**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.

“**Release Condition**” means \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. **[DRAFTING NOTE: EITHER DESCRIBE THE CONDITION(S) FOR THE RELEASE OF THE LETTER OF CREDIT HERE OR DEFINE THE “Release Condition” IN THE UNDERLYING MOD TO MLSA OR DOC MOD TO WHICH THIS SCHEDULE IS ATTACHED]**

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

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. [**DRAFTING NOTE** (**UPDATE AS NECESSARY): The Letter of Credit must be in the amount of \_\_\_\_\_\_\_\_\_\_\_\_\_\_.**]

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. ten (10) days after Lender shall have received evidence that the Release Condition has been satisfied, unless an Event of Default has occurred and is continuing; or
  2. ten (10) days after payment in full of the Indebtedness, including all accrued but unpaid interest, any applicable prepayment premium and all other sums due under the Note.

**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 Schedule.**

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 other 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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