

PRELIMINARY OFFICIAL STATEMENT DATED JULY 8, 2020

NEW ISSUE - BOOK ENTRY ONLY

RATING: Moody's: "Aaa/VMIG 1"
See "RATING" herein

In the opinion of Dinsmore & Shohl LLP, Bond Counsel, based upon an analysis of existing statutes, regulations, rulings and judicial decision in effect as of the date of delivery of the Bonds (as defined herein), and assuming, among other things, compliance with certain provisions of the Indenture and the Bond Loan Agreements, interest on the Bonds is excludible from gross income for federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended (the "Code"), except for interest on any Bond for any period during which such Bond is held by a "substantial user" of the facilities financed or refinanced by the Bonds or a "related person" within the meaning of Section 147(a) of the Code. and except as described under "TAX MATTERS" herein. Interest on the Bonds is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed upon individuals. Bond Counsel also is of the opinion that interest on the Bonds is not subject to taxation by the Commonwealth of Kentucky or by any county, municipality or political subdivision therein. Ownership of the Bonds may result in certain collateral federal income tax consequences to certain owners of the Bonds. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of or the accrual or receipt of interest on the Bonds. See "TAX MATTERS" for additional information.

\$9,000,000*

**KENTUCKY HOUSING CORPORATION
MULTIFAMILY HOUSING REVENUE BONDS
(DUDLEY COURT PROJECT)**

Series 2020A

Dated: Date of Delivery

Initial Mandatory Tender Date: August 1, 2022*

Maturity Date: August 1, 2023*

Initial Interest Rate: ____%

Initial Offering Price: 100%

CUSIP: _____

\$6,000,000*

**KENTUCKY HOUSING CORPORATION
MULTIFAMILY HOUSING REVENUE BONDS
(ABEL COURT PROJECT)**

Series 2020B

Dated: Date of Delivery

Initial Mandatory Tender Date: August 1, 2022*

Maturity Date: August 1, 2023*

Initial Interest Rate: ____%

Initial Offering Price: 100%

CUSIP: _____

The above-captioned Series 2020A Bonds and the Series 2020B Bonds (collectively, the "Bonds") will be issued under the provisions of the Trust Indenture dated as of July 1, 2020 (the "Indenture"), between the Kentucky Housing Corporation (the "Issuer") and U.S. Bank National Association, as trustee (the "Trustee"). The Series 2020A Bonds will be issued for the purpose of providing financing to LSA Grier Dudley Court, LLC, a Kentucky limited liability company (the "Dudley Borrower"), and the Series 2020B Bonds will be issued for the purpose of providing financing to LSA Grier Abel Court Apartments, LLC, a Kentucky limited liability company (the "Abel Borrower," and together with the Dudley Borrower, the "Borrowers") for a portion of the costs of acquiring, rehabilitating, equipping and otherwise improving two separate multifamily housing facilities described herein (each a "Project" and collectively, the "Projects") located in the Commonwealth of Kentucky (the "Commonwealth"), to be occupied, to the extent required by federal tax law and state law by persons or families of low and moderate income. See "THE PROJECTS" herein.

Each Series of Bonds will bear interest at the Initial Interest Rate indicated above (the "Initial Interest Rate") from their date to but not including the Initial Mandatory Tender Date indicated above (the "Initial Mandatory Tender Date"), payable on each February 1 and August 1, commencing February 1, 2021*. See "THE BONDS" herein. The Bonds will be issued as fully registered bonds in book entry form and book entry interests in the Bonds will be available for purchase in principal amounts of \$5,000 or any integral multiple in excess thereof. Owners of book entry interests in the Bonds will not receive physical delivery of bond certificates. The Depository Trust Company, New York, New York ("DTC") will act as a securities depository for the Bonds. DTC, or its nominee, will receive all payments with respect to the Bonds from the Trustee. DTC is required by its rules and procedures to remit such payments to participants in DTC for subsequent disbursement to the owners of book entry interests. See "THE BONDS Book Entry System" herein.

Each Series of Bonds, when, as and if issued will be special obligations of the Issuer, payable solely from the revenues and other moneys assigned by the Indenture to secure that payment, which include the payments required to be made pursuant to a Loan Agreement among the Issuer and each Borrower (together, the "Bond Loan Agreements") dated as of July 1, 2020.

Each Series of Bonds is subject to redemption prior to its stated maturity. See "THE BONDS — Redemption of Bonds" herein.

Each Series of Bonds is subject to mandatory tender for purchase on their respective Initial Mandatory Tender Date. See "THE BONDS — Mandatory Tender" herein. Each Series of Bonds may be remarketed and a new interest rate for each Series of Bonds may be determined on the respective Initial Mandatory Tender Date in accordance with the terms of the Indenture. If a Series of Bonds is remarketed on the Initial Mandatory Tender Date, the terms of such Series of Bonds after such date may differ materially from the description provided in this Official Statement. Therefore, prospective purchasers of a Series of Bonds on and after the Initial Mandatory Tender Date cannot rely on this Official Statement, but rather must rely upon any disclosure documents prepared in connection with such remarketing.

At all times the Bonds will be secured by Eligible Investments sufficient, without need for reinvestment, to pay all of the interest on the Bonds when due and to pay the principal of the Bonds at the earlier of any Mandatory Tender Date or any redemption date, as further described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

THE BONDS SHALL NEVER CONSTITUTE AN INDEBTEDNESS, DEBT, BONDED INDEBTEDNESS OR GENERAL OBLIGATION OF THE ISSUER, THE COMMONWEALTH OF KENTUCKY, OR ANY POLITICAL SUBDIVISION OF THE COMMONWEALTH OF KENTUCKY, WITHIN THE MEANING OF ANY CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION WHATSOEVER, BUT THE BONDS SHALL BE A LIMITED OR SPECIAL OBLIGATION OF THE ISSUER PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR AS PROVIDED IN THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF KENTUCKY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF THE BONDS OR THE INTEREST OR ANY PREMIUM THEREON OR OTHER COSTS INCIDENT THERETO. THE ISSUER HAS NO TAXING POWER.

The Bonds are offered, subject to prior sale, when, as and if issued by the Issuer and accepted by Raymond James & Associates, Inc. (the "Underwriter"), subject to, among other things, the approving opinion of Dinsmore & Shohl LLP, Cincinnati, Ohio, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by Tiber Hudson LLC, Washington, D.C., and for the Borrowers by Hobson Bernardino + Davis LLP, Los Angeles, California. It is expected that the Bonds will be available for delivery in definitive form on or about July __, 2020 through the services of DTC against payment therefor.



July __, 2020

* Preliminary; subject to change.

This Preliminary Official Statement and certain of the information contained herein is in a form deemed final for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (except for the omission of certain information permitted to be omitted under Rule 15c2-12(b)(1)). The information herein is subject to revision, completion or amendment in a final Official Statement. The Bonds may not be sold, nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

REGARDING THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds identified on the cover hereof. No person has been authorized to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information and expression of opinions herein are subject to change without notice and neither the delivery of this Official Statement nor the sale of any of the Bonds shall, under any circumstances, create any implication that the information herein is correct as of any time subsequent to the date hereof.

Information herein has been obtained from the Issuer (only as to the Sections labeled “THE ISSUER” and “LITIGATION — The Issuer”) and the Borrowers and other sources believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriter.

The Issuer has not confirmed, and assumes no responsibility for, the accuracy, completeness, sufficiency or fairness of any statements in the Official Statements or any amendments thereof or supplements thereto, other than in the Sections labeled “THE ISSUER” and “LITIGATION — The Issuer”, and or in any reports, financial information, offering or disclosure documents or other information relating to the Underwriter, the Projects, the Borrowers, or the history, businesses, properties, organization, management, financial condition, market area or any other matter relating to the Borrowers or contained otherwise in the Official Statement.

The Trustee has neither reviewed nor participated in the preparation of this Official Statement, except for the contents of the Section labeled “THE TRUSTEE.”

The Underwriter has provided the following sentence for inclusion in this Official Statement:

The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Upon issuance, the Bonds will not be registered by the Issuer under the Securities Act of 1933, as amended, or any state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency will have passed upon the accuracy or adequacy of this Official Statement or, other than the Issuer (to the extent described herein) approved the Bonds for sale.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

\$9,000,000*
KENTUCKY HOUSING CORPORATION
MULTIFAMILY HOUSING REVENUE
BONDS
(DUDLEY COURT PROJECT)
SERIES 2020A

\$6,000,000*
KENTUCKY HOUSING CORPORATION
MULTIFAMILY HOUSING REVENUE
BONDS
(ABEL COURT PROJECT)
SERIES 2020B

INTRODUCTION

This Official Statement, including the Appendices, is furnished in connection with the original issuance and sale by the Kentucky Housing Corporation (the “Issuer”) of the Bonds identified on the cover page hereof (the “Bonds”). The Bonds are being issued by the Issuer pursuant to a Trust Indenture (the “Indenture”) dated as of July 1, 2020 between the Issuer and U.S. Bank National Association, as Trustee (the “Trustee”), the certain Bond Resolution adopted by the Board of the Issuer on May 28, 2020 (the “Bond Resolution”) and Chapter 198A of the Kentucky Revised Statutes, as amended (the “Act”). Capitalized terms used but not otherwise defined herein are defined in Appendix A.

The Issuer will loan the proceeds of the sale of the Bonds to (1) LSA Grier Dudley Court, LLC, a Kentucky limited liability company (the “Dudley Borrower”) pursuant to a Loan Agreement (the “Dudley Bond Loan Agreement”), dated as of July 1, 2020, between the Issuer and the Dudley Borrower and (2) LSA Grier Abel Court Apartments, LLC, a Kentucky limited liability company (the “Abel Borrower,” and together with the Dudley Borrower, the “Borrowers”), pursuant to a Loan Agreement (the “Abel Bond Loan Agreement,” and together with the Dudley Bond Loan Agreement, the “Bond Loan Agreements”), dated as of July 1, 2020, between the Issuer and the Abel Borrower. The proceeds of the Bonds will be used to pay a portion of the costs of acquiring, rehabilitating, equipping and otherwise improving two separate multifamily housing facilities described herein (collectively, the “Projects”), to be owned by the Borrowers. The Borrowers have the same manager, LSA Capital, Inc., a California corporation, but each Borrower has legal title only to the applicable Project as set forth herein and has no ownership interest in any of the other Projects. See “THE PROJECTS” and “THE PRIVATE PARTICIPANTS” herein. The Bond Loan Agreements, except for Unassigned Issuer’s Rights, will be assigned without recourse by the Issuer to the Trustee.

The Bonds are special obligations of the Issuer, and the principal of and interest thereon will be payable solely from the revenues or assets of the Issuer pledged under the Indenture to secure such payment. **At all times the Bonds will be secured by Eligible Investments sufficient, without need for reinvestment, to pay all of the interest on the Bonds when due and to pay the principal of the Bonds at the earlier of any Mandatory Tender Date or any redemption date, as further described herein. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.**

Each Project is subject to a separate Land Use Restriction Agreement (each, a “Land Use Restriction Agreement” and collectively, the “Land Use Restriction Agreements”) dated as of July 1, 2020, by and among the related Borrower, the Issuer and the Trustee. The Land Use Restriction Agreements require that at least 40% of completed units of each Project be occupied by persons or families having incomes at or below 60% of area median gross income during the longer of the Qualified Project Period or as long as any of the Bonds remain outstanding, in accordance with Section 142(d) of the Code. Failure to

* Preliminary; subject to change.

comply with these requirements could result in the loss of the exclusion of interest on the Bonds from gross income for federal tax purposes of interest on the Bonds retroactive to their date of issuance. See “TAX MATTERS” and “APPENDIX E — SUMMARY OF CERTAIN PROVISIONS OF THE LAND USE RESTRICTION AGREEMENTS.” In addition to the rental restrictions imposed upon the Projects by the Land Use Restriction Agreements, each Project will be further encumbered by a tax credit restrictive covenant (the “Tax Certificate”), to be executed by the related Borrower in connection with the low-income housing tax credits (the “LIHTCs”) anticipated to be granted for the Projects and in compliance with the requirements of Section 42 of the Code. See “THE PROJECTS” and “THE PRIVATE PARTICIPANTS” herein.

Brief descriptions of the Issuer, the Projects, the Borrowers, the use of proceeds of the Bonds and the Bonds together with summaries of the Indenture, the Bond Loan Agreements and the Land Use Restriction Agreements are provided below. All information with respect to the Borrowers and the Projects contained in this Official Statement has been furnished by the Borrowers. The descriptions and summaries of the Bond Loan Agreements, the Indenture, the Land Use Restriction Agreements and other documents contained herein do not purport to be comprehensive or definitive and are qualified in their entirety by reference to those documents, and all references to the Bonds are qualified in their entirety by the definitive forms thereof included in the Indenture. See “MISCELLANEOUS” for the availability of those documents.

THIS OFFICIAL STATEMENT DESCRIBES THE BONDS FROM THE DELIVERY DATE TO THE INITIAL MANDATORY TENDER DATE. A NEW OFFERING DOCUMENT IS REQUIRED TO BE USED TO OFFER THE BONDS AFTER THE INITIAL MANDATORY TENDER DATE.

THE ISSUER

The following information has been provided by the Issuer for use herein. While the information is believed to be reliable, none of the Trustee, the Borrowers, the Underwriter, the Lender nor any of their respective counsel, members, officers or employees make any representations as to the accuracy or sufficiency of such information.

In 1972, after determining that there existed a general housing shortage severely affecting persons and families of lower income in both urban and rural areas of the Commonwealth of Kentucky (the “Commonwealth” or the “State”) and an inability on the part of private enterprise to produce without assistance sufficient residential housing at prices or rentals which such persons and families could afford, the General Assembly of the Commonwealth established the Issuer by adoption of legislation now codified as Chapter 198A of the Kentucky Revised Statutes. The Issuer is governed by a Board of Directors. Pursuant to the Act, the Board of Directors consists of five (5) public directors and ten (10) additional members appointed by the Governor of the Commonwealth and chosen from the general public residing in the Commonwealth, subject to confirmation by the Senate of Kentucky. The Act, as amended, authorizes the Issuer to issue its bonds and notes from time to time in order to finance its purposes as set forth therein. The Issuer’s principal office is located at 1231 Louisville Road, Frankfort, Kentucky 40601, and its telephone number is (502) 564-7630.

The Issuer is a de jure municipal corporation and political subdivision of the Commonwealth established to serve a public purpose by increasing the supply of decent, safe and sanitary residential housing for persons and families of lower and moderate income through, among other things, (i) the making of or participating in the making of insured construction loans, (ii) the making of or participating in the making of insured mortgage loans and (iii) the purchasing of or participating in the purchasing of insured mortgage loans; in each case upon the Issuer’s determination that construction loans or mortgage loans, as the case may be, have been refused in writing, wholly or in part, by private lenders in the Commonwealth on reasonably equivalent terms and conditions.

Under the financing contemplated hereby, the Issuer has no material obligations with respect to the Bonds or the Project after the issuance of the Bonds since the Trustee will serve as agent of the Issuer and will have primary responsibility to enforce compliance with restrictions to preserve the tax-exempt status of the Bonds. All payments made under the Financing Agreement will be made directly to the Trustee for disbursement to the Owners of the Bonds. None of the revenues to pay the Bonds will come from the Issuer and therefore the Issuer's financial information and status is irrelevant to any investment decision with respect to the Bonds. ALTHOUGH THE ISSUER HAS AUTHORIZED AND APPROVED THIS OFFICIAL STATEMENT, THE ISSUER IS A CONDUIT ISSUER AND HAS NOT PREPARED OR PARTICIPATED IN THE PREPARATION OF THIS OFFICIAL STATEMENT AND IS NOT RESPONSIBLE FOR THE STATEMENTS MADE HEREIN EXCEPT FOR THE INFORMATION UNDER THE CAPTIONS "THE ISSUER" AND "NO LITIGATION" (TO THE EXTENT THAT THE INFORMATION UNDER SUCH CAPTIONS PERTAINS TO THE ISSUER) AND THE ISSUER WILL NOT PARTICIPATE IN OR BE RESPONSIBLE FOR THE OFFERING, SALE OR DISTRIBUTION OF THE BONDS.

Cease and Desist Order

The Issuer has entered into various continuing disclosure agreements relating to its program of originating single-family home ownership mortgage loans. In March 2014, the Securities and Exchange Commission (the "SEC") announced its Municipal Continuing Disclosure Cooperation Initiative (the "MCDC") pursuant to which underwriters and municipal issuers could self-report instances where official statements of municipal issuers failed to report instances in which the municipal issuer failed to comply in all material respects with its continuing disclosure undertakings. Pursuant to the MCDC, in December 2014 the Issuer reported certain prior failures to the SEC.

In February 2016, the Issuer executed an Offer of Settlement (the "Offer") with the SEC under the MCDC. As described in the Offer, the Issuer participated in six negotiated offerings between 2011 and 2013 in which the final official statement stated in relevant part that during the past five years, the Issuer had complied in all material respects with its continuing disclosure undertakings. Notwithstanding such statement, however, the Issuer's 2009 and 2010 audited financial statements were filed 404 and 38 days late, respectively. In addition, the Issuer's 2009 through 2012 annual financial information and fiscal year 2011 and 2012 audited financial statements were not filed until after the six above-referenced negotiated offerings and notices of such failures were not timely filed.

On August 24, 2016, the SEC accepted the Issuer's Offer and issued a Cease and Desist Order (the "Order") containing the same material terms described in the Offer. In accordance with the Offer and the Order, the Issuer has agreed to (i) establish written policies and procedures and undertake periodic training regarding continuing disclosure obligations, including designation of an individual or officer responsible for ensuring compliance with such policies and procedures, (ii) comply with existing continuing disclosure undertakings, and, if not currently in compliance, update past delinquency filings, (iii) disclose in clear and conspicuous fashion the terms of the Order in any official statement for an offering of the Issuer within five years of the entry of the Order, (iv) cooperate with any subsequent investigation by the SEC regarding false statements and/or material omissions and (v) certify, in writing, compliance with the foregoing undertakings.

Notwithstanding the foregoing, the Issuer does not have any obligation to provide any continuing disclosure with respect to the Bonds.

THE BONDS

General

The Bonds shall be issued in Authorized Denomination and shall mature on the Maturity Date. The Bonds are dated their date of initial delivery and shall bear interest at the Initial Interest Rate from their date of delivery, to but not including the Initial Mandatory Tender Date, payable on each Interest Payment Date. Interest on the Bonds shall be computed on the basis of a 360-day year of 12 months of 30 days each. The principal of and interest on the Bonds shall be payable by the Trustee to Cede & Co., as nominee of DTC. See “Book-Entry-Only System” below.

The Trustee, in its capacity as Registrar, will keep all books and records necessary for registration, exchange and transfer of the Bonds.

Discussion of the Bonds being issued only under the Book Entry System is provided below. Details regarding the procedures for and manner of payment, issuance, exchange and transfer of the Bonds if ever issued in certificated form as provided in the Bond proceedings are also stated below.

Book Entry System

The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the related Borrower believes to be reliable, but neither the Issuer nor the related Borrower take responsibility for the accuracy thereof.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each issue of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has an S&P Global Ratings’ rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and

disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Trustee DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

Revision of Book Entry System; Replacement Bonds

The Indenture provides for issuance of fully registered Bonds ("Replacement Bonds") directly to owners of Bonds other than DTC in the event that DTC (or a successor securities depository) determines not to continue to act as securities depository for the Bonds. Upon occurrence of this event, the Issuer, at the request of the related Borrower, may in its discretion attempt to have established a securities depository book entry relationship with another securities depository. If the Issuer does not do so, or is unable to do so, and after the Trustee has made provision for notification of the owners of book entry interests in the Bonds by appropriate notice to DTC, the related Borrower will cause the Issuer and the Trustee to authenticate and deliver Replacement Bonds, in the denomination of \$5,000 or any integral multiple in excess thereof, to or at the direction of any persons requesting such issuance, all at the cost and expense (including costs of printing or otherwise preparing and delivering Replacement Bond certificates) of those persons requesting such authentication and delivery.

Debt service on Replacement Bonds will be payable when due without deduction for the services of the Trustee as paying agent. Principal will be payable to the registered owner upon presentation and surrender of the Bonds then due and payable at the designated corporate trust office of the Trustee. Interest will be payable on the interest payment date by the Trustee by check, mailed to the registered owner of record on the Bond Register as of the 15th day of the month preceding the interest payment date.

Replacement Bonds will be exchangeable for Replacement Bonds of authorized denominations, and transferable, at the designated office of the Trustee without charge (except taxes or governmental fees).

Redemption of Bonds

Optional Redemption of Bonds

Each Series of Bonds is subject to optional redemption prior to its maturity, at direction of the Authorized Borrower's Representative, either in whole or in part on any Optional Redemption Date at a

redemption price equal to the principal amount of each Series of Bonds to be redeemed, plus accrued interest, but without premium, to the date fixed for redemption.

Mandatory Redemption of Bonds

Each Series of Bonds shall be redeemed in whole at a redemption price of 100% of the principal amount of such Bonds, plus accrued interest to the redemption date, if any, on any Mandatory Tender Date upon the occurrence of any of the following events: (i) the related Borrower has previously elected not to cause the remarketing of such Series of Bonds, (ii) the conditions to remarketing set forth in the Indenture have not been met by the dates and times set forth therein, or (iii) the proceeds of a remarketing on deposit in the Bond Fund at 11:00 a.m. Eastern time on the Mandatory Tender Date are insufficient to pay the purchase price of such Series of Outstanding Bonds on such Mandatory Tender Date. Bonds subject to redemption in accordance with this paragraph shall be redeemed from (i) amounts on deposit in the Collateral Fund, (ii) amounts on deposit in the Initial Deposit Account of the Bond Fund, (iii) amounts on deposit in the Project Fund, and (iv) any other Eligible Funds available or made available for such purpose at the direction of the Authorized Borrower Representative; provided, however, the Series 2020A Funds and Accounts pledged to the repayment of the Series 2020A Bonds shall only be used to repay the Series 2020A Bonds and the Series 2020B Funds and Accounts pledged to repayment of the Series 2020B Bonds shall only be used to repay the Series 2020B Bonds.

Notice of Redemption

(a) At least thirty (30) days but not more than sixty (60) days before a redemption date, whether such redemption shall be in whole or in part, the Trustee shall cause a notice of such redemption, signed by the Trustee, to be mailed, postage prepaid, to all Holders of the Bonds to be redeemed at their addresses as they appear on the registration books maintained by the Trustee, but failure to mail any such notice to one or more Owners or any defect in such notice shall not affect the validity of the proceedings for such redemption with respect to any other Owner.

(b) Any notice of redemption may state that the redemption to be effected is conditioned upon the receipt by the Trustee on or prior to the redemption date of moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed and that if such moneys are not so received such notice shall be of no force or effect and such Bond shall not be required to be redeemed. In the event that such notice contains such a condition and moneys sufficient to pay the principal of and premium, if any, and interest on such Bonds are not received by the Trustee on or prior to the redemption date, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Payment of Redemption Price

The Trustee shall pay the redemption price of Bonds, or the purchase price of the Bonds deemed to be tendered pursuant to clause (b) under “Notice of Redemption” above, from the following sources in the following priority: (i) amounts on deposit in the Collateral Fund and the Initial Deposit Account and the Interest Payment Account of the Bond Fund, to the extent not needed to reimburse the Lender for any advances of Mortgage Loan proceeds and (ii) any other Eligible Funds available or made available for such purpose at the direction of the Authorized Borrowers’ Representative; provided, however, the Series 2020A Funds and Accounts pledged to the repayment of the Series 2020A Bonds shall only be used to repay the Series 2020A Bonds and the Series 2020B Funds and Accounts pledged to the repayment of the Series 2020B Bonds shall only be used to repay the Series 2020B Bonds.

Mandatory Tender of Bonds

(a) Each Series of Bonds is subject to mandatory tender in whole and not in part on the Mandatory Tender Date and shall be purchased at a price equal to 100% of the principal amount of such Bonds, plus accrued interest, if any to the Mandatory Tender Date, and without premium. No later than 10:00 a.m., Eastern time, on the Mandatory Tender Date, the Holders shall deliver the Series of Bonds to be redeemed to the Trustee. The Trustee shall utilize the following sources of payments to pay the tender price of the Bonds to be redeemed not later than 2:30 p.m. Eastern time on the Mandatory Tender Date, in the following priority; (i) amounts representing proceeds of remarketed Bonds received pursuant to the Indenture, to pay the principal amount, plus accrued interest, of Unredeemed Bonds tendered or deemed tendered for purchase, (ii) amounts on deposit in the Collateral Fund, to pay the principal amount of such Bonds other than Unredeemed Bonds tendered or deemed tendered for purchase, (iii) amounts on deposit in the Initial Deposit Account of the Bond Fund to pay the accrued interest, if any, on such Bonds other than Unredeemed Bonds tendered or deemed tendered for purchase and (iv) any other Eligible Funds available or made available for such purpose at the direction of the Authorized Borrowers' Representative; provided, however, the Series 2020A Funds and Accounts pledged to the repayment of the Series 2020A Bonds shall only be used to repay the Series 2020A Bonds and the Series 2020B Funds and Accounts pledged to the repayment of the Series 2020B Bonds shall only be used to repay the Series 2020B Bonds.

(b) Not less than thirty (30) days before the Mandatory Tender Date, the Trustee shall give written notice of tender and remarketing to the Holders of the Series subject to Mandatory Tender by first class mail, postage prepaid, at their respective addresses appearing on the Bond Register. The notice shall state the Mandatory Tender Date and that:

(i) all Outstanding Bonds of a Series are subject to mandatory tender for purchase on the Mandatory Tender Date and must be tendered for purchase on the Mandatory Tender Date;

(ii) all Outstanding Bonds of a Series will be purchased on the Mandatory Tender Date at a price equal to the principal amount of such Outstanding Bonds plus interest accrued to the Mandatory Tender Date;

(iii) Holders will not have the right to elect to retain their Bonds and any Bonds not tendered will nevertheless be deemed to have been tendered and will cease to bear interest from and after the Mandatory Tender Date; and

(iv) the address of the office of the Trustee at which Holders should deliver their Bonds for purchase on the Mandatory Tender Date.

If notice is given as described above for the mandatory tender of a Series of Bonds, failure of any Holder to receive such notice, or any defect in the notice, shall not affect the remarketing or the validity of the proceedings for the remarketing of such Series of Bonds.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

At all times the Bonds will be secured by Eligible Investments sufficient, without need for reinvestment, to pay all of the interest on the Bonds when due and to pay the principal of the Bonds at the earlier of any Mandatory Tender Date or any redemption date, as further described herein.

To the extent provided in and except as otherwise permitted by the Indenture, (i) the Bonds will be special obligations of the Issuer and the Bond Service Charges thereon shall be payable equally and ratably solely from the Pledged Revenues, including but not limited to moneys and investments in the Special

Funds, (ii) the payment of Bond Service Charges on the Bonds shall be secured by the assignment of the Pledged Revenues under and by the Indenture, and (iii) payments due on a Series of Bonds also shall be secured by the related Bond Note provided, however, the Pledged Revenues and Special Funds pledged to the repayment of the Series 2020A Bonds shall only be used to repay the Series 2020A Bonds and the Pledged Revenues and Special Funds pledged to the repayment of the Series 2020B Bonds shall only be used to repay the Series 2020B Bonds.

The Pledged Revenues include the payments required to be made by the applicable Borrower under the related Bond Loan Agreement and the Bond Note; all other moneys received by the Issuer or the Trustee for the account of the Issuer with respect to repayment of the related Bond Loan; moneys and investments in or allocated to an account in the Project Fund and an account in the Collateral Fund; and the income and profit from the investment of the Bond Loan Payments and such other moneys, and the investments of those moneys.

The Issuer has directed the Trustee to fund the Collateral Fund and the accounts therein pursuant to the terms of the Indenture. Pursuant to the Indenture, to the extent funds available in each Bond Fund and the accounts within the Project Fund on any Bond Loan Payment Date are insufficient to pay Bond Service Charges on such Series of Bonds on any Interest Payment Date, funds on deposit in the accounts within the Collateral Fund will be transferred to the Trustee to pay the Bond Service Charges of such Series of Bonds. Amounts so transferred from the accounts of the Collateral Fund shall be a credit to the applicable Borrower against the Bond Loan Payments due pursuant to the related Bond Loan Agreement.

The funds on deposit in the Special Funds will be invested in Eligible Investments. It is expected that there will be no fees of the Issuer, or the Trustee payable from the Pledged Revenues.

THE BONDS SHALL NEVER CONSTITUTE AN INDEBTEDNESS, DEBT, BONDED INDEBTEDNESS OR GENERAL OBLIGATION OF THE ISSUER, THE COMMONWEALTH OF KENTUCKY, OR ANY POLITICAL SUBDIVISION OF THE COMMONWEALTH OF KENTUCKY, WITHIN THE MEANING OF ANY CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION WHATSOEVER, BUT THE BONDS SHALL BE A LIMITED OR SPECIAL OBLIGATION OF THE ISSUER PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR AS PROVIDED IN THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF KENTUCKY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF THE BONDS OR THE INTEREST OR ANY PREMIUM THEREON OR OTHER COSTS INCIDENT THERETO. THE ISSUER HAS NO TAXING POWER.

THE TRUSTEE

The information under this heading has been provided solely by the Trustee and has not been independently verified. No representation whatsoever as to the accuracy, adequacy or completeness of such information is being made.

U.S. Bank National Association will act as Trustee pursuant to the Indenture. The obligations of the Trustee are described in the Indenture. The Trustee has undertaken only those duties and obligations that are expressly set forth in the Indenture. The Trustee has not independently passed upon the validity of the Bonds, the security of the payment therefor, the value or condition of any assets pledged to the payment thereof, the adequacy of the provisions for such payment, the status for federal or state income tax purposes of the interest on the Bonds, or the investment quality of the Bonds. Except for the contents in this section, the Trustee has not reviewed or participated in the preparation of this Official Statement and has assumed

no responsibility for the nature, content, accuracy or completeness of the information included in this Official Statement.

THE PRIVATE PARTICIPANTS

The following information concerning the private participants has been provided by representatives of the Borrowers and has not been independently confirmed or verified by either the Underwriter or the Issuer. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

The Borrowers

Dudley Court Apartments

The Borrower for Dudley Court Apartments is LSA Grier Dudley Court, LLC, a Kentucky limited liability company (the “**Dudley Borrower**”). The Dudley Borrower is a single-purpose entity formed to acquire, construct, rehabilitate and operate the Projects. The Dudley Borrower’s managing member is LSA Grier Dudley GP, LLC, a Delaware limited liability company (the “**Dudley Managing Member**”).

Abel Court Apartments

The Borrower for Abel Court Apartments is LSA Grier Abel Court Apartments, LLC, a Kentucky limited liability company (the “**Abel Borrower**”). The Abel Borrower is a single-purpose entity formed to acquire, construct, rehabilitate and operate the Projects. The Abel Borrower’s managing member is LSA Grier Abel GP, LLC, a Delaware limited liability company (the “**Abel Managing Member**”).

Investment Members and Special Members

Dudley Court Apartments

Prior to the issuance of the Bonds, the Dudley Borrower expects to admit PNC LIHTC Fund 71, LLC as an investor member (the “**Dudley Investment Member**”) to the Dudley Borrower with a 99.989% interest in the Dudley Borrower. The special member of the Dudley Borrower is expected to be Columbia Housing SLP Corporation, an Oregon corporation (the “**Special Member**”), which will have a 0.001% interest in the Dudley Borrower. The equity funding arrangements for such ownership interest will require that equity contributions be paid in stages during and after rehabilitation of the Project. The funding levels and the timing of the funding are subject to numerous adjustments and conditions that could result in the amounts funded and/or the timing or even occurrence of the funding varying significantly from the projections set forth above and no representation is made as to the availability of such funds.

Abel Court Apartments

Prior to the issuance of the Bonds, the Abel Borrower expects to admit PNC LIHTC Fund 67, LLC as an investor member (the “**Abel Investment Member**”) to the Abel Borrower with a 99.989% member interest in the Abel Borrower. The special member of the Abel Borrower is expected to be Columbia Housing SLP Corporation, an Oregon corporation (the “**Special Member**”), which will have a 0.001% interest in the Dudley Borrower. The equity funding arrangements for such ownership interest will require that equity contributions be paid in stages during and after rehabilitation of the Project. The funding levels and the timing of the funding are subject to numerous adjustments and conditions that could result in the

amounts funded and/or the timing or even occurrence of the funding varying significantly from the projections set forth above and no representation is made as to the availability of such funds.

Limited Assets and Obligation of the Borrowers, the Managing Members and the Investor Members

Each Borrower has no substantial assets other than the related Project and does not intend to acquire any other substantial assets or to engage in any substantial business activities other than those related to the ownership of the Projects. However, the member(s) of the Managing Members, the Investor Members, the Special Members and their affiliates are engaged in and will continue to engage in the acquisition, development, ownership and management of similar types of housing projects. They may be financially interested in, as officers, partners or otherwise, and devote substantial times to, business and activities that may be inconsistent or competitive with the interests of the Projects.

Each Borrower and its members will not be personally liable for payments on the Note, the payments on which are to be applied to pay the principal of and interest on the Bonds; nor will the Borrower be personally liable under the other documents executed in connection with the issuance of the Bonds and the making of the Loan. Furthermore, no representation is made that the Borrower will have substantial funds available for the Projects. Accordingly, neither the Borrowers' financial statements nor those of its members are included in this Official Statement.

The Developer

LSA Grier Group Developer, LLC, a California limited liability company (the "**Developer**"), will act as the developer for the Projects. The Developer and/or its members have been involved in the development, financing, ownership, debt placement, equity placement and management of affordable rental housing since 1989, with ties to more than 10,000 units of Section 8 subsidized and low-income housing tax credit restricted properties during that time.

The Property Manager

TESCO Properties, Inc., a Tennessee corporation located in Germantown, Tennessee (the "**Property Manager**") will manage the Projects following the acquisition and rehabilitation of the Projects by the Borrowers. The Property Manager presently manages approximately 7,000 affordable housing units primarily throughout the southeastern United States. The Property Manager has over 40 years of experience managing affordable housing supported by various federal, state and local subsidies including HUD, tax-exempt obligations and federal low-income housing tax credits.

The General Contractor

The general contractor for the Projects is Empire Corporation of Tennessee Inc. (the "**General Contractor**"). Based out of Knoxville, Tennessee, the General Contractor was formed in 1982 and is a Tennessee-licensed contractor. Since inception, the General Contractor has built or rehabilitated over 21,000 units of market-rate and affordable apartments.

The Architect

The architect for the Projects is Fielder & Associates, Inc. (the "**Architect**") which started in 1975 and demonstrates considerable affordable, LIHTC, HUD and senior housing experience. The Architect has designed the new construction or renovation of many rehabilitation, civic and commercial projects, with a focus on affordable multifamily housing. The Architect's clients include community groups and nonprofit organizations whose patronage accounts for a significant percentage of the projects in their office.

THE PROJECTS

The following information concerning the Projects has been provided by representatives of the Borrowers and has not been independently confirmed or verified by either the Underwriter or the Issuer. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

The Projects

The Projects consist of (a) Dudley Court Apartments, comprised of a 96-unit multifamily housing development in twelve (12) two-story buildings located in Paducah, Kentucky, on an approximately 7.27-acre site; and (b) Abel Court Apartments, comprised of a 48-unit multifamily housing development in eight (8) two-story buildings located in Bowling Green, Kentucky, on an approximately 4.4-acre site. Rehabilitation of the Projects is anticipated to commence in August 2020 and be completed approximately twelve (12) months later.

At Abel Court Apartments, common area improvements will include a covered picnic area with BBQ grill, playground, laundry facility, clubhouse, business center, exercise room, video surveillance, on-site management and on-site maintenance. There will be 58 open parking space (50 standard and 8 handicapped-accessible).

At Dudley Court Apartments, common area improvements will include a picnic area, tot lot, laundry facility, video surveillance, on site management and on-site maintenance. The property will have 139 parking open parking spaces.

The unit mix of the Projects is as follows:

Dudley Court Apartments

| Unit Type | Approximate Square Footage | Number of Units |
|--------------|----------------------------|---|
| 2 BD | 650 | 40 |
| 3 BD | 850 | 48 |
| 4 BD | 1,050 | <u>8</u> |
| Total | | <u>96*</u> <i>(*includes two manager's units)</i> |

Abel Court Apartments

| Unit Type | Approximate Square Footage | Number of Units |
|--------------|----------------------------|--|
| 2 BD | 741 | <u>48</u> |
| Total | | <u>48*</u> <i>(*includes one manager's unit)</i> |

Regulatory Restrictions

In order to obtain low income housing tax credits, the Projects will be operated as a qualified residential rental project with 100% of the residential units in the Projects occupied by Qualified Tenants during the Qualified Project Period, in accordance with Section 142(d) of the Code. See “APPENDIX E – SUMMARY OF CERTAIN PROVISIONS OF THE LAND USE RESTRICTION AGREEMENT” herein.

In addition to the rental restrictions imposed upon the Projects by the Land Use Restriction Agreement (defined below), the Projects will be further encumbered by a tax credit restrictive covenant, to be executed by each Borrower in connection with the low-income housing tax credits (the “LIHTCs”) anticipated to be granted for the Projects and in compliance with the requirements of Section 42 of the Code. Section 42 of the Code will restrict the income levels of 100% of the residential units in the Projects (the “Tax Credit Units”). 100% of the Tax Credit Units shall be held available for rental to persons whose adjusted family income is equal to or less than 60% of the AMI adjusted for family size and the rents which may be charged for occupancy of such units will be restricted to not more than 30% of 60% of AMI, adjusted for family size.

With regard to Dudley Court Apartments, there is an outstanding HUD Use Agreement that terminates in 2031, which is to be assigned to the related Borrower on the Closing Date, in which 20% of the units are set aside for Very Low Income Tenants (50% AMI).

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PLAN OF FINANCING

The following information concerning the plan of financing has been provided by representatives of the private participants and has not been independently confirmed or verified by either the Underwriter or the Issuer. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

The plan of financing in connection with the Bonds is estimated by the Borrowers as follows:

Sources of Funds*

| | |
|--|----------------------------|
| Bond Proceeds | \$15,000,000 |
| Mortgage Loan | 11,991,800 |
| Federal Tax Credit Equity ¹ | 8,128,939 |
| Construction Period Cash Flow | 595,453 |
| Seller Note | 3,400,000 |
| Deferred Developer Fee | <u>3,027,790</u> |
| Total | <u>\$42,143,982</u> |

Uses of Funds*

| | |
|-----------------------------|----------------------------|
| Acquisition Costs | \$8,050,000 |
| Capital Improvements | 10,451,750 |
| Real Estate Costs | 2,738,448 |
| Bond Issuance | 507,750 |
| Contingencies and Reserves | 663,704 |
| Developer Fee | 4,482,330 |
| Repayment of Bond Principal | 15,000,000 |
| Seller Note Repayment | <u>250,000</u> |
| Total | <u>\$42,143,982</u> |

¹ *A portion of the tax credit equity in an approximate amount of \$4,484,721.50* is expected to be used to repay a bridge loan (the "Bridge Loan") from PNC Bank, National Association, its successors and assigns (the "Bridge Lender"), provided to the related Borrower on the Closing Date.*

All costs of issuing the Bonds, including underwriter's fee, will be paid by the Borrowers.

The Mortgage Loan. Each Project will utilize a mortgage loan (collectively, the "**Mortgage Loan**") that is expected to close simultaneously with the issuance of the Bonds. The Dudley Court Mortgage Loan is expected to be in the original principal amount of \$7,859,400* and is expected to bear interest at the estimated rate of 3.00% per annum. The Abel Court Mortgage Loan is expected to be in the original principal amount of \$4,132,400* and is expected to bear interest at the estimated rate of 3.00% per annum. The majority of Mortgage Loan proceeds are expected to be disbursed at closing by the Mortgage Lender to or for the benefit of the related Borrower. Each Mortgage Loan will be evidenced by a Mortgage Note and secured by the Mortgage on the applicable Project. It is anticipated that Lender Funds will be deposited into the Collateral Fund (along with other Eligible Funds), thereby permitting the Trustee to

* Preliminary; subject to change.

transfer a like amount from the respective account of the Project Fund pursuant to the Indenture to reimburse the Lender for such advances. Each Mortgage Loan will be amortized over 40 years.

The Tax Credit Equity. Simultaneously with the issuance of the Bonds, (i) the Dudley Borrower expects to offer the Dudley Investor Member a 99.989% ownership interest in the Dudley Borrower and (ii) the Abel Borrower expects to offer the Abel Investment Member a 99.989% ownership interest in the Abel Borrower. Pursuant to the sale, the funding of the Tax Credit Equity (i) by the Dudley Investor Member will total approximately \$4,825,036*, with an initial contribution of approximately \$965,232* and (ii) by the Abel Investor Member will total approximately \$3,303,903*, with an initial contribution of \$648,530*. The initial contributions will be funded on the Closing Date. The funding levels and the timing of the funding are subject to numerous adjustments and conditions which could result in the amounts funded and/or the timing or even occurrence of the funding varying significantly from the projections set forth above and neither the Issuer nor the Underwriter makes any representation as to the availability of such funds.

The Seller Loan. Each Project will also utilize a seller loan (collectively, the “**Seller Loan**”). The Dudley Court Seller Loan is expected to be in the original principal amount of \$1,500,000* and is expected to bear interest at the estimated rate of 1.00% per annum (the “**Dudley Court Seller Loan**”). The Abel Court Seller Loan is expected to be in the original principal amount of \$1,900,000* and is expected to bear interest at the estimated rate of 1.00% per annum (the “**Abel Court Seller Loan**,” and together with the Dudley Court Seller Loan, the “**Seller Loan**”). The obligation to repay (i) the Dudley Court Seller Loan will be set forth in a surplus cash note (the “**Dudley Seller Note**”) from the Dudley Borrower to LSA Dudley Court, LLC (the “**Dudley Seller**”) and (ii) the Abel Court Seller Loan will be set forth in a surplus cash note (the “**Abel Seller Note**,” and together with the Dudley Seller Note, the “**Seller Notes**”) from the Abel Borrower to LSA Abel Court Apartments, LLC (the “**Abel Seller**,” and together with the Dudley Seller, the “**Seller**”). The Seller Note will be repayable out of cash flow and other non-Project sources on the terms and conditions set forth therein. Each Seller Note will be secured by a subordinate mortgage against the applicable Project subordinate to the applicable Mortgage Loan. Each Seller Note will have a term of 40 years and will bear interest at a rate of 3% per annum, with annual principal and interest not otherwise paid, due at maturity.

Deferred Developer Fee. Each Project will also utilize deferred developer fee to be repaid through surplus cash flow received from the operations of the applicable Project. Dudley Court Apartments will utilize deferred developer fee in the amount of \$1,775,965* as a source of funding and Abel Court Apartments will utilize deferred developer fee in the amount of \$1,251,825* as a source of funding.

The sources and uses of funds to be applied under the Indenture are projected to be approximately as follows:

| | |
|----------------------------|--------------|
| Sources of Funds:* | |
| Bond Proceeds | \$15,000,000 |
| Negative Arbitrage Deposit | |
| Total | <u>\$</u> |
| Uses of Funds:* | |
| Project Fund | \$15,000,000 |
| Initial Deposit Account | |
| Total | <u>\$</u> |

* Preliminary; subject to change.

The HAP Contracts

Each Borrower has an existing Housing Assistance Payment Contract (the “HAP Contract”). The existing HAP contract for Abel Court Apartments, entered into on June 1, 2013 and expiring on May 31, 2033, covers all 47 non-manager units at the Project (the “Abel HAP Contract”). The Abel HAP Contract will be assigned to the Abel Borrower, and the Abel Borrower will enter into a mark-up-to-market renewal HAP contract for a term of 20 years, which shall automatically renew for an additional 13 years pursuant to a preservation exhibit. The existing HAP contract for Dudley Court Apartments, entered into on March 1, 2001 and expiring on February 28, 2021 covers all 94 non-manager units at the Project (the “Dudley HAP Contract”). The Dudley HAP Contract will be assigned to the Dudley Borrower, and the Dudley Borrower will enter into a mark-up-to-market renewal HAP contract for a term of 20 years, which shall automatically renew for an additional 1 year pursuant to a preservation exhibit.

Funding under the HAP Contract is subject to annual Congressional appropriations, as more particularly described below. The Section 8 project-based housing assistance payment program (the “Section 8 Program”) is authorized by Section 8 of the United States Housing Act of 1937, as amended, and in the case of Section 8 contracts is administered by local public housing authorities. Renewals of Section 8 HAP contracts are governed by the Multifamily Housing Mortgage and Assistance Restructuring Act, as amended (“MAHRA”). The Section 8 Program authorizes housing assistance payments to owners of qualified housing for the benefit of low-income families (defined generally as families whose incomes do not exceed 80% of the area median income (“AMI”) for the area as determined by HUD), and very low-income families (defined generally as families whose income do not exceed 50% of the AMI as determined by HUD). Section 8 housing assistance payments generally represent the difference between the “contract rent” for the unit approved by HUD and the eligible tenant’s contribution, which is generally 30% of income, as adjusted for family size and certain expenses, subject to a minimum rent contribution. The rents approved by HUD for the Projects, as they may be adjusted from time to time with procedures set forth in MAHRA and the HAP Contract, are the “contract rents” for the Projects. The HAP Contract will require the related Borrower to maintain the Projects in decent, safe and sanitary condition and to comply with other statutory and regulatory requirements governing the operation of the Projects, use of project funds, and other matters. If the related Borrower fails to comply with the terms of the HAP Contract, HUD or the contract administrator could seek to abate or terminate the payments under the HAP Contract or take other sanctions. MAHRA requires that upon the request of the related Borrower, HUD shall renew the HAP Contract under the Section 8 Program. However, because the HAP Contract is subject to receipt of annual appropriations by Congress, there is no assurance that the HAP Contract will be renewed or replaced upon its expiration. Funding for HAP contracts is appropriated by Congress on an annual basis, and there is no assurance that adequate funding will be appropriated each year during the term of the HAP Contract. Since payments received under the HAP Contract constitute a primary source of revenues for the Projects, the expiration of the HAP Contract, or the failure of Congress to appropriate funds sufficient to fund the HAP Contract during each year of its term, would have a material adverse effect on the ability of the Projects to generate revenues sufficient to pay the principal of and interest of the Loan.

CERTAIN HOLDERS’ RISKS

The following is a summary of certain risks associated with a purchase of the Bonds. There are other possible risks not discussed below. The Bonds are payable from the payments to be made by the Borrowers under the respective Bond Loan Agreements and the Bond Notes and from amounts on deposit in the respective Special Funds and the interest earnings thereon. The Borrowers’ obligation to make payments pursuant to the Bond Loan Agreements and the Bond Notes are nonrecourse obligations with respect to which the Borrowers and their members have no personal liability and as to which the Borrowers and their members have not (except as otherwise provided in the Bond Notes) pledged any of their respective assets.

General

Payment of the Bond Service Charges, and the Borrowers' obligations with respect to the Bond Service Charges, will be primarily secured by and payable from Bond proceeds held in the respective accounts of the Project Fund and money deposited into the respective accounts of the Collateral Fund and each Bond Fund, including the respective Initial Deposit Accounts held in the Bond Funds. Although the Borrowers will execute the Bond Notes to evidence their obligation to repay the Bond Loans, it is not expected that any revenues from the Project or other amounts, except money in the respective Special Funds, will be available to satisfy that obligation. The Indenture requires the Trustee to verify, before any disbursement of funds from the respective accounts of the Project Fund, that the sum of the funds on deposit in the respective accounts of the Project Fund and the respective accounts of the Collateral Fund is at least equal to the then outstanding principal amount of the respective Series of Bonds. It is expected that funds on deposit in the respective accounts of the Collateral Fund and respective Initial Deposit Accounts of the Bond Funds, and the interest earnings thereon will be sufficient to pay the debt service on each Series of Bonds.

Limited Security for Bonds

Each Series of Bonds is special limited obligations of the Issuer payable solely from the Trust Estate, which includes certain funds pledged to and held by the Trustee pursuant to the Indenture.

Each Series of Bonds is offered solely on the basis of the amounts held under the Indenture and are not offered on the basis of the credit of the Borrowers, the feasibility of the Projects or any other security. As a consequence, limited information about the Projects and no information about the financial condition or results of operations of the Borrowers is included in this Official Statement. Each Series of Bonds is offered only to investors who, in making their investment decision, rely solely on the amounts held under the Indenture and not on the credit of the Borrowers, the feasibility of the Projects or any other security.

Neither Series of Bonds is secured by the Mortgage Loan. Investors should look exclusively to amounts on deposit in the respective Special Funds under the Indenture as the source of payment of debt service on each Series of Bonds.

Early Redemption of the Bonds

Any person who purchases a Bond should consider the fact that each Series of Bonds is subject to redemption, upon the occurrence of certain events. See "THE BONDS — Redemption of the Bonds" herein.

Tax Exemption

In the event a Borrower does not maintain the related Project as a "qualified residential rental project" for the Qualified Project Period, the interest on the related Series of Bonds may be or become taxable from the date of original issuance to the Holders of such Series for federal income tax purposes. Such an event will not constitute an immediate default under the related Bond Loan and will not give rise to an immediate redemption or acceleration of the such Series of Bonds and is not the basis for an increase in the rate of interest payable on such Series of Bonds or give rise to the payment to the owners of the such Series of Bonds of any amount denoted as "supplemental interest," "additional interest," "penalty interest," "liquidated damages" or otherwise, in addition to the amounts payable to the owners of the Bonds prior to the occurrence of the event which results in the interest payable on such Series of Bonds being includable, for federal income tax purposes, in the gross income of the owners of such Series of Bonds.

Issuer Limited Liability

Each Series of Bonds are special limited obligations of the Issuer payable solely from certain funds pledged to and held by the Trustee pursuant to the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein. The Bondholders will have no recourse to the Issuer in the event of an Event of Default on either Series of Bonds. The Trust Estate for each Series of Bonds will be the only source of payment on such Series of Bonds.

Enforceability of Remedies upon an Event of Default

The remedies available to the Trustee and the owners of each Series of Bonds upon an Event of Default under the Indenture, the Bond Loan Agreements, the Land Use Restriction Agreements or any other document described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

Secondary Markets and Prices

No representation is made concerning the existence of any secondary market for the Bonds. The Underwriter will not be obligated to repurchase any of the Bonds, nor can any assurance be given that any secondary market will develop following the completion of the offering of the Bonds. Further, there can be no assurance that the initial offering prices for each Series of Bonds will continue for any period of time. Furthermore, each Series of Bonds should be purchased for their projected returns only and not for any resale potential, which may or may not exist.

Eligible Investments

Proceeds of the Bonds deposited into the respective accounts of the Project Fund and money received by the Trustee for deposit into the respective accounts of the Collateral Fund are required to be invested in Eligible Investments. See “APPENDIX A — DEFINITIONS OF CERTAIN TERMS” hereto for the definition of Eligible Investments. There can be no assurance that there will not be a loss resulting from any investment held for the credit of the respective accounts of the Project Fund or the respective accounts of the Collateral Fund, and any failure to receive a return of the amounts so invested could affect the ability to pay the principal of and interest on the Bonds.

Rating Based on Eligible Investments

The rating on each Series of Bonds is based on the amounts in the respective accounts of the Project Fund and the respective accounts of the Collateral Fund being invested in Eligible Investments. If one or more of such investments fail to meet the rating standards for Eligible Investments after their acquisition and prior to maturity, such a change may result in a downgrade or withdrawal of the rating on each Series of Bonds.

Subordination to Mortgage Loan Documents

The Indenture, the Bond Loan Agreements, the Bond Notes, and the Land Use Restriction Agreements contain provisions regarding subordination of such documents to the Mortgage Loan

Documents and the GNMA Requirements. No assurance can be given that such provisions will not impair the excludability of interest on the Bonds from gross income for federal income tax purposes. See “GNMA REQUIREMENTS TO CONTROL” herein.

Future Legislation; IRS Examination

The Project, its operation and the treatment of interest on the Bonds are subject to various laws, rules and regulations adopted by the local, Commonwealth and federal governments and their agencies. There can be no assurance that relevant local, Commonwealth or federal laws, rules and regulations may not be amended or modified or interpreted in the future in a manner that could adversely affect the Bonds, the trust estate created under the Indenture, the Project, or the financial condition of or ability of the related Borrower to comply with its obligations under the various transaction documents.

In recent years, the Internal Revenue Service (“IRS”) has increased the frequency and scope of its examination and other enforcement activity regarding tax exempt bonds. Currently, the primary penalty available to the IRS under the Code is a determination that interest on bonds is subject to federal income taxation. Such event could occur for a variety of reasons, including, without limitation, failure to comply with certain requirements imposed by the Code relating to investment restrictions, periodic payments of arbitrage profits to the United States of America, the timely and proper use of Bond proceeds and the facilities financed therewith and certain other matters. See “TAX MATTERS” herein. No assurance can be given that the IRS will not examine the Issuer, the Borrowers, the Projects or the Bonds. If either Series of Bonds are examined, it may have an adverse impact on their price and marketability.

Potential Impact of Pandemics

The spread of the strain of coronavirus commonly known as COVID-19 is altering the behavior of businesses and people in a manner that is having negative effects on global, state and local economies. There can be no assurances that the spread of a pandemic, including a strain of coronavirus known as COVID-19, will not materially impact both local and national economies and, accordingly, have a materially adverse impact on the Project’s operating and financial viability. This could include, among other things, the length of time necessary to complete the construction and/or rehabilitation of the Project, suspension or delay of site inspections and other on-site meetings, the engagement of material participants in the Project, the length of time necessary to conduct lease-up at the Project, and increased delinquencies and/or vacancies, all of which could impact the Borrower’s ability to cover scheduled debt service payments on the Mortgage Loan and result in an acceleration thereof.

Legislative Response to COVID-19

Recent federal legislation, passed to address the economic effects of COVID-19, known as the Coronavirus Aid, Relief, and Economic Security (CARES) Act (the “CARES Act”), provides for a temporary moratorium on eviction of tenants until July 25, 2020 due to nonpayment of rents when the landlord’s mortgage on that property is supplemented or assisted in any way by HUD. Such provision would apply to the Project which receives HUD assistance under the HAP Contract. If such provision of the CARES Act was extended, such eviction moratorium and the Borrower’s inability to evict non-paying tenants of the Project and replace them with paying tenants would also be extended. No assurances can be given that subsequent federal, state or local legislation enacted in response to the COVID-19 pandemic will not adversely affect the Borrower’s ability to collect rent and evict tenants for nonpayment of rent or otherwise operate the Project as planned.

Summary

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement, including the Appendices hereto.

LITIGATION

The Issuer

On the Closing Date, the Issuer will deliver a certificate to the effect that there is no litigation or proceedings pending or, to the best of its knowledge, threatened seeking to enjoin the issuance, execution or delivery of the Bonds, or in any way contesting or affecting any authority for the release, issuance, execution, or delivery of the Bonds, or the validity of the Bonds, or seeking to restrain or enjoin the transaction or questioning the validity of the transaction, or contesting the existence or powers of the Issuer with respect to this transaction.

The Borrowers

There is no litigation now pending or threatened that if decided adversely to the interests of the Borrowers would have a material adverse effect on the operations or financial position of the Borrowers.

UNDERWRITING

Pursuant and subject to the terms and conditions set forth in a Bond Purchase Agreement (the “Bond Purchase Agreement”), among Raymond James & Associates, Inc. (the “Underwriter”), the Issuer and the Borrowers, the Underwriter has agreed to purchase the Bonds at the price of par (100% of the original principal amount). For its services relating to the transaction, the Underwriter will receive a fee of \$ _____, including certain fees and expenses (not including the fees of its counsel).

The Underwriter’s obligations are subject to certain conditions precedent, and the Underwriter will purchase all the Bonds, if any are purchased. Pursuant to the Bond Purchase Agreement, the Borrowers have agreed to indemnify the Underwriter and the Issuer against certain civil liabilities, including liabilities under federal securities laws.

The Underwriter may offer and sell Bonds that it purchases to certain dealers including dealer banks and dealers depositing Bonds into investment trusts and others at prices lower than the public offering prices stated on the cover of this Official Statement. The initial public offering prices of the Bonds may be changed from time to time by the Underwriter.

The Underwriter does not guarantee a secondary market for the Bonds and is not obligated to make any such market in the Bonds. No assurance can be made that such a market will develop or continue. Consequently, investors may not be able to resell Bonds should they need or wish to do so for emergency or other purposes.

Raymond James & Associates, Inc. also has been designated to serve as Remarketing Agent and will receive a fee for its remarketing services in connection with the remarketing of the Bonds on the Initial Mandatory Tender Date.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment

management, principal investment, hedging, financing and brokerage activities. The Underwriter and its affiliates may have, from time to time, performed, and may in the future perform, various investment banking services either for the Issuer and/or the Borrowers and affiliates thereof, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer and/or the Borrowers and affiliates thereof.

The Underwriter is not acting as financial advisor to the Issuer or the Borrowers in connection with the offer and sale of the Bonds.

The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

REGISTERED INVESTMENT ADVISOR

Raymond James may also act as registered investment advisor to the Borrower in its capacity as bidding agent in conducting a procurement process for the purchase of open market securities to be held in the Bond Fund. Raymond James may receive compensation for bidding agent services contingent on the sale and delivery of the Bonds.

TAX MATTERS

Tax Exemption

In General

In the opinion of Bond Counsel (the proposed form of which is attached hereto as Appendix B), assuming compliance with certain covenants and based on certain representations under existing law, and subject to the caveats below, under existing statutes, regulations, rulings and judicial decisions, and assuming compliance with certain covenants intended to assure compliance with the applicable provisions of the Internal Revenue Code of 1986, as amended (the “Code”) and the regulations thereunder, interest on the Bonds is excludable from gross income of the holders thereof for federal income tax purposes, except that such exclusion does not apply with respect to interest on any Bond for any period during which such Bond is held by a person who is a “substantial user” of the Projects or a “related person” within the meaning of Section 147(a) of the Code and the regulations thereunder. Bond Counsel is further of the opinion that interest on the Bonds is not an item of tax preference for purposes of calculating the alternative minimum tax provisions imposed on individuals.

Under Section 148 of the Code, interest on the Bonds will not be excluded from gross income for federal income tax purposes unless (i) the investment of the proceeds of the Bonds meets certain arbitrage requirements and (ii) certain “excess” earnings on such investments are rebated to the United States of America (collectively, the “Arbitrage Restrictions”).

The Code imposes various restrictions, conditions and requirements (including the Arbitrage Restrictions) relating to the exclusion from gross income for federal income tax purposes of interest on

obligations such as the Bonds.. These requirements include, among other things, limitations on the use of the bond-financed project, limitations on the use of bond proceeds, limitations on the investment of bond proceeds prior to expenditure, and a requirement that the Issuer file an information report with the Internal Revenue Service (the “Service”). The Issuer and the Borrowers have covenanted in the Indenture, the Bond Loan Agreements and the Land Use Restriction Agreements that they will comply with these requirements.

Bond Counsel’s opinion will assume continuing compliance with the covenants of the Indenture, the Bond Loan Agreements and the Land Use Restriction Agreements pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the Issuer, the Borrowers and the Underwriter with respect to matters solely within the knowledge of the Issuer, the Borrowers and the Underwriter, respectively, which Bond Counsel has not independently verified. In addition, Bond Counsel will (i) rely as to certain factual matters upon representations and certifications of the Borrowers with respect to the use of the proceeds of the Bonds and the design, scope, function, cost, reasonably expected remaining economic useful life and use of the facilities constituting the Projects, without undertaking to verify the same by independent investigation, and (ii) assume the continued compliance by each Borrower with its covenants relating to the use of the proceeds of the Bonds and compliance with other requirements of the Code. If the Issuer or the Borrowers should fail to comply with the covenants in the Indenture, the Bond Loan Agreements and/or the Land Use Restriction Agreements or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income for federal income tax purposes from the date of original delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Bond Counsel has not undertaken to determine or to inform any person as to whether any actions are taken (or not taken) or events occur (or do not occur) after the date of delivery of the Bonds which may affect exclusion from gross income of interest on the Bonds for federal income tax purposes.

Bond Counsel is also of the opinion that under the Act, interest on the Bonds is exempt from all state and local taxes in the Commonwealth of Kentucky. Each prospective purchaser of the Bonds should consult his or her own tax advisor as to the status of interest on the Bonds under the tax laws of any state other than the Commonwealth of Kentucky.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership or disposition of, the Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Indenture upon the advice or with the approving opinion of nationally-recognized bond counsel. Bond Counsel will express no opinion with respect to Bond Counsel’s future ability to render an opinion that such actions, if taken or omitted, will not adversely affect the exclusion of interest of the Bonds from gross income for federal income tax purposes.

BOND COUNSEL’S OPINION IS BASED ON EXISTING LAW, WHICH IS SUBJECT TO CHANGE. SUCH OPINIONS ARE FURTHER BASED ON BOND COUNSEL’S KNOWLEDGE OF FACTS AS OF THE DATE THEREOF. BOND COUNSEL ASSUMES NO DUTY TO UPDATE OR SUPPLEMENT ITS OPINIONS TO REFLECT ANY FACTS OR CIRCUMSTANCES THAT MAY THEREAFTER COME TO BOND COUNSEL’S ATTENTION OR TO REFLECT ANY CHANGES IN ANY LAW THAT MAY THEREAFTER OCCUR OR BECOME EFFECTIVE. MOREOVER, BOND COUNSEL’S OPINION IS NOT A GUARANTEE OF RESULT AND ARE NOT BINDING ON THE SERVICE; RATHER, SUCH OPINIONS REPRESENT BOND COUNSEL’S LEGAL JUDGMENT BASED UPON ITS REVIEW OF EXISTING LAW AND IN RELIANCE UPON THE REPRESENTATIONS AND COVENANTS REFERENCED ABOVE THAT IT DEEMS RELEVANT TO SUCH OPINIONS. THE SERVICE HAS AN ONGOING AUDIT PROGRAM TO DETERMINE

COMPLIANCE WITH RULES THAT RELATE TO WHETHER INTEREST ON STATE OR LOCAL OBLIGATIONS IS INCLUDABLE IN GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. NO ASSURANCE CAN BE GIVEN WHETHER OR NOT THE SERVICE WILL COMMENCE AN AUDIT OF THE BONDS. IF AN AUDIT IS COMMENCED, IN ACCORDANCE WITH ITS CURRENT PUBLISHED PROCEDURES THE SERVICE IS LIKELY TO TREAT THE ISSUER AS THE TAXPAYER AND THE HOLDERS MAY NOT HAVE A RIGHT TO PARTICIPATE IN SUCH AUDIT. PUBLIC AWARENESS OF ANY FUTURE AUDIT OF THE BONDS COULD ADVERSELY AFFECT THE VALUE AND LIQUIDITY OF THE BONDS DURING THE PENDENCY OF THE AUDIT REGARDLESS OF THE ULTIMATE OUTCOME OF THE AUDIT.

Operation of the Projects

In the case of tax-exempt bonds used to provide “qualified residential rental projects,” such as the Bonds, Section 142 of the Code requires that such bonds satisfy the tenant eligibility requirements applicable to “qualified residential rental projects” under Section 142(d) of the Code. Subject to a transition period allowed to certain rehabilitation projects, Section 142(d) of the Code requires that, at all times during the “qualified project period,” a certain percentage of the available units in the Projects be occupied by individuals with income below certain levels pursuant to the Issuer’s election made under Section 142(d)(1) of the Code. The “qualified project period” for the Projects will commence in accordance with the Land Use Restriction Agreement and will end on the latest of the following: (1) the date that is 15 years after the Closing Date; (2) the first day on which no tax-exempt private activity bond (as defined in Section 141 of the Code) with respect to the Projects remains outstanding; or (3) the first date on which any assistance provided with respect to the Projects under Section 8 of the United States Housing Act of 1937, as amended, terminates. Treasury Regulations (the “Regulations”) setting forth requirements for compliance with a comparable provision of the predecessor of Section 142 of the Code require, among other things, that (1) the low income set aside requirement must be met on a continuous basis during the “qualified project period,” and (2) all of the units in the Projects must be rented or available for rental to the general public on a continuous basis during such period. Under the Regulations, the failure to satisfy the foregoing requirements on a continuous basis or the failure to satisfy any of the other requirements of the Regulations, unless corrected within a reasonable period of not more than 60 days after such non-compliance is first discovered or would have been discovered by the exercise of reasonable diligence, will cause interest on the Bonds to be includable in gross income for federal income tax purposes as of the date of their original issue, irrespective of the date such non-compliance actually occurred.

The Issuer has established requirements, procedures and safeguards that it believes to be sufficient to ensure compliance with the requirements of the Code and the Regulations with respect to the Projects. Such requirements, procedures and safeguards are incorporated into the Land Use Restriction Agreement, the Bond Loan Agreements and the Indenture. In addition, the Issuer and the Trustee have each covenanted in the Indenture to follow and enforce such procedures to ensure compliance with such requirements. However, no assurance can be given that in the event of a breach of any of the provisions or covenants described above, the remedies available to the Issuer and the Trustee can be judicially enforced in such manner as to assure compliance with the Code and therefore to prevent the loss of the exclusion from gross income for federal income tax purposes of the interest on the Bonds. Furthermore, if any Borrower fails to comply with the Land Use Restriction Agreements or the Bond Loan Agreements, the enforcement remedies available to the Issuer and the Trustee are severely limited and may be inadequate to prevent the loss of the excludability from gross income for federal income tax purposes of the interest on the Bonds retroactive to the date of issuance of the Bonds. In such event, there is no provision for acceleration or redemption of the Bonds, and the holders of the Bonds may be required to hold the Bonds until maturity bearing interest that is includable in gross income for federal income tax purposes.

Bond Counsel's opinion assumes continuous compliance with all covenants and requirements set forth in the Land Use Restriction Agreement pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes.

Additional Federal Income Tax Considerations

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the new "branch profits tax" on their effectively-connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the taxable year.

Certain Federal Tax Consequences

Although Bond Counsel has rendered an opinion that, with certain assumptions, interest on the Bonds is excludible from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Bondholder's federal, state or local tax liabilities. The nature and extent of these other tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion, and each Bondholder or potential Bondholder is urged to consult with tax counsel with respect to the effects of purchasing, holding or disposing of the Bonds on the tax liabilities of the individual or entity.

The accrual or receipt of interest on the Bonds may otherwise affect a Bondholder's income tax liability. The nature and extent of these other tax consequences will depend upon the Bondholder's particular tax status and the Bondholder's other items of income and deduction. Bond Counsel expresses no opinion regarding such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations, and United States branches of foreign corporations), property and casualty insurance companies, banks, thrifts or other financial institutions, recipients of Social Security or Railroad Retirement benefits, or taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors concerning the tax consequences of purchasing and holding the Bonds..

Changes in Federal and State Tax Law

From time to time, there have been legislative proposals in Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted, it would apply to bonds issued prior to enactment. Each purchaser of the Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

From time to time, legislative proposals are pending in Congress that, if enacted, would alter or amend one or more of the federal tax matters referred to above in certain respects or adversely affect the

market value of the Bonds. It cannot be predicted whether or in what form any of such proposals, either pending or that could be introduced, may be enacted and there can be no assurance that such proposals will not apply to the Bonds.

In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced that, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby.

During recent years, legislative proposals have been introduced in Congress, and in some cases enacted, that altered certain federal tax consequences resulting from the ownership of obligations that are similar to the Bonds. In some cases, these proposals have contained provisions that altered these consequences on a retroactive basis. Such alteration of federal tax consequences may have affected the market value of obligations similar to the Bonds. From time to time, legislative proposals are pending which could have an effect on both the federal tax consequences resulting from ownership of the Bonds and their market value. No assurance can be given that legislative proposals will not be enacted that would apply to, or have an adverse effect upon, the Bonds. For example, in connection with federal deficit reduction, job creation and tax law reform efforts, proposals have been and others are likely to be made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Bonds. There can be no assurance that any such legislation or proposal will be enacted, and if enacted, what form it may take. The introduction or enactment of any such legislative proposals may affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors as to the tax consequences of owning the Bonds in their particular state or local jurisdiction and regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Information Reporting Requirement

Interest on tax-exempt obligations such as the Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. In general, such information reporting requirements are satisfied if the Bondholder completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or the Bondholder is one of a limited class of exempt recipients, such as corporations. Backup withholding (i.e., the requirement for the payor to deduct and withhold a tax, calculated in the manner determined under the Code, from the interest payment) may be imposed on payments made to any Bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information under Section 6049 of the Code. Neither compliance with this reporting requirement nor backup withholding in and of itself affects or alters the excludability of interest on the Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

THE FEDERAL TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A BONDHOLDER'S PARTICULAR SITUATION. INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX IMPLICATIONS OF PURCHASING, HOLDING AND/OR DISPOSING OF THE BONDS UNDER APPLICABLE STATE OR LOCAL LAWS, INCLUDING THE EFFECT OF ANY PENDING OR PROPOSED LEGISLATION, REGULATORY INITIATIVES OR LITIGATION. FOREIGN INVESTORS SHOULD ALSO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES UNIQUE TO INVESTORS WHO ARE NOT U.S. PERSONS.

BOND COUNSEL'S OPINIONS ARE BASED ON EXISTING LEGISLATION AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL AND REGULATORY AUTHORITIES AS OF THE DATE OF ISSUANCE AND DELIVERY OF THE BONDS. SUCH OPINIONS ARE FURTHER BASED ON BOND COUNSEL'S KNOWLEDGE OF FACTS AS OF THE DATE OF DELIVERY OF THE BONDS. BOND COUNSEL ASSUMES NO DUTY TO UPDATE OR SUPPLEMENT ITS OPINIONS TO REFLECT ANY FACTS OR CIRCUMSTANCES THAT MAY THEREAFTER COME TO BOND COUNSEL'S ATTENTION OR TO REFLECT ANY CHANGES IN ANY LAW THAT MAY THEREAFTER OCCUR OR BECOME EFFECTIVE. MOREOVER, BOND COUNSEL'S OPINIONS ARE NOT A GUARANTEE OF RESULT AND ARE NOT BINDING ON THE SERVICE; RATHER, SUCH OPINIONS REPRESENT BOND COUNSEL'S LEGAL JUDGMENT BASED UPON ITS REVIEW OF EXISTING LAW AND IN RELIANCE UPON THE REPRESENTATIONS AND COVENANTS REFERENCED ABOVE THAT IT DEEMS RELEVANT TO SUCH OPINIONS. THE SERVICE HAS AN ONGOING AUDIT PROGRAM TO DETERMINE COMPLIANCE WITH RULES THAT RELATE TO WHETHER INTEREST ON STATE OR LOCAL OBLIGATIONS IS INCLUDABLE IN GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. NO ASSURANCE CAN BE GIVEN WHETHER OR NOT THE SERVICE WILL COMMENCE AN AUDIT OF THE BONDS. IF AN AUDIT IS COMMENCED, IN ACCORDANCE WITH ITS CURRENT PUBLISHED PROCEDURES THE SERVICE IS LIKELY TO TREAT THE ISSUER AS THE TAXPAYER AND THE OWNERS MAY NOT HAVE A RIGHT TO PARTICIPATE IN SUCH AUDIT. PUBLIC AWARENESS OF ANY FUTURE AUDIT OF THE BONDS COULD ADVERSELY AFFECT THE VALUE OF THE BONDS DURING THE PENDENCY OF THE AUDIT REGARDLESS OF THE ULTIMATE OUTCOME OF THE AUDIT.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds and with regard to the tax exempt status of the interest thereon (see "TAX MATTERS") are subject to the approving legal opinion of Dinsmore & Shohl LLP, Bond Counsel. A signed copy of that opinion, dated and speaking only as of the date of original delivery of the Bonds, will be delivered to the Underwriter at the time of such original delivery. A copy of such opinion will accompany the Bonds and a draft of that opinion is attached hereto as Appendix B.

In rendering its approving opinion, Bond Counsel will rely on certifications and representations of fact to be contained in the transcript of proceedings which Bond Counsel will not have independently verified. Certain legal matters will be passed upon for the Underwriter by its counsel, Tiber Hudson LLC, Washington, D.C., and for the Borrowers by Hobson Bernardino + Davis LLP, Los Angeles, California.

RATING

Moody's Investors Service, Inc. ("Moody's") has assigned to the Bonds the rating set forth on the cover hereof. An explanation of the significance of such rating may be obtained from the Rating Agency. The rating of the Bonds reflects only the views of the Rating Agency at the time such rating was given, and neither the Issuer nor the Borrowers nor the Underwriter makes any representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the Rating Agency, if in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

GNMA REQUIREMENTS TO CONTROL

To the extent there is any conflict, inconsistency or ambiguity between or among the provisions of the Indenture, the Bond Loan Agreements, the Land Use Restriction Agreements, the GNMA Requirements or the Mortgage Loan Documents, then in such event the GNMA Requirements or the Mortgage Loan Documents will be deemed to be controlling and any such ambiguity or inconsistency will be resolved in favor of and pursuant to the GNMA Requirements or the provisions of the Mortgage Loan Documents.

Notwithstanding anything to the contrary contained in the Indenture, the Land Use Restriction Agreements or the Bond Loan Agreements, the enforcement of the Indenture, the Land Use Restriction Agreements or the Bond Loan Agreements shall not result in any claim against a Project, Mortgage Loan proceeds, any reserve or deposit made with the Lender or with another person or entity in connection with the Mortgage Loan transactions, or against rents or other income from the related Project other than available net operating income otherwise available for distribution to the related Borrower under the Mortgage Loan Documents. Nothing contained in the Indenture, the Land Use Restriction Agreements or the Bond Loan Agreements, however, shall prevent or preclude the Trustee from using funds on deposit in the Bond Fund to make payments to Holders as and to the extent expressly permitted by the provisions of the Indenture or the Bond Loan Agreements and/or to use funds on deposit in the Project Fund and Collateral Fund to make payments to or on behalf of the Lender.

If the Indenture, the Land Use Restriction Agreements or the Bond Loan Agreements contain any provision requiring the Issuer, a Borrower, the Trustee or any other party to the transaction to take any action necessary to preserve the tax exemption of interest on the Bonds, or prohibiting any such party to the transaction from taking any action that might jeopardize such tax exemption, such provision is qualified to except any actions required (or prohibited) by GNMA pursuant to the GNMA Requirements and the Mortgage Loan Documents.

Notwithstanding any provision of the Indenture, the Land Use Restriction Agreements or the Bond Loan Agreements to the contrary, the parties thereto acknowledge and agree that all of their respective rights and powers to any assets or properties of the Borrowers are subordinate and subject to the liens created by the Mortgage, together with any and all amounts from time to time secured thereby, and interest thereon, and to all of the terms and provisions of the Mortgage, and any and all other documents executed by the Borrowers as required by GNMA in connection therewith.

CONTINUING DISCLOSURE

The Borrowers will enter into a Continuing Disclosure Agreement dated as of July 1, 2020 (the “Continuing Disclosure Agreement”) with the Trustee and the Dissemination Agent named therein, obligating each Borrower to send, or cause to be sent, certain financial information with respect to its respective Project to certain information repositories annually and to provide notice, or cause notice to be provided, to the Municipal Securities Rulemaking Board (the “MSRB”) of certain enumerated events, if any, for the benefit of the Beneficial Owners and Holders of any of the Bonds, in order to allow the Underwriter to meet the requirements of Section (b)(5)(i) of Securities Exchange Commission Rule 15c2-12 (the “Rule”).

A failure by the Borrowers to comply with the provisions of the Disclosure Agreement will not constitute a default under the Indenture or the Bond Loan Agreements (although Holders will have any available remedy at law or in equity for obtaining necessary disclosures). Nevertheless, such a failure to comply is required to be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds.

The Borrowers have not previously been subject to the continuing disclosure requirements of the Rule. See “APPENDIX F – FORM OF CONTINUING DISCLOSURE AGREEMENT” herein.

RELATIONSHIP AMONG PARTIES

Bond Counsel has previously represented, and is currently representing, the Underwriter with respect to other financings and has acted or is acting as bond counsel with respect to other bonds underwritten by the Underwriter and may do so in the future. Counsel to the Underwriter has previously acted, and is currently acting, as bond counsel with respect to other bonds issued by the Issuer as well as other bonds underwritten by the Underwriter and may continue to do so in the future.

MISCELLANEOUS

The foregoing references to and summaries or descriptions of provisions of the Bonds, the Bond Loan Agreements, the Indenture and the Land Use Restriction Agreements, and all references to other materials not stated to be quoted in full are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof. After the Closing Date, copies of the Bond Loan Agreements, the Indenture, the Bond Notes, the Land Use Restriction Agreements may be obtained from the Trustee at its designated corporate trust office.

[Remainder of page intentionally left blank]

The Official Statement has been duly authorized, executed and delivered by the Issuer and the Borrowers.

KENTUCKY HOUSING CORPORATION,
as the Issuer

By: _____
Lisa Beran
Interim Executive Director

[Signatures continued on following page]

[Borrowers' signature page to Official Statement]

LSA GRIER DUDLEY COURT, LLC,
a Kentucky limited liability company

By: LSA Grier Dudley GP, LLC,
a Delaware limited liability company,
its Managing Member

By: LSA Capital, Inc.,
a California corporation,
its Manager

By: _____
David Iskowitz
President

LSA GRIER ABEL COURT APARTMENTS, LLC,
a Kentucky limited liability company

By: LSA Grier Abel GP, LLC,
a Delaware limited liability company,
its Managing Member

By: LSA Capital, Inc.,
a California corporation,
its Manager

By: _____
David Iskowitz
President

APPENDIX A

DEFINITION OF CERTAIN TERMS

“Abel Bond Loan” means the Bond Loan by the Issuer to the Abel Borrower of the proceeds received from the sale of the Series 2020B Bonds to be made pursuant to the Abel Bond Loan Agreement.

“Abel Bond Loan Agreement” means the Loan Agreement, dated as of even date with this Indenture, between the Issuer and the Abel Borrower and assigned by the Issuer, except for Unassigned Issuer’s Rights, to the Trustee, as amended or supplemented from time to time.

“Abel Borrower” means LSA Grier Abel Court Apartments, LLC, a Kentucky limited liability company.

“Abel Continuing Disclosure Agreement” means the Continuing Disclosure Agreement dated as of July 1, 2020 among the Abel Borrower and the Dissemination Agent, as originally executed and as it may be amended from time to time in accordance with its terms.

“Act” means Chapter 198A of the Kentucky Revised Statutes, as amended.

“Area Median Gross Income” means the median income in the geographic area (as determined for purposes of Section 142(d) of the Code) in which the Residential Rental Property is located, as determined annually by the Secretary of the Treasury in a manner consistent with determinations of lower income families and area median gross income under Section 8 (or, if such program under Section 8 is terminated, under such program in effect immediately before such termination). Any determination of Area Median Gross Income shall be made in accordance with and subject to the requirements of Sections 142(d)(2)(B) and 142(d)(2)(E) of the Code.

“Authenticating Agent” means the Trustee and the Registrar for the Bonds and any bank, trust company or other Person designated as an Authenticating Agent for the Bonds by or in accordance with the Indenture, each of which shall be a transfer agent registered in accordance with Section 17A(c) of the Securities Exchange Act of 1934 as amended.

“Authorized Borrowers’ Representative” means the person or persons designated to act on behalf of all of the Borrowers collectively and each Borrower individually. The Trustee may conclusively presume that a person designated in a written certificate filed with it as an Authorized Borrowers’ Representative is an Authorized Borrowers’ Representative until such time as the Borrower files with it (with a copy to the Issuer) a written certificate revoking such person’s authority to act in such capacity. Each Borrower may designate a separate Authorized Borrowers’ Representative.

“Authorized Denomination” means \$5,000, or any integral multiple in excess thereof.

“Bankruptcy Code” means Title 11 of the United States Code entitled “Bankruptcy,” as in effect now and in the future, or any successor statute.

“Board” means the Board of Directors of the Issuer, or the Executive Committee of such Board of Trustees, as applicable.

“Bond Counsel” means Dinsmore & Shohl LLP, or other counsel nationally recognized as having an expertise in connection with the exclusions of interest on obligations or obligations of state and local governmental units from the gross income of holders thereof for federal income tax purposes.

“Bond Funds” means, collectively, the Series 2020A Bond Fund and the Series 2020B Bond Fund created in the Indenture.

“Bond Loans” means, collectively, the Abel Bond Loan and the Dudley Bond Loan.

“Bond Loan Agreements” means, collectively, the Abel Bond Loan Agreement and the Dudley Bond Loan Agreement.

“Bond Loan Payment Cure Period” means a period of ten (10) Business Days following any Bond Loan Payment Date.

“Bond Loan Payment Date” means the 5th Business Day preceding each Bond Payment Date.

“Bond Loan Payments” means the amounts required to be paid by each Borrower in repayment of the Bond Loan to such Borrower pursuant to the provisions of the respective Bond Loan Agreement and the Bond Note relating to the Bond Loan of such Borrower.

“Bond Note” means, with respect to each Borrower, the promissory note of such Borrower, dated as of even date with the Bonds initially issued, in the form attached as an exhibit to each Bond Loan Agreement and totaling in the aggregate principal amount of the Series of Bonds reserved for such Borrower, as set forth in “PLAN OF FINANCING — Allocated Amounts” herein, evidencing the obligation of such Borrower to make Bond Loan Payments. “Bond Notes” means, collectively, all of such Bond Notes.

“Bond Payment Date” means each Interest Payment Date and any other date Bond Service Charges on the Bonds are due, whether at maturity, mandatory tender, or upon redemption, acceleration or otherwise.

“Bond Purchase Agreement” means the Bond Purchase Agreement, dated July ___, 2020, among the Issuer, the Borrower and the Underwriter.

“Bond Resolution” means that certain Bond Resolution relating to the Projects, adopted by the Board of the Issuer on May 28, 2020.

“Bond Service Charges” means, for each Series of Bonds, for any period or payable at any time, the principal of and interest on the Bonds for that period or payable at that time whether due at maturity, or upon redemption, Mandatory Tender or acceleration.

“Bonds” means, collectively, the Series 2020A Bonds and the Series 2020B Bonds of the Issuer authorized in the Bond Resolution and the Indenture in an aggregate principal amount of \$15,000,000*.

“Book Entry Form” or “Book Entry System” means, with respect to the Bonds, a form or system, as applicable, under which (i) physical Bond certificates in fully registered form are issued only to a Depository or its nominee, with the physical Bond certificates “immobilized” in the custody of the Depository and (ii) the ownership of book entry interests in Bonds and Bond Service Charges thereon may be transferred only through a book entry made by Persons other than the Issuer or the Trustee. The records maintained by Persons other than the Issuer or the Trustee constitute the written record that identifies the owners, and records the transfer, of book entry interests in the Bonds and Bond Service Charges thereon.

* Preliminary; subject to change.

“Borrower” means, individually, the Abel Borrower and the Dudley Borrower, which entities are each entering into a Bond Loan Agreement with the Issuer in connection with the Indenture. “Borrowers” means, collectively, all of the Borrowers.

“Borrowers’ Equity Fund” means the Borrowers’ Equity Fund created in the Indenture.

“Bridge Lender” means PNC Bank, National Association, its successors and assigns, its successors and assigns.

“Bridge Loan” means the loan made by the Bridge Lender to the Borrowers in the original principal amount set forth in the Indenture.

“Cash Flow Projections” means, with respect to each Series, a cash flow projection prepared by an independent firm of certified public accountants, a financial advisory firm, a law firm or other independent third party qualified and experienced in the preparation of cash flow projections for structured finance transactions similar to the Bonds, designated by each Borrower and acceptable to the Rating Agency, establishing, to the satisfaction of the Rating Agency, the sufficiency of (a) the amount on deposit in the related account of the Project Fund and the related account of the Collateral Fund, (b) projected investment income to accrue on amounts on deposit in the related account of the Project Fund and the related account of the Collateral Fund during the applicable period and (c) any additional Eligible Funds delivered to the Trustee by or on behalf of the related Borrower to pay Bond Service Charges and the Administrative Expenses, in each instance, when due and payable, including, but not limited to, any cash flow projection prepared in connection with (i) the initial issuance and delivery of each Series of Bonds, (ii) a proposed remarketing of such Series of Bonds, as provided in the Indenture, (iii) the release of Eligible Funds from the Initial Deposit Account of the related Bond Fund, as provided in the Indenture, (iv) the purchase, sale or exchange of Eligible Investments as provided in the Indenture and (v) the optional redemption of the Bonds as provided in the Indenture, including in the event that the Trustee intends to sell or otherwise dispose of Eligible Investments prior to maturity at a price below par.

“Closing Date” means July ___, 2020.

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

“Collateral Fund” means the Collateral Fund created pursuant to the Indenture.

“Collateral Payments” means amounts paid to the Trustee for the benefit of each Borrower in respect to the repayment of the respective Bond Loan for deposit into the related accounts of the Collateral Fund pursuant to each Bond Loan Agreement and the Indenture as a prerequisite to the advance of money in the related account of the Project Fund consisting of (i) proceeds from the Lender and (ii) proceeds from the Bridge Lender.

“Collateral Providers” means each of (i) the Lender and (ii) the Bridge Lender, and collectively, the “Collateral Providers.”

“Commonwealth” or “State” means the Commonwealth of Kentucky.

“Continuing Disclosure Agreements” means, collectively, the Abel Continuing Disclosure Agreement and the Dudley Continuing Disclosure Agreement.

“Contractual Obligation” means for any Person any obligation, covenant, or condition contained in any evidence of Indebtedness or any agreement or instrument under or pursuant to which any evidence of Indebtedness has been issued, or any other material agreement, instrument or guaranty, to which such Person is a party or by which such Person or any of its assets or properties are bound.

“Costs of Issuance” means the “issuance costs” with respect to each Series of Bonds within the meaning of Section 147(g) of the Code.

“Costs of Issuance Accounts” means, collectively, the Abel Costs of Issuance Subaccount and the Dudley Costs of Issuance Subaccount created in the Indenture.

“Depository” means, with respect to the Bonds, DTC, until a successor Depository shall have become such pursuant to the applicable provisions of the Indenture, and thereafter, Depository shall mean the successor Depository. Any Depository shall be a securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a Book Entry System to record ownership of book entry interests in the Bonds or Bond Service Charges thereon, and to effect transfers of book entry interest in the Bonds.

“Dissemination Agent” means U.S. Bank National Association, or any successor Dissemination Agent under each Continuing Disclosure Agreement.

“Dissemination Agent Fee” means the fees payable to the Dissemination Agent as compensation for its services and expenses in performing its obligations under each Continuing Disclosure Agreement pursuant to each of their terms.

“DTC” means The Depository Trust Company (a limited purpose trust company), New York, New York, and its successors or assigns.

“Dudley Bond Loan” means the Bond Loan by the Issuer to the Dudley Borrower of the proceeds received from the sale of the Series 2020A Bonds to be made pursuant to the Dudley Bond Loan Agreement.

“Dudley Bond Loan Agreement” means the Loan Agreement, dated as of even date with the Indenture, between the Issuer and the Dudley Borrower and assigned by the Issuer, except for Unassigned Issuer’s Rights, to the Trustee, as amended or supplemented from time to time.

“Dudley Borrower” means LSA Grier Dudley Court, LLC, a Kentucky limited liability company.

“Dudley Continuing Disclosure Agreement” means the Continuing Disclosure Agreement dated as of July 1, 2020 among the Dudley Borrower and the Dissemination Agent, as originally executed and as it may be amended from time to time in accordance with its terms.

“Eligible Funds” means, as of any date of determination, any of:

- (a) the proceeds of the Bonds (including any additional amount paid to the Trustee as the purchase price thereof by the Underwriter);
- (b) the proceeds from the Collateral Providers;
- (c) amounts drawn by the Trustee on any letter of credit including proceeds of draws received for the benefit of a Borrower;

(d) remarketing proceeds of the Bonds (including any additional amount paid to the Trustee as the remarketing price thereof by the Remarketing Agent) received from the Remarketing Agent or any purchaser of Bonds (other than funds provided by a Borrower, the Issuer or any Affiliate of a Borrower or the Issuer);

(e) any other amounts, including the proceeds of refunding bonds, for which the Trustee has received an Opinion of Counsel (which opinion may assume that no Holder or Beneficial Owner of Bonds is an “insider” within the meaning of the Bankruptcy Code) to the effect that (A) the use of such amounts to make payments on the Bonds would not violate Section 362(a) of the Bankruptcy Code or that relief from the automatic stay provisions of such Section 362(a) would be available from the bankruptcy court and (B) payments of such amounts to Holders would not be avoidable as preferential payments under Section 547 or 550 of the Bankruptcy Code should the Issuer or the Borrowers become a debtor in proceedings commenced under the Bankruptcy Code;

(f) any payments made by the Borrowers and held by the Trustee for a continuous period of 123 days, provided that prior to and during such 123-day period no petition has been filed under the Bankruptcy Code naming the Borrowers as the debtor; and

(g) investment income derived from the investment of the money described in (a) through (f) above.

“Eligible Investments” means, subject to the provisions of the Indenture, any of the following obligations which mature (or are redeemable at the option of the Trustee without penalty) at such time or times as to enable timely disbursements to be made from the fund in which such investment is held or allocated in accordance with the terms of the Indenture:

(a) Government Obligations, including, when available, State and Local Government Series issued by the United States Department of Treasury as time deposit securities;

(b) Shares or units in any money market mutual fund rated “Aaa-mf” by Moody’s (or the equivalent Highest Rating Category given by the Rating Agency for that general category of security) including mutual funds of the Trustee or its affiliates or for which the Trustee or an affiliate thereof serves as investment advisor or provides other services to such mutual fund and receives reasonable compensation therefor that are registered under the Investment Company Act of 1940, as amended, whose investment portfolio consist solely of direct obligations of the government of the United States of America; and

(c) Obligations of any state or political subdivision of any state, which (i) are rated at the time of purchase in the Highest Rating Category by the Rating Agency and (ii) have an interest accrual period, interest payment dates and principal payment dates that provide for timely payments which are unconditionally and directly payable from the obligations of the character described in (a) and (b) above in amounts sufficient to meet the payment obligations under the Indenture.

“Event of Default” means any of the events described as an Event of Default in the Indenture or the Bond Loan Agreements.

“Extraordinary Services” and “Extraordinary Expenses” mean all services rendered and all reasonable expenses properly incurred by the Trustee or the Issuer under the Indenture, other than Ordinary Services and Ordinary Expenses. Extraordinary Services and Extraordinary Expenses shall specifically include services rendered or expenses incurred by the Trustee or the Issuer in connection with, or in

contemplation of, an Event of Default. Such Extraordinary Services and Extraordinary Expenses shall be payable on a pro rata basis among the Borrowers based on the amount of the related Series of Bonds Outstanding by in addition to any amounts that may be due for ordinary fees, costs and expenses to be paid by each Borrower; provided however if the costs are attributable to a single Series of Bonds, the related Borrower shall be solely responsible for the costs of such Extraordinary Services and Extraordinary Expenses.

“Financing Documents” means the Indenture, the Bonds, the Bond Loan Agreements, the Bond Notes, the Tax Agreements, the Land Use Restriction Agreements, the Bond Purchase Agreement, the Continuing Disclosure Agreements, the Remarketing Agreements and any other instrument or document executed in connection with the Bonds, together with all modifications, extensions, renewals and replacements thereof, but excluding any documents relating to the Bridge Loan and the Mortgage Loan Documents.

“FHA” means the Federal Housing Administration of HUD or any successor entity and any authorized representatives or agents thereof, including the Secretary of HUD, the Federal Housing Commissioner and their representatives or agents.

“FHA Commitment” means the Commitment for Insurance of Advances issued by FHA with respect to FHA Insurance on each Mortgage Loan, as the same may be amended.

“FHA Insurance” means the insurance of the Mortgage Loan by FHA pursuant to Section 221(d)(4) of the National Housing Act.

“Force Majeure” means any of the causes, circumstances or events described as constituting Force Majeure in each Bond Loan Agreement.

“GNMA” means the Government National Mortgage Association, a U.S. government-owned corporation within HUD.

“GNMA Mortgage-Backed Securities Guide” means the GNMA Mortgage-Backed Securities Guide promulgated by GNMA, together with any and all Supplements thereto.

“GNMA Requirements” means the GNMA Mortgage-Backed Securities Guide and all applicable GNMA regulations and administrative requirements.

“GNMA Security” or “GNMA Securities” means a fully modified pass through security in the form of a construction loan certificate or a permanent loan certificate issued by an approved lender and guaranteed by GNMA as to timely payment of principal of and interest on a permanent loan certificate and as to timely payment of interest only until maturity and timely payment of principal at maturity on a construction loan certificate, pursuant to Section 306(g) of the National Housing Act of 1934, as amended, and the regulations promulgated thereunder.

“Government” means the government of the United States of America, the government of any other nation, any political subdivision of the United States of America or any other nation (including, without limitation, any state, territory, federal district, municipality or possession) and any department, agency or instrumentality thereof; and “Governmental” means of, by, or pertaining to any Government.

“Government Obligations” means (a) noncallable, non-redeemable direct obligations of the United States of America for the full and timely payment of which the full faith and credit of the United States of America is pledged, and (b) obligations issued by a Person controlled or supervised by and acting as an

instrumentality of the United States of America, the full and timely payment of the principal of, premium, if any, and interest on which is fully guaranteed as a full faith and credit obligation of the United States of America (including any securities described in (a) or (b) issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), which obligations, in either case, are not subject to redemption prior to maturity at less than par at the option of anyone other than the holder thereof.

“Highest Rating Category” means, with respect to an Eligible Investment, that the Eligible Investment is rated by a Rating Agency in the highest rating given by that Rating Agency for that Rating Category, provided that such rating shall include but not be below “Aaa” or “Aaa/VMIG-1” if rated by Moody’s or “A-1+” or “AA+” if rated by S&P.

“Holder,” “Holders” or “Holder of a Bond” means the Person in whose name a Bond is registered on the Register.

“HUD” means the United States Department of Housing and Urban Development.

“HUD Regulatory Agreement” means, collectively, the Regulatory Agreements for Multifamily Housing Projects between each Borrower and HUD with respect to a Project, as the same may be supplemented, amended or modified from time to time.

“Indebtedness” means for any Person (a) all indebtedness or other obligations of such Person for borrowed money or for the deferred purchase price of property or services, (b) all indebtedness or other obligations of any other Person for borrowed money or for the deferred purchase price of property or services, the payment or collection of which such Person has guaranteed (except by reason of endorsement for deposit or collection in the ordinary course of business) or in respect of which such Person is liable, contingently or otherwise, including, without limitation, by way of agreement to purchase, to provide funds for payment, to supply funds to or otherwise to invest in such other Person, or otherwise to assure a creditor against loss, (c) all indebtedness or other obligations of any other Person for borrowed money or for the deferred purchase price of property or services secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien, upon or in property (including, without limitation, accounts and contract rights) owned by such Person, whether or not such Person has assumed or become liable for the payment of such indebtedness or other obligations, (d) all direct or contingent obligations of such Person in respect of letters of credit, (e) all lease obligations which have been or should be, in accordance with generally accepted accounting principles applied on a consistent basis, capitalized on the books of such Person as lessee, and (f) guaranties of any of the foregoing; provided that Indebtedness does not include accounts payable and accrued expenses incurred in the ordinary course of business.

“Indenture” means the Trust Indenture, dated as of July 1, 2020, between the Issuer and the Trustee, as amended or supplemented from time to time.

“Independent” when used with respect to a specified Person means such Person has no specific financial interest direct or indirect in any Borrower or any Affiliate of a Borrower and in the case of an individual is not a director, trustee, officer, partner or employee of a Borrower or any Affiliate of a Borrower and in the case of an entity, does not have a partner, director, trustee, officer, partner or employee who is a director, trustee, officer or employee of any partner of a Borrower or any Affiliate of a Borrower.

“Initial Interest Rate” means (i) with respect the Series 2020A Bonds, _____% and (ii) with respect the Series 2020B Bonds, _____%.

“Initial Mandatory Tender Date” means, means, (i) with respect the Series 2020A Bonds, August 1, 2022* and (ii) with respect the Series 2020B Bonds, August 1, 2022*.

“Interest Payment Account” means the Interest Payment Account within each Bond Fund created in the Indenture.

“Interest Payment Date” means, with respect to each Series of Bonds, (a) each February 1 and August 1, commencing February 1, 2021*, (b) any date Bonds are called for redemption prior to maturity, (c) each Mandatory Tender Date and (d) the date of acceleration of Bonds.

“Interest Rate” means, with respect to each Series of Bonds, the Initial Interest Rate to but not including the Initial Mandatory Tender Date, and thereafter the applicable Remarketing Rate.

“Investor Member” means (i) PNC LIHTC Fund 67 LLC as the Investor Member of the Abel Borrower and (ii) PNC LIHTC Fund 71 LLC as the Investor Member of the Dudley Borrower, and each of its successors and assigns (collectively, the “Investor Members”).

“Issuer” means the Kentucky Housing Corporation, an independent de jure municipal corporation and political subdivision duly organized and existing under the laws of the State, or any successor to its rights and obligations under the Bond Loan Agreements and the Indenture.

“Issuer’s Annual Fee” means an amount equal to 0.125% of the Bonds Outstanding on each anniversary of the Closing Date; provided that such fee shall be allocated between the Borrowers on a pro rata basis among the Borrowers based on the amount of the related Series of Bonds Outstanding and payable in addition to any amounts that may be due for extraordinary fees, costs and expenses of the Issuer to be paid by each Borrower.

“Land Use Restriction Agreement” means, individually, each Land Use Restriction Agreement dated as of July 1, 2020 between the Issuer, a Borrower and the Trustee with respect to each of the Projects. “Land Use Restriction Agreements” refers to such agreements collectively.

“Lender” means KeyBank National Association, a national banking association.

“Lien” means any mortgage, deed of trust, lien, charge, security interest or encumbrance of any kind upon, or pledge of, any property, whether now owned or hereafter acquired, and includes the acquisition of, or agreement to acquire, any property subject to any conditional sale agreement or other title retention agreement, including a lease on terms tantamount thereto or on terms otherwise substantially equivalent to a purchase.

“Local Time” means Eastern time (daylight or standard, as applicable) in Louisville, Kentucky.

“Loan Disbursement Procedures Agreement” means each Loan Disbursement Procedures Agreement dated as of July 1, 2020 by and among each Borrower, the Lender, HUD, the Trustee, as amended, supplemented or restated from time to time, relating to the funding of Mortgage Loan advances with proceeds of the Bonds in exchange for Collateral Payments. “Loan Disbursement Procedures Agreements” refers to such agreements collectively.

“Low and Moderate Income” means income that does not exceed 60% of the Area Median Gross Income, with appropriate adjustments to income level made for family size, as determined in a manner

* Preliminary; subject to change.

consistent with the determinations of lower income families and area median gross income under Section 8 (or, if such program under Section 8 is terminated, under such program in effect immediately before such termination), all as made in accordance with and subject to the requirements of Section 142(d)(2)(B) of the Code. For these purposes, income shall be treated as not exceeding 60% of the Area Median Gross Income, with appropriate adjustments to income level made for family size, if the relevant individual's or family's adjusted income (computed in the manner described in Regulation § 1.167(k)-3(b)(3) prior to its removal by T.D. 8474, 1993-1 C.B. 242) does not exceed 60% of the applicable Area Median Gross Income.

“Managing Member” means LSA Capital, Inc., as the managing member of each Borrower.

“Mandatory Tender Date” means, with respect to each Series of Bonds, (a) the Initial Mandatory Tender Date and (b) if such Series of Bonds outstanding are remarketed pursuant to the Indenture for a remarketing period that does not extend to the final maturity of such Series of Bonds, any subsequent mandatory tender date.

“Maturity Date” means (i) with respect to the Series 2020A Bonds, August 1, 2023* and (ii) with respect to the Series 2020B Bonds, August 1, 2023*.

“Moody’s” means Moody’s Investors Service, Inc., and its successors and assigns, or if it shall for any reason no longer perform the functions of a securities rating agency, then any other nationally recognized rating agency designated by the Borrower and acceptable to the Trustee and the Remarketing Agent.

“Mortgage” means, with respect to each Borrower, the Multifamily Mortgage, Assignment of Rents, and Security Agreement from such Borrower to be in favor of the Lender, as the same may be amended or modified from time to time.

“Mortgages” refers to such agreements collectively.

“Mortgage Loan” means, with respect to each Borrower, the loan made by the Lender to each Borrower in connection with the financing of the Project of such Borrower in the principal amount set forth in the Indenture.

“Mortgage Loans” refers to such agreements collectively.

“Mortgage Loan Documents” means the documents executed by each Borrower with respect to the making of the Mortgage Loan, including the HUD Regulatory Agreement and any other documents required by the Lender or FHA.

“Opinion of Bond Counsel” means an opinion of Bond Counsel or of other counsel designated by the Issuer and nationally recognized as having an expertise in connection with the exclusion of interest on obligations of states and local governmental units from the gross income of holders thereof for federal income tax purposes.

“Opinion of Counsel” means an opinion from an attorney or firm of attorneys, acceptable to the Trustee, with experience in the matters to be covered in the opinion.

* Preliminary; subject to change.

“Optional Redemption Date” means (i) with respect to the Series 2020A Bonds, August 1, 2022* and (ii) with respect to the Series 2020B Bonds, August 1, 2022*.

“Ordinary Services” and “Ordinary Expenses” mean those services normally rendered, and those expenses normally incurred, by a trustee under instruments similar to the Indenture. Without limiting the generality of this definition, Ordinary Services and Ordinary Expenses shall include, without limitation, the Ordinary Trustee Fees and Expenses and services provided to the Trustee in connection with the redemption of Bonds as provided in the Indenture and in connection with any meetings of Holders of the Bonds as provided the Indenture and the Issuer’s Annual Fee.

“Ordinary Trustee Fees and Expenses” means amounts due to the Trustee for the Ordinary Services and the Ordinary Expenses of the Trustee incurred in connection with its duties under the Indenture, payable annually in advance on the Closing Date and on each July 1 thereafter beginning July 1, 2021 in an annual amount equal to \$4,500; provided, however, the amount of Ordinary Trustee Fees and Expenses payable under the Indenture is limited to money withdrawn from the Costs of Issuance Account and the Expense Fund and each Borrower will be responsible to pay the remaining amount of the Ordinary Trustee Fees and Expenses per its pro rate share of such fee pursuant to each Bond Loan Agreement based on the amount of the related Series of Bonds Outstanding. In addition, all amounts due to the Trustee for Extraordinary Services and all Extraordinary Expenses of the Trustee will be paid directly by each Borrowers pursuant to each Bond Loan Agreement. Ordinary Trustee Fees and Expenses shall be allocated between the Borrowers and payable, in addition to any amounts that may be due for extraordinary fees, costs and expenses of the trustee to be paid by each Borrower.

“Outstanding Bonds,” “Bonds outstanding” or “outstanding” as applied to Bonds mean, as of the applicable date, all Bonds which have been authenticated and delivered, or which are being delivered by the Trustee under the Indenture, except:

- (a) Bonds cancelled upon surrender, exchange or transfer, or cancelled because of payment on or prior to that date;
- (b) Bonds, or the portion thereof, for the payment or purchase for cancellation of which sufficient money has been deposited and credited with the Trustee or any Paying Agents on or prior to that date for that purpose (whether upon or prior to the maturity of those Bonds);
- (c) Bonds, or the portion thereof, which are deemed to have been paid and discharged or caused to have been paid and discharged pursuant to the provisions of the Indenture; and
- (d) Bonds in lieu of which others have been authenticated under the Indenture.

“Paying Agent” means any bank or trust company designated as a Paying Agent by or in accordance with the Indenture.

“Person” or words importing persons mean firms, associations, partnerships (including without limitation, general and limited partnerships), joint ventures, societies, estates, trusts, corporations, limited liability companies, public or governmental bodies, other legal entities and natural persons.

“Pledged Revenues” means with respect to each Series of Bonds, (a) the Bond Loan Payments, (b) all other moneys received or to be received by the Issuer or the Trustee in respect of repayment of the related Bond Loan, including without limitation, all moneys and investments in the Bond Fund, (c) any

* Preliminary; subject to change.

moneys and investments in the Special Funds, and (d) all income and profit from the investment of the foregoing moneys. For the purposes of clarity, the term “Pledged Revenues” does not include any moneys or investments in any Rebate Fund, any Costs of Issuance Account, any Expense Fund or the Borrowers’ Equity Fund.

“Principal Payment Account” means the Principal Payment Account within the Bond Fund created in the Indenture.

“Project” means, with respect to each Borrower, the acquisition, rehabilitation and equipping by such Borrower of the property described in the Indenture and in “THE PROJECTS” herein and associated with that Borrower. “Projects” means, collectively, all of such Projects.

“Project Costs” means, with respect to each Project:

(a) Costs incurred directly or indirectly for or in connection with the acquisition, financing, rehabilitation, improving and equipping of a Project, including costs incurred in respect of a Project for preliminary planning and studies; architectural, legal, engineering, accounting, consulting, supervisory and other services; labor, services and materials; and recording of documents and title work;

(b) Premiums attributable to any surety bonds and insurance required to be taken out and maintained during the Construction Period with respect to a Project;

(c) Taxes, assessments and other governmental charges in respect of a Project that may become due and payable during the Construction Period;

(d) Costs incurred directly or indirectly in seeking to enforce any remedy against any contractor or subcontractor in respect of any actual or claimed default under any contract relating to a Project;

(e) Subject to the related Bond Loan Agreement, financial, legal, accounting, printing and engraving fees, charges and expenses, and all other such fees, charges and expenses incurred in connection with the authorization, sale, issuance and delivery of the related Series of Bonds, including, without limitation, the fees and expenses of the Trustee, the Registrar and any Paying Agent properly incurred under the Indenture that may become due and payable during the Construction Period;

(f) Any other costs, expenses, fees and charges properly chargeable to the capital account for a Project for the cost of acquisition, financing, construction, rehabilitation, remodeling, improvement and equipping of the Project;

(g) Payment of interest on the related Series of Bonds during the Construction Period;
and

(h) Payments to the Rebate Fund.

“Project Fund” means the Project Fund created in the Indenture.

“Qualified Project Period” means the period commencing on the later of the first day on which at least 10% of the Residential Rental Units in the Residential Rental Property are occupied or the issue date of the Qualified 142(d) Bonds issued to acquire such facility and ending on the latest of the following:

(A) the date that is fifteen years after the date on which at least 50% of the Residential Rental Units in the facility are first occupied;

(B) the first day on which no tax-exempt private activity bond (as defined in Section 141(a) of the Code) issued with respect to the facility is outstanding; or

(C) the date on which any assistance provided with respect to the facility under Section 8 terminates.

“Qualified Tenant” means any individual or family with Low and Moderate Income. However, if all the occupants of a Residential Rental Unit are Students, such individuals may not be treated as Qualified Tenants. Subject to the preceding two sentences, “Qualified Tenant” may include any individual who is (i) a student and receiving assistance under Title IV of the Social Security Act, (ii) a student who was previously under the care and placement responsibility of the Oklahoma agency responsible for administering a plan under part B or part E of Title IV of the Social Security Act or (iii) enrolled in a job training program receiving assistance under the Job Training Partnership Act or under other similar Federal, state or local laws.

“Rating Agency” means Moody’s, S&P or any other nationally recognized securities rating agency rating the Bonds, or such rating agency’s successors or assigns, and initially means Moody’s so long as Moody’s is rating the Bonds.

“Rating Category” means one of the rating categories of the Rating Agency for the specific type and duration of the applicable Eligible Investment.

“Rebate Fund” means the Rebate Fund created in the Indenture.

“Register” means the books kept and maintained by the Registrar for registration and transfer of Bonds pursuant to the Indenture.

“Registrar” means the Trustee, until a successor Registrar will have become such pursuant to applicable provisions of the Indenture; each Registrar will be a transfer agent registered in accordance with Section 17A(c) of the Securities Exchange Act of 1934.

“Regular Record Date” means, with respect to any Bond, the fifteenth day of the calendar month next preceding an Interest Payment Date applicable to that Bond.

“Remarketing Agent” means, initially, Raymond James & Associates, Inc., and any successor Remarketing Agent that may be appointed by the Issuer or the Borrowers.

“Remarketing Agreement” means, individually, each Remarketing Agreement, dated as of July 1, 2020, by and between a Borrower and the Remarketing Agent, as amended, supplemented or restated from time to time, or any agreement entered into in substitution therefor.

“Remarketing Agreements” refers to such agreements collectively.

“Remarketing Date” means, with respect to each Series of Bonds, the Initial Remarketing Date and, if the Bonds Outstanding on such date or on any subsequent Remarketing Date are remarketed pursuant to the Indenture for a Remarketing Period that does not extend to the final maturity of the applicable Series of Bonds, the day after the last day of the Remarketing Period.

“Remarketing Rate” means, with respect to each Series of Bonds, the interest rate or rates established pursuant to the Indenture and borne by such remarketed Series of Bonds then Outstanding from and including the Mandatory Tender Date to a new Mandatory Tender Date or the Maturity Date, as applicable, determined pursuant to the Indenture.

“Residential Rental Unit” means a housing unit containing separate and complete living, sleeping, eating, cooking and sanitation facilities for a single person or a family. Such housing unit shall contain a kitchen that includes a stove, cooking range, full-size refrigerator and sink. A housing unit, however, shall not fail to be treated as a “Residential Rental Unit” merely because it is a single-room occupancy unit (within the meaning of Section 42 of the Code).

“Section 8” means Section 8 of the United States Housing Act of 1937, as amended.

“Series” means, individually and collectively, (i) the Series 2020A Bonds and (ii) the Series 2020B Bonds.

“Series 2020A Bond Fund” means the Series 2020A Bond Fund created in the Indenture.

“Series 2020A Bonds” means the Issuer’s Multifamily Housing Revenue Bonds (Dudley Court Project), Series 2020A authorized in the Bond Resolution and the Indenture in an aggregate amount of \$9,000,000*, the proceeds of which will be loaned to the Dudley Borrower for the benefit of the Dudley Project.

“Series 2020A Funds and Accounts” means the Series 2020A Bond Fund and accounts therein, the Dudley Project Account, the Dudley Costs of Issuance Subaccount, the Dudley Collateral Account and the Dudley Expense Account.

“Series 2020B Bond Fund” means the Series 2020B Bond Fund created in the Indenture.

“Series 2020B Bonds” means the Issuer’s Multifamily Housing Revenue Bonds (Abel Court Project), Series 2020B authorized in the Bond Resolution and the Indenture in an aggregate amount of \$6,000,000*, the proceeds of which will be loaned to the Abel Borrower for the benefit of the Abel Project.

“Series 2020B Funds and Accounts” means the Series 2020B Bond Fund and accounts therein, the Abel Project Account, the Abel Costs of Issuance Subaccount, the Abel Collateral Account and the Abel Expense Account.

“Special Funds” means, with respect to each Series B Bonds, collectively, the related Bond Fund, the related account of the Collateral Fund and the related account of Project Fund and any accounts or subaccounts therein (excluding any Costs of Issuance Account), all as created in the Indenture.

“Special Member” means, Columbia Housing SLP Corporation, as a non-managing member of each Borrower.

“Supplemental Indenture” means any indenture supplemental to the Indenture entered into between the Issuer and the Trustee in accordance with the Indenture.

* Preliminary; subject to change.

“Tax Agreement” means, individually, each Tax Regulatory Agreement and No-Arbitrage Certificate, between the Issuer and a Borrower, each dated as of July 1, 2020 relating to each Series of Bonds. “Tax Agreements” refers to such agreements collectively.

“Trustee” means U.S. Bank National Association, until a successor Trustee has become such pursuant to the applicable provisions of the Indenture, and thereafter, “Trustee” will mean the successor Trustee.

“Unassigned Issuer’s Rights” means (a) the right of the Issuer to amounts payable to it pursuant to each Bond Loan Agreement, (b) all rights which the Issuer or its members, directors, officers, officials, agents or employees may have under the Indenture and the Financing Documents to indemnification by the Borrowers and by any other persons and to payments for expenses incurred by the Issuer itself, or its members, directors, officers, officials, agents or employees; (c) the right of the Issuer to receive notices, reports or other information, make determinations and grant approvals under the Indenture and the other Financing Documents; (d) all rights of the Issuer to enforce the representations, warranties, covenants and agreements of the Borrowers pertaining in any manner or way, directly or indirectly, to the requirements of the Act or of the Issuer, and set forth in any of the Financing Documents or in any other certificate or agreement executed by the Borrowers; (e) all inspection rights of the Issuer; (f) all rights of the Issuer in connection with any amendment to or modification of the Financing Documents; and (g) all enforcement remedies with respect to the foregoing.

“Underwriter” means Raymond James & Associates, Inc.

“Unredeemed Bonds” means Bonds tendered or deemed tendered upon mandatory tender but not redeemed.

APPENDIX B

FORM OF BOND COUNSEL OPINION

The form of the approving legal opinion of Dinsmore & Shohl LLP, Bond Counsel, is set forth below. The actual opinion will be delivered on the date of delivery of the bonds referred to therein and may vary from the form set forth to reflect circumstances both factual and legal at the time of such delivery. Recirculation of the Official Statement shall create no implication that Dinsmore & Shohl LLP, has reviewed any of the matters set forth in such opinion subsequent to the date of such opinion.

[Closing Date]

Kentucky Housing Corporation
Frankfort, Kentucky

Re: Kentucky Housing Corporation Multifamily Housing Revenue Bonds
(Dudley Court Project) Series 2020A
Kentucky Housing Corporation Multifamily Housing Revenue Bonds
(Abel Court Project) Series 2020B

Ladies and Gentlemen:

We are acting as bond counsel to Kentucky Housing Corporation solely in its capacity as issuer (the “Issuer”) of its Multifamily Housing Revenue Bonds (Dudley Court Project) Series 2020A (the “Series 2020A Bonds”) and its Multifamily Housing Revenue Bonds (Abel Court Project) Series 2020B (the “Series 2020B Bonds,” and together with the Series 2020A Bonds, the “Bonds”). The Bonds are issued to fund a loan to two limited liability companies organized in the Commonwealth of Kentucky (each a “Borrower” and collectively, the “Borrowers”) which loan is being originated pursuant to two separate Loan Agreements, each dated as of July 1, 2020 (collectively, the “Loan Agreements”), among the Issuer and each Borrower, as applicable, for the purpose of financing the acquisition and rehabilitation of two multifamily housing facilities located on scattered sited throughout the Commonwealth of Kentucky (the “Project”) and paying certain other related costs, (ii) a resolution (the “Bond Resolution”) duly adopted by the Issuer and (iii) a Trust Indenture, dated as of July 1, 2020 (the “Indenture”), between the Issuer and U.S. Bank National Association (the “Trustee”), as trustee.

In our capacity as Bond Counsel, we have not been engaged nor have we undertaken to express and we do not express any opinion (other than as may be expressly set forth herein) with respect to (a) the legal existence or the due authorization, execution, or delivery by or enforcement against the Borrowers of any instrument or agreement in connection with the Project or the Bonds, (b) title to the Project or compliance with zoning, land use, and related laws, (c) the status or priority of any lien or matter of record or security interest purported to be created in connection with the foregoing or (d) the accuracy, completeness, or sufficiency of the (except as we may provide in writing) or any other offering material relating to the Bonds. Reference is hereby made to an opinion of (i) Hobson Bernardino + Davis LLP, dated of even date herewith, relating, among other matters, to the power of the Borrowers to enter into and perform the Loan Agreements, and (ii) Kutak Rock LLP, dated of even date herewith, as to certain matters relating to the Issuer.

We have examined executed counterparts of the Indenture, the Loan Agreements, the Bond Purchase Agreement, dated July __, 2020, by and among Raymond James & Associates, Inc., the Issuer and the Borrowers, the Land Use Restriction Agreements, each dated as of July 1, 2020, by and among the

Issuer, the Trustee and each Borrower, and the Tax Regulatory Agreement and No Arbitrage Certificates, each dated as of July 1, 2020 (the “Tax Regulatory Agreements”), by and between the Issuer and each Borrower (hereinafter collectively referred to as the “Issuer Documents”); the Bond Resolution; the form of the Bonds; the applicable provisions of the Constitution, laws and rules and regulations of the Commonwealth of Kentucky and of the United States of America; the transcript of proceedings relating to the issuance and sale of the Bonds and the opinions, certifications and statements of facts and expectations contained in such transcript; and such other documents and materials as we deem relevant to the opinion expressed herein.

As to questions of fact material to our opinion, we have relied upon (a) representations of the Issuer and the Borrowers, (b) certified proceedings and other certifications of public officials furnished to us and (c) certifications furnished to us by or on behalf of the Borrowers (including certifications made in the Tax Regulatory Agreement, which are material to Paragraph 3 below), without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, as of the date hereof and under existing statutes, regulations, rulings, and court decisions, that:

1. The Bond Resolution has been duly adopted by the Issuer and the Issuer Documents have been duly authorized, executed, and delivered by the Issuer and constitute valid and binding obligations of the Issuer enforceable in accordance with their respective terms.

2. The Bonds (a) have been duly authorized, executed, and issued by the Issuer and delivered to the Trustee for authentication, (b) have been authenticated by the Trustee and delivered to the purchasers thereof and (c) are valid and binding special or limited obligations of the Issuer payable solely from the Revenues.

3. Under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, interest on the Bonds is excludible from gross income for Federal income tax purposes, pursuant to the Internal Revenue Code of 1986, as amended (the “Code”), except on Bonds while held by a Substantial User or Related Person, each as defined in the Code. In rendering the opinions in this paragraph, we have assumed continuing compliance with certain covenants made by the Issuer and the Borrowers designed to meet the requirements of Sections 103 and 142(d) of the Code. The Issuer and the Borrowers have covenanted to comply with such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

4. The interest on the Bonds is not subject to taxation by the Commonwealth of Kentucky and the Bonds are not subject to ad valorem taxation by the Commonwealth of Kentucky or by any political subdivision thereof.

Except as expressly stated above, we express no opinion as to any other federal or any other state income tax consequences of acquiring, carrying, owning or disposing of the Bonds. Owners of the Bonds should consult their tax advisors as to the applicability of any collateral tax consequences of ownership of the Bonds, which may include purchase at a market discount or at a premium, taxation upon sale, redemption, or other disposition and various withholding requirements.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Issuer Documents may be limited by laws, rulings and decisions affecting remedies and by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights generally and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following, in addition to the information provided under “THE BONDS”, summarizes certain provisions of the Indenture, to which reference is made for the detailed provisions thereof.

Creation of Trust

To secure the payment of Bond Service Charges on each Series of Bonds, the Issuer will assign to the Trustee all right, title and interest of the Issuer in and to (i) the Pledged Revenues, including, without limitation, all Bond Loan Payments and other amounts receivable by or on behalf of the Issuer under each Bond Loan Agreement in respect of repayment of the related Bond Loan, (ii) the Special Funds and all moneys deposited therein and the investment earnings on such moneys, (iii) subject to the provisions of the Bond Resolution, all right, title and interest of the Issuer in the proceeds derived from the sale of each Series of Bonds, and any securities in which moneys in the Special Funds are invested, and (except for moneys required to be rebated to the United States of America under the Code) the proceeds derived therefrom, and any and all other real or personal property of every name and nature from time to time hereafter by delivery or by writing of any kind pledged, assigned or transferred, as and for additional security under the Indenture by the Issuer or by anyone in its behalf, or with its written consent, to the Trustee, which is authorized by the Indenture to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Indenture, (iv) each Bond Note and (v) each Bond Loan Agreement, except for (relating to all clauses (i) through (v)) the Unassigned Issuer’s Rights (the foregoing collectively referred to as the “Trust Estate”) provided, however that the Trust Estate for the Series 2020A Bonds shall be reserved solely for the benefit of the Holders of the Series 2020A Bonds and the Trust Estate for the Series 2020B Bonds shall be reserved solely for the benefit of the Holders of the Series 2020B Bonds.

Creation of Funds; Allocation of Bond Proceeds

The funds and accounts described in this section, designated as indicated are created by the Indenture. Each Fund is to be maintained in the custody of the Trustee as a separate bank account (except when invested in Eligible Investments). The funds and accounts are:

- (i) the Series 2020A Bond Fund and the “Interest Payment Account,” “Principal Payment Account,” and the “Initial Deposit Account” therein;
- (ii) the Series 2020B Bond Fund and the “Interest Payment Account,” “Principal Payment Account” and the “Initial Deposit Account” therein;
- (iii) the Project Fund and the “Abel Project Account,” the “Dudley Project Account” and the “Costs of Issuance Account” and the “Abel Costs of Issuance Subaccount” and the “Dudley Costs of Issuance Subaccount” therein;
- (iv) the Collateral Fund and the “Abel Collateral Account,” the “Dudley Collateral Account” therein;
- (v) the Expense Fund, the “Abel Expense Account,” and the “Dudley Expense Account” therein;
- (vi) the Rebate Fund, the “Abel Rebate Account,” and the “Dudley Rebate Account” therein; and

(vii) the Borrowers' Equity Fund and therein the "Abel Eligible Funds Account" and the "Dudley Eligible Funds Account."

The proceeds of the sale of the Bonds in the amount set forth in the Indenture, shall be allocated, deposited or delivered by the Trustee on the Closing Date to the Project Fund.

On the Closing Date, the Trustee shall deposit from Eligible Funds other than the proceeds of the Bonds received by or on behalf of the Borrowers.

Application of Bond Loan Payments

With respect to each Series, so long as there are any Outstanding Bonds, any payments by a Borrower pursuant to the Bond Note and the Bond Loan Agreement shall be paid on each Bond Loan Payment Date directly to the Trustee, and deposited as follows: (1) into the respective account of the Expense Fund, at least the amount necessary to provide sufficient funds to pay the Borrower's portion of the Issuer's Annual Fee as its becomes due until the Borrower is required to make each of its next payment pursuant to the Bond Note and the Bond Loan Agreement; (2) into the Interest Payment Account of the Bond Fund, at least the amount necessary to pay the interest on the related Series of Bonds on the next succeeding Interest Payment Date; and (3) into the Principal Payment Account of the Bond Fund, at least the amount necessary to pay the principal due on the Series of Bonds on the next succeeding Interest Payment Date.

Disbursements from and Records of Project Fund

When the Trustee receives a request for disbursement from the Dudley Project Account in accordance with the provisions of the Dudley Bond Loan Agreement, the Trustee shall confirm that Eligible Funds on deposit in the Dudley Collateral Account plus funds in the Dudley Project Account is or will be at least equal to the then outstanding amount of the Series 2020A Bonds. Upon confirmation of the above, the Trustee shall thereafter disburse funds to pay Project Costs in the amount requested from the Dudley Project Account, to the extent the corresponding deposit to the Dudley Collateral Account was made from proceeds of the Collateral Payments; provided, however, to the extent money on deposit in the Dudley Project Account is invested in Eligible Investments and the Dudley Borrower has requested that the Trustee not sell or otherwise terminate such Eligible Investment prior to their stated maturity date, the Trustee is authorized by the Indenture to make the following allocations and exchanges, which allocations and exchanges shall occur prior to the disbursement of amounts on deposit in the Dudley Project Account to pay Project Costs: (i) allocate all or a portion of the Eligible Investments in the Dudley Project Account, in the amount specified in the request for disbursement, to the Dudley Collateral Account, or (ii) transfer a like amount of Collateral Payments on deposit in the Dudley Collateral Account to the Dudley Project Account.

Notwithstanding anything in this section to the contrary, the Trustee is permitted to transfer funds relating to the Series 2020A Bonds from the Dudley Project Account directly to the Dudley Collateral Account upon the request of the Authorized Borrowers' Representative substantially in the form attached to the Indenture as an exhibit. Each such request shall be consecutively numbered.

Upon receipt of a Completion Certificate for the Dudley Project in accordance with the Indenture, the Trustee shall file copies of the records pertaining to the Dudley Project Account and disbursements therefrom with respect to the Dudley Project with the Issuer, the Authorized Borrowers' Representative, the Lender and the Investor Member, by utilizing its online portfolio statement access; provided that the Trustee shall provide hard copies upon request.

Upon the occurrence and continuance of an Event of Default under the Indenture because of which the principal amount of the Series 2020A Bonds has been declared to be due and immediately payable pursuant to the Indenture, any moneys remaining in the Dudley Project Account shall be promptly transferred by the Trustee to the Series 2020A Bond Fund.

When the Trustee receives a request for disbursement from the Abel Project Account in accordance with the provisions of the Indenture of the Abel Bond Loan Agreement, the Trustee shall confirm that Eligible Funds on deposit in the Abel Collateral Account plus funds in the Abel Project Account is or will be at least equal to the then outstanding amount of the Series 2020B Bonds. Upon confirmation of the above, the Trustee shall thereafter disburse funds to pay Project Costs in the amount requested from the Abel Project Account, to the extent the corresponding deposit to the Abel Collateral Account was made from proceeds of the Collateral Payments; provided, however, to the extent money on deposit in the Abel Project Account is invested in Eligible Investments and the Abel Borrower has requested that the Trustee not sell or otherwise terminate such Eligible Investment prior to their stated maturity date, the Trustee is authorized to make the following allocations and exchanges, which allocations and exchanges shall occur prior to the disbursement of amounts on deposit in the Abel Project Account to pay Project Costs: (i) allocate all or a portion of the Eligible Investments in the Abel Project Account, in the amount specified in the request for disbursement, to the Abel Collateral Account, (ii) transfer a like amount of Collateral Payments on deposit in the Abel Collateral Account to the Abel Project Account.

Notwithstanding anything in this section to the contrary, the Trustee is permitted to transfer funds relating to the Series 2020B Bonds from the Abel Project Account directly to the Abel Collateral Account upon the request of the Authorized Borrowers' Representative substantially in the form attached to the Indenture as an exhibit. Each such request shall be consecutively numbered.

Upon receipt of a Completion Certificate for the Abel Project in accordance with the Indenture, the Trustee shall file copies of the records pertaining to the Abel Project Account and disbursements therefrom with respect to the Abel Project with the Issuer, the Authorized Borrowers' Representative, the Lender and the Investor Member, by utilizing its online portfolio statement access; provided that the Trustee shall provide hard copies upon request.

Upon the occurrence and continuance of an Event of Default under the Indenture because of which the principal amount of the Series 2020B Bonds has been declared to be due and immediately payable pursuant to the Indenture, any moneys remaining in the Abel Project Account shall be promptly transferred by the Trustee to the Series 2020B Bond Fund.

Payments from the accounts in the Project Fund shall be paid by wire transfer to the applicable party. If the deposit to an account in the Collateral Fund is deposited by noon, then the wire transfer shall occur no later than the close of business on the Business Day the day the deposit is made. If the deposit to an account in the Collateral Fund is deposited after noon Eastern time, then the wire transfer shall occur no later than 10:00 a.m. Eastern time on the Business Day following the day the deposit is made.

The Trustee shall cause to be kept and maintained adequate records pertaining to the amounts deposited to the Project Fund and its accounts, the investment thereof and all disbursements therefrom as provided in the Indenture.

Collateral Fund

Eligible Funds shall be deposited from time to time in the Dudley Collateral Account in such amounts and at such times as may be necessary to allow the Trustee to transfer funds from the Dudley Project Account upon the Trustee's receipt of a request for disbursement from the Dudley Borrower. The

Dudley Collateral Account shall only be used and applied for, and irrevocably committed to, the payment of (i) the Bond Service Charges on the Series 2020A Bonds which are due and payable on any Interest Payment Date and the Maturity Date and (ii) the Bond Service Charges on the Series 2020A Bonds as and when due at any other Bond Payment Date. For purpose of clarity, amounts on deposit in the Dudley Collateral Account may be exchanged for an allocation of Eligible Investments held in the Dudley Project Account in accordance with the provisions set forth in the Indenture.

Each deposit into the Dudley Collateral Account shall constitute an irrevocable deposit solely for the benefit of the Holders of the Series 2020A Bonds, subject to the provisions hereof.

No Series 2020A Bond shall be, and shall not be deemed to be, paid or prepaid by reason of any deposit into Dudley Collateral Account unless and until the amount on deposit in the Dudley Collateral Account is transferred to the Series 2020A Bond Fund and applied to the payment of the principal of any Series 2020A Bond, or the principal component of the redemption price of any of a Series 2020A Bond, all as provided in the Indenture.

Eligible Funds shall be deposited from time to time in the Abel Collateral Account in such amounts and at such times as may be necessary to allow the Trustee to transfer funds from the Abel Project Account upon the Trustee's receipt of a request for disbursement from the Abel Borrower. The Abel Collateral Account shall only be used and applied for, and irrevocably committed to, the payment of (i) the Bond Service Charges on the Series 2020B Bonds which are due and payable on any Interest Payment Date and the Maturity Date and (ii) the Bond Services Charges on the Series 2020B Bonds as and when due at any other Bond Payment Date. For purpose of clarity, amounts on deposit in the Abel Collateral Account may be exchanged for an allocation of Eligible Investments held in the Abel Project Account in accordance with the provisions set forth in the Indenture.

Each deposit into the Abel Collateral Account shall constitute an irrevocable deposit solely for the benefit of the Holders of the Series 2020B Bonds, subject to the provisions of the Indenture.

No Series 2020B Bond shall be, and shall not be deemed to be, paid or prepaid by reason of any deposit into the Abel Collateral Account unless and until the amount on deposit in the Abel Collateral Account is transferred to the Series 2020B Bond Fund and applied to the payment of the principal of any of Series 2020B Bond, or the principal component of the redemption price of any of Series 2020B Bond, all as provided in the Indenture.

Bond Funds

Each Bond Fund (and accounts therein for which provision is made in the Indenture or in the Bond Loan Agreement) and the moneys and Eligible Investments therein shall be used solely and exclusively for the payment of Bond Service Charges as becomes due and at stated maturity, or upon acceleration, all as provided in the Indenture and each Bond Loan Agreement.

The Trustee shall transmit to any Paying Agents, as appropriate, from moneys on deposit in a Bond Fund, amounts sufficient to make timely payments of Bond Service Charges on the applicable Series of Bonds. To the extent that the amount needed by any Paying Agent is not sufficiently predictable, the Trustee may make any credit arrangements with that Paying Agent which will permit those payments to be made. The Issuer authorizes and directs the Trustee to cause withdrawal of moneys from a Bond Fund which are available for the purpose of paying, and are sufficient to pay, the Bond Service Charges on the applicable Series of Bonds as each, respectively, becomes due and payable, for the purposes of paying or transferring moneys to the Paying Agents which are necessary to pay such Bond Service Charges. Amounts credited to or on deposit in the Initial Deposit Account of a Bond Fund shall be transferred to the Interest

Payment Account of such Bond Fund on each Bond Loan Payment Date in order to provide for the payment of the Bond Service Charges on the next succeeding Bond Payment Date.

In the event that amounts on deposit in the Interest Payment Account and the Principal Payment Account of a Bond Fund on any Bond Loan Payment Date are insufficient to make the payment of Bond Service Charges of a Series due on the next succeeding Bond Payment Date, the Trustee shall transfer funds in the following order to the applicable account of such Bond Fund and use such funds, together with amounts then on deposit in such Bond Fund, to pay the Bond Service Charges due on the next succeeding Bond Payment Date: (i) first, from amounts on deposit in the Initial Deposit Account of such Bond Fund; (ii) second, from amounts on deposit in the Interest Payment Account of such Bond Fund; (iii) third, from amounts on deposit in the related account of the Collateral Fund and transferred as necessary to such Bond Fund; and (iv) fourth, from amounts on deposit in the related account of the Project Fund and transferred as necessary to such Bond Fund.

Upon receipt by the Trustee of a Cash Flow Projection provided on behalf of the Borrower, the Trustee is hereby authorized to release from the Initial Deposit Account the amount set forth in the Cash Flow Projection to be released to or at the written direction of the Borrower from such account.

Investment of Special Funds and Rebate Fund

Except as otherwise set forth in this section, moneys in the Special Funds and the Rebate Fund shall be invested and reinvested by the Trustee in Eligible Investments at the written direction of the Authorized Borrowers' Representative. Ratings of Eligible Investments which require ratings shall be determined by the Authorized Borrowers' Representative at the time of initial purchase and the Authorized Borrowers' Representative shall provide evidence of the rating of any Eligible Investment which requires rating at the request of, and to the satisfaction of, the Trustee. The Trustee shall have no obligation to monitor changes in rating subsequent to the initial purchase of an Eligible Investment. At no time shall the Authorized Borrowers' Representative direct that any funds constituting gross proceeds of the Bonds be used in any manner as would constitute failure of compliance with Section 148 of the Code.

Investments of moneys in each Bond Fund shall mature or be redeemable at the times and in the amounts necessary to provide moneys to pay Bond Service Charges on the applicable Series of Bonds. Each investment of moneys in the Project Fund will mature or be redeemable without penalty at such time as may be necessary to make payments from the Project Fund, including on each Interest Payment Date. Any Eligible Investment may be purchased from or sold to the Trustee, the Registrar, an Authenticating Agent or a Paying Agent, or any bank, trust company or savings and loan association affiliated with any of the foregoing. The Trustee shall sell or redeem investments credited to the Special Funds to produce sufficient moneys applicable under the Indenture to and at the times required for the purposes of paying Bond Service Charges when due as aforesaid, and shall do so without necessity for any order on behalf of the Issuer and without restriction by reason of any order. The Trustee shall not be deemed an investment manager or adviser in respect of any selection of investments under the Indenture. In the event of a loss on the sale of such investments, the Trustee shall have no responsibility in respect of such loss except that the Trustee shall notify the Authorized Borrowers' Representative of the amount of such loss and the Authorized Borrowers' Representative shall promptly pay such amount to the Trustee to be credited as part of the monies originally invested. An investment made from moneys credited to the Special Funds shall constitute part of that respective Fund. If the Trustee is required to sell or otherwise dispose of any Eligible Investments prior to maturity, the Borrower shall, at the Borrower's expense, deliver to the Trustee (i) a Cash Flow Projection and (ii) Eligible Funds in the amount set forth in such Cash Flow Projection, if any.

For each Series of Bonds, all investment earnings from amounts on deposit in the related account of the Project Fund or the related account of the Collateral Fund shall be credited to the Interest Payment

Account of the related Bond Fund. All gains resulting from the sale of, or income from, any investment made from moneys credited to the Special Funds and the related account of the Rebate Fund shall be credited to and become part of the Fund or account therein from which the investment was made. Notwithstanding the foregoing, any moneys held under the Indenture without the written direction of the Authorized Borrowers' Representative shall be invested in Eligible Investments. Notwithstanding anything in the Indenture to the contrary, (i) earnings received by the Trustee with respect to Eligible Investments purchased for the purpose of paying Debt Service on the Bonds shall be held uninvested and (ii) Bond proceeds and the amount deposited into the Initial Deposit Account shall be held uninvested until the Trustee has purchased, sold or exchanged Eligible Investments. Following the Closing Date, at the direction of the Borrower, the Trustee is permitted to purchase, sell or exchange Eligible Investments with a Cash Flow Projection.

Borrowers' Equity Fund

Amounts transmitted to the Trustee for deposit into the Borrowers' Equity Fund shall be deposited in respective Eligible Funds Account of Borrowers' Equity Fund if such funds are identified as Eligible Funds by the depositor or the Authorized Borrowers' Representative. Thereafter, such amounts shall be held, transferred or transmitted per the written instructions of the Authorized Borrowers' Representative utilizing the requisition form attached as an exhibit to the Indenture. Additionally, to the extent set forth in the requisition, from amounts in the Borrowers' Equity Fund that constitute Eligible Funds may be transferred to the related account in the Collateral Fund at such times as may be necessary to allow the Trustee to transfer funds from the related account of the Project Fund upon the Trustee's receipt of a request for such disbursement from the Authorized Borrowers' Representative.

Defaults; Events of Default

The occurrence of any of the following events is defined as and declared to be and to constitute an Event of Default under the Indenture with respect to a Series of Bonds:

(a) Payment of any interest on any Bond of such Series shall not be made when and as that interest shall become due and payable;

(b) Payment of the principal of any Bond of such Series shall not be made when and as that principal shall become due and payable, whether at stated maturity, upon acceleration or otherwise;

(c) Failure by the Issuer to observe or perform any other covenant, agreement or obligation on its part to be observed or performed contained in the Indenture or in such Series of Bonds, which failure shall have continued for a period of thirty (30) days after written notice, by registered or certified mail, to the Issuer and the Authorized Borrowers' Representative specifying the failure and requiring that it be remedied, which notice may be given by the Trustee in its discretion and shall be given by the Trustee at the written request of the Holders of not less than 25% in aggregate principal amount of such Series of Bonds then outstanding; and

(d) The occurrence and continuance of an "Event of Default" as defined in the related Bond Loan Agreement.

The term "default" or "failure" as used in the Indenture means (i) a default or failure by the Issuer in the observance or performance of any of the covenants, agreements or obligations on its part to be observed or performed contained in the Indenture or in such Series of Bonds, or (ii) a default or failure by the related Borrower under the related Bond Loan Agreement, exclusive of any period of grace or notice required to constitute an Event of Default, as provided above or in the related Bond Loan Agreement.

An Event of Default with respect to the Series 2020A Bonds does not in and of itself, cause an Event of Default on the Series 2020B Bonds, and vice versa.

Acceleration

Upon the occurrence of an Event of Default described in (a) and (b), the Trustee may declare, and upon the written request of the Holders of not less than a majority in aggregate principal amount of the Series of Bonds then outstanding for which such an Event of Default has been declared, the Trustee shall declare, by a notice in writing delivered to the Issuer and the Authorized Borrowers' Representative, the principal of all such Series of Bonds then outstanding (if not then due and payable), and the interest accrued thereon, to be due and payable immediately. Upon the occurrence of any Event of Default with respect to a Series of Bonds other than those described in (a) and (b) above, the Trustee may, with the written consent of all Holders of such Series of Bonds then outstanding for which such an Event of Default has been declared, declare by a notice in writing delivered to the Issuer and the Authorized Borrowers' Representative, the principal of all such Series of Bonds then outstanding (if not then due and payable), and the interest accrued thereon, to be due and payable immediately. Upon such declaration, that principal and interest shall become and be due and payable immediately. Interest on such Series of Bonds shall accrue to the date determined by the Trustee for the tender of payment to the Holders pursuant to that declaration; provided, that interest on any unpaid principal of such Series of Bonds outstanding shall continue to accrue from the date determined by the Trustee for the tender of payment to the Holders of those such Series of Bonds.

The provisions of the preceding paragraph are subject, however, to the condition that if, at any time after declaration of acceleration and prior to the entry of a judgment in a court for enforcement under the Indenture (after an opportunity for hearing by the Issuer and the related Borrower),

(a) all sums payable under the Indenture, including the Issuer's Annual Fee and the Trustee's fees and expenses (except the principal of and interest on such Series of Bonds which have not reached their stated maturity dates but which are due and payable solely by reason of that declaration of acceleration), plus interest to the extent permitted by law on any overdue installments of interest at the rate borne by such Series of Bonds with respect to which the default shall have occurred, shall have been duly paid or provision shall have been duly made therefor by deposit with the Trustee or Paying Agents, and

(b) all existing Events of Default relating to such Series of Bonds have been cured,

then and in every case, the Trustee will waive the Event of Default for such Series of Bonds and its consequences and shall rescind and annul that declaration. No waiver or rescission and annulment shall extend to or affect any subsequent Event of Default for any Series of Bonds or will impair any rights consequent thereon.

Other Remedies; Rights of Holders

With or without taking an action as described in the heading "Acceleration" above, upon the occurrence and continuance of an Event of Default with respect to a Series of Bonds, the Trustee may pursue any available remedy, including without limitation actions at law or equity to enforce the payment of Bond Service Charges or the observance and performance of any other covenant, agreement or obligation under the Indenture, the related Bond Loan Agreement, the related Tax Agreement, the related Land Use Restriction Agreement or the related Bond Note or any other instrument providing security, directly or indirectly, for such Series of Bonds.

If, upon the occurrence and continuance of an Event of Default with respect to a Series of Bonds, the Trustee is requested so to do by the Holders of at least a majority in aggregate principal amount of such Series of Bonds outstanding, the Trustee (subject to the provisions of the Indenture) shall exercise any rights and powers conferred upon it under the Indenture.

No remedy conferred upon or reserved to the Trustee (or to the Holders) by the Indenture is intended to be exclusive of any other remedy. Each remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or otherwise to the Trustee or to the Holders now or hereafter existing.

No delay in exercising or omission to exercise any remedy, right or power accruing upon any default or Event of Default with respect to a Series of Bonds shall impair that remedy, right or power or shall be construed to be a waiver of any default or Event of Default with respect to a Series of Bonds or acquiescence therein. Every remedy, right and power may be exercised from time to time and as often as may be deemed to be expedient.

No waiver of any default or Event of Default with respect to a Series of Bonds under the Indenture, whether by the Trustee or by the Holder of such Series of Bonds, shall extend to or shall affect any subsequent default or Event of Default with respect to a Series of Bonds or shall impair any remedy, right or power consequent thereon.

As the assignee of all right, title and interest of the Issuer in and to the Bond Loan Agreements (except for the Unassigned Issuer's Rights), the Trustee is empowered to enforce each remedy, right and power granted to the Issuer under the Bond Loan Agreements. In exercising any remedy, right or power under the Indenture or the Bond Loan Agreements, the Trustee shall take such action as may be directed by the requisite percentage of the Holders of a Series of Bonds then outstanding, applying the standards described in the Indenture.

Right of Holders to Direct Proceedings

Anything to the contrary in the Indenture notwithstanding, the Holders of a majority in aggregate principal amount of a Series of Bonds then outstanding shall have the right at any time to direct, by an instrument or document in writing executed and delivered to the Trustee, the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or any other proceedings under the Indenture; provided, that (i) any direction shall not be other than in accordance with the provisions of law and the Indenture, and (ii) the Trustee shall be indemnified as provided in the Indenture.

Application of Moneys

After payment of any costs, expenses, liabilities and advances paid, incurred or made by the Trustee in the collection of moneys and to all fees of the Trustee for Ordinary and Extraordinary Expenses pursuant to any right given or action taken under the provisions of the Indenture, the Bond Loan Agreements, the Tax Agreements, the Land Use Restriction Agreements or the Bond Notes (including without limitation, attorneys' fees and expenses, except as limited by law or judicial order or decision entered in any action taken under the Indenture), all moneys received by the Trustee, shall be applied as follows, subject to the Indenture:

(a) Unless the principal of all of a Series of Bonds shall have become, or shall have been declared to be, due and payable, all of those moneys shall be deposited in the related Bond Fund and shall be applied:

First — To the payment to the Holders entitled thereto of all installments of interest then due on such Series of Bonds, in the order of the dates of maturity of the installments of that interest, beginning with the earliest date of maturity and, if the amount available is not sufficient to pay in full any particular installment, then to the payment thereof ratably, according to the amounts due on that installment, to the Holders entitled thereto, without any discrimination or privilege, except as to any difference in the respective rates of interest specified in such Series of Bonds; and

Second — To the payment to the Holders entitled thereto of the unpaid principal of any of such Series of Bonds which shall have become due, in the order of their due dates, beginning with the earliest due date, with interest on such Series of Bonds from the respective dates upon which they became due at the rates specified in those Bonds, and if the amount available is not sufficient to pay in full all Bonds of such Series due on any particular date, together with that interest, then to the payment thereof ratably, according to the amounts of principal due on that date, to the Holders entitled thereto, without any discrimination or privilege, except as to any difference in the respective rates of interest specified in such Series of Bonds.

(b) If the principal of all of a Series of Bonds shall have become due or shall have been declared to be due and payable pursuant to the Indenture, all of those moneys shall be deposited into the related Bond Fund and shall be applied to the payment of the principal and interest then due and unpaid upon Bonds of such Series, without preference or priority of principal over interest, of interest over principal, of any installment of interest over any other installment of interest, or of any Bond of such Series over any other Bond of such Series, ratably, according to the amounts due respectively for principal and interest, to the Holders entitled thereto, without any discrimination or privilege, except as to any difference in the respective rates of interest specified in the Bonds of such Series.

(c) If the principal of all of a Series of Bonds shall have been declared to be due and payable pursuant to the Indenture, and if that declaration thereafter shall have been rescinded and annulled under the provisions of the Indenture, subject to the provisions of paragraph (b) of this section in the event that the principal of all of the Bonds of such Series shall become due and payable later, the moneys shall be deposited in the related Bond Fund and shall be applied in accordance with the provisions of the Indenture.

(d) Whenever moneys are to be applied pursuant to the provisions of this section, those moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of moneys available for application and the likelihood of additional moneys becoming available for application in the future. Whenever the Trustee shall direct the application of those moneys, it shall fix the date upon which the application is to be made, and upon that date, interest shall cease to accrue on the amounts of principal, if any, to be paid on that date, provided the moneys are available therefor. The Trustee shall give notice of the deposit with it of any moneys and of the fixing of that date, all consistent with the requirements of the Indenture for the establishment of, and for giving notice with respect to, a Special Record Date for the payment of overdue interest. The Trustee shall not be required to make payment of principal of a Bond to the Holder thereof, until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if it is paid fully.

All moneys received by the Trustee pledged to the repayment of the Series 2020A Bonds shall only be used to repay the Series 2020A Bonds and all moneys received by the Trustee pledged to the repayment of the Series 2020B Bonds shall only be used to repay the Series 2020B Bonds.

Rights and Remedies of Holders

A Holder of a Bond of a Series shall not have any right to institute any suit, action or proceeding for the enforcement of the Indenture, for the execution of any trust thereof, or for the exercise of any other

remedy thereunder, unless: (i) there has occurred and is continuing an Event of Default related to such Series of Bonds of which the Trustee has been notified, as provided in the Indenture, or of which it is deemed to have notice under the Indenture, (ii) the Holders of at least 25% in aggregate principal amount of such Series of the Bonds then outstanding shall have made written request to the Trustee and shall have afforded the Trustee reasonable opportunity to proceed to exercise the remedies, rights and powers granted in the Indenture or to institute the suit, action or proceeding in its own name, and shall have offered indemnity to the Trustee as provided for in the Indenture, and (iii) the Trustee thereafter shall have failed or refused to exercise the remedies, rights and powers granted under the Indenture or to institute the suit, action or proceeding in its own name.

At the option of the Trustee, that notification (or notice), request, opportunity and offer of indemnity are conditions precedent in every case, to the institution of any suit, action or proceeding described above.

No one or more Holders of a Series of Bonds shall have any right to affect, disturb or prejudice in any manner whatsoever the security or benefit of the Indenture by its or their action, or to enforce, except in the manner provided in the Indenture, any remedy, right or power under the Indenture. Any suit, action or proceedings shall be instituted, had and maintained in the manner provided in the Indenture for the benefit of the Holders of all such Series of Bonds then outstanding. Nothing in the Indenture shall affect or impair, however, the right of any Holder of a Bond of a Series to enforce the payment of the Bond Service Charges on any Bond of such Series owned by that Holder at and after the maturity thereof, at the place, from the sources and in the manner expressed in such Bond.

Waivers of Events of Default

The Trustee shall waive any Event of Default under the Indenture and its consequences may rescind and annul any declaration of maturity of principal of or interest on, a Series of Bonds upon the written request of the Holders of: (i) at least a majority in aggregate principal amount of all such Series of Bonds then outstanding in respect of which an Event of Default in the payment of Bond Service Charges on such Series of Bonds exists, or (ii) at least 25% in aggregate principal amount of all such Series of Bonds then outstanding, in the case of any other Event of Default on such Series of Bonds exists.

There shall not be waived, however, any Event of Default for a Series of Bonds described in paragraph (a) or (b) of “Defaults; Events of Default” above or any declaration of acceleration in connection therewith rescinded or annulled, unless at the time of that waiver or rescission and annulment payments of the amounts provided in “Acceleration” above for waiver and rescission and annulment in connection with acceleration of maturity have been made or provision has been made therefor. In the case of the waiver or rescission and annulment, or in case any suit, action or proceedings taken by the Trustee on account of any Event of Default for a Series of Bonds shall have been discontinued, abandoned or determined adversely to it, the Issuer, the Trustee and the Holders of such Series of Bonds shall be restored to their former positions and rights under the Indenture, respectively. No waiver or rescission will extend to any subsequent or other Event of Default, or impair any right consequent thereon.

Supplemental Indentures Not Requiring Consent of Holders

Without the consent of or notice to any of the Holders, the Issuer and the Trustee may enter into indentures supplemental to the Indenture which shall not, in the opinion of the Issuer and the Trustee, be inconsistent with the terms and provisions of the Indenture for any one or more of the following purposes:

- (a) to cure any ambiguity, inconsistency or formal defect or omission in the Indenture;

- (b) to grant to or confer upon the Trustee for the benefit of the Holders any additional rights, remedies, powers or authority that lawfully may be granted to or conferred upon the Holders or the Trustee;
- (c) to assign additional revenues under the Indenture;
- (d) to accept additional security and instruments and documents of further assurance with respect to the Projects;
- (e) to add to the covenants, agreements and obligations of the Issuer under the Indenture, other covenants, agreements and obligations to be observed for the protection of the Holders, or to surrender or limit any right, power or authority reserved to or conferred upon the Issuer in the Indenture;
- (f) to evidence any succession to the Issuer and the assumption by its successor of the covenants, agreements and obligations of the Issuer under the Indenture, the Bond Loan Agreements and the Bonds;
- (g) to permit the Trustee to comply with any obligations imposed upon it by law;
- (h) to specify further the duties and responsibilities of, and to define further the relationship among, the Trustee, the Registrar and any Authenticating Agents or Paying Agents;
- (i) to achieve compliance of the Indenture with any applicable federal securities or tax law;
- (j) to make amendments to the provisions of the Indenture relating to arbitrage matters under Section 148 of the Code, if, in the Opinion of Bond Counsel, those amendments would not cause the interest on the Bonds outstanding to be included in gross income of the Holders for federal income tax purposes which amendments may, among other things, change the responsibility for making the relevant calculations, provided that in no event will such amendment delegate to the Trustee without its consent, in its sole discretion the obligation to make or perform the calculations required under Section 148 of the Code; and
- (k) to permit any other amendment which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Holders as evidenced by an Opinion of Counsel.

The provisions of clauses (i) and (k) shall not be deemed to constitute a waiver by the Trustee, the Registrar, the Issuer or any Holder of any right which it may have in the absence of those provisions to contest the application of any change in law to the Indenture or the Bonds.

Supplemental Indentures Requiring Consent of Holders

Exclusive of Supplemental Indentures for the purposes under the heading “Supplemental Indentures Not Requiring Consent of Holders” above and subject to the terms, provisions and limitations contained in this section, and not otherwise, with the consent of the Holders of not less than a majority in aggregate principal amount of a Series of Bonds at the time outstanding, evidenced as provided in the Indenture, and with the consent of the Authorized Borrowers’ Representative if required by the Indenture, the Issuer and the Trustee may execute and deliver Supplemental Indentures adding any provisions to, changing in any manner or eliminating any of the provisions of the Indenture or any Supplemental Indenture or restricting in any manner the rights of the Holders of a Series of Bonds.

Nothing in this section or under the heading “Supplemental Indentures Not Requiring Consent of Holders” above shall permit, however, or be construed as permitting:

(a) without the consent of the Holder of each Bond so affected, (i) an extension of the maturity of the principal of or the interest on such Bond, or (ii) a reduction in the principal amount of any Bond of the Series of Bonds of such Holder or the rate of interest thereon, or

(b) without the consent of the Holders of all Bonds of a Series then outstanding, (i) the creation of a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (ii) a reduction in the aggregate principal amount of the Bonds of a Series required for consent to a Supplemental Indenture.

If the Issuer shall request that the Trustee execute and deliver any Supplemental Indenture for any of the purposes of this section, upon (i) being satisfactorily indemnified with respect to its expenses in connection therewith, and (ii) if required by the Indenture, receipt of the consent of the Authorized Borrowers' Representative and the Investor Members to the proposed execution and delivery of the Supplemental Indenture, the Trustee shall cause notice of the proposed execution and delivery of the Supplemental Indenture to be mailed by first-class mail, postage prepaid, to all Holders of Bonds of the Series of Bonds affected by such Supplemental Indenture then outstanding at their addresses as they appear on the Register at the close of business on the fifteenth day preceding that mailing.

The Trustee shall not be subject to any liability to any Holder by reason of the Trustee's failure to mail, or the failure of any Holder of such affected Series of Bonds to receive, the notice required by this section. Any failure of that nature shall not affect the validity of the Supplemental Indenture when there has been consent thereto as provided in this section. The notice shall set forth briefly the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the designated corporate trust office of the Trustee for inspection by all Holders of such affected Series of Bonds.

If the Trustee shall receive within a period of not exceeding one year following the mailing of the notice, an instrument or document or instruments or documents, in form to which the Trustee does not reasonably object, purporting to be executed by the Holders of not less than a majority in aggregate principal amount then outstanding of the Series of Bonds so affected by the Supplemental Indenture (which instrument or document or instruments or documents shall refer to the proposed Supplemental Indenture in the form described in the notice and specifically shall consent to the Supplemental Indenture in substantially that form), the Trustee shall, but shall not otherwise, execute and deliver the Supplemental Indenture in substantially the form to which reference is made in the notice as being on file with the Trustee, without liability or responsibility to any Holder of such Series of Bonds, regardless of whether that Holder shall have consented thereto.

Any consent shall be binding upon the Holder of a Bond giving the consent and, anything to the contrary in the Indenture notwithstanding, upon any subsequent Holder of that Bond and of any Bond issued in exchange therefor (regardless of whether the subsequent Holder has notice of the consent to the Supplemental Indenture). A consent may be revoked in writing, however, by the Holder who gave the consent or by a subsequent Holder of a Bond by a revocation of such consent received by the Trustee prior to the execution and delivery by the Trustee of the Supplemental Indenture. At any time after the Holders of the required percentage of Bonds of a Series shall have filed their consents to the Supplemental Indenture, the Trustee shall make and file with the Issuer a written statement that the Holders of the required percentage of Bonds of such Series have filed those consents. That written statement shall be conclusive evidence that the consents have been so filed.

If the Holders of the required percentage in aggregate principal amount of Bonds of a Series outstanding shall have consented to the Supplemental Indenture, as provided in this section, no Holder of such Series of Bonds shall have any right (a) to object to (i) the execution or delivery of the Supplemental Indenture, (ii) any of the terms and provisions contained therein, or (iii) the operation thereof, (b) to question

the propriety of the execution and delivery thereof, or (c) to enjoin or restrain the Trustee or the Issuer from that execution or delivery or from taking any action pursuant to the provisions thereof.

Release of Indenture

If (i) the Issuer shall pay all of the Outstanding Bonds of a Series, or shall cause them to be paid and discharged, or if there otherwise shall be paid to the Holders of the Outstanding Bonds of a Series, all Bond Service Charges due or to become due thereon, and (ii) provision also shall be made for the payment of all other sums payable under the Indenture with respect to a Series, including the Trustee's fees and expenses, or under the related Bond Loan Agreement, the related Tax Agreement, the related Land Use Restriction Agreement and the related Bond Note, then the Indenture shall cease, determine and become null and void as to such Series (except for those provisions surviving by reason of the Indenture in the event the Bonds of such Series are deemed paid and discharged pursuant to the heading "Payment and Discharge of Bonds" below), and the covenants, agreements and obligations of the Issuer hereunder shall be released, discharged and satisfied as to such Series.

Thereupon, and subject to the provisions of the Indenture, if applicable,

(a) the Trustee shall release the Indenture as to such Series (except for those provisions surviving by reason of the Indenture in the event the Bonds of such Series are deemed paid and discharged pursuant to the heading "Payment and Discharge of Bonds" below), and shall execute and deliver to the Issuer any instruments or documents in writing as shall be requisite to evidence that release and discharge or as reasonably may be requested by the Issuer, and

(b) the Trustee and any other Paying Agents shall assign and deliver to the Issuer any property subject at the time to the lien of the Indenture as to such Series which then may be in their possession, except amounts in the related Bond Fund required (a) to be paid to the related Borrower under the Indenture, or (b) to be held by the Trustee and the Paying Agents under the Indenture or otherwise for the payment of Bond Service Charges on such Series of Bonds.

Payment and Discharge of Bonds

All or any part of the Bonds of a Series shall be deemed to have been paid and discharged within the meaning of the Indenture, including without limitation, the heading "Release of Indenture" above, if:

(a) the Trustee as paying agent and any Paying Agents shall have received, in trust for and irrevocably committed thereto, sufficient moneys, or

(b) the Trustee shall have received, in trust for and irrevocably committed thereto, noncallable direct obligations of or obligations guaranteed as to full and timely payment by the United States of America which are certified by an Independent firm acceptable to the Trustee to be of such maturities or redemption dates and interest payment dates, and to bear such interest, as will be sufficient together with any moneys to which reference is made in subparagraph (a) above, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom (which earnings are to be held likewise in trust and so irrevocably committed, except as provided in the Indenture),

for the payment of all Bond Service Charges on those Bonds of such Series at their maturity; provided however, in the case of clause (b), the Trustee and the Issuer must receive an Opinion of Bond Counsel to the effect that the receipt, use and investment of the obligations will not cause the interest on the Bonds

outstanding of such Series to be included in gross income of the Holders of such Series of Bonds for federal income tax purposes.

Any moneys held by the Trustee in accordance with the provisions of this section may be invested by the Trustee only in noncallable direct obligations of or obligations guaranteed as to full and timely payment by the United States of America having maturity dates, or having redemption dates which, at the option of the holder of those obligations, shall be not later than the date or dates at which moneys will be required for the purposes described above. To the extent that any income or interest earned by, or increment to, the investments held under this Section is determined from time to time by the Trustee to be in excess of the amount required to be held by the Trustee for the purposes of this section, that income, interest or increment shall be transferred at the time of that determination in the manner provided in the Indenture for transfers of amounts remaining in the related Bond Fund.

If any Bonds of such Series shall be deemed paid and discharged pursuant to this section, then within 15 days after such Bonds are so deemed paid and discharged the Trustee shall cause a written notice to be given to each Holder of such Bonds of such Series as shown on the Register on the date on which such Bonds are deemed paid and discharged. Such notice shall state the numbers of the Bonds of such Series deemed paid and discharged or state that all Bonds of such Series are deemed paid and discharged and shall set forth a description of the obligations held pursuant to subparagraph (b) of the first paragraph of this section.

Amendments to Bond Loan Agreement, Tax Agreement, Land Use Restriction Agreements and Bond Notes

The Bond Loan Agreements, the Tax Agreements, the Land Use Restriction Agreements and the Bond Notes may only be amended as permitted by the Indenture.

Without the consent of or notice to the Holders, the Issuer, a Borrower, the Investor Member and the Trustee may consent to any amendment, change or modification of a Bond Loan Agreement, a Tax Agreement, a Land Use Restriction Agreement or a Bond Note relating to that Borrower as may be required (i) by the provisions of such Bond Loan Agreement, such Tax Agreement, such Land Use Restriction Agreement or the Indenture, (ii) for the purpose of curing any ambiguity, inconsistency or formal defect or omission therein, (iii) in connection with an amendment or to effect any purpose for which there could be an amendment of the Indenture pursuant to the Indenture, or (iv) in connection with any other change therein which is not to the prejudice of the Trustee or the Holders of the Series of Bonds related to such Borrower and Project, in the judgment of the Trustee, applying the standards described in the Indenture.

Except for the amendment, change or modification described in the paragraph above, neither the Issuer nor the Trustee shall consent to (i) any amendments, changes or modifications of a Bond Loan Agreement or a Bond Note which would change the amount or time as of which Bond Loan Payments are required to be paid, without the giving of notice as provided in the Indenture of the proposed amendment, change or modification and receipt of the written consent thereto of the Holders of all of the then Outstanding Bonds of the related Series affected by such amendment, change or modification, or (ii) any other amendment, change or modification of a Bond Loan Agreement, a Tax Agreement, a Land Use Restriction Agreement or a Bond Note without the giving of notice as provided in the Indenture of the proposed amendment, change or modification and receipt of the written consent thereto of the Holders of not less than a majority in aggregate principal amount of the Series of Bonds then Outstanding affected by such amendment, change or modification.

The consent of the Holders of such Series of Bonds shall be obtained as provided in the Indenture with respect to Supplemental Indentures.

If the Issuer or the Authorized Borrowers' Representative shall request at any time the consent of the Trustee to any proposed amendment, change or modification of a Bond Loan Agreement, a Tax Agreement, a Land Use Restriction Agreement or a Bond Note contemplated above, upon being indemnified satisfactorily with respect to expenses, the Trustee shall cause notice of the proposed amendment, change or modification to be provided in the manner which is required by the Indenture with respect to notice of Supplemental Indentures. The notice shall set forth briefly the nature of the proposed amendment, change or modification and shall state that copies of the instrument or document embodying it are on file at the designated corporate trust office of the Trustee for inspection by all Holders of such related Series of Bonds.

Extent of Covenants; No Personal Liability

All covenants, stipulations, obligations and agreements of the Issuer contained in the Indenture are and shall be deemed to be covenants, stipulations, obligations and agreements of the Issuer to the full extent authorized by the Act and permitted by the Constitution of the State. No covenant, stipulation, obligation or agreement of the Issuer contained in the Indenture shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future member, officer, agent or employee of the Issuer or the Board in other than that person's official capacity. Neither the members of the Board nor any official executing the Bonds, the Indenture, the Bond Loan Agreements or any amendment or supplement hereto or thereto shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance or execution thereof.

HUD Loan Documents and Regulations Control

In the event of any conflict and to the extent that there is any inconsistency or ambiguity between the provisions of this Indenture or any of the Financing Documents and the provisions of the Controlling HUD and GNMA Requirements or the Mortgage Loan Documents, the Controlling HUD and GNMA Requirements and Mortgage Loan Documents will be deemed to be controlling, and any such ambiguity or inconsistency will be resolved in favor of, and pursuant to the terms of the Controlling HUD and GNMA Requirements and Mortgage Loan Documents, as applicable.

Enforcement of the covenants in this Indenture will not result in, and neither the Issuer nor the Trustee has or shall be entitled to assert, any claim against a Project, the Mortgage Loan proceeds, any reserves or deposits required by HUD in connection with the Mortgage Loan transaction, or the rents or deposits or other income of a Project other than available "Surplus Cash" as defined in the HUD Regulatory Agreement.

Failure of the Issuer or a Borrower to comply with any of the covenants set forth in this Indenture or any of the Financing Documents will not serve as a basis for default on the Mortgage Loan, the underlying mortgage, or any of the other Mortgage Loan Documents.

To the extent required by 24 CFR §207.261(a)(1), in the event of an assignment or conveyance of the Mortgage to the Commissioner, subsequent to the issuance of the Bonds, all money remaining in all funds and accounts other than the Rebate Fund, and any other Funds remaining under this Indenture after payment or provision for payment of Debt Service on the Bonds and the fees and expenses of the credit enhancer (if any), the Issuer, the Trustee and such other parties unrelated to the Borrowers (other than funds originally deposited by the Borrowers or the Related Parties on or before the Closing Date) shall be delivered to the Lender.

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE BOND LOAN AGREEMENT

The following summarizes certain provisions of each Bond Loan Agreement, to which reference is made for the detailed provisions thereof.

Disbursements of Proceeds of the Bonds from the Project Fund

Subject to the provisions of the Bond Loan Agreement and so long as no Event of Default thereunder has occurred and is continuing, disbursements of proceeds of the Bonds from the Project Fund to Borrower shall be made only to pay Project Costs.

Any disbursements from the Project Fund shall be made by the Trustee only as permitted pursuant to the Indenture and upon the written requisition of the Authorized Borrower's Representative. Each requisition shall be substantially in the form of an exhibit attached to the Bond Loan Agreement, and the requisitions submitted shall be consecutively numbered. If a requisition is presented in connection with a corresponding deposit of funds to the Collateral Fund from any amounts derived from the Lender, the requisition shall be approved by the Lender.

Any moneys in the Project Fund derived from the Bonds and remaining after the Completion Date and payment, or provision for payment, in full of the Project Costs shall, at the direction of the Authorized Borrower's Representative, be promptly paid into the Bond Fund for payment of Bond Service Charges.

Notwithstanding anything in this section to the contrary, the Trustee shall be permitted by the Bond Loan Agreement to transfer funds from the Project Fund directly to the Collateral Fund upon the request of the Authorized Borrower's Representative substantially in the form attached to the Indenture as an exhibit. Each such request shall be consecutively numbered.

Notwithstanding any provision of the Bond Loan Agreement or any provisions of the Indenture to the contrary, the Trustee shall not disburse funds from the Project Fund unless and until the Trustee confirms that funds in the Collateral Fund plus funds in the Project Fund are or will be at least equal to the then outstanding principal amount of the Bonds.

Bond Loan Repayment; Delivery of Bond Note

Upon the terms and conditions of the Bond Loan Agreement, the Issuer will make a loan to the Borrower in the amount of the Bonds (the "Bond Loan"). In consideration of and in repayment of the Bond Loan, the Borrower shall deliver or cause to be delivered to the Trustee on or before each Bond Loan Payment Date, Bond Loan Payments equal to the amount necessary to pay Bond Service Charges on the Bonds due on the next Bond Payment Date. All such Bond Loan Payments shall be paid to the Trustee in accordance with the terms of the Bond Note of the Borrower, for the account of the Issuer, and shall be held and disbursed in accordance with the provisions of the Indenture and the Bond Loan Agreement.

The Borrower shall be entitled to a credit against the Bond Loan Payments required to be made by it under the Bond Loan Agreement, on any date, equal to the amounts, if any, allocated to the Borrower from amounts transferred by the Trustee from the Initial Deposit Account, the Project Fund or the Collateral Fund on such date for the payment of Bond Service Charges.

To secure its performance of its obligations under the Bond Loan Agreement, the Borrower shall execute and deliver, concurrently with the issuance and delivery of the Bonds, its Bond Note, its Tax Agreement and its Land Use Restriction Agreement.

Upon the Borrower's payment in full, in accordance with the Indenture, of the Bond Service Charges on the Bonds, whether at maturity or otherwise, or upon provision for the payment thereof having been made in accordance with the provisions of the Indenture, (i) the Bond Note shall be deemed fully paid, the obligations of the Borrower shall be terminated, and the Bond Note shall be surrendered by the Trustee to the Borrower, or (ii) an appropriate notation shall be endorsed thereon evidencing the date and amount of the principal payment (or prepayment) equal to the Bonds so paid, or with respect to which provision for payment has been made, and the Bond Note shall be surrendered by the Trustee to the Borrower for cancellation if all Bonds shall have been paid (or provision made therefor) and canceled as aforesaid. Unless the Borrower is entitled to a credit under express terms of the Bond Loan Agreement or the Bond Note, all payments on the Bond Note shall be in the full amount required thereunder.

The Borrower and the Issuer each acknowledge that neither the Borrower nor the Issuer has any interest in the Bond Fund or the Collateral Fund and any moneys deposited therein shall be in the custody of and held by the Trustee in trust for the benefit of the Holders.

Borrower to Maintain their Existence; Sales of Assets or Mergers

The Borrower shall maintain its existence, not dissolve or sell, transfer or otherwise dispose of all or substantially all of its assets and not consolidate with or merge into another entity or permit one or more other entities to consolidate with or merge into it; provided, that it may do so if the surviving, resulting or transferee entity is other than the Borrower, it assumes in writing all of the obligations of the Borrower under the Bond Loan Agreement, the Tax Agreement and the Land Use Restriction Agreement and it has a net worth equal to or greater than that of the Borrower immediately prior to such consolidation, merger, sale or transfer. The Borrower shall not permit one or more other entities to consolidate with or merge into it, without the prior written consent of the Issuer; or take any action or allow any action to be taken to terminate the existence of the Borrower except as provided in the Bond Loan Agreement. Nothing contained in such Bond Loan Agreement shall limit the rights of (i) any direct or indirect owners of interests in the Borrower to (a) transfer, convey, sell or otherwise dispose (a "Transfer") of its ownership interests to any Affiliate, or in connection with any estate planning, or by operation of law, or (b) make Transfers among and between themselves, or (ii) the Borrower to make Transfers as otherwise permitted by (or subject to the terms and conditions set forth in) the Land Use Restriction Agreement.

Notwithstanding anything to the contrary contained in the Bond Loan Agreement, the following shall be permitted and shall not require the prior written approval of Issuer Lender or Trustee, (a) the transfer by any investor member in the Borrower of its interest in the Borrower or the Managing Member in accordance with the terms of the organizational documents under which the Borrower was created and is existing (the "Charter"), (b) the removal of the managing member of the Borrower in accordance with its organizing documents and the replacement thereof with an affiliate of the Investor Member, (c) the transfer of the interests of any investor member in the Borrower to the Borrower's managing member or any of its affiliates, (d) upon the expiration of the tax credit compliance period, the transfer of the interests of any investor in the Borrower to the Managing Member or any of its affiliates, and (e) any amendment to the Borrower or Managing Member's organizing documents to memorialize the transfers or removal described above.

Borrower Not to Adversely Affect Exclusion from Gross Income of Interest on Bonds

The Borrower represents that it has taken and caused to be taken, and covenants that it will take and cause to be taken, all actions that may be required, alone or in conjunction with the Issuer, for the interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes, and represents that it has not taken or permitted to be taken, and covenants that it will not take or permit to be taken on its behalf, any actions that would adversely affect such exclusion under the provisions of the Code.

Affirmative Covenants

Unless the Issuer and the Trustee have otherwise consented in writing, the Borrower covenants as follows:

Maintenance of Properties. The Borrower has agreed to maintain and preserve in good working order and condition, ordinary wear and tear and casualty loss excepted, all of its properties which are necessary or useful in the proper conduct of its business, and shall from time to time make all necessary repairs, renewals, replacements, additions and improvements to said properties. All damage to apartment units will be repaired promptly and apartment units will be maintained so as to be available at all times for habitation.

Keeping of Records and Books of Account. The Borrower will keep adequate records and books of account in which complete entries will be made in accordance with generally accepted accounting principles, consistently applied or indicating deviations therefrom, reflecting all financial transactions. The Borrower will deliver to the Dissemination Agent annually by June 30 its year-end financial statements accompanied by a written statement of the Borrower's independent public accountants that in making the examination necessary for certification of such financial statements, nothing has come to their attention that would lead them to believe that the Borrower has violated any of the terms, covenants or provisions of the Bond Loan Agreement insofar as it relates to accounting matters. The Borrower shall direct the Dissemination Agent to deliver the foregoing items to the Trustee upon receipt, provided, however, the Trustee shall not have a duty to inspect the contents of such financial statements.

Payment of Taxes, Etc. The Borrower will promptly pay and discharge, or cause to be paid or discharged: all taxes, assessments, fees, and other Governmental charges or levies or imposed upon it or upon any of its properties, income or profits, before the same will become delinquent; all lawful claims of materialmen, mechanics, carriers, warehousemen, landlords and other similar Persons for labor, materials, supplies and rentals, which if unpaid might by law become a Lien upon its properties; any Indebtedness heretofore or hereafter incurred by it when due, and discharge, perform and observe covenants, provisions and conditions to be discharged, performed and observed by it in connection therewith, or in connection with any agreement or other instrument relating thereto or in connection with any Lien existing at any time upon any of its properties; provided, however, that the Borrower shall not be required to pay any of the foregoing if (a) the amount, applicability or validity thereof will currently be contested in good faith by appropriate proceedings, (b) the Borrower will have set aside on its books adequate reserves with respect thereto, and (c) the title of the Borrower to, and its right to use, its properties is not materially and adversely affected thereby.

Insurance. The Borrower will at all times maintain or cause to be maintained, insurance of such types and in such amounts as required by the Lender.

Notice of Material Litigation. The Borrower shall promptly notify the Trustee in writing of any litigation, arbitration proceeding or administrative investigation, inquiry or other proceeding to which it may hereafter become a party or be subject to which may involve any material risk of any material judgment

or liability (unless fully covered by insurance) or which may otherwise result in any material adverse change in the business or assets or in the condition, financial or otherwise, of the Borrower or which may materially impair the ability of the Borrower to perform the Bond Loan Agreement, the Tax Agreement, the Land Use Restriction Agreement, the Bond Note or any other agreement or instrument contemplated therein or in the Bond Loan Agreement.

Notice of Default. In the event that any Event of Default occurs under the Bond Loan Agreement, the Borrower shall give prompt notice in writing of such happening to the Trustee.

Performance of Contracts, Etc. Except to the extent contested in good faith, the Borrower shall perform according to and shall comply with all of its Contractual Obligations and all Requirements of Law if nonperformance thereof would materially and adversely affect the business or credit of the Borrower on an individual basis or would materially impair the ability of the Borrower to perform the Bond Loan Agreement, the Tax Agreement, the Land Use Restriction Agreement, the Bond Note or any other agreement or instrument contemplated therein or in the Bond Loan Agreement.

Notice of Other Matters. The Borrower shall promptly notify the Trustee in writing of any of the following events:

(i) Any material change with respect to the business, assets, liabilities, financial condition, results of operations or business prospects of the Borrower other than changes in the ordinary course of business the effects of which have not been materially adverse.

(ii) A default by the Borrower in any material respect under any material agreement to which the Borrower is a party or by which the Borrower or its properties or assets may be bound, giving in each case the details thereof and specifying the action proposed to be taken with respect thereto.

Environmental Matters. The Borrower will take and continue to take prompt action to remedy all environmental pollution and contamination, hazardous waste disposal and other environmental cleanup problems, if any, whether or not such cleanup problems have resulted from the order or request of a municipal, state, federal, administrative or judicial authority, or otherwise. The foregoing covenant shall not constitute or create a waiver of any rights the Borrower may have to pursue any legal rights or remedies against any third party for any environmental claims.

Non-discrimination. The Borrower will not and will require each contractor, subcontractor and commercial tenant of the Project to covenant that it will not discriminate by reason of race, creed, color, handicap, national origin or sex in the employment of any Person employed by it in connection with the Project or working in or on the Project. The Borrower will require each manager of the Project to covenant that in the leasing of the Project it will not discriminate by reason of race, creed, color, handicap, national origin or sex.

Patriot Act. The Borrower covenants and agrees to provide documentation as reasonably requested or required by the Trustee to enable the Trustee to comply with the requirements of the USA Patriot Act as described in the Indenture.

Program Bond Loan. The Borrower (including a “related person” thereto within the meaning of Section 147(a)(2) of the Code) shall not, pursuant to any arrangement, formal or informal, purchase Bonds in an amount related to the amount of the Bond Loan funded pursuant to the Bond Loan Agreement.

Additional Indebtedness

So long as no Event of Default under the Bond Loan Agreement has occurred and be continuing, the Borrower will be permitted to incur any indebtedness for any Project Cost or other obligation or payment due under the Bond Loan Agreement, the Indenture, the Tax Agreement or the Land Use Restriction Agreement, except for unsecured loans as permitted in the Operating Agreement.

Nature of Business

The Borrower covenants and agrees that it will not change the general character of its business as conducted at the date of the Bond Loan Agreement, or engage in any type of business not reasonably related to its business as normally conducted.

Events of Default

Each of the following is an Event of Default with respect to the Borrower:

(a) The Borrower shall fail to pay any Bond Loan Payment on or prior to the date on which that Bond Loan Payment is due and payable or within the Bond Loan Payment Cure Period;

(b) The Borrower shall fail to observe and perform any other agreement, term or condition contained in the Bond Loan Agreement and the continuation of such failure for a period of thirty (30) days after written notice thereof shall have been given to the Borrower by the Issuer or the Trustee, or for such longer period as the Issuer and the Trustee may agree to in writing; provided, that if the failure is other than the payment of money and is of such nature that it can be corrected but not within the applicable period, that failure shall not constitute an Event of Default so long as one or more Borrower institutes curative action within the applicable period and diligently pursues that action to completion, which must be resolved within one hundred eighty (180) days after the aforementioned notice;

(c) The Borrower shall: (i) admit in writing its inability to pay its debts generally as they become due; (ii) have an order for relief entered in any case commenced by or against it under the federal bankruptcy laws, as now or hereafter in effect, which is not dismissed within ninety (90) days; (iii) commence a proceeding under any other federal or state bankruptcy, insolvency, reorganization or similar law, or have such a proceeding commenced against it and either have an order of insolvency or reorganization entered against it or have the proceeding remain undismissed and unstayed for ninety (90) days; (iv) make an assignment for the benefit of creditors; or (v) have a receiver or trustee appointed for it or for the whole or any substantial part of its property which appointment is not vacated within a period of ninety (90) days;

(d) Any representation or warranty made by the Borrower in the Bond Loan Agreement or any statement in any report, certificate, financial statement or other instrument furnished in connection with the Bond Loan Agreement or with the purchase of the Bonds shall at any time prove to have been false or misleading in any adverse material respect when made or given; and

(e) There will occur an "Event of Default" as defined in the Indenture (provided such Event of Default is with respect to the Borrower, the Project or the Bond Loan), the Tax Agreement or the Land Use Restriction Agreement.

Notwithstanding the foregoing, if, by reason of Force Majeure, the Borrower is unable to perform or observe any agreement, term or condition of the Bond Loan Agreement which would give rise to an Event of Default under subsection (b) above, the Borrower shall not be deemed in default during the

continuance of such inability. However, the Borrower shall promptly give notice to the Trustee, the Lender and the Issuer of the existence of an event of Force Majeure and shall use commercially reasonable efforts to remove the effects thereof; provided that the settlement of strikes or other industrial disturbances shall be entirely within its discretion.

The term “Force Majeure” shall mean, without limitation, the following:

(i) acts of God; strikes, lockouts or other industrial disturbances; acts of terrorism or of public enemies; orders or restraints of any kind of the government of the United States of America or of the State or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; civil disturbances; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornados; storms; droughts; floods; arrests; restraint of government and people; explosions; breakage, malfunction or accident to facilities, machinery, transmission pipes or canals; partial or entire failure of utilities; shortages of labor, materials, supplies or transportation; or

(ii) any cause, circumstance or event not reasonably within the control of the Borrower.

The declaration of an Event of Default under subsection (c) above, and the exercise of remedies upon any such declaration, shall be subject to any applicable limitations of federal bankruptcy law affecting or precluding that declaration or exercise during the pendency of or immediately following any bankruptcy, liquidation or reorganization proceedings.

Remedies on Default

Whenever an Event of Default shall have happened and be subsisting, any one or more of the following remedial steps may be taken with respect to the Borrower and the Project:

(a) If acceleration of the principal amount of the Bonds has been declared pursuant to the Indenture, the Trustee shall declare all Bond Loan Payments to be immediately due and payable together with any other amounts payable by the Borrower under the Bond Loan Agreement and the Bond Note whereupon the same shall become immediately due and payable;

(b) The Trustee may exercise any or all or any combination of the remedies specified in the Bond Loan Agreement;

(c) The Issuer or the Trustee may have access to, inspect, examine and make copies of the books, records, accounts and financial data of the Borrower; or

(d) The Issuer or the Trustee may pursue all remedies now or hereafter existing at law or in equity to collect all amounts then due and thereafter to become due under the Bond Loan Agreement, the Tax Agreement and the Land Use Restriction Agreement or to enforce the performance and observance of any other obligation or agreement of the Borrower under those instruments.

Notwithstanding the foregoing, neither the Issuer nor the Trustee shall be obligated to take any step which in its opinion will or might cause it to expend time or money or otherwise incur liability unless and until a satisfactory indemnity bond has been furnished to the Issuer or the Trustee, as the case may be, at no cost or expense to the Issuer or the Trustee, as the case may be. Any amounts collected as Bond Loan Payments or applicable to Bond Loan Payments and any other amounts which would be applicable to payment of Bond Service Charges collected pursuant to action taken under this section shall be paid into the respective account of the Bond Fund and applied in accordance with the provisions of the Indenture or,

if the Outstanding Bonds have been paid and discharged in accordance with the provisions of the Indenture, shall be paid as provided in the Indenture for transfers of remaining amounts in the Bond Fund.

The provisions of this section are subject to the further limitation that the rescission by the Trustee of its declaration that all of the Bonds are immediately due and payable also shall constitute an annulment of any corresponding declaration made pursuant to paragraph (a) of this section and a waiver and rescission of the consequences of that declaration and of the Event of Default with respect to which that declaration has been made, provided that no such waiver or rescission shall extend to or affect any subsequent or other default or impair any right consequent thereon.

Amendments and Supplements

Except as otherwise expressly provided in the Bond Loan Agreement or the Indenture, subsequent to the issuance of the Bonds and prior to all conditions provided for in the Indenture for release of the Indenture having been met, the Bond Loan Agreement, the Tax Agreement, the Land Use Restriction Agreement and the Bond Note may not be effectively amended, changed, modified, altered or terminated except in accordance with the provisions of the Indenture, as applicable.

HUD Loan Documents and Regulations Control

In the event of any conflict and to the extent that there is any inconsistency or ambiguity between the provisions of the Indenture or any of the Financing Documents and the provisions of the Controlling HUD and GNMA Requirements or the Mortgage Loan Documents, the Controlling HUD and GNMA Requirements and Mortgage Loan Documents will be deemed to be controlling, and any such ambiguity or inconsistency will be resolved in favor of, and pursuant to the terms of the Controlling HUD and GNMA Requirements and Mortgage Loan Documents, as applicable.

Enforcement of the covenants in the Indenture will not result in, and neither the Issuer nor the Trustee has or shall be entitled to assert, any claim against the Project, the Mortgage Loan proceeds, any reserves or deposits required by HUD in connection with the Mortgage Loan transaction, or the rents or deposits or other income of the Project other than available "Surplus Cash" as defined in the HUD Regulatory Agreement.

Failure of the Issuer or the Borrower to comply with any of the covenants set forth in the Indenture or any of the Financing Documents will not serve as a basis for default on the Mortgage Loan, the underlying mortgage, or any of the other Mortgage Loan Documents.

To the extent required by 24 CFR §207.261(a)(1), in the event of an assignment or conveyance of the Mortgage to the Commissioner, subsequent to the issuance of the Bonds, all money remaining in all funds and accounts other than the Rebate Fund, and any other Funds remaining under the Indenture after payment or provision for payment of Debt Service on the Bonds and the fees and expenses of the credit enhancer (if any), the Issuer, the Trustee and such other parties unrelated to the Borrower (other than funds originally deposited by the Borrower or the Related Parties on or before the Closing Date) shall be delivered to the Lender.

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APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE LAND USE RESTRICTION AGREEMENTS

The following is a brief summary of each Land Use Restriction Agreement. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to such Land Use Restriction Agreement, copies of which are on file with the Trustee.

Capitalized terms used but not defined herein shall have the meanings assigned in the Land Use Restriction Agreements.

Qualified Residential Rental Project Requirements

The Borrower represents, warrants and covenants that the Project shall, throughout the Qualified Project Period, unless the Land Use Restriction Agreement is earlier terminated pursuant to the Land Use Restriction Agreement, satisfy the following terms and conditions, limitations and restrictions:

(a) *Satisfaction of Applicable Legal Requirements.* The Project is being acquired, rehabilitated and equipped for the purpose of providing multifamily Residential Rental Units, and the Project shall be owned, managed and operated as multifamily Residential Rental Units, all in accordance with the qualified residential rental project requirements of Section 142(d) of the Code and the applicable residential rental project provisions of Treas. Reg. § 1.103-8(b) and the administrative guidance issued thereunder;

(b) *Similarly Constructed Residential Rental Units.* All of the Residential Rental Units in the Project shall be similarly constructed;

(c) *Transient Use.* During the term of the Land Use Restriction Agreement, (i) none of the Residential Rental Units in the Project shall at any time be utilized on a transient basis, (ii) none of the Residential Rental Units in the Project shall ever be leased or rented for a period of less than thirty (30) days and (iii) neither the Project nor any portion thereof shall ever be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, sanitarium, nursing home, rest home, trailer court or park or for any other use on a transient basis;

(d) *General Public Availability.* During the term of the Land Use Restriction Agreement, (i) the Residential Rental Units in the Project shall be leased and rented or made available for rental on a continuous basis to members of the general public except as otherwise permitted by HUD and applicable federal, state or local law, and (ii) the Borrower shall not give preference in renting Residential Rental Units in the Project to any particular class or group of persons, other than Qualified Tenants as provided in the Land Use Restriction Agreement; provided, however, that Residential Rental Units in the Project may be occupied by maintenance, security or managerial employees of the Borrower or its property manager who are reasonably required to maintain residences in the Project, but only to the extent such occupation does not cause the Project to cease to be a qualified residential rental project under Section 142(d) of the Code;

(e) *Use of Related Facilities by Tenants.* Any functionally related and subordinate facilities (e.g., parking areas, laundry facilities, tenant offices, physical therapy rooms, dining rooms, meeting rooms, common areas, swimming pools, tennis courts, etc.) the acquisition, rehabilitation and equipment of which are allocated to the Bonds (the "Related Facilities") for the Project will be made available to all tenants of the Project on an equal basis. Fees charged to residential tenants for use of the Related Facilities will be commensurate with fees charged for similar facilities at similar residential rental properties in the surrounding area and, in no event will any such fees charged to tenants of the Project be discriminatory or exclusionary as to the Low and Moderate Income tenants of the Project. No Related Facilities will be made

available to persons other than tenants or their guests. Parking, if available, will be made available to all tenants on a first come, first served basis;

(f) *Leasing of Project Facilities.* During the term of the Land Use Restriction Agreement, the Owner shall not: (1) except upon a sale or transfer of the Project in accordance with the terms of the Land Use Restriction Agreement, and except with respect to the financing of the Project, encumber any portion of the Project or grant commercial leases of any portion thereof or permit the conveyance, transfer or encumbrance of any portion of the Project (except for apartment leases), it being understood that the terms of the financing will be subordinate to the Land Use Restriction Agreement; or (2) demolish any material part of the Project or substantially subtract from any real or personal property of the Project; provided, that nothing in the Land Use Restriction Agreement shall prohibit the Owner from granting operating leases and/or licenses of those facilities constituting part of the Project that are functionally related and subordinate to the Residential Rental Units, such as laundry or recreational facilities, for the purposes of providing for the operation of such facilities for the benefit of the Project; provided further, that nothing in the Land Use Restriction Agreement shall prohibit the Owner from granting operating leases and/or licenses of those parts of the facilities constituting part of the Project the acquisition, rehabilitation or equipping of which are not allocated to the Bonds;

(g) *No Continual or Frequent Nursing, Medical or Psychiatric Services.* No continual or frequent nursing, medical or psychiatric services within the meaning of Rev. Rule 98-47, 1998-2 C.B. 397, will be provided by the Owner to the residents of the Project nor shall the Owner make arrangements for the provision of such services;

(h) *No Cooperative Housing Corporation Ownership.* During the term of the Land Use Restriction Agreement, no part of the Project will at any time be owned or used by a cooperative housing corporation;

(i) *Ownership, Structure and Financing.* The Project will consist of one or more buildings or structures, all of which will be (i) owned by the same person for federal tax purposes, (ii) located on a single tract of land, consisting of any parcel of land or two or more parcels of land that are contiguous except for being separated only by a road, street, stream or similar property (parcels are contiguous if their boundaries meet at one or more points) and (iii) financed with proceeds of the Bonds or otherwise pursuant to a common plan of financing. Each such building or structure is a discrete edifice or other man-made construction consisting of an independent foundation, outer walls and roof and containing five or more similarly constructed units;

(j) *Condominium Ownership.* During the term of the Land Use Restriction Agreement, the Borrower will not convert the Project to condominium ownership;

(k) *Owner Rentals.* During the term of the Land Use Restriction Agreement, no Residential Rental Unit in the Project shall be occupied by the Borrower (or a Related Person) at any time unless the Borrower (or a Related Person) resides in a Residential Rental Unit in a building or structure that contains at least five Residential Rental Units and unless the resident of such Residential Rental Unit is a resident manager or other necessary employee (e.g., maintenance and security personnel);

(l) Reserved;

(m) *No Discrimination.* During the term of the Land Use Restriction Agreement, the Borrower shall not discriminate on the basis of age, race, color, creed, national origin, religion, sex or marital status in the lease, use or occupancy of the Project or in connection with the employment or application for employment of persons for the operation and management of the Project;

(n) *Payment of Expenses.* During the term of the Land Use Restriction Agreement, the Borrower shall make timely payment of the fees and expenses, if any, of the Trustee and the Issuer in accordance with the provisions of the Land Use Restriction Agreement, the Indenture and the Bond Loan Agreement, including any expenses incurred by Trustee or the Issuer in the performance of its duties and obligations under the Land Use Restriction Agreement;

(o) *Certification of Income.* As a condition of occupancy, each Qualified Tenant shall be required to sign and deliver to the Borrower a Certification of Income, in a form designed to establish compliance with the applicable provisions of the Code and the Treasury Regulations, or as otherwise required by the Internal Revenue Service. Such Qualified Tenant shall also be required to provide whatever other information, documents or certifications are reasonably deemed necessary by the Borrower or the Issuer to substantiate the Certification. All Certifications of Income with respect to each Qualified Tenant who resides in a Residential Rental Unit in the Project or resided in a Residential Rental Unit during the immediately preceding calendar year shall be maintained on file at the main business office of the Project and shall be available for inspection by the Issuer and the Trustee;

(p) *Annual Determinations.* The determination of whether a resident of the Project is a Qualified Tenant shall be made by the Owner at least annually on the basis of the current income of all the residents of the Residential Rental Unit. Unless otherwise required by the Issuer, and for the purposes of the Land Use Restriction Agreement only, the preceding sentence shall not apply for any year if during such year no Residential Rental Unit in the Project (or in the same building, in the case of a Project with respect to which credit is allowed under Section 42 of the Code), is occupied by a new tenant who does not qualify as a Qualified Tenant. Each lease to a Qualified Tenant entered into after the date of the Land Use Restriction Agreement shall require the tenant to sign the Certification of Income annually, attesting to the combined income of all the occupants of each Residential Rental Unit and at any other time as the Borrower may reasonably request;

(q) *Subsequent Changes to Income.* If a tenant is a Qualified Tenant upon commencement of occupancy of a Residential Rental Unit, the income of such tenant shall be treated as Low or Moderate Income. The preceding sentence shall cease to apply to any tenant whose income as of the most recent annual determination under paragraph (o) of this section exceeds 140% of Low and Moderate Income if, after such determination, but before the next annual determination, any Residential Rental Unit of comparable or smaller size in (i) the same building (within the meaning of Section 42 of the Code), provided that the Project is eligible for low-income housing tax credits under Section 42 of the Code or (ii) the Project, if the Project is not eligible for low-income housing tax credits under Section 42 of the Code, is occupied by a new tenant who does not qualify as a Qualified Tenant;

(r) *Form of Lease.* Any lease used in renting any Residential Rental Unit in the Project to a Qualified Tenant shall provide for termination of the lease and consent by such tenant to immediate eviction, subject to applicable provisions of Kentucky law, for failure to qualify as a Qualified Tenant as a result of any material misrepresentation made by such person with respect to any Certification of Income. Each Qualified Tenant occupying a Residential Rental Unit shall be required to execute a written lease that shall be effective for a term of at least six (6) months. No regular meals or other services will be provided by the Borrower to tenants of the Project;

(s) *Borrower's Certification.* On the first day of each month after any Residential Unit in the Project is available for occupancy, the Borrower shall prepare a record of the percentage of Residential Rental Units of the Project occupied (and treated as occupied) by Qualified Tenants during the preceding month. Such record shall be maintained on file at the main business office of the Project, shall be available for inspection by the Issuer and the Trustee and shall contain such other information and be in the form required by the Issuer and/or the Trustee, as applicable;

(t) *Occupancy Standards.* After the Transition Period, the Project shall satisfy the Occupancy Standards; and

(u) *Records Maintenance and Inspection.* During the term of the Land Use Restriction Agreement, the Borrower shall (i) maintain complete and accurate records pertaining to the Residential Rental Units occupied or to be occupied by Qualified Tenants, and (ii) permit any duly authorized representative of the Trustee, the Issuer, the Department of the Treasury or the Internal Revenue Service to inspect the books and records of the Borrower pertaining to the income of and Certificate of Income of Qualified Tenants residing in the Project upon reasonable notice and at reasonable times.

Transfer Restrictions

(a) During the Qualified Project Period, except with respect to events such as foreclosure, deed in lieu of foreclosure, other involuntary loss or other events described in Treas. Reg. § 1.103-8(b)(6)(iii)(a) and not otherwise described in paragraph (b) thereof, provided that proceeds received as a consequence of such events are used as provided in Treas. Reg. § 1.103-8(b)(6)(iii)(a), the Borrower shall not Transfer the Project or any interest therein, in whole or in part, except in accordance with the terms of the Bond Loan Agreement and this section. Any Transfer of the Project or any interest therein, in whole or in part, shall only be permitted if: (1) the Borrower shall not be in default under the Land Use Restriction Agreement; (2) the purchaser or assignee shall assume all duties and obligations of the Borrower under the Land Use Restriction Agreement, including this section, and execute any necessary or appropriate document reasonably requested by the Issuer with respect to assuming its obligations under the Land Use Restriction Agreement and the Bond Loan Agreement in the form of an Assumption Agreement, which Assumption Agreement shall be recorded and filed in the conveyance and real estate records of the County in which the Project is located; (3) the Trustee and the Issuer shall have received an opinion of Bond Counsel, which opinion is acceptable to the Issuer, to the effect that such transfer will not adversely affect the exclusion of the interest on the Bonds from gross income of the owners thereof for federal income tax purposes; (4) the Borrower shall deliver to the Issuer a certificate, acceptable in form to the Issuer, to the effect that the Borrower did not acquire the Project with the intention of sale upon completion of its rehabilitation; (5) the Borrower shall deliver to the Issuer an opinion of counsel to the transferee that the transferee has duly assumed the obligations of the Borrower under the Land Use Restriction Agreement and that such obligations and the Land Use Restriction Agreement are binding on the transferee; and (6) such other conditions are met as are set forth in or referred to in the Bond Loan Agreement or as the Issuer may reasonably impose as part of the Assumption Agreement (i) to protect the exclusion of the interest on the Bonds from gross income of the owners thereof for federal income tax purposes, (ii) to ensure that the Project is not acquired by a person that has pending against it, or that has a history of, building code violations, as identified by municipal, county, state or federal regulatory agencies, and (iii) to provide that indemnification of the Issuer and the Trustee under the Land Use Restriction Agreement and elsewhere is assumed by the purchaser or assignee. Upon execution and delivery of the Assumption Agreement and satisfaction of all conditions of this section, the Trustee and the Issuer shall, upon request by the Borrower, and at the Borrower's expense, file any documentation necessary to remove the Land Use Restriction Agreement from the recorded and filed conveyance and real estate records of the County in which the Project is located, which the Borrower shall file upon the execution thereof. The Borrower shall deliver any Assumption Agreement to the Issuer at least ten (10) business days prior to a proposed Transfer.

(b) The restrictions contained in paragraph (a) above shall not apply to (i) any transfer (direct or indirect) of membership interests in the Borrower or (ii) the removal of the Managing Member and the replacement of such Managing Member with an affiliate of such Managing Member, the Special Member or the Investor Member; provided, however, that in the case of any proposed transfer of interests in the Borrower described in clauses (i) or (ii) and that is (i) proposed to occur within five (5) years of the issue date (as defined in Treas. Reg. § 1.150-1(b)) of the Bonds (the "Issue Date"), and (ii) where such interests

are proposed to be transferred to any person or entity that (A) has or had an ownership interest (directly or indirectly) in the seller of the Project or the Project at any time during the five (5) year period immediately preceding the Issue Date of the Bonds, or (B) is a “substantial user” (as defined in Treas. Reg. § 1.142-4) of the Project at any time during the five (5) year period immediately following the Issue Date of the Bonds, the Borrower provides to the Issuer and the Trustee, as a condition precedent to any such transfer of interests in the Borrower, an opinion of Bond Counsel to the effect that any such proposed transfer of interests in the Borrower will not adversely affect the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes.

Termination

The Issuer, the Borrower and the Trustee each agrees that the Land Use Restriction Agreement shall terminate:

(a) *Completion.* The Land Use Restriction Agreement shall terminate upon the termination of the Qualified Project Period. The Borrower shall provide the Trustee a writing which sets forth the facts utilized in calculating the Qualified Project Period;

(b) *Involuntary Non-Compliance.* In the event of an involuntary non-compliance caused by unforeseen events, such as fire, seizure, requisition, change in a federal law or an action of a federal agency after the date of issuance of the Bonds that prevents the Issuer or the Trustee from enforcing the provisions of the Land Use Restriction Agreement or condemnation or similar event, provided that:

(i) the Bonds are retired at their first applicable available call date; or

(ii) any insurance proceeds or condemnation award or other amounts received as a result of such loss or destruction are used to provide a project that meets the requirements of Section 142(d) of the Code and Treas. Reg. § 1.103-8(b) as amended, or any successor law or regulation;

(c) *Certain Transfers.* In the event of foreclosure, transfer of title by deed in lieu of foreclosure, or similar event, following which and within a reasonable period of time the Bonds are repaid or the amounts received as a consequence of such event are used to provide a qualified residential rental project meeting the applicable requirements of the Code and the Regulations, unless, at any time subsequent to such event and during the Qualified Project Period, the Borrower or any direct successor in interest, or any transferee from the Borrower or its successor subject to an Assumption Agreement, or any Related Person to such persons, or any other person who was, prior to the event of foreclosure or other such event, an obligor on any Purpose Investment issued in connection with any financing for the Project, obtains an ownership interest in the Project for tax purposes; or

(d) *Opinion of Bond Counsel.* Upon the delivery of an opinion of Bond Counsel acceptable to the Issuer and the Trustee that continued compliance with the requirements of the Land Use Restriction Agreement is not required in order for interest on the Bonds to be and continue to be excludible from gross income of the holders of the Bonds for federal income tax purposes.

Covenants to Run with the Land; Successors Bound

The Borrower subjects the Real Estate to the covenants, reservations and restrictions set forth in the Land Use Restriction Agreement. The Issuer, the Trustee and the Borrower declare their express intent that the covenants, reservations and restrictions set forth in the Land Use Restriction Agreement shall be deemed covenants, reservations and restrictions running with the land to the extent permitted by law and shall pass to and be binding upon the Borrower’s successors in title to the Real Estate throughout the term

of the Land Use Restriction Agreement. Each and every contract, deed, mortgage, or other instrument hereafter executed covering or conveying the Real Estate or any portion thereof or interest therein shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations and restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed, mortgage or other instrument.

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APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

\$9,000,000*
Kentucky Housing Corporation
Multifamily Housing Revenue Bonds
(Dudley Court Project)
Series 2020A

\$6,000,000*
Kentucky Housing Corporation
Multifamily Housing Revenue Bonds
(Abel Court Project)
Series 2020B

This Continuing Disclosure Agreement, dated as of July 1, 2020 (this “Continuing Disclosure Agreement”), is executed and delivered by (1) LSA Grier Dudley Court, LLC and (2) LSA Grier Abel Court Apartments, LLC, each a Kentucky limited liability company (each a “Borrower” and collectively, the “Borrowers”), and U.S. Bank National Association, as dissemination agent (the “Dissemination Agent”) for the above-captioned bonds (the “Bonds”). The Bonds are being issued pursuant to a Trust Indenture, dated as of July 1, 2020 (the “Indenture”) between the Kentucky Housing Corporation (the “Issuer”) and U.S. Bank National Association (the “Trustee”). Pursuant to the Indenture and two separate Loan Agreements, each dated as of July 1, 2020 (collectively, the “Bond Loan Agreement”) between the Issuer and each Borrower, the Dissemination Agent and the Borrowers covenant and agree as follows:

Section 1. Purpose of this Continuing Disclosure Agreement. This Continuing Disclosure Agreement is being executed and delivered by the Borrowers and the Dissemination Agent for the benefit of the Bondholders and in order to assist the Participating Underwriter in complying with the Rule (defined below). The Borrowers and the Dissemination Agent acknowledge that the Issuer has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Continuing Disclosure Agreement, and has no liability to any Person, including any holder of the Bonds or Beneficial Owner, with respect to any such reports, notices or disclosures.

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Continuing Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Borrowers pursuant to, and as described in, Sections 3 and 4 of this Continuing Disclosure Agreement.

“Audited Financial Statements” means, in the case of the Borrowers, the annual audited financial statements of the Borrowers prepared in accordance with generally accepted accounting principles, if any.

“Beneficial Owner” shall mean any Person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including Persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Disclosure Representative” shall mean, with respect to the Borrowers, the administrator of the related Project or his or her designee, or such other Person as the Borrowers shall designate in writing to the Dissemination Agent from time to time.

* Preliminary; subject to change.

“Dissemination Agent” shall mean U.S. Bank National Association, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Borrowers and which has filed with the Trustee a written acceptance of such designation.

“Material Events” shall mean any of the events listed in Section 5(a) of this Continuing Disclosure Agreement.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934. All documents provided to the MSRB shall be in an electronic format and accompanied by identifying information, as prescribed by the MSRB. Initially, all document submissions to the MSRB pursuant to this Continuing Disclosure Agreement shall use the MSRB’s Electronic Municipal Market Access (EMMA) system at www.emma.msrb.org.

“Participating Underwriter” means, Raymond James & Associates, Inc., and its successors and assigns.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Agency under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports. (a) The Borrowers will, or will cause the Dissemination Agent to, not later than 180 days following the end of the Borrowers’ fiscal year, commencing with the fiscal year ending in 2020, provide to the MSRB an Annual Report which is consistent with the requirements described below. No later than fifteen (15) Business Days prior to said date, the Borrowers will provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). In each case, the Annual Report of the Borrowers may be submitted as a single document or as separate documents comprising a package and may cross reference other information, provided that the audited financial statements for the prior calendar year of the Borrowers may be submitted separately from the balance of its Annual Report.

(b) If by fifteen (15) Business Days prior to the date specified in subsection (a) for providing an Annual Report to the MSRB, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent will contact the Disclosure Representative to determine if the Borrowers are in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent will send a notice in a timely manner to the MSRB in substantially the form attached as Exhibit A to this Continuing Disclosure Agreement.

(d) The Dissemination Agent will file a report with the Borrowers and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Continuing Disclosure Agreement, stating the date it was provided.

Section 4. Content of Annual Reports. The Borrowers’ Annual Report will contain or incorporate by reference the financial information with respect to the Projects, provided at least annually, which Annual Report may, but is not required to, include Audited Financial Statements. If the Borrowers’ audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report will contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements will be filed in the same manner as the Annual Report when they become available; and

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Borrowers are an “Obligated Person” (as defined by the Rule), which have been filed with the MSRB. The Borrowers will clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Material Events. (a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events (each, a “Material Event”):

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulty;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulty;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) Modifications to rights of Bondholders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution or sale of property securing repayment of the Bonds, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the Borrowers. For purposes of this clause (xii), any such event shall be considered to have occurred when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Borrowers in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Borrowers, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Borrowers;
- (xiii) The consummation of a merger, consolidation, or acquisition involving the Borrowers or the sale of all or substantially all of the assets of the Borrowers, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) Appointment of a successor or additional trustee or paying agent or the change of the name of a trustee or paying agent, if material; and

(xv) Incurrence of a financial obligation of the Borrower, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Borrower, any of which affect security holders, if material; and

(xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Borrower, any of which reflect financial difficulties.

For purposes of clauses (xv) and (xvi) of this Section 5(a), “financial obligation” is as contemplated by Exchange Act Release No. 34-83885; File No. S7-01-17 (the “Adopting Release”).

(b) The Dissemination Agent shall, within three (3) Business Days of obtaining written notice of the occurrence of any potential Material Event, pursuant to subsection (c) of this Section or otherwise, provide the Disclosure Representative with notice (by facsimile transmission confirmed by telephone). While the Dissemination Agent is also the Trustee, the Dissemination Agent shall not be deemed to have actual knowledge of those items listed in clauses (ii), (vi), (vii), (x), and (xi) above without the Dissemination Agent having received written notice of such event. While the Dissemination Agent is not also the Trustee, the Dissemination Agent shall not be deemed to have actual knowledge of those items listed in clauses (i) - (xiv) above without the Dissemination Agent having received written notice of such event. For purposes of providing notice to the Disclosure Representative, the Dissemination Agent shall not assume that the unscheduled draws described in clauses (iii) and (iv) reflect financial difficulty.

(c) Whenever a Borrower obtains knowledge of the occurrence of a potential Material Event, such Borrower shall, within five (5) Business Days of obtaining such knowledge and in any event no more than eight (8) Business Days after the occurrence of such event, determine if such event is in fact a Material Event that is required by the Rule to be disclosed and provide the Dissemination Agent with written notice and instructions pursuant to subsection (e) below.

(d) If a Borrower has determined that a Material Event is required to be disclosed, then such Borrower shall prepare a written notice describing the Material Event and provide the same to the Dissemination Agent along with instructions to file the same pursuant to subsection (e) below.

(e) If the Dissemination Agent has been provided with a written notice describing a Material Event pursuant to subsection (c) of this Section or otherwise, and is instructed by a Borrower to report the occurrence of such Material Event, the Dissemination Agent shall, within two (2) Business Days of its receipt of such written notice and in any event no more than ten (10) Business Days after the occurrence of the Material Event, file the notice with the MSRB and send a copy to such Borrower. The foregoing notwithstanding, notice of a Material Event described in subsections (a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Indenture.

Section 6. Amendment; Waiver. Notwithstanding any other provision of this Continuing Disclosure Agreement, the Borrowers and the Dissemination Agent may amend this Continuing Disclosure Agreement and any provision of this Continuing Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions described under paragraph (a) under “Provision of Annual Reports,” “Contents of Annual Reports” or paragraph (a) under “Reporting of Material Events,” it may only be made in connection with a change in circumstances that arises from a

change in legal requirements, change in law or change in the identity, nature or status of an Obligated Person with respect to the Bonds or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Continuing Disclosure Agreement, the Borrowers will describe such amendment in the next Annual Report and will include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information being presented by the Borrowers. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change will be given in the same manner as for a Material Event under Section 5(f) hereof and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 7. Default. In the event of a failure of the Borrowers or the Dissemination Agent to comply with any provision of this Continuing Disclosure Agreement, the Dissemination Agent may (and, at the request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding Bonds, will), or the Borrowers or any Holder or Beneficial Borrower of the Bonds may, take such actions as may be necessary and appropriate, including seeking, or specific performance by court order, to cause the Borrowers or the Dissemination Agent, as the case may be, to comply with its obligations under this Continuing Disclosure Agreement. A default under this Continuing Disclosure Agreement will not be deemed an Event of Default under the Indenture or the Financing Agreement, and the sole remedy under this Continuing Disclosure Agreement in the event of any failure of the Borrowers or the Dissemination Agent to comply with this Continuing Disclosure Agreement will be an action to compel performance.

Section 8. Beneficiaries. This Continuing Disclosure Agreement will inure solely to the benefit of the Borrowers, the Trustee, the Dissemination Agent, the Participating Underwriter and Holders from time to time of the Bonds and will create no rights in any other Person or entity.

Section 9. Additional Information. Nothing in this Continuing Disclosure Agreement shall be deemed to prevent the Borrowers from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Continuing Disclosure Agreement. If the Borrowers choose to include any information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is specifically required by this Continuing Disclosure Agreement, the Borrowers shall have no obligation under this Continuing Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 10. Duties, Immunities and Liabilities of Dissemination Agent. Article VII of the Indenture is hereby made applicable to this Continuing Disclosure Agreement as if this Continuing Disclosure Agreement were (solely for this purpose) contained in the Indenture and the Dissemination Agent shall be entitled to the same protections, limitations from liability and indemnities afforded the Trustee thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Continuing Disclosure Agreement, and the Borrowers agree to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its rights, obligations, powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Borrowers under this Section shall survive the termination of this Continuing Disclosure Agreement, the resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Borrowers, the Bondholders, or any other party. The Dissemination Agent shall not have any liability to the Bondholders or any other party for any monetary damages or financial liability of any kind whatsoever related to or arising from the breach of this Continuing Disclosure Agreement.

The Dissemination Agent agrees to disseminate the information provided to it hereunder in the form delivered by the Borrowers. The Dissemination Agent is acting hereunder solely in an agency capacity and as such is merely a conduit for the Borrowers, and shall have no liability or responsibility for the form, content, accuracy or completeness of any information furnished hereunder. Any such information may contain a legend to that effect.

The fact that the Dissemination Agent has or may have any banking, fiduciary or other relationship with the Borrowers or any other party in connection with the Projects or otherwise, apart from the relationship created by this Continuing Disclosure Agreement, shall not be construed to mean that the Dissemination Agent has knowledge or notice of any event or condition relating to the Bonds or the Projects except in its capacity hereunder.

No provision of this Continuing Disclosure Agreement shall require or be construed to require the Borrowers or the Dissemination Agent to interpret or provide an opinion concerning any information disclosed hereunder.

The Annual Report may contain such disclaimer language as the Borrowers may deem appropriate. Any information disclosed hereunder by the Dissemination Agent may contain such disclaimer language as the Dissemination Agent may deem appropriate.

The Borrowers hereby agree to compensate the Dissemination Agent for the services provided and the expenses incurred pursuant to this Continuing Disclosure Agreement, in an amount to be agreed upon from time to time hereunder, and to reimburse the Dissemination Agent upon its request for all reasonable expenses, disbursements and advances incurred by the Dissemination Agent hereunder (including any reasonable compensation and expenses of counsel) except any such expense, disbursement or advance that may be attributable to its negligence or willful misconduct.

The Dissemination Agent may consult with counsel of its choice and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon, it being understood that for purposes of this provision, that such counsel may be counsel to the Borrowers.

No provision of this Continuing Disclosure Agreement shall require the Dissemination Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights of powers.

Section 11. Notices. All notices and other communications required or permitted under this Continuing Disclosure Agreement shall be in writing and shall be deemed to have been duly given, made and received only when delivered (personally, by recognized national or regional courier service, or by other messenger, for delivery to the intended addressee) or when deposited in the United States mail, registered or certified mail, postage prepaid, return receipt requested, addressed as set forth below.

(i) *If to the Borrowers:*

LSA Grier Abel Court Apartments, LLC
c/o LSA Grier Group Developer, LLC
6230 Wilshire Boulevard, Suite 830
Los Angeles, CA 90048
Attention: Manager
Telephone:

and

LSA Grier Dudley Court, LLC
c/o LSA Grier Group Developer, LLC
6230 Wilshire Boulevard, Suite 830
Los Angeles, CA 90048
Attention: Manager
Telephone:

(ii) *If to the Dissemination Agent:*

U.S. Bank National Association
6810 Crumpler Boulevard, Suite 200
Olive Branch, MS 38654
Attention:
Telephone:

Section 12. Governing Law. This Continuing Disclosure Agreement shall be governed by the laws of the Commonwealth of Kentucky.

Section 13. Termination of this Continuing Disclosure Agreement. The Borrowers or the Dissemination Agent may terminate this Continuing Disclosure Agreement by giving written notice to the other party at least 30 days prior to such termination. The Dissemination Agent shall be fully discharged at the time any such termination is effective. Also, this Continuing Disclosure Agreement shall terminate automatically upon payment or provision for payment of the Bonds.

Section 14. Counterparts. This Continuing Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 15. GNMA Requirements to Control. To the extent there is any conflict, inconsistency or ambiguity between or among the provisions of this Continuing Disclosure Agreement, the GNMA

Requirements or the Mortgage Loan Documents, then in such event the GNMA Requirements or the Mortgage Loan Documents will be deemed to be controlling and any such ambiguity or inconsistency will be resolved in favor of and pursuant to the GNMA Requirements and the Mortgage Loan Documents.

Notwithstanding anything to the contrary contained herein, the enforcement of this Continuing Disclosure Agreement shall not result in any claim against the Project, Mortgage Loan proceeds, any reserve or deposit made with Lender or with another person or entity in connection with the Mortgage Loan transaction, or against rents or other income from the Project other than available net operating income otherwise available for distribution to the Borrower under the Mortgage Loan Documents.

If this Continuing Disclosure Agreement contains any provision requiring the Issuer, the Borrowers, the Dissemination Agent, or the Trustee or any other party to the transaction to take any action necessary to preserve the tax exemption of interest on the Bonds, or prohibiting any such party to the transaction from taking any action that might jeopardize such tax exemption, such provision is qualified to except any actions required (or prohibited) by GNMA pursuant to applicable GNMA Requirements or the terms of any of the Mortgage Loan Documents.

Notwithstanding any provision of this Continuing Disclosure Agreement to the contrary, the parties hereto acknowledge and agree that all of their respective rights and powers to any assets or properties of the Borrower are subordinate and subject to the liens created by the Mortgage, together with any and all amounts from time to time secured thereby, and interest thereon, and to all of the terms and provisions of the Mortgage, and any and all other documents executed by the Borrower as required by GNMA in connection therewith.

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[Borrowers' Signature Page to Continuing Disclosure Agreement]

LSA GRIER DUDLEY COURT, LLC,
a Kentucky limited liability company

By: LSA Grier Dudley GP, LLC,
a Delaware limited liability company,
its Managing Member

By: LSA Capital, Inc.,
a California corporation,
its Manager

By: _____
David Iskowitz
President

LSA GRIER ABEL COURT APARTMENTS, LLC,
a Kentucky limited liability company

By: LSA Grier Abel GP, LLC,
a Delaware limited liability company,
its Managing Member

By: LSA Capital, Inc.,
a California corporation,
its Manager

By: _____
David Iskowitz
President

[Counterpart Signature Page to Continuing Disclosure Agreement]

U.S. BANK NATIONAL ASSOCIATION,
as Dissemination Agent

By: _____
Authorized Officer

EXHIBIT A

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD OF
FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Kentucky Housing Corporation

Name of Bond Issue: \$9,000,000* Kentucky Housing Corporation Multifamily Housing Revenue Bonds
(Dudley Court Project) Series 2020A

and

\$6,000,000* Kentucky Housing Corporation Multifamily Housing Revenue Bonds
(Abel Court Project) Series 2020B

CUSIP: _____ (Series 2020A)
_____ (Series 2020B)

Name of Borrower: (1) LSA Grier Dudley Court, LLC and (2) LSA Grier Abel Court Apartments,
LLC, each a Kentucky limited liability company

Date of Issuance: July __, 2020

NOTICE IS HEREBY GIVEN that the above-referenced borrowers (the “Borrowers”) have not provided an Annual Report in connection with the above-named bonds (the “Bonds”) as required by a Trust Indenture, dated as of July 1, 2020 (the “Indenture”), between the above-named Issuer (the “Issuer”) and U.S. Bank National Association, as trustee (the “Trustee”). The undersigned has been informed by the Borrowers that it anticipates that the Annual Report will be filed by _____.

Dated:

U.S. BANK NATIONAL ASSOCIATION, as
Dissemination Agent

By: _____
Authorized Officer

cc: Borrower
Trustee

* Preliminary; subject to change.

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