

Fourth Draft
11/2/91

SECOND AMENDMENT TO LOAN AGREEMENT
(UDAG LOAN)

between

MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY

and

SEVEN CORNERS HOUSING PARTNERS
LIMITED PARTNERSHIP

Dated November 1, 1991
Regarding
Seven Corners Housing Partners
Limited Partnership Project

This instrument Drafted By:

HOLMES & GRAVEN, CHARTERED
470 Pillsbury Center
Minneapolis, Minnesota 55402
(612) 337-9300

THIS SECOND AMENDMENT TO LOAN AGREEMENT, dated as of the 1st day of November, 1991, between the MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY, a Minnesota public body corporate and politic (the "MCDA"); and SEVEN CORNERS HOUSING PARTNERS LIMITED PARTNERSHIP, a Minnesota limited partnership (the "Company").

W I T N E S S E T H

WHEREAS, The Minneapolis Community Development Agency ("MCDA") and the Seven Corners Housing Partners Limited Partnership (the "Company"), have entered into a Contract for Private Development dated as of the 29th day of October, 1982, (the "Development Agreement"), pursuant to which the Company has constructed a project consisting of the acquisition of a leasehold interest in certain land and construction thereon of structures and certain other related improvements to be used by the Company as an apartment project, including within such apartment project certain parking facilities (the "Project"); and

WHEREAS, the MCDA hereby finds, determines and declares that the Project is a housing development project within the meaning of Minnesota Statutes, Section 469.001, subd. 12; and

WHEREAS, the Project was financed in part by the issuance of \$12,000,000 Housing Development Revenue Bonds (Seven Corners Apartment Project), Series 1982 of the City of Minneapolis (the "Prior Bonds"); and

WHEREAS, pursuant to Section 119 of the Housing and Community Development Act of 1974, the City of Minneapolis (the "City") was the recipient of an Urban Development Action Grant, Grant No. B-80-AA-27-0022 in the amount of \$8,956,000 (the "UDAG"); and

WHEREAS, the City and United States of America, acting through the Department of Housing and Urban Development, Office of Urban Development Action Grants (the "Government"), have entered into an Urban Development Action Grant Agreement dated the 25th day of August, 1982, as amended (the "UDAG Contract"); and

WHEREAS, the City and the Company entered into a Loan Agreement dated October 29, 1982, as amended December 14, 1982 (the "UDAG Loan Agreement") providing for the disbursement of such funds and certain recycled funds; and

WHEREAS, pursuant to the UDAG Contract and Development Agreement, the City placed in trust, with First Trust National Association a portion of the proceeds of the UDAG and such proceeds were to be loaned to the Company as rent subsidies; and

WHEREAS, the MCDA has proposed to issue its \$8,355,000 Limited Tax Supported Development Revenue Bonds, Common Bond Fund Series 1991-5A (the "Bonds"); and

WHEREAS, the City has assigned its interests in the UDAG Loan Agreement to the MCDA pursuant to that certain Assignment Agreement dated as of November 1, 1991 between the City and the MCDA (the "Assignment Agreement"); and

WHEREAS, in connection with the issuance of the Bonds, the MCDA and the Company desire to amend the terms and conditions provided by the UDAG Loan Agreement under which the proceeds of the UDAG and recycled funds will be loaned by the MCDA to the Company and the terms and conditions of repayment to the MCDA of the loan created by disbursement of the UDAG proceeds; and

WHEREAS, the execution and delivery of this Second Amendment to Loan Agreement and the transactions contemplated hereby have been in all respects duly and validly authorized by the MCDA, and

NOW, THEREFORE, in consideration of the premises and in consideration of other good and valuable consideration, the receipt and sufficiency whereof is hereby acknowledged, the MCDA and the Company hereby agree as follows:

1. Section 1.1 of the UDAG Loan Agreement shall be amended by deleting the following definitions: "Agreement"; "Bank"; "Bonds"; "Shelter"; "Shelter Guaranty".

2. Section 1.1 shall be further amended by inserting the following new definitions:

Amended UDAG Loan Agreement or Agreement. The UDAG Loan Agreement, as assigned by the City to the MCDA pursuant to the Assignment Agreement, and amended by the Second Amendment to Loan Agreement (UDAG Loan) between the MCDA and the Company.

Available Tax Increment. All tax increment received by the Agency from the Cedar Riverside Urban Renewal Project in any collection period, subject to all applications of such tax increment required by pledge, prior agreement, or the law to be applied prior to the pledges contained herein.

Bonds. The \$8,355,000 Limited Tax Supported Development Revenue Bonds, Common Bond Fund, Series 1991-5A of the MCDA.

Bond Closing Date. The date on which the Bonds are initially delivered in exchange for payment.

Bond Trustee. Norwest Bank Minnesota, National Association, as trustee under the Indenture.

City Payments. The amounts to be paid by the City pursuant to Section 2(a) and (c) of the Assignment Agreement dated as of November 1, 1991 between the City and the MCDA. Amounts payable by the City are to be paid in semiannual installments.

Company Representative. A person designated to act on behalf of the Company, as evidenced by a written certificate furnished to the MCDA and Trustee containing a specimen signature of such person and signed for the Company by its general partner.

Debt Service Fund. The fund established pursuant to Section 405 of the Indenture.

Debt Service Reserve Fund. The fund established pursuant to Section 404 of the Indenture.

Disbursement Year. Each of calendar years 1984 through 2021 inclusive, or fractions thereof.

Excess Payment. Any amount drawn from the Loan Reserve Fund established under Section 4.21 of the Indenture which, together with the Guaranteed Payments made by the Agency during any Disbursement Year exceeds in the aggregate the Guaranteed Payments, if any, required to be made pursuant to the Amended UDAG Loan Agreement and the Indenture in such Disbursement Year.

First Bank Loan Agreement. Collectively, the \$500,000 Promissory Note executed by the Company in favor of First Bank National Association, and the loan agreement dated as of November 1, 1991 between the Company and First Bank National Association.

Guaranteed Payments. The funds, in the maximum annual amount set forth in Section 4.3 to be disbursed to the Trustee on behalf of the Company by the MCDA each year, pursuant to Section 4.3 of this Agreement.

Indenture. The Basic Resolution and Indenture No. 82-512 dated December 15, 1982, as amended, including amendments made by the Supplemental Bond Resolution and Indenture No. 91-739 dated September 27, 1991.

Loan Agreement. The agreement between the MCDA and the Company dated as of November 1, 1991 providing for payments sufficient to retire the Bonds.

Net Cash Flow. The amount of net cash flow obtained for each calendar year by subtracting from Project Revenue for each Disbursement Year, Project Expenditures (excluding from such Project Expenditures the return on the Company's Cash Equity described in Section 5.2(a)(i) of the UDAG Loan Agreement).

Payment and Reimbursement Agreement. The Payment and Reimbursement Agreement dated as of November 1, 1991 between Can-American Realty Corporation, Seven Corners Community Housing Corporation, and the MCDA.

Permanent Financing. The indebtedness represented by the Bonds or Loan Agreement or First Bank Loan Agreement (together with accrued interest thereon and any fees or expenses payable in connection therewith) and any and all mortgages, security agreements, assignments or similar documents given by the Company and/or the MCDA to secure such indebtedness, or any obligations issued to refinance such indebtedness.

Prior Bonds. The Housing Development Revenue Bonds (Seven Corners Project) Series 1982 issued under the Prior Indenture in the aggregate principal amount of \$12,000,000.

Prior Bond Trustee. The First National Bank of Minneapolis, its successors or assigns or any co-trustee serving as such pursuant to the Prior Indenture.

Prior Indenture. The Indenture of Trust given to secure payment of the Prior Bonds between the City and the Prior Bond Trustee.

Recycled Funds. (i) The Recycled Funds disbursed on or prior to the Bond Closing Date, to or on behalf of the Company, which amount is \$2,226,500, (ii) the Guaranteed Payments, and (iii) any additional amounts drawn from the Loan Reserve Fund established pursuant to the Indenture by the Bond Trustee, but such

additional amounts shall not exceed \$336 in each year from 1992 through 1998 and not in excess of \$220,000 in 1999.

Recycled Funds Loan Amount. The sum of the prior disbursements of Recycled Funds including the Guaranteed Payments, as reduced by certain distributions of Net Cash Flow to the MCDA pursuant to Section 5.2(b) hereof.

UDAG Debt. The sum of the Annual UDAG Rent Subsidies plus any interest accrued thereon, subject to the credits and forgiveness described in Section 2.7.

UDAG Income. The income the City is to receive each year, pursuant to the UDAG Contract, out of a hotel and public parking ramp financed in part with the proceeds of the UDAG, provided that from and after the Bond Closing Date such amount shall not include any revenues of the seven corners municipal parking ramp located at 1504 Washington Avenue South.

UDAG Loan Agreement. The Loan Agreement between the City and Company as amended, by the First Amendment to Loan Agreement.

3. Sections 2.1, 2.2, 2.3, 2.4, 2.5, and 2.6 of the UDAG Loan Agreement shall terminate and be of no further effect as of the Bond Closing Date.

4. Section 2.7 of the UDAG Loan Agreement shall be amended to read as follows:

Section 2.7. Maximum Annual UDAG Rent Subsidies; UDAG Forgiveness.

(a) On the Bond Closing Date, the Prior Bond Trustee shall pay any money then remaining in the UDAG Trust Fund to the MCDA for the benefit of the Company in accordance with the prior UDAG Loan Agreement, and all money so paid shall be credited first to interest accruing on the UDAG Debt calculated in the manner set forth in Section 2.8 hereof and thereafter to the UDAG Debt.

(b) As a result of such distribution and credit, the outstanding UDAG Debt as of the Bond Closing Date would be \$4,944,403.96. The MCDA and Company agree that immediately following such distribution, \$42,789 of such UDAG Debt shall be deemed forgiven as of the Bond Closing Date, and the remaining outstanding UDAG Debt as of the Bond Closing Date shall be \$4,901,614.96.

(c) The MCDA will apply up to \$1,052,192.04 to (i) pay costs of the refinancing in the amount of \$327,242.04, and (ii) to deposit \$724,950 in the Common Reserve Account under the Indenture, in connection with the issuance of the Bonds.

5. Section 2.8 of the UDAG Loan Agreement is hereby amended to read as follows:

(a) Commencing with the Bond Closing Date until July 1, 1999, the UDAG Debt shall not bear interest. Interest shall accrue on the Principal Amount of the UDAG Rent Subsidy commencing July 1, 1999. (The amount of UDAG Debt in excess of the Principal Amount of the UDAG Rent Subsidy shall not bear interest.)

(b) Interest shall accrue on the Principal Amount of the UDAG Rent Subsidy at a rate equal to (i) 6.0% per annum from July 1, 1999 to the earlier of December 1, 2021, or the sale, refinancing or other disposition of the Project as provided in Section 2.9, and (ii) thereafter, at the weighted average of the rate of interest on the Bonds.

6. Section 2.9 of the UDAG Loan Agreement is hereby amended to read as follows:

Section 2.9. Payment.

(a) Upon sale, refinancing or other disposition of all or any portion of the Project or bankruptcy of the Company or upon the final maturity date of the Bonds, whichever is earlier, the Company shall pay to the MCDA an amount equal to the Recycled Funds Loan Amount (without interest) plus UDAG Debt (together with interest on the Principal Amount of the UDAG Rent Subsidies calculated in the manner set forth in Section 2.8 hereof) the payment of which shall constitute full and complete satisfaction of the loans to be made hereunder.

(b) Notwithstanding the provisions of Section 2.9(a), in the event the Company sells or otherwise conveys its interest in the Project to the Seven Corners Community Housing Corporation, the West Bank Community Development Corporation, the MCDA, or any person who agrees to use the Project in accordance with the income limit provisions set forth in the Redevelopment Property Lease by and between the Company and the MCDA, the Company shall have no obligation to make any payment to the MCDA of the UDAG Debt or accrued interest thereon, or of the Recycled Funds Loan Amount; provided, however, that in such event the UDAG Mortgage and the Recycled Funds Mortgage shall remain in full force and effect as liens on the Project until paid in full.

7. Article IV of the UDAG Loan Agreement is hereby amended to read as follows:

Section 4.1. Amount and Source of Recycled Funds. The MCDA hereby agrees to disburse to the Bond Trustee on the behalf of the Company each year the amount set forth in Section 4.3 (taking into account any increases or decreases as provided in Section 4.3), which shall be satisfied first from UDAG Income and second pro rata from City Payments and Available Tax Increment, to permit the charging of rents affordable by persons of low and moderate income occupying dwelling units in the Project.

Section 4.2. Recycled Funds Loan Amount. Any Recycled Funds disbursed to or on behalf of the Company shall be deemed to be a loan, to be secured by the Recycled Funds Mortgage and to be repaid upon the terms and conditions herein specified. The sum of all disbursements of the Recycled Funds including the Guaranteed Payments, shall constitute the Recycled Funds Loan Amount, which amount shall be reduced in accordance with Section 5.2(b) of this Agreement.

Section 4.3. Maximum Annual Disbursements of Recycled Funds.

(a) The MCDA shall not be obligated to make any disbursement of Recycled Funds to the Company after the year 1999. The maximum disbursement in each year prior to that date shall not exceed the amounts in the following schedule, subject to the provisions of this Section 4.3:

<u>Year</u>	<u>Maximum Disbursement</u>
1992	\$122,352
1993	101,769
1994	79,769
1995	61,923
1996	42,131
1997	16,976

(b) Each annual disbursement shall be paid to the Bond Trustee on behalf of the Company in two equal installments on or before the end of each Collection Period, as defined in the Indenture.

(c) The MCDA shall not use any of the UDAG Income for any other purpose each year until the disbursements required by this Section 4.3 have been made to the Company.

(d) The Company shall provide to the MCDA not later than April 1 of each year an audit prepared by Berc & Fox, or other firm of certified public accountants acceptable to the MCDA. If such audit, or any quarterly unaudited statement provided by the Company, shows that Project Revenues (excluding any draws on any replacement reserves and proceeds of condemnation awards or insurance) exceeded Project Expenditures (determined without regard to the return to the Company described in item (v) of the definition of Project Expenditures, and determined without regard to replacement reserve deposits described in item (vi) of the definition of Project Expenditures to the extent such deposits exceed 2% of net collected revenues) by more than \$46,000, (i) the Guaranteed Payment by the MCDA in the year in which the audit is prepared shall be reduced by an amount equal to the excess over \$46,000, and (ii) if no Guaranteed Payments remain to be reduced, the Company shall repay such excess over \$46,000 to the MCDA.

The Company shall notify the Trustee and the MCDA immediately upon determining that such disbursement is to be reduced in accordance with this Section.

(e) The Company shall provide quarterly unaudited operating statements to the MCDA. The Company agrees that it is intended that, in any calendar year if Project Revenues (including the Guaranteed Payments) for such Disbursement Year do not equal or exceed Project Expenditures, the shortfall shall be made up from the following sources:

(1) the distribution described in clause (v) of "Project Expenditures" shall not be provided and no other partnership distribution shall be made to the extent necessary to make up such shortfall; and

(2) on or prior to July 1, 1999, no management fees shall be payable to the extent necessary to make up such shortfall.

If as of any interest payment date on the Bonds on or prior to July 1, 1999, there is an Excess Payment which has not been reimbursed (i) the Company shall cause the property manager to disgorge and pay to the MCDA any management fees paid during the period from the immediately preceding interest payment date to such interest payment date, to the extent of any such unreimbursed Excess Payment, and (ii) no further property management fees shall be paid until such Excess Payment is reimbursed. So long as any such Excess Payment has been reimbursed, any accrued and unpaid property management fees may be paid by the Company, subject to this section (e).

(f) If the ad valorem property taxes payable in any year exceed the amount set forth in the approved pro forma statement attached as Exhibit A, the maximum disbursement set forth in Section 4.3(a) in such year shall be increased to the extent of such excess.

Section 4.4. Payment of the Recycled Funds Loan Amount.

(a) The Recycled Funds Loan Amount shall be paid, without any interest, in accordance with the provisions of Section 2.9 of this Agreement.

(b) The Recycled Funds Loan Amount may be prepaid at any time, in whole or in part, without penalty or premium of any kind.

Section 4.5. Pledge of Tax Increments. In the event that the available UDAG Income and City Payments in any Collection Period in any year is less than the disbursements required by Section 4.3 hereof, the MCDA shall use Available Tax Increment to make the payments required by Section 4.3 for such Collection Period.

8. Section 5.2(a) of the UDAG Loan Agreement are hereby amended to read as follows:

(a) So long as the MCDA is required to make Guaranteed Payments pursuant to Section 4.3, Net Cash Flow is to be applied as provided in Section 4.3 to reduce Guaranteed Payments, after the distributions permitted in Section 4.3(d). Thereafter, at the end of each Disbursement Year, Net Cash Flow of the Project shall be determined and distributed on the date set forth in Section 5.4 hereof in the following priority:

(i) an amount equal to six percent (6%) of the Cash Equity of the Company shall be distributed to the Company; thereafter,

(ii) the balance shall be distributed to the MCDA.

(b) Forty percent (40%) of the Net Cash Flow distributed to the MCDA pursuant to Section 5.2(a)(ii) above shall be deemed to be the payment by the Company of additional interest on the UDAG Debt. The balance of the Net Cash Flow so distributed shall be applied to and reduce the outstanding balance of the Recycled Funds Loan Amount.

9. Section 10.1(f) of the UDAG Loan Agreement is hereby amended to read as follows:

(f) The Company shall not convert the Project to condominiums prior to the payment of the UDAG Debt.

10. Section 10.1 of the UDAG Loan Agreement is hereby amended by adding at the end thereof the following additional sections:

(g) So long as the Loan Reserve Fund established under the Indenture is required to be maintained or Guaranteed Payments are required to be paid under the Indenture, without the written consent of the MCDA (which consent may be withheld in the absolute discretion of the MCDA), the Facilities shall not be leased to or owned by a cooperative if real property taxes would be reduced as a result thereof.

(h) The Company has as of the Bond Closing Date entered into an agreement with SCA Properties, Inc. to act as property manager for the Project. In the event that management fees are not permitted to be paid pursuant to Section 4.3(e) hereof, the Company understands and agrees that it shall continue to be responsible for the management of the Project notwithstanding nonpayment of such fees. SCA Properties, Inc. and any successor manager shall be required to execute an agreement providing that, to the extent required by Section 4.3(e), such

manager shall repay management fees to the MCDA to the extent required by Section 4.3(e). The Company agrees that in the event of (i) any default under the Payment and Reimbursement Agreement or (ii) after July 1, 1999 payment of any Excess Payment, the Company will terminate the Management Agreement between the Company and SCA Properties, Inc. at the option of the MCDA.

11. All references to the City in Articles II through XII (other than the term "City Payments") shall be deemed to refer to the MCDA.

12. All references to the Bank shall be of no further effect as of the Bond Closing Date.

13. Section 11.2 of the UDAG Loan Agreement is hereby amended by adding at the end thereof the following additional section:

(g) Failure by the Company to repay any Guaranteed Payments made in excess of the amounts required by Section 4.3 due to the application of Section 4.3(d).

14. Section 12.1 is hereby amended to provide that all notices, demands and communications to the MCDA shall be addressed as follows:

Minneapolis Community Development Agency
Crown Roller Mill, Suite 200
105 Fifth Avenue South
Minneapolis, Minnesota 55401-2534
Attention: Executive Director

15. Seven Corners Community Housing Corporation has as of the Bond Closing Date certain amounts in current reserves, and has agreed to expend such moneys solely as provided in the Payment and Reimbursement Agreement.

A

SEVEN CORNERS HOUSING PROJECT

MCDM November 5, 1991

EXHIBIT D

PROJECTED OPERATING STATEMENT @ 3.50% 1992 THRU 1999
HOUSING INCOME

John R. ...
11/06/91

TYPE	1992	1993	1994	1995	1996	1997	1998	1999
HOUSING INCOME								
GRASS RENT	\$1,627,923	\$1,694,980	\$1,743,872	\$1,804,907	\$1,868,079	\$1,933,462	\$2,001,133	\$2,071,173
OCCUPANCY FACTOR	98.00%	98.00%	98.00%	98.00%	98.00%	98.00%	98.00%	98.00%
SUB TOTALS	\$1,595,365	\$1,651,202	\$1,700,994	\$1,760,009	\$1,830,718	\$1,894,793	\$1,961,110	\$2,029,749
NON HOUSING INCOME								
PARKING	3.00%							
LAUNDRY/OTHER	2.00%							
TOTAL NON HOUSING INCOME	\$75,690	\$77,724	\$79,814	\$81,962	\$84,169	\$86,438	\$88,770	\$91,166
EFFECTIVE GROSS	\$1,671,055	\$1,728,926	\$1,780,808	\$1,850,771	\$1,914,887	\$1,981,231	\$2,049,880	\$2,120,915
REAL ESTATE TAXES	3.75%							
OPERATING EXPENSES	3.75%							
MANAGEMENT FEE	5.00%							
OP/MAINT RESERVE	2.00%							
TOTAL EXPENSES	\$1,029,974	\$1,060,262	\$1,107,975	\$1,149,166	\$1,191,090	\$1,236,203	\$1,282,166	\$1,329,030
NET OPERATING INCOME	\$641,081	\$668,664	\$680,833	\$701,605	\$724,797	\$745,027	\$767,714	\$791,077
ANNUAL BOND FUND EARNINGS*	\$39,320	\$39,320	\$39,320	\$39,320	\$39,320	\$39,320	\$39,320	\$39,320
TOTAL ANNUAL DEBT SERVICE	\$723,067	\$722,067	\$720,442	\$723,162	\$724,762	\$721,637	\$723,437	\$724,007
TRUSTEE FEE	\$8,355	\$8,355	\$8,355	\$8,355	\$8,355	\$8,355	\$8,355	\$8,355
MCDM FEE	\$31,331	\$31,331	\$31,331	\$31,331	\$31,331	\$31,331	\$31,331	\$31,331
CASH FLOW	(\$82,352)	(\$61,769)	(\$39,975)	(\$21,923)	(\$2,131)	\$23,024	\$43,911	\$65,904
RETURN TO LTDS	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000
NET CASH FLOW	(\$122,352)	(\$101,769)	(\$79,975)	(\$61,923)	(\$42,131)	(\$16,976)	\$3,911	\$25,904
ANNUAL CITY CASH PAYMENT	\$122,352	\$101,769	\$79,975	\$61,923	\$42,131	\$16,976	\$0	\$0
TAX INCREMENT PAYMENT	\$61,176	\$50,895	\$39,988	\$30,962	\$21,066	\$8,488	\$0	\$0
CUMULATIVE CITY PAYMENT	\$122,352	\$224,122	\$304,097	\$366,020	\$408,151	\$425,127	\$425,127	\$425,127