participated in the preparation of this Agreement. Accordingly, the interpretation of ambiguous terms, if any, shall not be construed against OHCS or the State of Oregon.

1.3 Priority of Terms; No Limitation of Remedies. To the degree, if any, that the transfer provisions of Section 13 hereof, or the notice, remedy, and right to cure provisions of Section 21 hereof are in conflict with similar provisions in any of the other Financing Documents, the referenced provisions of this Operating Agreement shall prevail. This provision does not limit available remedies hereunder or available remedies under any of the other Financing Documents or Bond Documents.

1.4 Definitions. Capitalized terms used herein without definition or not otherwise defined below, have the meaning ascribed to such term in the Financing Documents and the Project Requirements unless the context clearly requires otherwise.

“Act” means Oregon Revised Statutes Chapter 286A and Sections 456.515 to 456.725, inclusive, together with any amendments.

“Adjusted Income” means adjusted income, for purposes of Section 8 of the Housing Act of 1937, as amended, as defined in Regulations Section 24 CFR Section 5.611.

“Affiliate” means any corporation, partnership, limited liability company or other entity directly or indirectly controlling, controlled by or under common control with such entity. For this purpose, **“control,” “controlled”** or **“controlling”** means (i) the ownership directly or indirectly of voting control of the corporation or other entity, (ii) control of the management through holding, directly or indirectly, a general partnership interest in a limited partnership or the managing member interest in a limited liability company, or (iii) if such entity has no stock or equity, control over a majority of the board of directors of such entity.

“Affordability Period” means the collective period of time beginning on the earliest date and ending on the latest date of the following durations, each of which may commence or end on different dates but, to the extent that they coincide, run concurrently: (a) the **“Qualified Project**

Period” applicable to the Project; (b) the respective **“Affordability Periods”** described in the Financing Documents; and (c) the time period beginning with the date of this Agreement and expiring not sooner than **December 31, 2052** provided that Owner is in continuous compliance with the terms of this Agreement during such time period. Such continuous compliance requirement (subject to early termination pursuant to the terms of Section 13) will continue in effect notwithstanding the retirement of the Bonds, the recapture of Credits, repayment of the LIFT Loan, repayment of the MEP Grant, and regardless of whether or not the Bonds or any other tax-exempt obligations are outstanding with respect to any part of the Project. Notwithstanding the foregoing, the Department may, at its sole discretion, extend the Qualified Project Period and Affordability Periods of the respective Financing Documents, as well as this Affordability Period beyond **December 31, 2052**, for periods of time matching corresponding periods of time during which the Department determines Owner to be in material noncompliance with any of the terms of this Agreement (including the incorporated Financing Documents) or the Regulatory Agreement.

“Available Units” mean Dwelling Units in the Project that are actually occupied and Dwelling Units in the Project that are vacant and have been occupied at least once after becoming available for occupancy, provided that (a) a Dwelling Unit that is vacant on the later of (i) the date the Project is acquired or (ii) the Closing Date is not an Available Unit and does not become an Available Unit until it has been occupied for the first time after such date, and (b) a Dwelling Unit that is not available for occupancy due to renovations is not an Available Unit and does not become an Available Unit until it has been occupied for the first time after the renovations are completed.

“Bond Closing” means the date upon which the Bonds are issued and delivered.

“Bond Counsel” means Orrick, Herrington & Sutcliffe LLP or an attorney at law or a firm of attorneys at law selected by the Department with a nationally recognized standing in matters pertaining to bonds issued by states and their political subdivisions and the tax-exempt nature of interest on such obligations.

“Bond Documents” mean the Trust Indenture, the Bond Loan Agreement, the Deed of Trust, the Regulatory Agreement, and related documents executed by one or more of the parties (including without limitation, the Department, Owner and the Trustee) related to the financing, acquisition, construction, equipping, or operation of the Project.

“Bondowner” or **“Bondholder”** means the person or entity in whose name such Bond is registered.

“Bonds” mean the Bonds as defined in Recital C. It also includes and means any refunding bonds.

“Closing Date” means April 16, 2020.

“Code” means the Internal Revenue Code of 1986, as amended, together with corresponding and applicable final, temporary or proposed regulations and revenue rulings issued or amended with

respect thereto by the Treasury Department or Internal Revenue Service of the United States. All references herein to sections, paragraphs or other subdivisions of the Code or the regulations promulgated thereunder shall be deemed to be references to correlative provisions of any successor code or regulations promulgated thereunder.

“Corrective Notice” means any directive from OHCS to correct a deficiency in the operation or management of the Project, or other noncompliance with Project Requirements, as determined by OHCS.

“Deed of Trust” or “Trust Deed” means the Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing, dated as of April 16, 2020, together with all exhibits, securing the Bonds and certain other obligations, executed by the Owner and KHA naming the Trust Deed Trustee, as trustee, and the Trustee as beneficiary, for the benefit of the Bondholders, and with respect to the Reserved Rights, for the benefit of the Issuer (including the Department), and encumbering the Property and the Improvements, as it may be amended or supplemented from time to time.

“Dwelling Units” or “Units” mean the units of multifamily residential rental housing comprising the Project that are available for occupancy. For purposes of this definition, no manager’s unit so designated shall be treated as a Dwelling Unit or Unit for Qualified Unit compliance purposes during the time of such occupation.

“Event of Default” means any event of default by Owner under this Operating Agreement, under any Bond Document, or under any other Financing Document.

“Excess Revenues” mean that Operating Income remaining after payment of applicable Operating Expenses and, subject to the terms of this Operating Agreement, available for distribution by Owner.

“Financial Institution” means (a) any national bank, banking corporation, national banking association or other banking institution, whether acting in its individual or fiduciary capacity, organized under the laws of the United States, any state, any territory or the District of Columbia, the business of which is substantially confined to banking and is supervised by the Comptroller of the Currency or a comparable state or territorial official or agency; (b) an insurance company whose primary and predominant business activity is the writing of insurance or the reinsuring of risks underwritten by insurance companies and which is subject to supervision by the insurance commissioner or a similar official or agency of a state, a territory or the District of Columbia; (c) an investment company registered under the Investment Company Act of 1940 or a business development company as described in Section 2(a)(48) of that Act; (d) an employee benefit plan, including an individual retirement account, which is subject to the provisions of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, insurance company or registered investment company; or (e) institutional investors or other entities who customarily purchase commercial paper or tax-exempt securities in large denominations.

“Functionally Related and Subordinate” means and includes 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.

“GAAP” means generally accepted accounting principles consistently applied.

“Housing Act” means the United States Housing Act of 1937, as amended, or its successor.

“IFRS” means the International Financial Reporting Standards.

“Indenture” means that certain Trust Indenture, dated as of April 1, 2020, between the Issuer and the Trustee, relating to the Bonds.

“Investor” means Hunt Capital Partners Tax Credit Fund 31, LP, a Delaware limited partnership, and its successors and assigns.

“Lease” means the form(s) of OHCS-approved agreement between Owner and a Resident under the terms of which a Resident is entitled to enjoy possession of a Unit in the Project.

“Management Agent” means the duly registered entity with a duly licensed individual in a supervisory role engaged by Owner to manage the operation of the Project at any time during the Affordability Period consistent with the terms of the Project Management Agreement.

“Management Agreement” means that management agreement between Owner and Management Agent, if any, satisfactory to OHCS, as amended or replaced. The Management Agreement is an ancillary document to the Financing Documents, subject to their terms and conditions, and hereby included in the definition thereof and incorporated herein.

“Management Plan” means information provided to OHCS (and satisfactory to OHCS) describing, among other things, Owner/Agent relationship, Project and Project-site management staffing, management responsibilities (specific by position), and marketing outreach, as amended from time to time with the approval of OHCS or as required by OHCS. The Management Plan is an ancillary document to the Financing Documents and included in the definition thereof and incorporated herein.

“Median Income for the Area” means the median income for the primary metropolitan statistical area in which the Project is located as calculated in a manner consistent with determinations of median income for such area under Section 8 of the United States Housing Act of 1937, as amended (or if such program is terminated, under such program as is in effect immediately before such termination), as modified from time to time pursuant to the requirements of Revenue Ruling 94-57 and any successor law, *provided* that the Median Income for the Area for a calendar year shall not be less than the Median Income for the area for the preceding calendar year.

“Operating Expenses” means all payments required to be made from Operating Income (including those under the Bond Documents, including principal and interest payments thereunder), including, but not limited to, any and all of the following: (i) all federal, state,

county and local government taxes, assessments, or charges; (ii) water and sewer charges; (iii) operating costs incurred in meeting subordinated debt of the Project (other than subordinated debt of the General Partner or Managing Member of Owner, if any); (iv) maintaining and operating the Project, including without limitation costs of required reserves, utilities, supplies, and insurance; (v) compensation of all persons who perform duties connected with the operation, maintenance, and repair of the Project; (vi) management of the Project; (vii) legal, accounting, financial auditing, and other professional fees incurred in connection with the operation, maintenance, and management of the Project (but not including any compliance or monitoring fees required by lenders other than the Department); and (viii) any other costs or expenses incurred by Owner or its agents with respect to the Project and not otherwise reimbursed by occupants of the Project, which are properly allocable to the operation or maintenance of the Project in accordance with GAAP or IFRS. Legal, accounting and other professional fees, as well as all other costs, incurred in resisting foreclosure or any other remedy exercised by the Department, or the Trustee shall not qualify as Operating Expenses nor shall any payments made by Owner to any Related Persons except as otherwise specified above.

“Operating Income” means all rents paid by occupants and all other income of the Project, including without limitation interest earnings on moneys in the Operating Fund.

“Operating Income and Expense Fund” or “Operating Fund” means the account established in a depository approved by the Department and otherwise organized and operated pursuant to this Agreement.

“Ownership Agreement” means the Owner’s amended and restated operating agreement, as the same may be further amended or supplemented from time to time.

“Project” means the Project as defined in Recital A. The Project will have **fifty eight (58)** State Income Qualified Units. Proceeds of the Bonds, of the Credits, of the LIFT Loan, and of the MEP Grant will only be used in a manner consistent with this Agreement, the Bond Documents and Financing Documents, as applicable, and will not be used to finance any commercial or retail space on the Property or any parking or storage facilities not dedicated exclusively for use by Qualified Tenants (for Bonds proceeds) or State Tenants (for Financing Documents proceeds) (or the guests or invitees of Qualified Tenants or State Tenants), and thus such other space is not included in the definition of the term “Project.”

“Project Requirements” means all performance requirements, restrictive covenants, easements, encumbrances, warranties, liabilities, operational standards, and other obligations of Owner, Management Agent (as applicable), and others arising under the terms and conditions of the Conduit Bond Program, the LIHTC Program, the LIFT Program, including applicable provisions of Article XI-Q of the Oregon Constitution, the MEP Program, the Act, the Code, Treasury Regulations, this Agreement, the Bond Documents, the Financing Documents, applicable OHCS administrative rules, applicable OHCS manuals, applicable OHCS orders and directives (including Corrective Notices), and other applicable federal, state, and local laws, ordinances, codes, rules, resolutions, orders, and regulations (all of the foregoing, including as amended from time to time). All of the foregoing are incorporated herein by this reference.

“Publicly Held Corporation” means a corporation the outstanding voting stock of which is registered under Section 12(b) or 12(g) of the Securities and Exchange Act of 1934, as amended.

“Qualified Project Period” means a period beginning on the first day on which at least 10% of the dwelling units in the Project are first occupied and ending on the latest of (i) 15 years after the date on which 50% of the Dwelling Units are first occupied, (ii) the date on which any assistance provided with respect to the Project under Section 8 of the United States Housing Act of 1937, as amended, terminates, or (iii) the date that all Bonds and any other federally tax-exempt obligations relating to the Project cease to be outstanding.

“Qualified Tenants” mean the Tenants inhabiting a Qualified Unit.

“Qualified Units” means Dwelling Units whose Tenants have an aggregate Adjusted Income that does not exceed 60% of the Median Income for the Area, at the time of initial occupancy, adjusted for household size. A Dwelling Unit occupied by one or more students shall only constitute a Qualified Unit if such students meet the requirements of Section 142(d)(2)(C) of the Code. For purposes of applying the Code to the Bonds and any obligations issued to refund them, the definition of “income” set forth herein for determining whether a Dwelling Unit in the Project is a Qualified Unit will not change, even if the definition of “income” under the above-referenced Regulations Section is changed. As provided in Sections 4 hereof, the character of a Dwelling Unit as a Qualified Unit or State Income Qualified Unit shall be redetermined from time to time.

“Related Persons” means a person who is related to another person if:

(A) The relationship between such persons would result in a disallowance of losses under Section 267 of the Code (relating to disallowance of losses, etc., between related taxpayers) and Section 707(b) of the Code (relating to losses disallowed, etc., between partners and controlled partnerships) and the regulations thereunder, or

(B) Such persons are members of the same controlled group of corporations, as defined in Section 1563(a) of the Code, relating to definition of “controlled group of corporations” (except that “more than 50 percent” shall be substituted for “at least 80 percent” each place it appears in Section 1563(a) of the Code) and the regulations thereunder.

“Rent” means that monthly amount that a Resident is obligated to pay Owner pursuant to the terms of a Lease.

“Resident Services Plan” means the “Resident Services Plan” or “Resident Plan” as described herein. The Resident Services Plan is an ancillary document to the Financing Documents and included in the definition thereof and incorporated herein.

“Rules and Regulations” means conduct standards for Residents and users of the Project developed by Owner consistent with Project Requirements. The Rules and Regulations is an ancillary document to the Financing Documents and included in the definition thereof.

“State Income Qualified Tenants” or “State Tenants” means the Tenants inhabiting a State Income Qualified Unit, other than visitors and short term guests of such State Tenants staying in the State Unit for a period not to exceed 30 days.

“State Income Qualified Units” or “State Units” means Units whose Tenants are subject to and conform to the income restrictions established under the Act, and particularly ORS 456.620(4) or otherwise under this Agreement, including the applicable Financing Documents. The Department acknowledges that, consistent with ORS 456.120(19), the Project will meet the requirements of this definition if, for the duration of this Agreement, the limitations on Tenants in State Units of the Project and other requirements with respect to same meet the requirements for Qualified Tenants specified under this Agreement and other requirements with respect to Qualified Units herein, including as further limited by or provided in other applicable Financing Documents.

“Tax-Exempt” means, with respect to interest on any obligations of a state or local government, including the Bonds, that such interest is excluded from gross income for federal income tax purposes; provided, however, that such interest may be includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax, under the Code.

“Tenant” or “Resident” means any occupant of a Dwelling Unit, other than visitors and short-term guests of Tenants staying in the Dwelling Unit for a period not to exceed 30 days.

“Transferee” means the person to whom Owner sells, transfers to or disposes of the Project, the Owner itself or any portion of or interest in either (other than by leasing or renting for individual tenant use as contemplated in this Operating Agreement, easements, licenses and similar items), including a **“Related Person.”**

“Treasury Regulations” means the regulations of the Oregon Department of the Treasury under the Code.

“Trustee” means Zions Bancorporation, National Association, as trustee, or any successor trustee serving as such pursuant to the Indenture and any separate or co-trustee serving as such thereunder.

1.4 Gender; Number. Unless the context clearly requires otherwise, as used in this Operating Agreement, words of any 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.

1.5 Effectuation of Purpose. This Operating Agreement and all the terms and provisions hereof shall be construed to effectuate the purposes set forth herein and to sustain the validity hereof.

1.6 Titles and Headings. The titles and headings of the sections of this Operating Agreement have been inserted for convenience of reference only, and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof or be considered

or given any effect in construing this Operating Agreement or any provisions hereof or in ascertaining intent, if any question of intent shall arise.

SECTION 2. GENERAL REPRESENTATIONS, AGREEMENTS, COVENANTS AND WARRANTIES OF OWNER.

2.1 Restatement; Ratification. Owner expressly restates, ratifies, and assumes by reference herein all representations, agreements, covenants, and warranties in favor of OHCS in the Bond Documents and in the Financing Documents.

2.2 Acknowledgement of Owner; Limited Reliance. Owner acknowledges, represents, agrees, and warrants that it understands the nature and structure of the transactions contemplated by this Operating Agreement; that it is familiar with the provisions of all of the documents and instruments to which it is a party or of which it is a beneficiary; that it understands the financial and legal risks inherent in such transactions; and that it has not relied on the Issuer, OHCS specifically, or the State of Oregon for any guidance or expertise in analyzing the financial or other consequences of such financing transactions or otherwise relied on the Issuer, OHCS specifically, or the State of Oregon in any manner except to issue the Bonds and to make the corresponding Conduit Bond Loan, to make the Credit Reservation, to make the LIFT Loan, and to make the MEP Grant in order to provide funds to assist Owner in financing the Project.

2.3 Additional Representations, Covenants, and Warranties. Owner further represents, covenants, agrees, and warrants as follows:

2.3.1 Validity. It is an Oregon **limited liability company**, duly organized, validly existing under the laws of Oregon, is authorized to do business in Oregon, and it has the power and authority to transact the business in which it is engaged and to enter into and perform this Agreement.

2.3.2 Authority; No Impairment. The making and performance of this Agreement by Owner has been duly authorized by all necessary action of Owner; do not and will not violate any provision of any applicable law, rule, or regulation or order of any court, regulatory commission, board or other administrative agency or any provision of Owner's organizing documents or authorizing statutes; and do not and will not result in the breach of, or constitute a default or require any consent under, any other agreement or instrument to which Owner is a party or by which Owner or any of its properties is bound or affected and does not and will not result in the creation or imposition of any prohibited encumbrance of any nature.

2.3.3 Enforceability. This Agreement, when executed and delivered, is a valid and binding obligation of Owner enforceable in accordance with its terms.

2.3.4 Project Requirements. Owner will timely satisfy all requirements of this Agreement, including all Project Requirements, to the satisfaction of OHCS.

2.3.5 Completion Date. Owner will complete the Project no later than **December 31, 2022** or as otherwise allowed by OHCS, in accordance with this Agreement, the Bond Loan

Agreement, and the Project Requirements (including but not limited to the plans and specifications for the Project approved by OHCS or modifications to those plans and specifications, which modifications must be approved by OHCS).

2.3.6 Responsibility. Owner assumes full responsibility for timely and appropriate completion of the Project, for ownership of the Project, for its operation of the Project in accordance with the Project Requirements, for full and timely satisfaction of the Project Requirements, and acknowledges that OHCS has no direct or contractual responsibility to Owner for completion of the Project, for ownership of the Project, or for its operation.

2.3.7 Independent Contractor. Owner will perform all obligations under this Agreement and will timely satisfy the Project Requirements as an independent contractor. Owner is not an officer, employee or agent of the State, as those terms are used in ORS 30.265 or otherwise, with respect to performance under this Agreement.

2.3.8 Owner Responsible for Insurance Coverage. Owner agrees that insurance coverage, whether purchased or by self-insurance, for the Project, Owner, and Owner's agents, employees, officers and/or subcontractors is the sole responsibility of Owner.

2.3.9 Non-federal Employment Certification. Owner certifies that it is not employed by or contracting with the federal government for performance covered by this Agreement.

2.3.10 Good Standing Certification. Owner certifies to the best of its knowledge and belief that neither Owner nor any of its principals, officers, directors or employees:

2.3.10.1 Is presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from covered transactions by any state or federal OHCS or agency;

2.3.10.2 Has within a three-year period preceding this Agreement been convicted of or had a civil judgment rendered against it for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (federal, state or local) transaction or contract related to a public transaction; violation of federal or state antitrust statutes; or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements or receiving stolen property;

2.3.10.3 Is presently indicted for or otherwise criminally or civilly charged by a governmental entity (federal, state or local) with commission of any of the offenses enumerated in subparagraph 2.3.10.2;

2.3.10.4 Has within a three-year period preceding this Agreement had one or more public transactions (federal, state or local) terminated for cause or default; and

2.3.10.5 Is included on the list titled "**Specially Designated Nationals and Blocked Persons**" maintained by the Office of Foreign Assets Control of the United States Department of the Treasury and currently found at:

<https://www.treasury.gov/ofac/downloads/sdnlist.pdf>

SECTION 3. QUALIFIED RESIDENTIAL RENTAL PROJECT.

The Department and Owner hereby acknowledge and agree that, at all times during the term of this Operating Agreement, the Project is to be owned, managed and operated as a "**qualified residential rental project**" as such phrase is used in Section 142(d) of the Code and the related Treasury Regulations. To that end Owner hereby represents, covenants, warrants, and agrees as follows:

3.1 Functionally Related and Subordinate. Owner shall own and operate the Project as residential rental property containing Dwelling Units and facilities Functionally Related and Subordinate to such Dwelling Units, in accordance with Section 142(d) of the Code and related Treasury Regulations;

3.2 Complete and Separate Facilities. Each of the Dwelling Units in the Project shall contain complete and separate facilities for living, sleeping, eating, cooking and sanitation for a single person or a family, within the meaning of Treasury Regulations Section 1.103-8(b)(8), as supplemented and amended, provided that, with the approval of the Department and Bond Counsel, as provided under Section 142(d)(2)(D) of the Code, such Dwelling Units may, in the alternative, qualify as single room occupancy units;

3.3 General Public Availability. Once available for occupancy, for the term of this Operating Agreement, each Dwelling Unit in the Project shall be rented or available for rental on a continuous basis to members of the general public, without preference to any particular group or class, except preferences permitted under Section 42 of the Code (as clarified by Section 42(g)(9) thereof), or otherwise consistent with federal housing policy governing non-discrimination, as evidenced by the rules and regulations of the Department of Housing and Urban Development ("**HUD**") (24 CFR subtitle A and chapters I through XX), provided, however, that any residential rental unit that is part of a hospital, nursing home, sanitarium, lifecare facility, trailer park, or intermediate care facility for the mentally and physically handicapped is not for use by the general public; and

3.4 Common Plan. The Project shall consist of proximate buildings or structures located on a single "tract" of land which have similarly constructed Dwelling Units financed pursuant to a "common plan" together with Functionally Related and Subordinate Facilities which shall be owned by the same "person," except for the common areas (as such terms are used in the Treasury Regulations) for federal tax purposes. Owner has covenanted (and does hereby covenant, represent and warrant) that no interest in Owner, the Investor or the Project will be transferred without the written consent of the Department except as expressly allowed herein and an opinion of counsel to the Department that such transfer will not, in and of itself, adversely affect any exclusion of interest on the Bonds from gross income for purposes of federal income taxation (except for transfers permitted by and made in compliance with Section 13 hereof).

SECTION 4. QUALIFIED UNITS; STATE INCOME QUALIFIED UNITS; ADDITIONAL OCCUPANCY REQUIREMENTS.

Pursuant to the requirements of Sections 42 and 142 of the Code, Article XI-Q of the Oregon Constitution, the Act (including ORS 456.620(4) thereof), and otherwise under this Agreement, Owner hereby represents, covenants, warrants, and agrees as follows:

4.1 Section 142 Affordability. Throughout the Qualified Project Period and the term of the Regulatory Agreement, whichever is longer (including if extended under the terms of this Agreement), at least 40 percent of the Dwelling Units in the Project shall be Qualified Units either occupied by Qualified Tenants or, if previously rented to and occupied by Qualified Tenants, held vacant and available for Rent to Qualified Tenants.

4.2 Section 42 Affordability. Throughout the Qualified Project Period, the terms of the Regulatory Agreement, the LIHTC Documents, and this Operating Agreement (including if any be extended under the provisions of this Agreement), all Dwelling Units in the Project shall be State Income Qualified Units and shall be occupied by or held vacant and available for rent by persons or families who meet the qualifications to be Qualified Tenants, i.e., whose adjusted household income at initial occupancy is equal to or less than 60% of the Median Income for the Area or, as required in such Financing Documents or applicable HUD Section 8 Housing Assistance Payment Contract requirements, meet more restrictive income qualifications.

4.3 LIFT, and MEP Affordability.

4.3.1. LIFT Affordability. Throughout the Affordability Period reflected in the LIFT Documents or reflected in this Operating Agreement, whichever is longer (including if extended under the terms of this Agreement), all Dwelling Units in the Project shall be State Income Qualified Units and shall be occupied by or held vacant and available for rent by persons or families who meet the respective qualifications to be Qualified Tenants, i.e., whose adjusted household income at initial occupancy is equal to or less than 60% of the Median Income for the Area or, as required in such Financing Documents, meet more restrictive income qualifications.

4.3.2. MEP Affordability. Throughout the Affordability Period reflected in the MEP Documents (including if extended under the terms of this Agreement), **29** of the Dwelling Units in the Project shall be State Income Qualified Units and shall be occupied by or held vacant and available for rent by persons or families who meet the respective qualifications to be Qualified Tenants, i.e., whose adjusted household income at initial occupancy is equal to or less than 80% of the Median Income for the Area or, as required in such Financing Documents, meet more restrictive income qualifications.

4.4 General Compliance with Project Requirements.

4.4.1 Appropriate Costs. Owner will use proceeds of the Conduit Bond Loan, the Credits, the LIFT Loan, and the MEP Grant only for financing of eligible costs related to the State

Units and such eligible common areas and other aspects of the Project, consistent with Project Requirements as approved in the Reservation.

4.4.2 Overall Compliance. Owner will comply, and will cause its agents, employees, contractors, subgrantees and assigns, if any, to comply with the terms and conditions of this Agreement, including all applicable Project Requirements.

4.4.2.1 Local Compliance. Compliance with Project Requirements expressly includes compliance with applicable local codes, ordinances, and standards.

4.4.2.2 Compliance by Subcontractors. Owner will include in any contracts with subcontractors that performance under any such contract is subject to Project Requirements, including record retention by the subcontract and review rights by OHCS and others of such records consistent with monitoring of Owner records hereunder, with OHCS as a third-party beneficiary.

4.4.3 Affordability Calculation. Applicable income limits for State Units are tied to area median income, adjusted by family size, as determined by OHCS based upon information from HUD or other applicable source. Net rents allowable to Owner hereunder are gross rents less an appropriate utility allowance, consistent with Project Requirements.

4.4.4 Rent Restrictions. Throughout the applicable Affordability Period, Owner will, at a minimum, restrict Rents with respect to subject State Units in compliance with Project Requirements with not-to-exceed limit standards equivalent to the area median income percentage maximum applicable to the particular Unit. Actual allowable gross rent limits corresponding to the not-to-exceed limit standards are calculated by HUD on an annual basis.

4.4.5 Actual Unit Rents. Net rents allowable to Owner are not more than allowable gross rents, less an appropriate utility allowance. Actual approved Rents for subject State Units, as determined by OHCS in its sole discretion, may be lower than allowable net rents, but not in excess of allowable net rents. In exercising its discretion, OHCS may consider factors including, but not limited to, the current cash flow of the Project. OHCS has sole authority and discretion in the determination of what is an appropriate utility allowance and what other charges by Owner must be subsumed within approved Rents as normal or standard charges for Project occupancy.

4.4.5.1 Limitation of Unit Rents and Other Project Fees. OHCS also may limit other Unit Rents and Project fees, if any, as it determines in its sole discretion, is necessary or appropriate to ensure the affordability of or access to State Units. State Unit Rents and Unit Rents and fees limited under this subparagraph may only be increased subject to prior written approval by OHCS in accordance with the procedures of subparagraph 4.4.5.2.

4.4.5.2 Prior Approval of Rents. Owner must obtain prior written approval from OHCS for setting or increasing State Unit and other Unit Rents. Owner may request an increase in Rents annually in writing, together with supporting documentation (including a

schedule of Rents for all Project Units), all satisfactory to OHCS, which request will be deemed approved if not in excess of Project Requirements limits and not denied or modified by OHCS within ninety (90) days of its receipt by OHCS. Subject to Project Requirements limits, OHCS may approve, deny or modify such Rent increase requests at its sole discretion. OHCS, at its sole discretion, also may approve, deny or modify other requests by Owner for Rent increases, subject to Project Requirements limits.

4.4.5.3 Most Restrictive Rent Limitations. Where Unit Rents are subject to limitations from multiple OHCS or other funding sources, the most restrictive limitations will govern not-to-exceed limits for Rents with respect to such Units.

4.4.6 Resident Services Plan. Owner will file with OHCS a Project Resident Services Plan (the “**Resident Plan**”), consistent with Project Requirements, satisfactory to OHCS. Any then current Resident Plan, when approved by OHCS, will be deemed to be incorporated into this Agreement. OHCS may require periodic revisions to the Resident Plan from Owner. Owner may propose revisions to the Resident Plan for approval by OHCS. All Resident Plan revisions are subject to OHCS’ sole discretion and must be approved in writing by OHCS prior to becoming effective.

4.4.7 Resident Services. Owner will provide timely resident services (“**Services**”) appropriate to the Project population and consistent with the Resident Plan, including as the Resident Plan may be revised from time to time.

4.4.8 Management Plan. Owner will file with OHCS a Project Management Plan (the “**Management Plan**”), consistent with Project Requirements, satisfactory to OHCS. Any then current Management Plan, when approved by OHCS, will be deemed incorporated into this Agreement. OHCS may require periodic revisions to the Management Plan from Owner. Owner may propose revisions to the Management Plan for approval by OHCS. All Management Plan revisions are subject to OHCS’ sole discretion and must be approved in writing by OHCS prior to becoming effective. The Management Plan may be supplemented by or subsumed into a Project Management Agreement with Owner and the Management Agent, if any, as approved by OHCS in writing.

4.4.9 Project Management Agreement. Owner will execute a Project Management Agreement with OHCS, if and when required by OHCS, in form and substance satisfactory to OHCS. If Owner will, or is required by OHCS to, accomplish its management functions with respect to the Project through a Management Agent, such Management Agent also must execute the Regulatory Agreement as to Project. Any then current Project Management Agreement, when approved by OHCS, will be deemed incorporated into this Agreement. OHCS may require change of the Management Agent and revisions to the Project Management Agreement as it deems necessary or appropriate, in its sole discretion.

4.4.10 Management Performance. As applicable, Owner will timely and suitably perform its Project management responsibilities directly or through a Management Agent approved in writing by OHCS consistent with the Management Plan and Project Management Agreement,

including as the Management Plan or the Project Management Agreement may be revised from time to time.

4.4.11 Corrective Action. As a consequence of its monitoring or otherwise, OHCS may identify deficiencies in Owner's compliance with Project Requirements. OHCS may require action by Owner and its Management Agent, if any (satisfactory to OHCS), to correct such deficiencies. Owner will correct such deficiencies as directed by OHCS. The reasonableness of such corrective actions is subject to OHCS in its sole discretion.

4.5 Determination of Qualified Units and State Income Qualified Units. For purposes of satisfying the occupancy requirements of this Section 4, the following rules shall apply. Dwelling Units that are Qualified Units at the beginning of their occupancy or that are State Income Qualified Units will continue to qualify as such Qualified Units or State Units, as applicable, until the earlier of (a) the date the character of each Qualified Unit or State Unit is redetermined pursuant to the next sentence hereof or (b) the circumstances described in Subsection 4.12 hereof. Consistent with the definitions of a Qualified Unit and a State Unit, when new Tenants join existing Tenants in such a Qualified Unit or State Unit, the character of that Qualified Unit or State Unit must be redetermined on the next anniversary date of the initial occupancy by the original Tenant on the basis of the then current income of the current Tenants and the number of Tenants in the Qualified Unit or State Unit on the date of such certification. A Qualified Unit, or a State Income Qualified Unit, shall be deemed, upon the termination of the Tenant's occupancy, to be continuously occupied, as applicable, by a Qualified Tenant and by a State Tenant, until reoccupied, other than for a temporary period, at which time the character of the Dwelling Unit shall be redetermined. In no event shall such temporary period exceed 31 days.

4.6 Comparable Quality. The Qualified Units and State Income Qualified Units shall be of a quality comparable to those units that are rented by other Tenants, if any. All Tenants in the Project shall have equal access to and enjoyment of all common facilities and services of the Project. Owner agrees that the Qualified Units and the State Income Qualified Units occupied by or held vacant for renting to persons or families whose income conforms to the income limitations of Qualified Tenants shall be dispersed throughout the Project in a manner acceptable to the Department.

4.7 Income Certifications. Owner will obtain, complete, and maintain on file, until three years after the end of the Qualified Project Period or after the Affordability Period, whichever is longer, income certifications from each Qualified Tenant and from each State Income Qualified Tenant, dated immediately prior to the initial occupancy of such Qualified Tenant or State Income Qualified Tenant and, except as provided in the next sentence of this Section 4.7, no less frequently than annually thereafter (as further described in Section 4.12 hereof) in the form prescribed by the Department, which form may be updated and amended from time to time (the "**Income Certification**"), and will provide such additional information as may be required in the future by the Department, by Section 142(d) of the Code (as the same may be amended from time to time, as interpreted by Bond Counsel), or by applicable Project Requirements. In lieu of obtaining an annual Income Certification, Owner may, with respect to any particular twelve-month period ending on the recertification date, deliver to the Department no later than fifteen

days after such date a certification that, as of such date, no Dwelling Unit in the Project of comparable or smaller size was occupied within the preceding twelve months by a new resident whose income exceeded the limit applicable to Qualified Tenants (or, if more restrictive State Tenants) upon admission to the Project. Owner shall verify that the income provided by an applicant in an Income Certification is accurate by taking such steps as the Department may require, including, but not limited to one or more 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) secure a credit report or conduct a similar information 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, (6) if the prospective tenant maintains bank accounts, a copy of the most recent bank statements for such accounts, and (7) if the applicant is (i) unemployed and has no such tax return or (ii) has no Social Security Administration verification form, obtain another form of independent verification or an executed written declaration of the prospective tenant. Any third party verifications so obtained shall be kept in the tenant files or as otherwise required by the Department.

4.8 Records Maintenance; Monitoring. Owner will maintain complete and accurate records pertaining to the Qualified Units and to all State Income Qualified Units, and will permit any duly authorized representative of the Department, the Trustee, and the Department of the Treasury or the Internal Revenue Service, upon reasonable notice, to inspect the books and records of Owner pertaining to the Project, including those records pertaining to the occupancy of the Qualified Units and of the State Income Qualified Units. Such records shall be retained by Owner for six (6) years after the end of the Qualified Project Period or the end of this Agreement, whichever is longer.

4.9 Certificate of Continuing Compliance. Owner will prepare and submit to the Department, within thirty days after the end of each year during the Affordability Period hereof, or as otherwise determined by the Department, a Certificate of Continuing Program Compliance essentially in the form set forth in Exhibit B of the Regulatory Agreement or as otherwise required or allowed by the Department, executed by Owner stating compliance with the income limitations of this Agreement, including: (i) the percentage of the Dwelling Units of the Project which were Qualified Units or State Income Qualified Units occupied or deemed occupied pursuant to Sections 4.1, 4.2 or 4.3 respectively hereof, by Qualified Tenants or by State Income Qualified Tenants during such period, and (ii) that either (A) no uncured default has occurred under this Operating Agreement or (B) that a default has occurred, in which event the certificate shall describe the nature of the default and set forth the measures being taken by Owner to remedy such default.

4.10 No Discrimination. Owner shall not discriminate against any Tenant who is a parent or legal guardian with whom a child resides or is expected to reside, except (i) in the event that the Project is designated exclusively for households, the heads of whom are over 62 years of age or, if permitted by the Department and Code, over 55 years of age if the household meets the requirements of 42 U.S.C. 3607(b)(2)(c), or (ii) in compliance with other applicable law.

4.11 Lease Terms. Each lease pertaining to a Qualified Unit or to a State Income Qualified Unit shall contain a provision to the effect that the respective Owner has relied on the Income Certification and supporting information supplied by the Qualified Tenant or State Income Qualified Tenant in determining qualification for occupancy of the Qualified Unit or State Income Qualified Unit, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease. Each lease pertaining to a Qualified Unit or to a State Income Qualified Unit shall contain a provision prohibiting the Tenant from allowing the Dwelling Unit to be occupied, other than on a temporary basis not exceeding 30 days, by any additional persons unless, prior to such occupancy, the Tenant and all other persons who will occupy such Dwelling Unit provide current Income Certifications in the form prescribed by the Department, which form may be updated and amended from time to time, unless Owner consents in writing to such occupancy. Each lease pertaining to a Dwelling Unit shall contain a provision stating that Tenants shall be required to recertify income annually and upon addition of any Tenant to the Dwelling Unit unless an existing Tenant in such Unit is a parent or guardian of the new Tenant and that new Tenant's income, as a consequence, is not counted under applicable law in determining household income of a Qualified Tenant or State Income Qualified Tenant. Owner shall not renew the lease of any such Unit unless all Tenants therein comply with the recertification requirement.

4.12 Annual Income Determinations. Except as provided in Subsection 4.7 above, the determination of whether or not the income of the occupants of a Qualified Unit or of a State Income Qualified Unit exceeds the applicable income limit shall be made at least annually on the basis of the then current income of the Tenants of the Unit, *provided however*, that no recertification need be made for any year if, during such year, no Unit is occupied by a new resident whose income causes a Unit not to be a Qualified Unit or State Unit, as applicable. Except as provided in Subsection 4.7 above, no later than, and dated as of the respective yearly anniversary of the execution of the lease of each State Income Qualified Tenant and of each Qualified Tenant lease for a unit in the Project (and no less than once each calendar year with respect to the Tenants of each Qualified Unit or State Income Qualified Unit) throughout the Qualified Project Period, Owner shall recertify the income of each State Income Qualified Tenant and of each Qualified Tenant by obtaining a completed Income Certification in the form prescribed by the Department, which form may be updated and amended from time to time. If the aggregate Adjusted Income of Qualified Tenants in a Qualified Unit or State Income Qualified Tenants in a State Unit), as of the most recent determination thereof, exceeds one hundred forty percent (140%) of the applicable income limit for a Qualified Unit (or State Unit) occupied by the same number of tenants, the Dwelling Unit occupied by such tenants shall continue to be treated as a Qualified Unit (or State Unit) unless and until an Available Unit of comparable or smaller size is rented persons other than Qualified Tenants (or State Income Qualified Tenants).

4.13 Affordability Period. Until **December 31, 2052**, a period of not less than **thirty (30)** years from the later of the date of the Bond Closing or the date when the entire residential development funded with the Bonds (including the Project) is placed in service, whichever date/event occurs last, the Project will be operated and maintained as an affordable housing project in accordance with the requirements of this Agreement, the Act, the Regulatory Agreement, and the other Financing Documents, as applicable. Such continuous operational requirement (subject to early

termination pursuant to the terms of Section 13) shall continue in effect notwithstanding the retirement of the Bonds, the recapture of LIHTC, the repayment of the LIFT Loan, the termination or repayment of the MEP Grant, and regardless of whether or not the Bonds or any other tax-exempt obligations are outstanding with respect to any part of the Project. As noted in Section 1, the Department may extend the Qualified Project Period, the Affordability Periods of the various Financing Documents (including this Operating Agreement), at its sole discretion, for periods of time matching corresponding periods of time during which the Department determines Owner to be in material noncompliance with any of the terms of the Bond Documents, or of the Financing Documents.

SECTION 5. MODIFICATION OF SPECIAL TAX COVENANTS AND OTHER COVENANTS.

Owner and the Department hereby agree as follows:

5.1 More Restrictive Requirements. To the extent any amendments to the Treasury Regulations or the Code with respect to the Bond Documents shall, in the written opinion of Bond Counsel filed with the Department, the Trustee, and Owner, impose requirements upon the ownership or operation of the Project more restrictive than those imposed by this Operating Agreement that must be complied with in order to maintain the exemption from taxation of interest on the Bonds, this Operating Agreement shall be deemed to be automatically amended to impose such additional or more restrictive requirements. To the extent any amendments to the Treasury Regulations, Code, or Act with respect to the Financing Documents shall, in the written opinion of the Office of the Oregon Attorney General filed with the Department and Owner, impose requirements upon the ownership or operation of the Project more restrictive than those imposed by this Operating Agreement that must be complied with in order to maintain compliance with the Act, this Operating Agreement shall be deemed to be automatically amended to impose such additional or more restrictive requirements.

5.2 Less Restrictive Requirements. To the extent any amendments to the Treasury Regulations or the Code with respect to the Bond Documents shall, in the written opinion of Bond Counsel filed with the Department, the Trustee and Owner, impose requirements upon the ownership or operation of the Project less restrictive than imposed by this Agreement, this Agreement may be amended or modified, to provide such less restrictive requirements but only by written consent signed by the Department (which consent shall not unreasonably be withheld, conditioned or delayed) and Owner and the Bondowners, and further approved by the written opinion of Bond Counsel that such amendment will not affect the tax exempt status of interest on the Bonds.

5.3 Changes. The Department and Owner may, in a writing signed by authorized representatives of same, amend, modify, waive, release or forebear (collectively, “**Change**”) in the compliance and enforcement of other covenants under this Agreement at the sole discretion of the Department, as it determines to be appropriate under applicable law and to further the purposes of the Department, including in promoting safe, sanitary and affordable housing for low and lower income residents of the State of Oregon. Third-party beneficiaries under such covenants, if any, shall have no recourse with respect to such Changes except as expressly provided by law.

5.4 Additional Documents. Owner and the Department will execute, deliver and, if applicable, file of record any and all documents and instruments, necessary to effectuate the intent of this Section.

SECTION 6. INDEMNIFICATION; PAYMENT OF OTHER AMOUNTS.

6.1 Indemnification. Owner hereby covenants and agrees that it shall jointly and severally save, indemnify, hold harmless and (subject to the limitations of ORS Chapter 180) defend the Department and the State of Oregon, together with their respective officers, members, representatives, officials, employees, and agents (the “**Indemnified Parties**”) from and against (i) any and all claims by or on behalf of any person arising from any cause whatsoever in connection with the approval of the financing for the Project, the making of the Conduit Bond Loan from proceeds of the Bonds, or the provision or award of financial assistance under the Financing Documents; (ii) any and all claims arising from any act or omission of Owner or any of its agents, servants, contractors, employees or licensees, in connection with the Conduit Bond Loan, financial assistance under the Financing Documents, or the Project; (iii) any and all claims arising out of or related to the design, acquisition, construction, rehabilitation, installation, operation, use, occupancy, maintenance, or ownership of the Project (including compliance with laws, ordinances and rules and regulations of public authorities relating thereto); (iv) any and all losses, claims, damages, liabilities or expense of every conceivable kind, character and nature whatsoever of the Department or State of Oregon arising out of, resulting from or in any way connected with (a) the Trustee’s acceptance or administration of the trusts under the Indenture, or the exercise or performance of any of its powers or duties under the Indenture, in each instance, in accordance with and subject to the terms thereof, or (b) the issuance of any Bonds, the provision or award of financial assistance under the Financing Documents, or any certifications or representations of Owner made in connection with any such claim or proceeding brought thereon. Owner also shall pay and discharge and shall indemnify and hold harmless the Indemnified Parties from any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges in respect of any portion of the Project. In the event that any action or proceeding is brought against the Department or any of other Indemnified Parties with respect to which indemnity may be sought hereunder, Owner, upon written notice from the Indemnified Party, shall assume (subject to ORS Chapter 180) the investigation and defense thereof, including the employment of counsel and the payment of all expenses related thereto. The Department and other Indemnified Parties shall have the right to reject Owner’s selection of counsel if the State chooses to act as their counsel or if they reasonably determine that the counsel selected by Owner has a non-waivable conflict of interest or the use of the same counsel to represent Owner and one or more of the Indemnified Parties would otherwise be prohibited by applicable canons of ethics. Each of the Indemnified Parties shall have the right to approve any settlement in connection with any such losses, claims, damages, liabilities, expenses or actions (collectively, “**Claims**”) as they relate to that Indemnified Party.

6.2 Obligations Upon Transfer. Notwithstanding any transfer of the Project to another owner, Owner shall remain obligated to jointly and severally save, indemnify, hold harmless and defend the Indemnified Parties pursuant to this Section for all Claims arising from acts and omissions

that occurred prior to the date of such transfer or the date that the transfer is approved in writing by the Department, whichever is later.

6.3 Continuance of Obligations. Subject to the paragraph immediately above, notwithstanding the redemption or maturity of the Bonds, termination of this Operating Agreement, termination of any of the Bond Documents, termination of any of the other Financing Documents, or otherwise, Owner shall remain obligated to jointly and severally save, indemnify, hold harmless and (subject to the limitations of ORS Chapter 180) defend the Indemnified Parties pursuant to this Section for all Claims arising out of acts and omissions that occurred during the term of this Operating Agreement, the Qualified Project Period, or the Affordability Period, whichever is longer.

6.4 Reasonable Fees and Expenses. In addition to the foregoing provisions of this Section, Owner will pay upon demand all of the reasonable fees and expenses paid or incurred by the Indemnified Parties including without limitation, reasonable fees of counsel incurred prior to trial, at trial or on appeal and in any bankruptcy or arbitration proceedings, and in enforcing the provisions of this Operating Agreement.

6.5 Scope of Indemnification. This indemnification shall extend to and include, without limitation, all reasonable costs, reasonable counsel fees, expenses or liabilities incurred in connection with any such Claim, or any proceeding brought with respect to any such Claim, except to the extent such Claims and fees, expenses or liabilities are caused solely by the willful misconduct or bad faith of such Indemnified Party.

SECTION 7. TERM.

7.1 Term; Termination. This Operating Agreement becomes effective upon its execution and delivery and will remain in full force and effect through **December 31, 2052** (unless extended pursuant to the terms of this Agreement), but will not have a term less than the later of **thirty (30) years** from the Closing Date or the date that the Project is fully placed in service following the issuance of a certificate of occupancy, whichever event is later. The term of this Operating Agreement will include a period at least equal to the Qualified Project Period. The record retention provisions of Section 4 will remain in full force and effect at least until six (6) years after the end of the Qualified Project Period, the end of the Affordability Period, or the term of this Agreement, whichever is later. The provisions of this Agreement are intended by the parties to survive for a minimum of **thirty (30) years** after the Project funded with the Bonds is fully placed in service following the issuance of a certificate of occupancy and to survive the Qualified Project Period, the retirement of the Bonds, expiration of the Indenture and Loan Agreement, and expiration of the Financing Documents. Notwithstanding any other provisions of this Operating Agreement, this entire Operating Agreement, or any of the provisions or sections hereof may be terminated upon written agreement by the Department (at the Department's sole discretion) and Owner, if there shall have been received an opinion of Bond Counsel that such termination will not adversely affect the exemption from federal or State income taxation of the interest on the Bonds. Owner shall provide notice of any termination of this Operating Agreement to the Trustee.

7.2 Early Termination Events. The provisions of this Operating Agreement to the contrary notwithstanding, this Operating Agreement, and each and all of the terms hereof, shall terminate and be of no further force and effect in the event of (A) a foreclosure or delivery of a deed in lieu of foreclosure whereby a third party shall take possession of the entire Project, (B) involuntary non-compliance with the provisions of this Operating Agreement caused by fire, seizure, or requisition that prevents the Department from enforcing all of the provisions hereof, or (C) condemnation or a similar event with respect to the entire Project (the events identified in clauses (A) (B) and (C) of this sentence, the "**Early Termination Events**"); provided that (i) the Bonds, together with any obligations issued to refund the Bonds, are paid in full and otherwise discharged and cancelled within a reasonable period thereafter, and (ii) the Department shall have received an opinion from Bond Counsel that an Early Termination Event, within the meaning of this Operating Agreement and Treasury Regulations Section 1.103-8(b)(iii), or successor provision thereto, has in fact occurred; provided in addition, however, that the preceding provisions of this sentence shall cease to apply and the restrictions contained herein shall be reinstated if, at any time during the Qualified Project Period or Affordability Period subsequent to the termination of such provisions as the result of an Early Termination Event, any person or entity that was an obligor under the Bond Loan Agreement or the Financing Documents, or otherwise with respect to the Bonds or this Agreement prior to such Early Termination Event, including Owner or any Related Person to it (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. Upon the termination of the terms of this Operating 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 Operating Agreement. In the event of a transfer of the Project under the circumstances described in the first sentence of this paragraph, the Department shall have the right to impose such restrictions or conditions as to the ownership, use, operation and disposition of the Project as the Department shall deem necessary or appropriate in order to preserve the tax-exempt status of the interest paid on the Bonds, to comply with the Act and this Agreement (including the Financing Documents), including, without restriction, a prohibition against Owner or any Related Person obtaining an ownership interest in the Project during the Qualified Project Period or Affordability Period.

7.3 Disregard of Certain Entities. The provisions of this Operating Agreement to the contrary notwithstanding (except with respect to the enforcement of remedies), references to the Trustee and Bondholder (including Lender) are to be disregarded once the Bonds have been paid in full and references to the Investor are to be disregarded once the Credits have expired. Furthermore, termination of the Operating Agreement pursuant to this Section 7 shall not impair the validity of other documents referenced in this Agreement, the validity of which documents shall endure consistent with their own terms.

7.4 Three-Year Safe Harbor. Notwithstanding any of the foregoing in this Section, and in a manner consistent with IRC §42, for three (3) years after the acquisition of title to the Project by the construction or permanent lender, any Qualified Tenant or State Income Qualified Tenant in the Project may not be evicted except for cause and rents charged to such Qualified Tenant or State Income Qualified Tenant may not exceed the rent limits established in this Agreement.

SECTION 8. NO DISCRIMINATION; MARKETING

Except as permitted by Section 4 hereof or otherwise by law, Owner shall not discriminate in the provision of housing on the basis of race, creed, color, sex, national origin, religion, marital status, sexual orientation, family status, age, disability or the receipt of public assistance, except that Owner may give preference to households, the head of which is at least 62 years of age or, if permitted by the Code, over 55 years of age if the household meets the requirements of 42 U.S.C. 3607(b)(2)(c). Owner shall use its reasonable efforts to advertise and market the Units within the City of Klamath Falls, Klamath County, Oregon.

SECTION 9. TAX-EXEMPT STATUS OF THE BONDS; QUALIFICATION OF THE CREDITS, THE MEP GRANT, AND THE LIFT LOAN.

Owner hereby agrees, covenants and warrants as follows:

9.1 Negative Covenants and Warranties Regarding Bonds and Credits. Owner will not (a) take any action, (b) fail to take any action, or (c) make any use of the Project, the proceeds of the Bonds, or the proceeds of the Credits inconsistent with the terms of this Agreement or that would cause the interest on any of the Bonds to be or become includable in the gross income of the persons holding such Bonds for federal income tax purposes (other than substantial users), or subject the Credits to recapture by the IRS. Without limiting the generality of the foregoing, Owner further covenants and agrees that it will take such action or actions (including, without limitation, consenting and agreeing to amendments to this Agreement, the Bond Documents, the Financing Documents, and other documents as may be necessary) so that it, all subsequent Owners of any part of the Project, and the Project itself, comply fully and continuously with this Agreement and Sections 42 and 142 of the Code, as amended, as of the date hereof and applicable to the Credits or Bonds, and the Project Requirements including, but not limited to the rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the Department of the Treasury or the Internal Revenue Service pertaining to the Credits or Bond obligations issued under Sections 42 or 142 of the Code respectively, including, without limitation, the Treasury Regulations.

9.2 Negative Covenants and Warranties Regarding the LIFT Loan, and the MEP Grant. Owner will not (a) take any action, (b) fail to take any action, or (c) make any use of the Project, or the proceeds of the LIFT Loan, and the MEP Grant inconsistent with the terms of this Agreement or that would impair or invalidate their validity under the Project Requirements. Without limiting the generality of the foregoing, Owner further covenants and agrees that it will take such action or actions (including, without limitation, consenting and agreeing to amendments to this Agreement, the LIFT Loan Documents, the MEP Documents and other documents as may be necessary) so that it, all subsequent owners of any part of the Project, and the Project itself, comply fully and continuously with the Project Requirements.

SECTION 10. MAINTENANCE REPRESENTATIONS, AGREEMENTS, COVENANTS, AND WARRANTIES OF OWNER.

Owner hereby represents, agrees, covenants and warrants as follows:

10.1 Maintenance. Owner, at its expense, shall maintain the Project in good condition, repair, and working order, all satisfactory to the Department, and shall make or cause to be made from time to time as required by the Department, or otherwise, all necessary repairs, renewals and replacements, ordinary wear and tear and obsolescence excepted. However, this shall not require Owner to operate any portion of the Project after it is no longer economical and feasible in Owner's judgment so long as the terms of this Operating Agreement and the public purposes of the continued financing of the Project with the proceeds of any outstanding Bonds or Financing Document subsidies are nevertheless met.

10.2 Management. Owner, at its expense, shall provide for management of the Project in a manner satisfactory to the Department and in accordance with a property management agreement approved by the Department. Owner and any property Management Agent also shall timely execute with the Department a Project Management Agreement or similar document satisfactory to the Department in its sole discretion. Owner shall notify the Department immediately of any termination of a Management Agent. The Department may (A) disapprove any proposed Management Agent without penalty to the Department, at its sole discretion, and (B) require Owner to terminate any Management Agent without penalty to the Department, at its sole discretion, if upon thirty (30) days prior written notice, or such longer period if such breach cannot be cured in thirty (30) days and the Management Agent is diligently pursuing such cure to the Department's satisfaction, the following events or situations are not remedied by the Management Agent to the satisfaction of the Department: (i) any material default under this Section 10, including but not limited to any serious problem or repair requiring immediate action by the Management Agent has not been remedied; or (ii) the vacancy rate for the Project is greater than ten percent (10%) for any six (6) consecutive month period; (iii) the failure of the Management Agent to properly screen and certify tenants in the Qualified Units and State Income Qualified Units and to provide the required annual certifications; (iv) the gross negligence, fraud or willful misconduct of the Management Agent; or (v) any material default under this Agreement, under the Management Agreement, under the Project Management Agreement (or equivalent documents), under the Regulatory Agreement, or under any other of the Financing Documents.

10.3 Remodel. Owner may remodel or modify the Project as it, in its discretion, may deem to be desirable for its uses and purposes. The cost of such remodeling, modifications or improvements shall be paid by Owner, and the same shall become a part of the Project.

SECTION 11. CONSIDERATION.

The Issuer has issued the Bonds and the Department has made available the Credits, the LIFT Loan, and the MEP Grant to provide funds to finance the Project, all for the purpose, among others, of inducing Owner to acquire and operate the Project as provided herein. The Department also has agreed to provide or authorized the provision of financial assistance under the Financing Documents to provide funds to finance the Project, all for the purpose, among others, of inducing Owner to acquire and operate the Project as provided herein. In consideration of the foregoing, Owner has entered into this Operating Agreement and has agreed to restrict the uses to which the Project may be put on the terms and conditions set forth herein.

SECTION 12. RELIANCE.

Owner hereby recognizes and agrees that the representations, covenants, and warranties set forth herein may be relied upon by all persons interested in the legality and validity of the Bonds and in the exemption from Oregon personal income taxation and the Tax-Exempt status of the interest on the Bonds, as the case may be. Owner also recognizes and agrees that the representations, covenants, and warranties set forth herein or incorporated herein may be relied upon by all persons interested in the legality and validity of the Credits and their exemption from Oregon personal income taxation and federal income taxation. Owner also recognizes and agrees that the representations, covenants, and warranties set forth herein or incorporated herein may be relied upon by all persons otherwise interested in the legality and validity of other subsidies, if any, provided under the Financing Documents. In performing its duties and obligations hereunder, the Department and the State of Oregon may rely upon statements and certificates of Owner and Tenants (including State Income Qualified Tenants), and upon audits of the books and records of Owner pertaining to the Project or compliance by Owner with this Agreement (including the Financing Documents) or the Bond Documents. In addition, the Department and the State of Oregon may consult with counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Department or State of Oregon hereunder in good faith and in conformity with such opinion and other opinions and certifications written for reliance by the Department and State of Oregon with respect to the Project and its financing. In determining whether any default or lack of compliance by Owner exists under this Operating Agreement, the Department shall not be required to conduct any investigation into or review of the operations or records of Owner and may rely solely on any written notice or certificate delivered to the Department by Owner with respect to the occurrence or absence of a default unless it knows that the notice or certificate is erroneous or misleading.

SECTION 13. SALE, TRANSFER, OR OTHER DISPOSITION OF AN INTEREST IN THE PROJECT, OWNER OR INVESTOR.

13.1 Transfer of Any Interest in Project by Owner. Except as provided otherwise in the Deed of Trust or in Section 7 of this Operating Agreement, if Owner sells, transfers or otherwise disposes of any interest in the Project or any portion thereof (other than by leasing or renting for individual tenant use as contemplated hereunder), without obtaining the prior written consent of the Department, the Department may declare an Event of Default under the terms of this Operating Agreement and exercise the remedies provided for in Section 21 hereof or as otherwise provided in this Operating Agreement (including incorporated documents) or available at law. The Department's consent shall not, however, be unreasonably withheld or delayed but may be conditioned upon:

13.1.1 Reasonable evidence satisfactory to the Department that Owner is not then in default hereunder beyond any applicable grace period or cure period;

13.1.2 An opinion of counsel to the Transferee, delivered to the Department and the Trustee, to the effect that the Transferee has assumed in writing all duties and obligations of Owner

under this Operating Agreement and that this Operating Agreement is a legal, valid and binding obligation of the Transferee;

13.1.3 An opinion of Bond Counsel to the effect that the sale, transfer or disposition of the Project or any portion thereof will not adversely affect the exclusion of the interest on the Bonds from the gross income for federal income tax purposes; and

13.1.4 The payment of a transfer fee required by the Department and any other conditions that may be imposed by the Department or the Trustee in the discretion of either (but without obligation on the part of the Trustee) to assure compliance with federal or state law and Project Requirements, including (without limitation) Department orders and administrative rules, as amended, and also including but not limited to Owner providing the Department with current financial information with respect to the Transferee and a full description of the Transferee and its principal's and other relevant members' experience in real property management.

Any sale, transfer or other disposition of the Project in violation of this Section 13.1 shall be ineffective to relieve Owner, any Transferee or the Project of any continuing obligations under this Operating Agreement. The Department's consent hereunder shall not be deemed continuing and Owner and each permitted Transferee shall continue to be bound by this Section 13.1 unless the Department has consented to the sale, transfer or disposition of the Project or the sale, transfer or disposition of the Project is otherwise permitted by the Deed of Trust and by this Operating Agreement.

13.2 Transfer of Any Interest in Owner. If Owner sells, transfers or otherwise disposes of any interest in Owner without obtaining the prior written consent of the Department, the Department may declare an Event of Default under the terms of this Operating Agreement and exercise the remedies provided for default in Section 21 hereof or as otherwise provided in this Operating Agreement or available at law. The parties agree, however, that, so long as Owner is not then in default hereunder beyond any applicable grace period or cure period, a sale, assignment or transfer of an interest in Owner made in full compliance with any of sub-clauses 13.2.1, 13.2.2, 13.2.3 or 13.2.4 below shall constitute a permitted transfer of an interest in Owner.

13.2.1 Transfers Permitted Prior to Making All Capital Contributions. Prior to making all of the capital contributions required to be made by the Investor under the terms and conditions of the Ownership Agreement a one-time transfer of the Investor's limited partnership or limited membership interest in Owner may be made within one year of this Agreement to an Affiliate of the Investor with advance written notice to the Department of such transfer ("**Permitted Affiliate Transfer of Owner Interest**"). No Department consent shall be required for a Permitted Affiliate Transfer of Owner Interest, but written notice shall be provided to the Department as set forth above in connection with each such transfer. Further, the Department will not impose a transfer fee or charge on Owner for a Permitted Affiliate Transfer of Owner Interest.

13.2.2 Other Transfers Made Prior to Making All Capital Contributions. Prior to making all capital contributions, other than a Permitted Affiliate Transfer of Owner Interest

pursuant to clause 13.2.1 above, no interest in Owner may be transferred without the written consent of the Department which may be given or withheld in its sole but reasonable discretion, taking into consideration those factors it determines to be relevant. The Department shall communicate its determination to consent or withhold consent to a transfer promptly to Owner and may impose a transfer fee or charge on Owner consistent with program administrative rules, as amended from time to time.

13.2.3 Transfers of Owner Interest After Making All Capital Contributions. After all of the capital contributions to be made by the Investor under the terms and conditions of the Ownership Agreement have been made, the sale or other transfer of the limited partnership or limited membership interest in Owner (a "**Post Conversion Transfer of Owner Interest**"), may be made subject to the following: the Department must (A) be given advance written notice of the proposed sale or transfer; (B) give its written consent to the sale or transfer which consent shall not be unreasonably withheld, conditioned or delayed; and (C) the Department may impose a transfer fee or charge on Owner consistent with program administrative rules, as amended from time to time. The parties agree that a Post Conversion Transfer of Owner Interest shall be presumed reasonable and that the Department will promptly provide its consent to such a transfer upon confirmation that such transfer involves a transfer to an Affiliate of the Investor.

13.2.4 Transfers of Interests in General Partner or Managing Member of Owner. To ensure appropriate use of tax credit capital contributions by Owner, and that any party having an ownership interest in the general partner or managing member of Owner is suitable for such purpose, appropriate for the operational integrity of the general partner or managing member, and sufficiently limited in its capacity to direct or control actions by the general partner or managing member, a party proposing to acquire an ownership interest in the general partner or managing member (a "**Member**") may not acquire an ownership interest in the general partner or managing member without the prior written consent of the Department. Such consent shall be conditioned on (a) the ownership interest in the general partner or managing member to be acquired by the Member being not greater than one-percent (1%) of the ownership interest in Owner and (b) the Department receiving evidence reasonably satisfactory to the Department establishing the suitability of the Member.

13.3 Transfer of Any Interest in Investor. If the Investor sells, transfers or otherwise disposes of any interest in the Investor without obtaining the prior written consent of the Department, the Department may declare an Event of Default under the terms of this Agreement and exercise the remedies provided for hereunder or otherwise available at law. The parties agree, however, that, so long as Owner is not then in default hereunder beyond any applicable grace period or cure period, a sale, assignment or transfer of an interest in the Investor made in full compliance with any of clause 13.3.1, 13.3.2, or 13.3.3 below shall constitute a permitted transfer of an interest in the Investor.

13.3.1 Transfers Permitted Prior to Making All Capital Contributions. Prior to making all of the capital contributions required to be made by the Investor under the terms of the Ownership Agreement: (1) transfers of interests in the Investor (the "**Investor Membership Interests**") may be made among the initial holders of the Investor Membership Interests (the

"Initial Investment Members"), provided that Owner provides written notice to the Department of the transfer within thirty (30) days of Owner learning of the transfer; and (2) transfers of Investor Membership Interests may be made to a person or entity that is not an Initial Investment Member if, after making such transfers not less than 75% of the holder(s) of the Investor Membership Interests are either (a) the Investor or an Affiliate of the Investor, or (b) Financial Institutions or Publicly Held Corporations with a credit rating at the time of such transfer of BBB- or better by S&P Global Ratings or Baa3 or better by Moody's Investor Service, Inc., or wholly-owned subsidiaries of such entities or are otherwise holders that have been approved by the Department, provided that Owner shall provide written notice to the Department of the transfer within thirty (30) days of Owner learning of the transfer. Transfers of Investor Membership Interests described in clauses (1) and (2) of this clause 13.3.1 are referred to herein as **"Permitted Investor Membership Interest Transfers"**). No Department consent shall be required for any Permitted Investor Membership Interest Transfer pursuant to clause (1) or (2) of this clause 13.3.1, but written notice shall be provided to the Department as set forth above in connection with each such transfer. Further, the Department may impose a transfer fee or charge on Owner for other Permitted Investor Membership Interest Transfers consistent with program administration rules, as amended from time to time.

13.3.2 Other Transfers Made Prior to Making All Capital Contributions. Prior to making all capital contributions, other than Permitted Investor Membership Interest Transfers pursuant to clause 13.3.1 above, no interest in the Investor, including any Investor Membership Interest, may be transferred without the written consent of the Department which may be given or withheld in its sole but reasonable discretion, taking into consideration those factors it determines to be relevant. The Department shall communicate its determination to consent or withhold consent to a transfer promptly to Owner and may impose a transfer fee or charge on Owner consistent with program administrative rules, as amended from time to time.

13.3.3 Transfers of Investor Interest After Making All Capital Contributions. After all of the capital contributions to be made by the Investor under the Ownership Agreement have been made, the sale or other transfer of any limited partnership or membership interest in the Investor, including any Investor Membership Interest (a **"Post Conversion Transfer of Investor Interest"**) may be made without prior notice to or approval by the Department, provided that that Owner shall provide written notice to the Department of any Post Conversion Transfer of Investor Interest within thirty (30) days of reasonable discovery of such transfer. The Department will not impose a transfer fee or charge on Owner for a qualifying Post Conversion Transfer of Investor Interest.

13.4 Removal and Replacement of Owner's General Partner or Managing Member. The Investor may seek to remove a general partner or managing member of Owner for cause pursuant to the terms of the Ownership Agreement in effect as of the date of this Operating Agreement, or pursuant to any revisions adopted by the parties to the Ownership Agreement and approved in writing by the Department, subject to the following: (1) the Investor must notify the Department in writing of its desire to remove the general partner or managing member for cause; (2) the Investor must notify the Department in writing of the successor general partner or managing

member, and (3) the Department must give its written consent to the removal and replacement of the general partner or managing member, which consent will not be unreasonably withheld, conditioned or delayed. If the Ownership Agreement provisions related to the removal of the general partner or managing member are amended without the Department's written approval (a "**Removal Amendment**"), and the Investor seeks to remove the general partner or managing member for cause pursuant to the Removal Amendment, the prior written consent of the Department must be obtained and the Department may give or withhold its consent in its sole discretion. Notwithstanding the foregoing, the Investor also may replace a general partner or managing member of Owner for cause with an affiliate of the Investor on a temporary basis for not longer than sixty (60) days pursuant to the terms of Ownership Agreement in effect as of the date of this Agreement, or pursuant to any revisions adopted by the parties to the Ownership Agreement and approved in writing by OHCS. Such temporary replacement does not require prior OHCS approval and will not be subject to an OHCS transfer fee, but notice thereof must be provided to OHCS within two (2) business days of such replacement. Permanent removal or replacement of the general partner or managing member of Owner must still be accomplished in conformance with the first two sentences of this Subsection 13.4.

13.5 Removal and Replacement of Management Agent; Execution of Project Management Agreement. The Department may require the removal and replacement of the Management Agent, including the appointment of a Management Agent in lieu of Owner. Owner also may, with the Department's approval, remove and replace the Management Agent in accordance with the terms and conditions of this Agreement and the Project Management Agreement to be executed among Owner, the Department, and the Management Agent, if any, which latter agreement (including as amended or replaced from time to time) is incorporated herein by reference.

13.6 Unapproved Transfers Are Void. Any Transfer, in whole or in part, of the Conduit Bond Loan, the Credits, the LIFT Loan, the MEP Grant, the Project, Owner, or Investor in violation of this Agreement will be ineffective to relieve Owner, the Investor, any Transferee, or the Project of any continuing obligations under this Agreement. OHCS' consent hereunder will not be deemed continuing and Owner and each permitted Transferee will continue to be bound by this Agreement unless OHCS has consented in writing to any above-referenced Transfer.

13.7 Consents by Department to Admission of Investor and to Security Interest.

13.7.1 Admission of Investor; Special Member or Special Limited Partner. If the Project is financed, in part, by federal low-income housing tax credits ("LIHTC"), the Department consents to the admission of the LIHTC Investor member or limited partner, as applicable, in Owner and within one year of this Agreement, as applicable, the admission of a special member or special limited partner in Owner of an entity that is an Affiliate of the Investor.

13.7.2 Grant of Managing Member/General Partner Security Interest. The Department consents to the managing member/general partner of Owner granting a security interest in its interest in Owner as security for performance of obligations under the Ownership Agreement and under any document evidencing or securing construction or permanent financing of the Project.

13.7.3 Security Interest in Credits. The Department consents to Owner granting to a primary commercial lender a security interest in the Credits (as defined in the REUA between OHCS and Owner) as security for performance of Owner's obligations under any document evidencing or securing construction or permanent financing of the Project. In the event of a foreclosure of a deed of trust, mortgage, or other security document securing Owner's obligation to repay a loan from the referenced lender, the Department further consents to a foreclosure by such lender of its security interest in the Credits; provided, however, the Department makes no representation as to the effect of such a foreclosure on the ability of the foreclosing entity to claim, transfer, or otherwise utilize the Credits pursuant to IRC Section 42, applicable Oregon law, or otherwise.

13.8 Sale of Project to Managing Member or General Partner. Absent (1) a change in the managing member, administrative member, or general partner in Owner, or in the composition thereof, or (2) an uncured Event of Default under this Agreement, Department consent to the sale of the Project to the current managing member, administrative member, or general partner of Owner upon termination of the "compliance period" applicable to the last building of the Project to be placed in service as provided in IRC Section 42 provided (1) the Department is given adequate notice prior to the transfer, (2) the terms of such sale are reasonable as determined by the Department, and (3) Owner and the managing member, administrative member, or general partner each will have complied with all other requirements of the Department, including provision of requested information, execution of required documents satisfactory to the Department, and payment of an appropriate Transfer fee as established by the Department.

SECTION 14. COVENANTS TO RUN WITH THE PROPERTY; EQUITABLE SERVITUDES.

14.1 Inducement. Owner represents, agrees, covenants and warrants that the issuance and sale of the Bonds by the Department is an inducement to Owner to continue to operate the Project in accordance with this Operating Agreement. Owner further represents, agrees, covenants and warrants that the provision or authorization of financial assistance by the Department under the Financing Documents is an inducement to Owner to continue to operate the Project in accordance with this Operating Agreement. In consideration of the issuance of the Bonds and the provision or authorization of financial assistance by the Department under the Financing Documents, Owner has entered into this Operating Agreement and has agreed to restrict the uses to which the Project can be put on the terms and conditions set forth herein. Owner hereby acknowledges that the restrictions, covenants and provisions contained herein are necessary to ensure that (i) the Project will be operated as a qualified residential rental project within the meaning of Section 142(d) of the Code, (ii) the interest on the Bonds in the hands of the Bondowners will be exempt from federal income taxation under Section 103 of the Code, and (iii) the requirements of Article XI-Q of the Oregon Constitution, the Act, the Financing Documents, and related regulations, and further agreements of the parties will be satisfied as reflected in this Agreement and otherwise. Therefore, Owner covenants, agrees and acknowledges that the Department has relied on this Operating Agreement in determining to issue and sell the Bonds and to provided or authorize the financial assistance under the Financing Documents.

14.2 Declaration of Restrictive Covenants. The Department and Owner hereby declare their express intent and agreement that, during the term of this Agreement (including the Affordability Period), the covenants, restrictions, charges and easements set forth herein shall be deemed covenants running with the Property and Improvements of the Project, shall be deemed equitable servitudes running with the Property and Improvements of the Project, and shall, except as provided in Section 13 of this Operating Agreement, pass to and be binding upon the Department's and Owner's successors in title including any purchaser, grantee 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 or lessee of any portion of the Project and any other person or entity having any right, title or interest therein. Each and every contract, deed or other instrument hereafter executed covering or conveying the Project or any portion thereof or interest therein (other than a rental agreement or Lease for a Dwelling Unit) shall contain an express provision making such conveyance subject to the covenants, restrictions, charges, easements and equitable servitudes 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 15. BURDEN AND BENEFIT.

Owner hereby declares its understanding and intent that the burdens of the covenants set forth herein touch and concern the Property and Improvements in the Project in that Owner's legal interest in the Project are rendered less valuable thereby. Owner hereby further declares its understanding and intent that the benefits of such covenants touch and concern the Property and Improvements of the Project by enhancing and increasing the enjoyment and use of the Project by Qualified Tenants and State Income Qualified Tenants, the intended beneficiaries of such covenants, reservations and restrictions, and by furthering the public purposes for which the Bonds were issued and the financial assistance under the Financing Documents was provided or authorized.

SECTION 16. UNIFORMITY; COMMON PLAN.

The covenants, reservations and restrictions hereof shall apply uniformly to the entire Project in order to establish and carry out a common plan for the use of the site on which the Project is located.

SECTION 17. OPERATING INCOME AND EXPENSE FUND.

Upon written notice by the Department to the Owner, which notice the Department may give and retract from time to time at its sole, but reasonable discretion, Owner shall establish and maintain a Project Operating Income and Expense Fund (the "**Operating Fund**") with a depository approved in writing by the Department (and acceptable to the Lender during the period of the Conduit Bond Loan and to the Investor during the period of its participation in Owner). In exercising its discretion, the Department may consider factors including, but not limited to, whether the Department is a Project lender and whether another lender or investor

requires a similar fund to be established. The processes otherwise allowed in the Bond Documents for the deposit and expenditure of Operating Income will be deemed permissible under this Agreement unless and until Owner is notified by the Department that it must implement the Operating Fund. Upon written notice by the Department, all Operating Income shall be deposited immediately in the Operating Fund, and Owner shall promptly pay all Operating Expenses out of this Operating Fund. No other use of the Operating Fund deposits or the moneys required to be placed therein, including the distribution of Excess Revenues, may be made by Owner without prior written approval of the Department. So long as the Conduit Bond Loan or any portion thereof remains outstanding, any Operating Fund required pursuant to this Agreement will be maintained with the Lender so long as it is the holder of the Conduit Bond Loan and thereafter, if required by the holder of the Conduit Bond Loan, with such holder if such holder is a federally insured depository institution and otherwise with a federally insured depository institution satisfactory to such holder in its reasonable discretion.

SECTION 18. DISTRIBUTIONS FROM THE OPERATING FUND.

During any period in which Owner is required by notice from the Department to establish and maintain an Operating Fund, neither Owner nor those having a beneficial interest in Owner shall make, receive, or retain any distribution of any assets or any income of any kind from the Project for the term of this Agreement except from the Operating Fund and then only subject to the following conditions:

18.1 Excess Revenues Distribution. Owner is entitled to distributions of Excess Revenues from the Operating Fund only at the end of each fiscal year of Project operation and only after all Operating Expenses have been paid, or moneys have been set aside for payment, and the Department has given its written authorization based on the Department's review of the annual audited financial statement and inspection required in Section 19 of this Operating Agreement. The Department will endeavor to complete its inspection and review of the annual audited financial statement within sixty (60) days of its receipt. If the Department fails to give its written authorization for distribution within sixty (60) days after its receipt of the annual audited financial statement without providing notice of corrective action to be taken by Owner with respect to the Project, the Department's inspections of same, or the annual audited financial statement, distribution of Excess Revenues from the Operating Fund will be deemed approved.

18.2 Withholding Distribution of Excess Revenues. The Department may withhold authorization of any distribution of Excess Revenues from the Operating Fund when there is an Event of Default, or when the Department determines that there is a reasonable probability that the Operating Fund balance will not be sufficient to pay all of the Operating Expenses of the Project.

18.3 Constructive Trust. Any distribution of moneys from the Operating Fund that does not comply with the terms of this Section shall be deemed to be held in constructive trust for the benefit of the Department by the possessor of those moneys. Owner, if not the possessor of the trust moneys, shall make demand upon the possessor of those moneys at the request of the Department. Any unauthorized distribution of moneys shall be repaid by Owner to the Operating Fund from sources other than other Operating Income or assets of the Project.

SECTION 19. INFORMATION; MONITORING.

Owner shall:

19.1 Tax Returns. From time to time upon the Department's request, but not less than annually, provide to the Department the latest tax returns complete with all schedules, including applicable K-1 statements and financial statements prepared in accordance with GAAP or IFRS and certified by Owner to be true and correct in all respects.

19.2 Audited Financial Statements. When the Department has required Owner to establish and maintain the Operating Fund or when otherwise expressly requested by the Department, provide to the Department within 120 days after the end of each applicable calendar year (or such shorter term as may be applicable in any Financing Document) a complete audited financial statement with respect to the Project in a form acceptable to the Department, based upon an examination of the books, records, and accounts of the Project, setting forth the financial condition of the Project as of the end of such fiscal year and the results of operation of the Project for such fiscal year

19.3 Rent Rolls; Operating Statements. From time to time upon the Department's request provide to the Department a current rent roll and operating statements prepared in accordance with GAAP or IFRS and certified by Owner to be complete and accurate in all respects.

19.4 Notice to the Department. Give the Department written notice within ten (10) days after Owner first receives notice of:

19.4.1 Litigation or Other Claims. Any litigation or claim of any kind which might subject any of Owner to any liability, whether covered by insurance or not; and

19.4.2 Complaints and Charges. Any complaint or charge filed by any Governmental Authority or any other Person affecting the Project or any of Owner or their business which may impair the operation of the Project or the tax-exempt status of the Bonds

19.5 Breach or Event of Default. Promptly notify the Department of any condition or event that constitutes a breach or event of default under the Bond Documents, the Financing Documents, or this Operating Agreement.

19.6 Data and Other Information. Promptly furnish to the Department such data and information, financial or otherwise, concerning any of Owner, as from time to time may reasonably be requested by the Department, including as required under the Regulatory Agreement, other Bond Documents, the Project Management Agreement, and other Financing Documents.

19.7 Inspection; Preparation of Financial Statements. Allow the Department to inspect the Project, including all records thereof, with reasonable notice and cooperate with such inspection as required by the Department. All financial statements shall be prepared in accordance with GAAP or IFRS, in form and content satisfactory to the Department, and certified to be complete and accurate in all respects.

SECTION 20. CHARGES AND FEES.

20.1 Payment of Charges and Fees. Owner shall timely pay all charges and fees identified in this Operating Agreement (including in the LOI and other Financing Documents), in Department administrative rules (as amended from time to time), and otherwise.

20.2 Payments at Closing. The amount of fees and charges required to be paid at closing under the LOI will be provided by invoice from the Department to include, among other things, the standard recorded document preparation charge, the LIHTC Recipient Charge, the LIHTC Reservation Charge, the Bond Issuance Fee, the LIFT Loan fee, the MEP Grant fee, the TEFRA charges, and the Financial Advisor charges. Bond Counsel charges and other legal fees due from Owner at closing will be paid separately by Owner at closing.

20.3 Ongoing Payments. As part of the charges and fees due from Owner to the Department, Owner acknowledges and agrees that it shall prospectively pay administration and monitoring fees and related charges, (i) on a prospective ongoing annual basis during the first fifteen (15) years of the Affordability Period in a yearly amount equal to **\$2,030** (calculated on the basis of \$35 for each of the **58** residential units in the Project), (ii) on a prospective ongoing annual basis for the remaining balance of the Affordability Period in a yearly amount equal to **\$1,450** (calculated on the basis of \$25 for each of the **58** residential units in the Project), and (iii) additionally, on a prospective ongoing annual basis during the Qualified Project Period for the Bonds in a yearly amount equal to **\$580** (calculated on the basis of \$10 for each of the **58** residential units in the Project), with all applicable installments due and payable in an aggregate amount on a calendar-year basis for the duration of the Affordability Period (at a minimum, through **December 31, 2052**), the first payment of which shall be due and payable upon the first day of the month after which 10% of the residential units in the Project are first occupied or **April 1, 2023**, whichever is sooner (pro-rated based on the remaining portion of the calendar year), and thereafter in regular payments in advance as described above commencing on **January 1, 2024** in accordance with terms satisfactory to the Department. Such fees and related charges are subject to adjustment from time to time by the Department in accordance with its then current administrative rules.

SECTION 21. DEFAULTS; ENFORCEMENT.

21.1 Repayment Upon Termination. If this Agreement or any part hereof, terminates prior to the term of the Affordability Period, Owner will, within thirty (30) days of written demand for repayment, repay the LIFT Loan, and the MEP Grant to the Department, together with applicable interest, fees, and other charges.

21.2 Corrective Actions. The Department may, from time to time, identify and direct Owner to correct deficiencies in Owner's compliance with this Agreement (including the Project Requirements), which it will correct as so directed.

21.3 Withholding Distributions. The Department may withhold any Owner distributions due it from the Operating Fund and Expense Fund, consistent with Section 18.

21.4 Required Training. The Department may require Owner, its owners, principals, officers, employees, and agents to undertake training, at Owner's expense, as directed by the Department.

21.5 Extension of Affordability Period. The Department may by written notice extend the Affordability Period described in this Agreement or in individual Financing Documents for periods of time matching corresponding periods of time during which the Department determines Owner to be in material noncompliance with any of the terms of this Agreement (including the Project Requirements).

21.6 Additional Remedies. If Owner defaults in the performance or observance of any covenant, agreement or obligation of Owner set forth in this Operating Agreement, and if such default remains uncured by Owner, Investor, or Lender for a period of thirty (30) days or less (depending upon the requirements of the notice, lesser notice periods being reserved for matters that OHCS determines relate to material health or safety needs of Project Tenants) after notice thereof shall have been given by the Department (or in the case of a default under the Bond Documents, by the Trustee) to Owner, Investor (for the duration of Investor's membership in Owner), and Lender (for the duration of its interest in the Bonds), or for a period of thirty (30) days from the date Owner should, with due diligence, have discovered such default, then the Department may declare an **"Event of Default"** to have occurred hereunder provided, however, if a default is not reasonably capable of being cured within thirty days or any lesser notice period provided by the Department, the Department may, in its sole discretion, extend the correction period for up to six (6) months, but only if the Department determines there is good cause for granting the extension; and provided further, however, in the event of a foreclosure, deed in lieu of foreclosure, or similar event with respect to the Project, the correction period for the successor for an existing default shall be no less than thirty (30) days from the earlier of the date the successor obtains control or becomes the owner of the Project. To the extent that the default is not corrected within the above-described cure period including extensions, if any, granted by the Department, an Event of Default shall be deemed to occur and the Department may exercise its rights and remedies under this Section or otherwise. Following the occurrence of an Event of Default hereunder, the Department may, at its option, take any one or more of the following steps (except that itemized remedies 21.6.2, 21.6.8, & 21.6.9 always must be preceded by notice of default to the Investor and Lender, as applicable in accordance with this subsection), in addition to all other remedies provided in this Agreement, by law, or in equity:

21.6.1 By mandamus or other suit, action or proceeding at law or in equity, including injunctive relief, require Owner 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 Department hereunder;

21.6.2 Obtain the appointment of a receiver for the operation of the Project;

21.6.3 Have access to and inspect, examine and make copies of all of the books and records of Owner (including any Management Agent) pertaining to the Project;

21.6.4 Withhold approval of any Owner distribution from the Operating Fund;

21.6.5 Declare Owner, the Management Agent (if applicable), and any member, officer, employee, or agent of either entity ineligible to receive further financial assistance from the Department;

21.6.6 Require termination of the Management Agent and its replacement to the Department's satisfaction;

21.6.7 Require Owner to cease management of the Project, if self-managing, and to engage a Management Agent acceptable to the Department;

21.6.8 Require a change in the General Partner or Managing Member of Owner, to the Department's satisfaction;

21.6.9 Require repayment of the LIFT Loan and the MEP Grant (together with applicable interest and charges) provided with respect to the Project, and such amount will be immediately due and payable following thirty (30) days from such written demand, by Owner to the Department;

21.6.10 [Reserved];

21.6.11 Enter onto the Property and correct Events of Default with respect to the Project at Owner's expense, which expense Owner will repay to the Department within ten (10) days of any presentment of charges for same;

21.6.12 Withhold any Owner distributions due it from the Operating Fund and Expense Fund;

21.6.13 Require Owner, its owners, principals, officers, employees, and agents to undertake training, at Owner's expense, as directed by the Department;

21.6.14 Take such other action as allowed (i.e., with or without notice) under this Agreement, including incorporated documents; or

21.6.15 Take such other action allowed at law or in equity as may appear necessary or desirable to the Department, including but not limited to enforce the obligations, covenants and agreements of Owner hereunder or otherwise.

21.7 No Waiver. No delay in enforcing the provisions hereof as to any breach or violation shall impair, damage or waive the right of any person entitled to enforce the same to obtain relief against or recover for the continuation or repetition of such breach or violation or any similar breach or violation thereof at any later time or times.

21.8 Department Fees, Costs, and Expenses. All reasonable fees, costs and expenses of the Department, including legal expenses prior, during or after trial (including on appeal, in bankruptcy or arbitration) incurred in taking any action pursuant to this Section shall be the sole responsibility of Owner. Reasonable attorneys' fees shall not exceed the rate charged to the Department by its counsel.

21.9 Validity of Mortgages and Like Encumbrances. No breach or default under this Operating Agreement shall defeat or render invalid any mortgage or like encumbrance upon the Project or any portion thereof given in good faith and for value.

21.10 Cure Right. The Investor and Lender are entitled to cure any Event of Default hereunder within the time frame provided to Owner hereunder. The Department hereby agrees that any cure of any Event of Default hereunder made or tendered by the Investor or Lender will be deemed to be cured by Owner, and shall be accepted or rejected by the Department on the same basis as if made or tendered by Owner. The right of Investor or Lender to cure a default hereunder does not create an obligation independent of Owner by Investor or Lender to effectuate a cure of any such default.

21.11 No Limitation. This Section does not limit other rights and remedies available to the Department under this Agreement, including incorporated documents.

SECTION 22. RIGHT TO WAIVE REQUIREMENT FOR BOND COUNSEL OPINION.

The Department may, in its sole and absolute discretion, waive the requirements for the delivery of any opinion of Bond Counsel set forth herein.

SECTION 23. RECORDING AND FILING.

Owner shall cause this Operating Agreement and all amendments and supplements hereto to be recorded and filed in the real property records of the Oregon county or counties in which the Project is situated and in such other places as the Department may reasonably request. Owner shall pay all fees and charges incurred in connection with any such recording.

SECTION 24. PAYMENT OF CHARGES AND FEES.

Notwithstanding a discharge of the Indenture or any other event, including payment of the Conduit Bond Loan, Owner shall pay all fees and charges to the Department required under this Operating Agreement or otherwise in connection with the Project.

SECTION 25. GOVERNING LAW; VENUE.

25.1 Governing Law. This Operating Agreement shall be governed by the laws of the State of Oregon without regard for principles concerning conflicts of laws.

25.2 Venue. The parties hereby agree that the courts of the State of Oregon or, where necessary, the U.S. District Court for the District of Oregon, shall have exclusive jurisdiction over any action brought by or against the Issuer under this Operating Agreement or in any way relating to the transactions contemplated hereby. In no event shall this provision be construed as a waiver by the State of Oregon or Issuer of any form of defense or immunity, whether it is sovereign immunity, governmental immunity, immunity based on the Eleventh Amendment to the Constitution of the United States or otherwise, from any Claim or from the jurisdiction of any court. OWNER, BY EXECUTION OF THIS AGREEMENT, HEREBY CONSENTS TO THE IN PERSONAM JURISDICTION OF SAID COURTS.

SECTION 26. AMENDMENTS.

This Operating Agreement may be amended only by a written instrument executed by the parties hereto or their successors in title, and duly recorded in the real property records of the county or counties in which the Project is situated.

SECTION 27. NOTICES.

27.1 Delivery of Notice. Any notice required to be given hereunder shall be made in writing and shall be given by personal delivery or first class mail, postage prepaid, at the addresses specified below, or at such other addresses as may be specified in writing by the parties hereto:

To the Department: Oregon Housing and Community Services Department
725 Summer Street NE, Suite B
Salem, OR 97301-1266
Attention: Development Resources and Production Section
Telephone: (503) 986-2058

With a copy to: Oregon Housing and Community Services Department
725 Summer Street NE, Suite B
Salem, OR 97301-1266
Attention: Compliance Section
Facsimile: (503) 986-2020

And with a copy to: Oregon Department of Justice
1162 Court St. NE
Salem, OR 97301-4096
Facsimile: (503) 378-3784
Attention: Hannah P. Fenley

To the Owner: Sunrise Vista Apartments, LLC
c/o Luckenbill-Drayton & Associates, LLC
1007 NW Rimrock Drive
Redmond, OR 97756
Attention: Dee Luckenbill
E-mail: luknbill@qwestoffice.net
Telephone: (541) 728-1582

With a copy to: Housing Authority of Klamath Falls
1445 Avalon
Klamath Falls, OR 97601
Attention: Executive Director
E-mail: diana@klamathhousing.org
Telephone: (541) 884-0649

With a copy to: Rita L. Spears Law Firm
 5777 S. Rural Rd., #4
 Tempe, AZ 85283
 Attention: Rita Spears
 E-mail: rita@rspearslaw.com
 Telephone: (480) 966-8383

With a copy to: Dagle Law Office, LLC
 9755 SW Barnes Road, Suite 695
 Portland, Oregon 97225
 Attention: Paul Dagle
 Email: paul.dagle@daglelaw.com
 Telephone: (503) 546-4493

To the Investor: Hunt Capital Partners Tax Credit Fund 31, LP
 c/o Hunt Capital Partners
 15910 Ventura Blvd., Suite 1100
 Encino, CA 91436
 Attention: Jeffrey N. Weiss
 Fax: (818) 380-6101

With a copy to: Nixon Peabody LLP
 799 9th Street, N.W., Suite 500
 Washington, DC 20001
 Attention: Matthew W. Mullen

To the Bank: Umpqua Bank
 One SW Columbia Street, Suite 1170
 Portland, OR 97258
 Telephone: (503) 219-6195
 Attention: Gina Leon
 Email: ginaleon@umpquabank.com

With a copy to: Miller Nash Graham & Dunn LLP
 3400 U.S. Bancorp Tower
 111 SW Fifth Avenue
 Portland, OR 97204-3699
 Telephone: (503) 205-2548
 Attention: Catherine A. Shaw, P.C.
 Email: catherine.shaw@millernash.com

To the Trustee: Zions Bancorporation, National Association
Corporate Trust, Zions Bank Division
1211 SW Fifth Avenue, Suite 1250
Portland, OR 97204
Telephone: (503) 548-1030
Attention: Corazon Gruenberg
Email: corazon.gruenberg@zionsbank.com

27.2 Change of Notice Information. The above-identified persons and entities may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Notice shall be deemed given three business days after the date of mailing.

SECTION 28. SEVERABILITY.

If any provision of this Operating Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions hereof shall not in any way be affected or impaired thereby.

SECTION 29. NO CONFLICTS WITH OTHER DOCUMENTS.

Owner warrants that Owner has not executed, and will not execute, any other agreement with provisions contradictory to, or in opposition to, the provisions hereof, and that in any event the requirements of this Operating Agreement are paramount and controlling as to the rights and obligations herein set forth and supersede any other requirements in conflict herewith.

SECTION 30. CONSTRUCTION.

The parties to this Operating Agreement acknowledge that each party and its counsel have participated in the drafting and revision of this Operating Agreement. Accordingly, the parties agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in the interpretation of this Operating Agreement or any amendment, modification, supplementation or restatement of the foregoing or of any exhibit to this Operating Agreement.

SECTION 31. NO LIMITATIONS ON ACTIONS OF ISSUER IN EXERCISE OF ITS GOVERNMENTAL POWERS.

Nothing in this Operating Agreement, the Indenture, the other Bond Documents, or the Financing Documents is intended, nor shall it be construed, to in any way limit the actions of the Issuer in the exercise of its governmental powers. It is the express intention of the parties hereto that the Issuer shall retain the full right and ability to exercise its governmental powers with respect to Owner, the Project, and the transactions contemplated by this Operating Agreement, the Indenture, the other Bond Documents, or the Financing Documents to the same extent as if it were not a party to this Operating Agreement, the Indenture, the other Bond Documents, or the

Financing Documents, or the transactions contemplated thereby, and in no event shall the Issuer have any liability in contract arising under this Operating Agreement, under the Indenture, under the other Bond Documents, or the Financing Documents by virtue of any exercise of its governmental powers.

SECTION 32. TIME OF THE ESSENCE.

Time is of the essence in the performance by Owner of the terms of this Agreement.

SECTION 33. NO THIRD-PARTY BENEFICIARIES; NO RECOURSE.

33.1 No Third-Party Beneficiaries; Changes. The Department (including the State of Oregon) and Owner are the only parties to this Agreement and are the only parties entitled to rely on and enforce the terms of this Agreement. Nothing in this Agreement gives, is intended to give, or shall be construed to give or provide any benefit or right not held by or made generally available to the public, whether directly indirectly or otherwise, to third persons unless such third persons are individually identified by name in this Agreement and expressly described as intended beneficiaries of the terms of this Agreement. Notwithstanding any other term or condition of this Agreement, the Department retains authority, subject to applicable law, to modify, amend, waive, release, or allow the forbearance of (collectively, “**Change**”) any covenant, servitude, or other right or interest established under this Agreement or its incorporated documents (in whole or in part) at its sole discretion with the consent of Owner, the consent of the Lender (during the period of the Conduit Bond Loan), and the consent of the Investor (during the period of its membership in Owner) notwithstanding any rights or interests of Tenants or other third parties established hereby or otherwise, all of which are subordinate to the rights and interests of the Department established hereunder. Any Change by the Department must be in writing and signed by an authorized representative of the Department to be effective. Tenants and other third parties shall have no recourse against the Department for any such Change.

33.2 No Right of Action. Residents and third-party beneficiaries, if any, under incorporated documents have no right of action to enforce the restrictive covenants or equitable servitudes created hereunder (except, with respect to LIHTC or Conduit Bond covenants, as expressly reserved to third-party beneficiaries in applicable Code or Treasury Regulations provisions). The Department retains the exclusive right to enforce such covenants and servitudes (except, with respect to LIHTC or Conduit Bond covenants, as expressly reserved to third-party beneficiaries in applicable Code or Treasury Regulations provisions). Residents and other third-party beneficiaries under this Agreement (including incorporated documents), if any, have no claim, cause of action or other right of recourse against the Departments with respect to any action or lack of action taken by the Department with respect to this Agreement (including the described covenants and servitudes) or the Project arising from their rights, if any, under this Agreement or otherwise.

33.3 No Attorney Fees. Residents and third-party beneficiaries under incorporated documents, if any, have no right to attorney fees under this Agreement (less incorporated documents) for claims asserted as third-party beneficiaries hereunder nor will parties hereto have a right to

attorney fees under this Agreement (less incorporated documents) against Residents and other third-party beneficiaries.

SECTION 34. PRESERVATION.

Owner acknowledges and agrees that the Project is a “participating property” as defined in ORS 456.250 and, as such, is subject to the requirements, among other things, of ORS 456.250 through 456.265. Owner, its successors and assigns, and any owner of the Project (or any party thereof) are bound by and will comply with the terms of ORS 456.250 through 456.265 and other related Project Requirements with respect to the Project.

SECTION 35. CROSS DEFAULT.


An Event of Default hereunder may be deemed an Event of Default under the Bond Documents and under the Financing Documents. An Event of Default under the Bond Documents shall constitute an Event of Default hereunder.

[Signature Pages Follow]

**STATE OF OREGON acting by and through its
STATE TREASURER and its
HOUSING AND COMMUNITY SERVICES
DEPARTMENT**

Caleb Yant, Chief Financial Officer

The foregoing instrument was acknowledged before me this this 9th day of April 2020 by Caleb Yant, Chief Financial Officer, on behalf of the State of Oregon, acting by and through its State Treasurer and its Housing and Community Services Department.


 OFFICIAL STAMP
KATHLEEN MAYUMI CONNOR
NOTARY PUBLIC - OREGON
COMMISSION NO. 989665
MY COMMISSION EXPIRES JULY 24, 2023

Kathie Connor
Notary Public for Oregon
My Commission Expires: July 24, 2023

SUNRISE VISTA APARTMENTS, LLC
an Oregon limited liability company

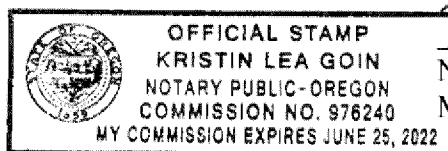
By: **LDA-SVA Development, LLC,**
an Oregon limited liability company,
its Managing Member

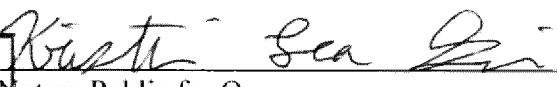
By: **Luckenbill-Drayton & Associates, LLC,**
an Oregon limited liability company,
its Manager

By: 
Lisa Drayton
Manager

STATE OF OREGON)
) ss.
County of Deschutes)

This instrument was acknowledged before me on this 7 day of April, 2020 by Lisa Drayton, Manager of Luckenbill-Drayton & Associates, LLC, the Manager of LDA-SVA Development, LLC, the Managing Member of Sunrise Vista Apartments, LLC, for and on behalf of Borrower.




Notary Public for Oregon
My commission expires: June 25, 2022

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EXHIBIT A

[Legal Description]

A leasehold interest in the following described property pursuant to that certain Lease Agreement executed between Klamath Housing Authority, as Lessor, and Sunrise Vista Apartments, LLC, as Lessee, on or about April 8, 2020, a memorandum of which has been recorded on or about April 16, 2020 in the official records of Klamath County, State of Oregon, as document number 2020-004857, to wit:

PARCEL 1:

Parcel 2 of Land Partition 2-17 Replat of Parcel 2 of Land Partition 8-00 situate in SE1/4 NE1/4 Section 14, Township 39 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, recorded May 8, 2017 in 2017-004773, Records of Klamath County, Oregon.

PARCEL 2:

60 foot Access Easement as designated and delineated on Land Partition 2-17 Replat of Parcel 2 of Land Partition 8-00 situate in SE1/4 NE1/4 Section 14, Township 39 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, recorded May 8, 2017 in 2017-004773, Records of Klamath County, Oregon.

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