**EXHIBIT [\_\_]**

**MODIFICATIONS TO MULTIFAMILY LOAN AND SECURITY AGREEMENT**

**(Insurance Reserve)**

The foregoing Loan Agreement is hereby modified as follows:

1. Capitalized terms used and not specifically defined herein have the meanings given to such terms in the Loan Agreement.
2. The Definitions Schedule is hereby amended by adding the following new definitions in the appropriate alphabetical order:

“**Affected** **Insurance Policy**” has the meaning set forth in Section [\_\_].01(c) (Annual Review) of the Loan Agreement.

“**Claim Shortfall**” means any insurance loss that is greater than the Insurance Reserve Account Funds.

“**Claim Shortfall Deposit**” has the meaning set forth in Section [\_\_].02(a)(3) (Claim Shortfall) of the Loan Agreement.

“**Insurance Reserve Account**” means a custodial account as required by Lender from time to time for purposes of holding the Insurance Reserve Account Funds.

“**Insurance Reserve Account Funds**” means, collectively, the Insurance Reserve Deposit, the Claim Shortfall Deposit, and all other funds from time to time held in the Insurance Reserve Account.

“**Insurance Reserve Deposit**” means $\_\_\_\_\_\_\_\_\_\_.

“**Insurance** **Shortfall**” means, in the event of a loss, the difference between the insurance proceeds provided by the Affected Insurance Policy and the amount of such loss or claim, as determined by Lender.

1. The following Article is hereby added to the Loan Agreement as Article [\_\_] (Insurance Reserve):

**ARTICLE** **[\_\_] – INSURANCE RESERVE**

**Section [\_\_].01** **Covenants.**

**(a) Initial Deposit to Insurance Reserve Account.**

On the Effective Date, in order to mitigate the risk associated with Borrower’s Affected Insurance Policy not satisfying Lender’s insurance policy requirements and Article 9 of this Loan Agreement, Borrower shall pay to Lender the Insurance Reserve Deposit for deposit into the Insurance Reserve Account. The Insurance Reserve Account will provide Lender with a contingent source of funding for an Insurance Shortfall in the event of a claim or loss.

**(b)** **Administrative Fees and Expenses; Costs of Collection.**

Borrower shall pay within ten (10) days of request from Lender (1) all reasonable costs and expenses incurred by Lender in connection with collecting, holding and disbursing the Insurance Reserve Account Funds pursuant to this Article [\_\_] (Insurance Reserve); (2) all reasonable fees, charges, costs, and expenses incurred by Lender in connection with any inspections made by Lender or Lender’s representatives in carrying out Lender’s responsibility to make certain determinations under this Article [\_\_] (Insurance Reserve), and (3) all costs and expenses incurred by Lender (including court costs and attorneys’ fees and expenses) in exercising any of Lender’s rights or obligations pursuant to the terms of this Loan Agreement or holding the Insurance Reserve Account Funds.

**(c) Annual Review.**

Until such time as the disbursements conditions set forth in Section [\_\_].02(a)(5)(A) are satisfied, no later than thirty (30) days prior to the **[DRAFTING NOTE: INSERT APPLICABLE TYPE(S) OF INSURANCE]** \_\_\_\_\_\_\_\_\_\_\_ policy (the “**Affected** **Insurance Policy**”) renewal date, and each year thereafter, Borrower must provide evidence satisfactory to Lender that it has re-evaluated the market to purchase or increase coverage of such Affected Insurance Policy with coverage that satisfies Lender’s then-current insurance requirements.

**Section [\_\_].02 Mortgage Loan Administration Matters Regarding Insurance Reserve Account.**

**(a) Accounts, Deposits and Disbursements.**

**(1) Custodial Account.**

The Insurance Reserve Account shall be deemed a Collateral Account under this Loan Agreement and any Insurance Reserve Account Funds shall be deemed part of the Collateral Account Funds under this Loan Agreement. The Insurance Reserve Account shall be an interest-bearing account which meets the standards for custodial accounts as required by Lender from time to time. Lender shall not be responsible for any losses resulting from the investment of the Insurance Reserve Account Funds or for obtaining any specific level or percentage of earnings on such investment. All interest earned on the Insurance Reserve Account Funds shall be added to and become part of such Insurance Reserve Account; provided, however, if applicable law requires, and so long as no Event of Default has occurred and is continuing, Lender shall pay to Borrower the interest earned on the Insurance Reserve Account not less frequently than once a quarter. In no event shall Lender be obligated to disburse funds from the Insurance Reserve Account if an Event of Default has occurred and is continuing.

**(2)** **Disbursements from Insurance Reserve Account.**

(A) Upon an event of loss, Lender shall, in Lender’s sole and absolute discretion, disburse Insurance Reserve Account Funds from the Insurance Reserve Account in such amount as Lender deems necessary to reimburse Borrower for any amounts paid.

(B) Nothing in this Loan Agreement shall obligate Lender to apply all or any portion of the Insurance Reserve Account Funds to cure any Event of Default or to reduce the Indebtedness, except as permitted pursuant to Article 9 of this Loan Agreement.

(C) Lender shall not disburse funds from the Insurance Reserve Account for any costs which are to be reimbursed from any Reserve/Escrow Account or other Collateral Account.

**(3) Claim Shortfall.**

If at any time Lender determines that there is a Claim Shortfall, then Lender may, upon written notice to Borrower, require additional deposits to the Insurance Reserve Account to cover such shortfall (each, a “**Claim Shortfall**”). Borrower shall deposit with Lender cash in an amount equal to the Claim Shortfall as determined by Lender within ten (10) Business Days of notice from Lender of any such Claim Shortfall (the “**Claim Shortfall Deposit**”). Lender shall deposit the Claim Shortfall Deposit into the Insurance Reserve Account, and such deposit shall be deemed “insurance proceeds” for the purposes of Article 9 of this Loan Agreement.

**(4) Replenishment of Insurance Reserve Account.**

Upon Lender’s notification to Borrower that the balance in the Insurance Reserve Account has fallen below the amount of the Insurance Reserve Deposit, Borrower shall pay to Lender an additional deposit into the Insurance Reserve Account, as necessary, so that balance of funds in the Insurance Reserve Account equals the amount of the Insurance Reserve Deposit.

**(5) Release of the Insurance Reserve Escrow.**

(A) Unless previously released or applied by Lender pursuant to the terms of this Article [\_\_] (Insurance Reserve), Lender shall disburse to Borrower any and all amounts then remaining in the Insurance Reserve Account following the earliest to occur of:

(i) Lender’s receipt of insurance certificates and any other documentation that Lender reasonably requires which evidence that Borrower has obtained an insurance policy with coverage that satisfies Lender’s then-current **[DRAFTING NOTE: INSERT APPLICABLE TYPE OF INSURANCE]** \_\_\_\_\_\_\_\_\_\_\_\_ insurance requirements, and so long as no Event of Default has occurred and is continuing; and

(ii) Borrower’s payment in full of the Indebtedness and release by Lender of the Lien of the Security Instrument.

(B) On the third anniversary of the Effective Date, if the funds in the Insurance Reserve Account have not been fully disbursed, Borrower shall deliver, at its sole cost and expense, the following to Lender, whereupon Lender shall disburse to Borrower any and all remaining funds in the Insurance Reserve Account:

(i) a clean, irrevocable Letter of Credit in a form and content satisfactory to Lender and meeting the requirements set forth in Schedule I (Letter of Credit Requirements Schedule), and

(ii) an opinion meeting the requirements set forth on Schedule I (Letter of Credit Requirements Schedule).

**(b) Lender as Attorney-In-Fact.**

Borrower hereby authorizes and appoints Lender as attorney-in-fact pursuant to Section 14.03(c) (Appointment of Lender as Attorney-In-Fact).

**[Remainder of Page Intentionally Blank]**

**SCHEDULE I**

**Letter of Credit Requirements Schedule**

The Letter of Credit referenced in Section [\_].02(a)(5)(B) is required to comply with the terms of this Schedule I (Letter of Credit Requirements Schedule).

1. **Defined Terms.** Capitalized terms used and not specifically defined herein shall have the meanings given to such terms in the Loan Agreement. For purposes of this Schedule I, the following terms have the respective meanings set forth below:

“**Issuer**”means the bank issuing the Letter of Credit.

“**Letter of Credit Servicing Fee**”means an annual fee reasonably charged by Lender.

1. **Delivery of Letter of Credit.**

When required by Section [\_\_].02(a)(5)(B) above Borrower shall deliver to Lender a clean, irrevocable Letter of Credit in form and content satisfactory to Lender, naming Fannie Mae as beneficiary and with a term not less than one (1) year (unless a shorter term is approved in writing by Lender). The Letter of Credit must be issued by an issuer that meets Lender’s requirements for issuers of acceptable Letters of Credit. The Letter of Credit must be in the amount of the funds in theInsurance Reserve Account prior to said funds being disbursed to Borrower. In the event of a Claim Shortfall, Borrower shall increase the Letter of Credit by the amount of such Claim Shortfall.

1. **Letter of Credit as Additional Collateral.**

Borrower agrees that the Letter of Credit provides collateral for the Mortgage Loan in addition to the lien of the Security Instrument on the Mortgaged Property and, in the event of a default under any of the Loan Documents, Lender shall be entitled to take any action permitted under the Loan Agreement, in addition to pursuing any other remedy Lender may have with respect to any other collateral or secured property, including the Mortgaged Property.

1. **Legal Opinion.**

On or before the effective date of the Letter of Credit, Borrower shall deliver to Lender an opinion of counsel for Issuer (which opinion may be given by Issuer’s in-house counsel) that is satisfactory to, and made for reliance by Lender, which states that the Letter of Credit has been duly authorized, executed and delivered and is the legal, valid and binding obligation of the Issuer.

1. **Return of the Letter of Credit or Proceeds Thereof.**

Lender shall return the Letter of Credit, or the proceeds of any draws on such Letter of Credit (less all amounts which have been applied by Lender pursuant to the terms of this Schedule I and the Loan Agreement) to Borrower upon the earlier of:

* 1. Lender’s receipt of insurance certificates and any other documentation that Lender reasonably requires which evidence that Borrower has obtained an insurance policy with **[DRAFTING NOTE: INSERT APPLICABLE TYPE OF INSURANCE]** \_\_\_\_\_\_\_\_\_\_\_\_ coverage that satisfies Lender’s then-current **[DRAFTING NOTE: INSERT APPLICABLE TYPE OF INSURANCE]** \_\_\_\_\_\_\_\_\_\_\_\_ insurance requirements, and so long as no Event of Default has occurred and is continuing; or
	2. Borrower’s payment in full of the Indebtedness and release by Lender of the Lien of the Security Instrument.

**6. Payment of Fees, Costs and Expenses.**

No cancellation or return of the Letter of Credit shall be permitted under the Letter of Credit unless Borrower has paid all fees, costs and expenses then due and payable under the Letter of Credit, the Loan Agreement, and any other Loan Document.

1. **Renewal or Replacement of Letter of Credit.**
	1. **Renewal or Replacement.**

Borrower shall renew, amend or replace the Letter of Credit in accordance with the terms of this Schedule I to ensure that the Letter of Credit remains in effect and does not expire until the terms of Section 5 are satisfied. At least thirty (30) days prior to the expiration date of the Letter of Credit, Borrower shall either cause the Letter of Credit to be amended to extend its expiration date, or furnish a replacement Letter of Credit. In either case, the amended Letter of Credit or the replacement Letter of Credit must  be in a form and content satisfactory to Lender and complying with the provisions in this Schedule I and be from an Issuer which meets Lender’s requirements for issuers of acceptable letters of credit, have a term not less than one (1) year (unless a shorter term is approved in writing by Lender), and be in the amount of the outstanding Letter of Credit. In connection with providing any amended or replacement Letter of Credit, Borrower shall concurrently provide an opinion of counsel to the Issuer as described in Section 4 above.

* 1. **Review of Rating of Issuer; Replacement of Letter of Credit.**

From time to time, Lender shall review the rating of the Issuer of the then outstanding Letter of Credit. If Lender notifies Borrower that at the time of any such review the Issuer does not meet Lender’s requirements for issuers of acceptable letters of credit, Borrower shall replace the outstanding Letter of Credit with a Letter of Credit that complies with all of the requirements set forth in this Schedule I, no later than thirty (30) days after Lender’s notice to Borrower, unless the outstanding Letter of Credit would expire prior to such thirty (30) day period, in which case Borrower shall provide a replacement Letter of Credit no later than five (5) Business Days prior to the expiration date of the outstanding Letter of Credit. Concurrent with the delivery of any replacement Letter of Credit pursuant to this Section 7(b), Borrower shall also furnish to Lender a legal opinion of counsel to the Issuer with respect to the replacement Letter of Credit in accordance with Section 4 above.

* 1. **Draw on Letter of Credit.**

If Borrower does not provide a renewal or replacement of the Letter of Credit when required pursuant to this Schedule I, which renewal or replacement Letter of Credit satisfies all of the requirements of this Schedule I, including the delivery of the legal opinion of counsel to Issuer of the Letter of Credit that is to be delivered under Section 7(b), Lender shall draw the full amount of the Letter of Credit and hold and apply the proceeds as permitted by the terms of Section 10 of this Schedule I.

1. **Default Under this Agreement.**

Borrower shall be in default under Section 14.01(a) of the Loan Agreement if it fails to comply with any provision of this Schedule I or the Letter of Credit within the time period specified in such provision. Borrower understands that a default under this Schedule I or the Letter of Credit shall be deemed to be an Event of Default under the terms of the other Loan Documents and that, in addition to the remedies specified in this Schedule I, Lender shall be able to exercise all of its rights and remedies under the other Loan Documents.

1. **Default Under the Loan Documents.**
	1. **Remedies**.

Upon the occurrence of an Event of Default under any of the Loan Documents (including any default by Borrower under the Letter of Credit or this Schedule I), in addition to all other remedies in the Loan Documents, Lender shall be entitled, in its sole discretion, to:

* + 1. draw on the Letter of Credit and hold the proceeds of the Letter of Credit in accordance with the terms of this Schedule I;
		2. draw on the Letter of Credit and apply all or any portion of the proceeds of the Letter of Credit in accordance with Section 14.02(b) of the Loan Agreement; or
		3. draw on the Letter of Credit and apply all or any portion of the proceeds of the Letter of Credit to reimburse Lender for any losses or expenses (including without limitation, legal fees) suffered or incurred by Lender as a result of such default or Event of Default.
	1. **No obligation to Apply Proceeds; No Cure.**

Nothing in this Schedule I shall obligate Lender to apply all or any portion of the proceeds of the Letter of Credit to cure any default or Event of Default under the Loan Documents or to reduce the indebtedness evidenced by the Note. No application of proceeds of the Letter of Credit by Lender shall be deemed to cure any default or Event of Default.

1. **Proceeds of the Letter of Credit.**
	1. **Providing Replacement Letter of Credit after a Draw.**

In the event Borrower fails to provide a renewal or replacement Letter of Credit in accordance with Section 7 and provided Borrower is not otherwise in default under any the Loan Document, after Lender has drawn on the Letter of Credit, but prior to application of proceeds, Lender may, but is not obligated to, permit Borrower to provide a replacement Letter of Credit that meets all the requirements of Section 7(a) (including the opinion of counsel to the Issuer specified in Section 4) in which case, Lender shall return the proceeds of the draw to Borrower, less Lender’s costs and expenses (including attorneys’ fees and expenses and allocable costs for time spent by officers, employees, contractors and agents of Lender).

* 1. **Proceeds Held in Corporate Account; No Interest.**

If Lender draws on the Letter of Credit and holds the proceeds under this Schedule I, such funds shall be held by Lender in a Collateral Account and the proceeds shall be deemed Collateral Account Funds under this Loan Agreement. In no event shall any interest or other earnings on the proceeds of a draw be payable or credited to Borrower.

* 1. **No Obligation to Draw or to Apply Proceeds.**

Lender shall not be obligated to draw on the Letter of Credit upon any default or Event of Default under any Loan Document or apply the proceeds of any draw on the Letter of Credit to cure a default or Event of Default under the Mortgage Loan. Lender may hold the Letter of Credit or the proceeds of any Letter of Credit until the date for return as determined pursuant to Section 5 of this Schedule I, or apply all or any portion of the proceeds as permitted by this Schedule I and the Loan Documents and hold the remaining proceeds until the date for return determined under Section 5 of this Schedule I.

1. **Fees and Expenses.**
	1. Borrower shall pay to Lender an annual fee equal to the Letter of Credit Servicing Fee for Lender’s services in administering this Schedule I and the Letter of Credit. Borrower shall pay such Letter of Credit Servicing Fee no later than the date specified for payment in a bill sent to Borrower.
	2. Within ten (10) days after request for payment, Borrower agrees to pay all costs and expenses incurred by Lender (including but not limited to court costs and attorneys’ fees and expenses) in exercising any of Lender’s rights or obligations pursuant to the terms of this Schedule I and the Letter of Credit or holding any proceeds of any draw on the Letter of Credit.

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