

Recording Requested By and When Recorded Send to:

Schiff Hardin LLP
233 South Wacker Drive
Suite 6600
Chicago, Illinois 60606
Attention: Rebecca Floren

Property Identification No.: _____

Property Address: 542 West Washington Street,
Waukegan, Illinois 60085

THE COUNTY OF LAKE, ILLINOIS,
as Governmental Lender,

and

LILAC LEDGE APARTMENTS, LP,
an Illinois limited partnership,
as Owner

TAX REGULATORY AGREEMENT

Dated as of _____ 1, 2017

This instrument prepared by:

Bruce P. Weisenthal
Schiff Hardin LLP
233 South Wacker Drive, Suite 6600
Chicago, Illinois 60606

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TAX REGULATORY AGREEMENT

This TAX REGULATORY AGREEMENT (this “Agreement”), entered into as of _____ 1, 2017, between THE COUNTY OF LAKE, ILLINOIS, a duly organized and existing county created under the laws of the State of Illinois (the “County” or the “Governmental Lender”), and LILAC LEDGE APARTMENTS, LP, an Illinois limited partnership (the “Owner”):

WITNESSETH:

WHEREAS, the County is issuing its Multifamily Housing Revenue Note, 2017 Series A (Lilac Ledge Apartments) (the “Series A Governmental Lender Note”), and its Multifamily Housing Revenue Note, 2017 Series B (Lilac Ledge Apartments) (the “Series B Governmental Lender Note” and together with the Series A Governmental Lender Note, the “Governmental Lender Notes”), pursuant to the Industrial Building Revenue Bond Act of the State of Illinois, as amended, 50 ILCS 445/1 *et seq.* (the “Act”), and the Funding Loan Agreement, dated as of [_____ 1, 2017] (the “Funding Loan Agreement”), between the County and Citibank, N.A., as Funding Lender, for the purpose of making funds available to the Owner pursuant to a Borrower Loan Agreement, dated as of [_____ 1, 2017] (the “Borrower Loan Agreement”), between the County and the Owner, and Citibank, N.A., as lender (the “Lender”), to pay a portion of the costs of financing the acquisition, construction, rebuilding, improving and extending, on the real property described on the attached Exhibit A, of a 203-unit low and moderate income housing project located at 542 West Washington Street, Waukegan, Illinois 60085 (the “Project”); and

WHEREAS, in order to assure the County and the owners from time to time of the Governmental Lender Notes that interest on the Governmental Lender Notes will be excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the “Code”), and to further the public purposes of the County under the Act, certain restrictions on the use and occupancy of the Project under the Code must be established and, to the extent provided in this Agreement, maintained as provided in this Agreement;

NOW, THEREFORE, in consideration of the mutual promises and covenants hereinafter set forth, and of other valuable consideration, the receipt and sufficiency of which are acknowledged, the Owner, and the County agree as follows:

Section 1. Term of Restrictions.

(a) *Occupancy Restrictions:* The term of the Occupancy Restrictions set forth in Section 3 shall commence on the first day on which at least 10% of the units in the Project are first occupied, and shall end on the latest of (i) the date which is 15 years after the date on which at least 50% of the units in the Project are first occupied; (ii) the first date on which no tax-exempt bond (including any refunding bond) issued with respect to the Project is outstanding; or (iii) the date on which any housing assistance provided with respect to the Project under Section 8 of the United States Housing Act of 1937, as amended, terminates (the “Qualified Project Period”).

As provided by Revenue Procedure 2004-39, if less than ten percent (10%) of the residential units in the Project are Available Units (for example, because residential units are not available for occupancy due to renovations) at any time within 60 days after the later of (1) the date the Project is acquired, or (2) the issue date of the First Obligations, then the Qualified Project Period shall commence as set forth in the preceding paragraph (i.e., upon ten percent (10%) occupancy). Otherwise, for a period of 12 months beginning on the issue date of the First Obligations (the “Transition Period”), the failure to satisfy the Occupancy Restrictions will not cause the Project not to be a “qualified residential rental project” within the meaning of Section 142(d) of the Code. If the Occupancy Restrictions are not satisfied on the last date of the Transition Period, such failure will cause the Project not to be a “qualified residential rental project” within the meaning of Section 142(d) of the Code as of the issue date of the Governmental Lender Notes unless all of the Governmental Lender Notes issued to finance the Project are redeemed as soon as possible, but in no event later than 18 months after the issue date of the First Obligations.

For purposes of this Section the following definitions shall apply:

“Available Units” means residential units in a residential rental project that are actually occupied and residential units in the project that are unoccupied and have been leased at least once after becoming available for occupancy, provided that (a) in the case of an acquisition of an existing residential rental project, a residential unit that is unoccupied on the later of (i) the date the project is acquired or (ii) the issue date of the First Obligations is not an Available Unit and does not become an Available Unit until it has been leased for the first time after such date, and (b) a residential unit that is not available for occupancy due to renovations is not an Available Unit and does not become an Available Unit until it has been leased for the first time after the renovations are completed.

“First Obligations” means the first issue of obligations to which Section 142(d) of the Code applies issued to finance the acquisition of an existing residential rental project.

If the Occupancy Restrictions are not satisfied on the last date of the Transition Period, the Borrower shall (i) pursuant to the terms of the Borrower Loan Agreement and Article III of the Funding Loan Agreement cause all of the Governmental Lender Notes to be redeemed as soon as possible, but in no event later than 18 months after the issue date of the First Obligations, or (ii) deliver to the County an opinion of nationally recognized bond counsel (“Bond Counsel”) to the effect that the failure to satisfy the Occupancy Restrictions on the last date of the Transition Period will not adversely affect the exclusion of interest on the Governmental Lender Notes from gross income for federal income tax purposes.

(b) *Rental Restrictions*: The Rental Restrictions set forth in Section 4 shall, subject to paragraphs (c) and (d) of this Section 1, remain in effect with respect to the Project during the Qualified Project Period set forth in paragraph (a) of this Section 1.

(c) *Involuntary Loss or Substantial Destruction*: The Occupancy Restrictions set forth in Section 3, and the Rental Restrictions set forth in Section 4, shall cease to apply to the Project in the event of involuntary noncompliance caused by fire, seizure, requisition, foreclosure, transfer of title by deed in lieu of foreclosure, change in federal law or an action of a

federal agency after the date of delivery of the Governmental Lender Notes, which prevents the County from enforcing the Occupancy Restrictions and the Rental Restrictions, or condemnation or similar event, but only if, within a reasonable time period, (i) all of the Governmental Lender Notes are promptly retired, or amounts received as a consequence of such event are used to provide a new project which meets all of the requirements of this Agreement, which new project is subject to new restrictions substantially equivalent to those contained in this Agreement, and which is substituted in place of the Project by amendment of this Agreement, and (ii) an opinion from Bond Counsel is received by the County and the Owner to the effect that noncompliance with the Occupancy Restrictions and the Rental Restrictions as a result of such involuntary loss or substantial destruction resulting from an unforeseen event will not adversely affect the exclusion of the interest on the Governmental Lender Notes from the gross income of their owners for purposes of federal income taxation; provided, however, that the preceding provisions of this paragraph shall cease to apply in the case of such involuntary noncompliance caused by foreclosure, transfer of title by deed in lieu of foreclosure or similar event if at any time during the Qualified Project Period subsequent to such event the Owner or any “related person” (as defined in Section 147(a)(2) of the Code) obtains an ownership interest in the Project for federal income tax purposes.

(d) *Termination*: This Agreement shall terminate upon the earliest of (i) termination of the Occupancy Restrictions and the Rental Restrictions, as provided in paragraphs (a), (b) and (c) of this Section 1, or (ii) delivery to the County and the Owner of an opinion of Bond Counsel to the effect that continued compliance with the Rental Restrictions and Occupancy Restrictions on the Project is not required in order for interest on the Governmental Lender Notes to remain excludible from gross income for federal income tax purposes.

(e) *Certification*: Upon termination of this Agreement, in whole or in part, the Owner and the County shall execute, and the parties shall cause to be recorded (at the Owner’s expense), in all offices in which this Agreement was recorded, a certificate of termination, specifying which of the restrictions contained in this Agreement has terminated, and the portion of the Project to which such termination relates.

Section 2. Project Restrictions. The Owner represents, warrants and covenants as follows:

(a) The Owner has reviewed the provisions of the Code and the Treasury Regulations thereunder (the “Regulations”) applicable to this Agreement (including, without limitation, Section 142(d) of the Code and Section 1.103-8(b) of the Regulations) with its counsel and understands those provisions.

(b) The Project is being acquired, rehabilitated and equipped for the purpose of providing a “qualified residential rental project” (within the meaning of Section 142(d) of the Code) and will, during the term of the Rental Restrictions and Occupancy Restrictions, continue to constitute a “qualified residential rental project” under Section 142(d) of the Code and any Regulations heretofore or hereafter promulgated thereunder and applicable thereto.

(c) At least 95% of the Project will consist of a “building or structure” (as defined in Section 1.103-8(b)(8)(iv) of the Regulations), or several proximate buildings or structures of

similar construction, each containing one or more similarly constructed residential units (as defined in Section 1.103-8(b)(8)(i) of the Regulations, as modified by the definition of “single-room occupancy housing units” set forth in Section 3008 of the Housing and Economic Recovery Act of 2010) located on a single tract of land, including contiguous tracts of land (as defined in Section 1.103-8(b)(4)(ii)(b) of the Regulations), which will be owned, for federal tax purposes, at all times by the same person and financed pursuant to a common plan (within the meaning of Section 1.103-8(b)(4)(ii) of the Regulations), together with functionally related and subordinate facilities (within the meaning of Section 1.1038(b)(4)(iii) of the Regulations). The Project will contain five or more similarly constructed units.

(d) None of the residential units in the Project will at any time be used on a transient basis, nor will the Project itself be used as a hotel, motel, dormitory, fraternity or sorority house, rooming house, hospital, nursing home, sanitarium, rest home or trailer park or court for use on a transient basis.

(e) In no event will continual or frequent nursing, medical or psychiatric services be made available at the Project, within the meaning of Revenue Ruling 98-47, 1998-2 C.B. 397, or any successor thereto.

(f) All of the residential units in the Project will be leased or rented, or will be available for lease or rental, on a continuous basis to members of the general public (other than units for a resident manager or maintenance personnel), subject, however, to the requirements of Section 3(a) hereof. Each Qualifying Tenant (as hereinafter defined) occupying a residential unit in the Project shall be required to execute a written lease agreement (the “Lease Agreement”) with a stated term of not less than 30 days nor more than one year.

(g) Any functionally related and subordinate facilities (e.g., parking areas, swimming pools, tennis courts, etc.) which are financed by the Governmental Lender Notes and included as part of the Project will be of a character and size commensurate with the character and size of the Project, and will be made available to all tenants on an equal basis. Fees will only be charged with respect to the use thereof if the charging of fees is customary for the use of such facilities at similar residential rental properties in the surrounding area (i.e., within a one-mile radius of the Project) and then only in amounts commensurate with the fees being charged at similar residential rental properties within such area. In any event, any fees charged will not be discriminatory or exclusionary as to the Qualifying Tenants (as defined in Section 3). No functionally related and subordinate facilities will be made available to persons other than tenants or their guests.

(h) Each residential unit in the Project will contain separate and complete facilities for living, sleeping, eating, cooking and sanitation for a single person or family.

(i) No portion of the Project will be used to provide any health club facility, any facility primarily used for gambling, or any store, the principal business of which is the sale of alcoholic beverages for consumption off premises, in violation of Section 147(e) of the Code.

Section 3. Occupancy Restrictions. The Owner represents, warrants and covenants as follows:

(a) Pursuant to the election of the County and the Owner in accordance with the provisions of Section 142(d)(1)(B) of the Code, at all times during the term of the Occupancy Restrictions set forth in Section 1(a) at least 40% of the completed residential units in the Project will be continuously occupied (or treated as occupied as provided in this Agreement), or held available for occupancy, by Qualifying Tenants as defined below. For purposes of this Agreement, “Qualifying Tenants” means individuals or families whose aggregate adjusted incomes do not exceed 60% of the applicable median gross income (adjusted for family size) for the area in which the Project is located, as such income and area median gross income are determined by the Secretary of the United States Treasury in a manner consistent with determinations of income and area median gross income under Section 8(f) the United States Housing Act of 1937, as amended (or, if such program is terminated, under such program as in effect immediately before such termination).

(b) Prior to the commencement of occupancy of any unit to be occupied by a Qualifying Tenant, the prospective tenant’s eligibility shall be established by execution and delivery by such prospective tenant of an Income Computation and Certification substantially in the form attached as Exhibit B or such other form as complies with the applicable tax law requirements of Section 142(d) of the Code and is acceptable to the County (the “Income Certification”) evidencing that the aggregate adjusted income of such prospective tenant does not exceed the applicable income limit. In addition, such prospective tenant shall be required to provide whatever other information, documents or certifications are reasonably deemed necessary by the Owner or the County to substantiate the Income Certification

(c) Not less frequently than annually, the Owner shall determine whether the current aggregate adjusted income of each tenant occupying any unit being treated by the Owner as occupied by a Qualifying Tenant exceeds the applicable income limit. For such purpose, the Owner will require each such tenant to execute and deliver to the Owner the Income Certification substantially in the form attached as Exhibit B.

(d) Any unit vacated by a Qualifying Tenant will be treated as continuing to be occupied by such tenant until reoccupied, other than for a temporary period not to exceed 31 days, at which time the character of such unit as a unit occupied by a Qualifying Tenant shall be redetermined.

(e) If an individual’s or family’s income exceeds the applicable income limit as of any date of determination, the income of such individual or family shall be treated as continuing not to exceed the applicable limit; provided that the income of an individual or family did not exceed the applicable income limit upon commencement of such tenant’s occupancy or as of any prior income determination; and provided, further, that if any individual’s or family’s income as of the most recent income determination exceeds 140% of the applicable income limit, such individual or family shall cease to qualify as a Qualifying Tenant if, prior to the next income determination of such individual or family, any unit in that Project of comparable or smaller size to such individual’s or family’s unit is occupied by any tenant other than a Qualifying Tenant.

(f) For purposes of satisfying the requirement that 40% of the completed residential units of each Project be occupied by Qualifying Tenants, the following principles shall apply:
(i) at the time 10% of the residential units in the Project are occupied, 40% of such units must be

occupied by Qualifying Tenants in the number set forth in Exhibit D hereto for the Project, and (ii) after 10% of the residential units in the Project are occupied, non-Qualifying Tenants may occupy the remaining units in the Project other than those listed in Exhibit D, but only if the Qualifying Tenants' occupancies predate the non-Qualifying Tenants' occupancies.

(g) The Lease Agreement to be utilized by the Owner in renting any residential units in the Project to a prospective Qualifying Tenant shall provide for termination of the Lease Agreement following 30 days' notice, subject to applicable provisions of Illinois law (including for such purpose all applicable home rule ordinances), for any material misrepresentation made by such person with respect to the Income Certification with the effect that such tenant is not a Qualifying Tenant.

(h) All Income Certifications will be maintained on file at the Project so long as any of the Governmental Lender Notes is outstanding and for five years thereafter with respect to each Qualifying Tenant who occupied a residential unit in the Project during the period the restrictions hereunder are applicable; and the Owner will, promptly upon receipt, file a copy thereof with the County.

(i) On the first day of each Qualified Project Period, on the fifteenth days of March, June, September and December of each year during the applicable Qualified Project Period, and within 30 days after the final day of each month in which there occurs any change in the occupancy of a residential unit in the Project, the Owner will submit to the County a "Certificate of Continuing Program Compliance" with respect to the Project, in the form attached as Exhibit C, executed by the Owner.

(j) The Owner shall submit to the Secretary of the United States Treasury (at such time and in such manner as the Secretary shall prescribe) an annual certification as to whether the Project continues to meet the requirements of Section 142(d) of the Code. Failure to comply with such requirement may subject the Owner to the penalty provided in Section 6652(j) of the Code. The Owner shall submit a copy of each such annual certification to the County.

Section 4. Rental Restrictions. The Owner represents, warrants and covenants that, once available for occupancy, each residential unit in the Project will be rented or available for rental on a continuous basis to members of the general public (other than (a) units for a resident manager or maintenance personnel, and (b) units for Qualifying Tenants as provided for in Section 3).

Section 5. Transfer Restrictions. The Owner covenants and agrees that, except as provided in the last sentence of this Section 5 and except as provided in Section 6(g), no conveyance, transfer, assignment or any other disposition of title to the Project (a "Transfer") shall be made prior to the termination of the applicable Rental Restrictions and Occupancy Restrictions hereunder, unless the transferee pursuant to the Transfer assumes in writing, in a form reasonably acceptable to the County, all of the executory duties and obligations hereunder of the Owner, including this Section 5, and agrees to cause any subsequent transferee to assume such duties and obligations in the event of a subsequent Transfer by the transferee prior to the termination of the Rental Restrictions and Occupancy Restrictions hereunder (the "Assumption

Agreement”). The Owner shall deliver the Assumption Agreement to the County at least 30 days prior to a proposed Transfer.

Section 6. Enforcement. (a) The Owner shall permit all duly authorized representatives of the County to inspect any books and records of the Owner regarding the Project and the incomes of Qualifying Tenants which pertain to compliance with the provisions of this Agreement and Section 142(d) of the Code and the Regulations heretofore or hereafter promulgated thereunder at reasonable times and upon reasonable notice.

(b) In addition to the information provided for in Section 3(i), the Owner shall submit any other information, documents or certifications reasonably requested by the County which the County deems reasonably necessary to substantiate continuing compliance with the provisions of this Agreement and Section 142(d) of the Code and the Regulations heretofore or hereafter promulgated thereunder.

(c) The County and the Owner each covenants that it will not take or permit to be taken any action within its control that it knows would adversely affect the exclusion of interest on the Governmental Lender Notes from the gross income of their owners for purposes of federal income taxation pursuant to Section 103 of the Code. Moreover, the County and the Owner covenant to take any lawful action within their control (including amendment of this Agreement as may be necessary, in the opinion of Bond Counsel) to comply fully with all applicable rules, rulings, policies, procedures, Regulations or other official statements promulgated or proposed by the Department of the Treasury or the Internal Revenue Service from time to time pertaining to obligations issued under Section 142(d) of the Code and affecting the Project.

(d) The Owner covenants and agrees to inform the County and the Lender by written notice of any violation of its obligations under this Agreement within five days of first discovering any such violation. If any such violation is not corrected to the satisfaction of the County within the period of time specified by either the County, which shall be (A) 45 days after the effective date of any notice to or from the Owner, or (B) such longer period as is specified in an opinion of Bond Counsel, and as in such opinion will not result in the loss of such exclusion of interest on the Governmental Lender Notes, without further notice, the County shall declare a default under this Agreement effective on the date of such declaration of default, and the County shall apply to any court, state or federal, for specific performance of this Agreement or an injunction against any violation of this Agreement, or any other remedies at law or in equity or any such other actions as shall be necessary or desirable so as to correct noncompliance with this Agreement.

(e) The Owner and the County each acknowledges that the primary purpose for requiring compliance with the restrictions provided in this Agreement is to preserve the exclusion of interest on the Governmental Lender Notes from gross income of their owners for purposes of federal income taxation, and that the County, on behalf of the owners of the Governmental Lender Notes, who are declared to be third-party beneficiaries of this Agreement, shall be entitled for any breach of the provisions of this Agreement, to all remedies both at law and in equity in the event of any default under this Agreement, which in the opinion of the County and Bond Counsel could adversely affect the exclusion of interest on the Governmental Lender Notes from gross income for purposes of federal income taxation.

(f) In the enforcement of this Agreement, the County may rely on any certificate delivered by or on behalf of the Owner or any tenant with respect to the Project.

(g) Nothing in this Section shall preclude the County or the Lender from exercising any remedies they might otherwise have, by contract, statute or otherwise, upon the occurrence of any violation under this Agreement, which in the opinion of the County and Bond Counsel could adversely affect the exclusion of interest on the Governmental Lender Notes from gross income of their owners for purposes of federal income taxation.

Section 7. Covenants to Run With the Land. The Owner subjects the Project to the covenants, reservations and restrictions set forth in this Agreement. The County and the Owner declare their express intent that the covenants, reservations and restrictions set forth in this Agreement shall be deemed covenants, reservations and restrictions running with the land to the extent permitted by law, and, subject to paragraphs (c) and (d) of Section 1, shall pass to and be binding upon the Owner's successors in title to the Project throughout the term of this Agreement. Each and every contract, deed, mortgage, lease or other instrument hereafter executed covering or conveying the Project or any portion thereof or interest therein (excluding any transferee of a limited partnership interest in the Owner) 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, lease or other instrument.

Section 8. Recording. The Owner shall cause this Agreement and all amendments and supplements to this Agreement to be recorded in the conveyance and real property records of Lake County, Illinois, and in such other places as the County may reasonably request. The Owner shall pay all fees and charges incurred in connection with any such recording.

Section 9. No Conflict With Other Documents. The Owner warrants and covenants that it has not and will not execute any other agreement with provisions inconsistent or in conflict with the provisions of this Agreement (except documents that are subordinate to the provisions of this Agreement), and the Owner agrees that the requirements of this Agreement are paramount and controlling as to the rights and obligations set forth in this Agreement, which supersede any other requirements in conflict with this Agreement.

Section 10. Interpretation. Any terms not defined in this Agreement shall have the same meaning as terms defined in the Borrower Loan Agreement, the Funding Loan Agreement, or Section 142(d) of the Code and the Regulations heretofore or hereafter promulgated thereunder.

Section 11. Amendment. This Agreement may be amended by the parties to this Agreement to reflect changes in Section 142(d) of the Code, the Regulations hereafter promulgated thereunder and revenue rulings promulgated thereunder, or in the interpretation thereof, subject to an opinion of Bond Counsel that such amendment will not adversely affect the exclusion of the interest on the Governmental Lender Notes from the gross income of their owners for purposes of federal income taxation.

Section 12. Severability. The invalidity of any clause, part or provision of this Agreement shall not affect the validity of the remaining portions of this Agreement; provided, however, that no holding of invalidity shall require the Governmental Lender to make any payments from revenues other than the proceeds derived from the sale of the Governmental Lender Notes issued under the Funding Loan Agreement and the proceeds derived from the Borrower Loan Agreement (except such proceeds as may be derived by the Governmental Lender pursuant to its Unassigned Rights, as defined in the Funding Loan Agreement) or impose any personal liability on any past, present or future director, member, elected or appointed officer, official, employee, attorney or agent of the Governmental Lender.

Section 13. Notices. Any notice, demand or other communication required or permitted under this Agreement shall be in writing and shall be deemed to have been given if and when personally delivered and receipted for, or, if sent by private courier service or sent by overnight mail service, shall be deemed to have been given if and when received (unless the addressee refuses to accept delivery, in which case it shall be deemed to have been given when first presented to the addressee for acceptance), or on the third day after being deposited in United States registered or certified mail, postage prepaid. Any such notice, demand or other communication shall be addressed to a party at its address set forth below or to such other address the party to receive such notice may have designated to all other parties by notice in accordance with this Agreement:

If to the Governmental Lender: The County of Lake, Illinois
18 N. County Street
Waukegan, Illinois 60085
Attention: County Administrator
Telephone: (847) 377-2250

with a copy to: Lake County Partners
100 Tri-State International Drive
Suite 122
Lincolnshire, Illinois 60069
Attention: President
Facsimile: (847) 597-1235

If to the Owner: Lilac Ledge GP, LLC
131 E. Park Avenue, Suite 101
Libertyville, Illinois 60048
Attention: Andy DeBruler
Telephone: (847) 367-1111 ext. 20
andy@debrulerco.com

with a copy to: Nicholas J. Brunick
Applegate & Thorne-Thomsen
440 South LaSalle Street, Suite 1900
Chicago, Illinois 60605
Telephone: (312) 491-3238
nbrunick@att-law.com

and a copy to:

USA Lilac Ledge LLC
c/o the Richman Group Capital Corporation
340 Pemberwick Road
Greenwich, Connecticut 06831
Attention: Joanne D. Flanagan

If to the Funding Lender:

Citibank, N.A.
390 Greenwich Street, 2nd Floor
New York, New York 10013
Attention: Transaction Management Group
Re: Lilac Ledge Apartments Deal No. _____
Facsimile: (212) 723-8209

and a copy to:

Citibank, N.A.
325 East Hillcrest Drive, Suite 160
Thousand Oaks, California 91360
Attention: Operations Manager/Asset Manager
Re: Lilac Ledge Apartments Deal No. _____
Facsimile: (805) 557-0924

Section 14. Governing Law. This Agreement shall be construed in accordance with and governed by the internal laws of the State of Illinois, without regards to conflicts of laws rules, and where applicable, the laws of the United States of America.

Section 15. Counterparts. This 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.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed and sealed by their respective, duly authorized representatives, as of the day and year first above written.

THE COUNTY OF LAKE, ILLINOIS

By: _____
Chairman of the County Board

ATTEST:

By: _____
County Clerk

[SEAL]

LILAC LEDGE APARTMENTS, LP, an
Illinois limited partnership

By: Lilac Ledge GP, LLC
An Illinois limited liability company
Its: General Partner

By: _____
Name: William C. DeBruler
Title: Manager

STATE OF ILLINOIS)
) ss:
COUNTY OF LAKE)

BEFORE ME, the undersigned authority, on this day personally appeared _____, Chairman of the County Board and County Clerk of The County of Lake, Illinois, a duly organized and existing county created under the laws of the State of Illinois (the "County"), known to me to be the persons whose names are subscribed to the foregoing instrument, and acknowledged to me that they executed the same for the purposes and consideration therein expressed and in the capacity therein stated, as the act and deed of the County.

GIVEN UNDER MY HAND and seal of office, this the ____ day of _____, 2017.

Notary Public in and for the State of Illinois

[SEAL]

My commission expires on:

STATE OF ILLINOIS)
) ss:
COUNTY OF COOK)

I, the undersigned, a Notary Public in and for the County and State aforesaid, certify that William C. DeBruler, personally known to me to be the Manager of Lilac Ledge GP, LLC, an Illinois limited liability company and General Partner of Lilac Ledge Apartments, LP, an Illinois limited partnership, and personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that he/she signed and delivered the said instrument in his/her capacity as authorized borrower representative, as his/her free and voluntary act and deed and as the free and voluntary act and deed of Lilac Ledge Apartments, LP, for the uses and purposes therein set forth.

GIVEN UNDER MY HAND and seal of office, this the ___ day of _____, 2017

Notary Public in and for the State of Illinois

[SEAL]

My commission expires on:

EXHIBIT A
LEGAL DESCRIPTION
[TO COME]

EXHIBIT B: INCOME COMPUTATION AND CERTIFICATION¹

NOTE TO APARTMENT OWNER: This form is designed to assist you in computing Annual Income in accordance with the method set forth in the Department of Housing and Urban Development (“HUD”) Regulations (24 CFR Part 5). You should make certain that this form is at all times up to date with HUD Regulations. All capitalized terms used herein shall have the meanings set forth in the Tax Regulatory Agreement, dated as of _____ 1, 2017, between Lilac Ledge Apartments, LP, an Illinois limited partnership (the “Owner”), and The County of Lake, Illinois.

Re: Lilac Ledge Apartments
Waukegan, Illinois

I/We, the undersigned, being first duly sworn, state that I/we have read and answered fully and truthfully each of the following questions for all persons who are to occupy the unit in the above apartment project for which application is made. Listed below are the names of all persons who intend to reside in the unit:

1.	2.	3.	4.	5.
Name of Members of the Household	Relationship to Head of Household	Age	Social Security Number	Place of Employment
	HEAD			
	SPOUSE			

6. Total Anticipated Income. The total anticipated income, calculated in accordance with this paragraph 6, of all persons listed above for the 12-month period beginning the date that I/we plan to move into a unit (i.e., _____) is \$_____.

Included in the total anticipated income listed above are:

(a) the full amount, before payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services;

(b) the net income from operation of a business or profession or net income from real or personal property (without deducting expenditures for business expansion or amortization or capital indebtedness); an allowance for depreciation of capital assets used in a business or profession may be deducted, based on straight line depreciation, as

¹ The form of Income Computation and Certification shall be conformed to any amendments made to 24 CFR Part 5, or any regulatory provisions promulgated in substitution therefore.

provided in Internal Revenue Service regulations; include any withdrawal of cash or assets from the operation of a business or profession, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the above persons;

(c) interest and dividends (see 7(C) below);

(d) the full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump sum payment for the delayed start of a periodic payment;

(e) payments in lieu of earnings, such as unemployment and disability compensation, workers' compensation and severance pay;

(f) the amount of any public welfare assistance payment; if the welfare assistance payment includes any amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of:

(i) the amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities, plus

(ii) the maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities (if the family's welfare assistance is ratably reduced from the standard of need by applying a percentage, the amount calculated under this paragraph 6(f)(ii) shall be the amount resulting from one application of the percentage);

(g) periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling; and

(h) all regular pay, special pay and allowances of a member of the Armed Forces.

Excluded from such anticipated total income are:

(a) income from employment of children (including foster children) under the age of 18 years;

(b) payments received for the care of foster children or foster adults;

(c) lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and workers' compensation), capital gains and settlement for personal or property losses;

- (d) amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member;
- (e) income of a live-in aide;
- (f) the full amount of student financial assistance paid directly to the student or to the educational institution;
- (g) special pay to a family member serving in the Armed Forces who is exposed to hostile fire;
- (h) amounts received under training programs funded by the Department of Housing and Urban Development (“HUD”);
- (i) amounts received by a disabled person that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS);
- (j) amounts received by a participant in other publicly assisted programs which are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment, clothing, transportation, child care, etc.) and which are made solely to allow participation in a specific program;
- (k) a resident service stipend in a modest amount (not to exceed \$200 per month) received by a resident for performing a service for the Owner, on a part-time basis, that enhances the quality of life in the Project, including, but not limited to, fire patrol, hall monitoring, lawn maintenance and resident initiatives coordination (no resident may receive more than one stipend during the same period of time);
- (l) compensation from state or local employment training programs and training of a family member as resident management staff, which compensation is received under employment training programs (including training programs not affiliated with a local government) with clearly defined goals and objectives, and which compensation is excluded only for the period during which the family member participates in the employment training program;
- (m) reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era;
- (n) earnings in excess of \$480 for each full-time student, 18 years or older, but excluding the head of household and spouse;
- (o) adoption assistance payments in excess of \$480 per adopted child;
- (p) deferred periodic payments of supplemental security income and social security benefits that are received in a lump sum payment;

(q) amounts received by the family in the form of refunds or rebates under state or local law for property taxes paid on the dwelling unit;

(r) amounts paid by a state agency to a family with a developmentally disabled family member living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home;

(s) temporary, nonrecurring or sporadic income (including gifts); and

(t) amounts specifically excluded by any other federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in 24 CFR 5.609(c) apply.

7. Assets. (A) Do the persons whose income or contributions are included in Item 6 above:

(i) have savings, stocks, bonds, equity in real property or other forms of capital investment (excluding the values of necessary items of personal property such as furniture and automobiles, equity in HUD homeownership programs, and interests in Indian trust land)? _____ Yes _____ No.

(ii) have they disposed of any assets (other than at a foreclosure or bankruptcy sale) during the last two years at less than fair market value? _____ Yes _____ No.

(B) If the answer to (i) or (ii) above is yes, does the combined total value of all such assets owned or disposed of by all such persons total more than \$5,000? _____ Yes _____ No.

(C) If the answer to (B) above is yes, state:

(i) the total value of all such assets: \$ _____

(ii) the amount of income expected to be derived from such assets in the 12-month period beginning on the date of initial occupancy of the unit that you propose to rent: \$ _____, and

(iii) the amount of such income, if any, that was included in Item 6 above: \$ _____.

8. Full-Time Students. (a) Are all of the individuals who propose to reside in the unit full-time students? _____ Yes _____ No.

A full-time student is an individual who during each of 5 calendar months during the calendar year in which occupancy of the unit begins is a full-time student at an educational organization which normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of students in attendance or an individual pursuing a full-time course of

institutional on-farm training under the supervision of an accredited agent of such an educational organization or of a state or political subdivision thereof.

A residential unit will not satisfy the income tests if all the occupants are students (as defined above) and are not entitled to file a joint tax return unless each of those students is (1) a single parent and children; (2) a student receiving assistance under title IV of the Social Security Act (Temporary Assistance for Needy Families); (3) a student enrolled in a job training program receiving assistance under the Job Training Partnership Act or under other similar Federal, State, or local laws; (4) a student who was previously under the care and placement responsibility of a foster care program (under part B or E of title IV of the Social Security Act) or (5) a student who is married and files a joint return. The single parents may not be dependents of another individual and the children may not be dependents of another individual other than of their parents.

(b) If the answer to 8(a) is yes, are each of the students (1) a single parent and children; (2) a student receiving assistance under title IV of the Social Security Act (Temporary Assistance for Needy Families); (3) a student enrolled in a job training program receiving assistance under the Job Training Partnership Act or under other similar Federal, State, or local laws; (4) a student who was previously under the care and placement responsibility of a foster care program (under part B or E of title IV of the Social Security Act) or (5) a student who is married and files a joint return? _____Yes _____No.

(c) If the answer to 8(b) is yes, and if any of the students is a single parent with children, is such single parent not a dependent of another individual and are the children not dependents of another individual other than parent? _____Yes_____No

9. Relationship to Project Owner. Neither myself nor any other occupant of the unit I/we propose to rent is the owner of the rental housing project in which the unit is located (hereinafter the "Owner"), has any family relationship to the Owner, or owns directly or indirectly any interest in the Owner. For purposes of this paragraph, indirect ownership by an individual shall mean ownership by a family member; ownership by a corporation, partnership, estate or trust in proportion to the ownership or beneficial interest in such corporation, partnership, estate or trust held by the individual or a family member; and ownership, direct or indirect, by a partner of the individual.

10. Reliance. This certificate is made with the knowledge that it will be relied upon by the Owner to determine maximum income for eligibility to occupy the unit and is relevant to the status under federal income tax law of the interest on bonds issued to provide financing for the apartment development for which application is being made. I/We consent to the disclosure of such information to the issuer of such bonds, the holders of such bonds, any trustee acting on their behalf and any authorized agent of the Treasury Department or the Internal Revenue Service. I/We declare that all information set forth herein is true, correct and complete and based upon information I/we deem reliable, and that the statement of total anticipated income contained in paragraph 6 is reasonable and based upon such investigation as the undersigned deemed necessary.

11. Further Assistance. I/We will assist the Owner in obtaining any information or documents required to verify the statements made herein, including, but not limited to, either an income verification from my/our present employer(s) or copies of federal tax returns for the immediately preceding two calendar years.

12. Misrepresentation. I/We acknowledge that I/we have been advised that the making of any misrepresentation or misstatement in this declaration will constitute a material breach of my/our agreement with the Owner to lease the unit, and may entitle the Owner to prevent or terminate my/our occupancy of the unit by institution of an action for ejection or other appropriate proceedings.

[Signatures Appear on Following Page]

I/We declare under penalty of perjury that the foregoing is true and correct.

Executed this _____ day of _____ in _____, Illinois.

Applicant

Applicant

Applicant

Applicant

[Signature of all persons over the age of 17 years listed in number 2 above required.]

SUBSCRIBED AND SWORN to before me this ___ day of _____, 20__

(NOTARY SEAL)

Notary Public in and for the State of _____

My Commission Expires: _____

FOR COMPLETION BY APARTMENT OWNER ONLY:

1. Calculation of eligible income:

- a. Enter amount entered for entire household in 6 above: \$ _____
- b. (1) if the amount entered in 7(C)(i) above is greater than \$5,000, enter the total amount entered in 7(C)(ii), subtract from that figure the amount entered in 7(C)(iii) and enter the remaining balance (\$ _____);
(2) multiply the amount entered in 7(C)(i) times the current passbook savings rate as determined by HUD to determine what the total annual earnings on the amount in 7(C)(i) would be if invested in passbook savings (\$ _____), subtract from that figure the amount entered in 7(C)(iii) and enter the remaining balance (\$ _____); and
(3) enter at right the greater of the amount calculated under (1) or (2) above: \$ _____
- c. TOTAL ELIGIBLE INCOME (Line 1.a plus line 1.b(3)): \$ _____

2. The amount entered in 1.c is:

_____ Less than 60% of Median Gross Income for Area.²

² “Median Gross Income for the Area” means the median income for the area where the Project is located as determined by the Secretary of Housing and Urban Development under Section 8 of the United States Housing Act of 1937, as amended, or if programs under Section 8 are terminated, median income determined under the method used by the Secretary prior to the termination. “Median Gross Income for the Area” shall be adjusted for family size. “Median Gross Income for the Area” shall not be reduced for any calendar year to which Section 3009 of the Housing and Economic Recovery Act of 2010 applies.

_____ More than 60% of Median Gross Income for the Area.³

3. Number of apartment unit assigned: _____

Bedroom Size: _____ Rent: \$_____

4. The last tenants of this apartment unit for a period of at least 30 consecutive days [had/did not have] aggregate anticipated annual income, as certified in the above manner upon their initial occupancy of the apartment unit, of less than 60% of Median Gross Income for the Area.

5. Method used to verify applicant(s) income:

_____ Employer income verification.

_____ Copies of tax returns.

_____ Other (_____)

LILAC LEDGE APARTMENTS, LP, an
Illinois limited partnership

By: Lilac Ledge GP, LLC
An Illinois limited liability company
Its: General Partner

By: _____
Name: William C. DeBruler
Title: Manager

³ See Footnote 2.

INCOME VERIFICATION
(for employed persons)

The undersigned employee has applied for a rental unit located in a project financed by The County of Lake, Illinois. Every income statement of a prospective tenant must be stringently verified. Please indicate below the employee's current annual income from wages, overtime, bonuses, commissions or any other form of compensation received on a regular basis.

Annual wages	_____
Overtime	_____
Bonuses	_____
Commissions	_____
Total current income	_____

I hereby certify that the statements above are true and complete to the best of my knowledge.

_____ Signature	_____ Date	_____ Title
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I hereby grant you permission to disclose my income to Lilac Ledge Apartments, LP, an Illinois limited liability company, in order that it may determine my income eligibility for rental of an apartment located in its project which has been financed by The County of Lake, Illinois.

_____ Signature	_____ Date
--------------------	---------------

Please send to:

INCOME VERIFICATION
(for self-employed persons)

I hereby attach copies of my individual federal and state income tax returns for the immediately preceding two calendar years and certify that the information shown in such income tax returns is true and complete to the best of my knowledge.

Signature

Date

EXHIBIT C: CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

The undersigned, Authorized Borrower Representative of Lilac Ledge Apartments, LP, an Illinois limited partnership (the "Owner"), certifies as follows:

1. The undersigned has read and is thoroughly familiar with the provisions of the Tax Regulatory Agreement, dated as of _____ 1, 2017, between the Owner and The County of Lake, Illinois (the "Tax Regulatory Agreement").

2. Based on Income Computations and Certifications on file with the Owner, as of the date of this Certificate the following number of completed residential units in the Project (i) are occupied by Qualifying Tenants (as such term is defined in the Tax Regulatory Agreement), or (ii) were previously occupied by Qualifying Tenants and have been vacant and not reoccupied except for a temporary period of no more than 31 days:

Occupied by Qualifying Tenants:⁴ _____ No. of Units

Previously occupied by Qualifying Tenants
(vacant and not reoccupied except for a
temporary period of no more than 31 days) _____ No. of Units

3. The total number of completed residential units in the Project is _____

4. No default has occurred and is continuing under the Tax Regulatory Agreement.

LILAC LEDGE APARTMENTS, LP, an
Illinois limited partnership

By: Lilac Ledge GP, LLC
An Illinois limited liability company
Its: General Partner

By: _____
Name: William C. DeBruler
Title: Manager

⁴ A unit all of the occupants of which are full-time students does not qualify as a unit occupied by Qualifying Tenants, subject to the exceptions set forth in Section 42(i)(3)(D) of the Code.

EXHIBIT D: RENT-UP SCHEDULE

[TO COME]

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