

LETTERHEAD

*** (Sponsor)

*** Limited Dividend Housing Association Limited Partnership (Mortgagor)

Re: MSHDA Development No. ***
*** (the "Development")

Ladies and Gentlemen:

We are pleased to inform you that by its Resolution adopted on _____, the Michigan State Housing Development Authority (the "Authority") approved your application for a construction and permanent loan (the "Mortgage Loan") and a loan (the "Section 1602 Loan") with funds from the U.S. Department of Treasury under Section 1602 of the American Recovery and Reinvestment Tax Act of 2009 (Public Law 111-5) (the "Section 1602" program) for the above proposed Development. This Development is to be constructed on property located in the City of ***, *** County, and is more particularly described on the attached Exhibit A (the "Property"). The Development will consist of *** housing units and related facilities that will be constructed for an estimated Total Development Cost of *** Dollars (\$***).

The general terms of the Mortgage Loan are as follows:

1. **Principal Amount.** The total amount to be advanced under the Mortgage Loan is *** Dollars (\$***), but in no event shall the amount of the Mortgage Loan exceed ninety percent (90%) of the Total Development Cost, as determined by the Authority. **INSERT THE FOLLOWING IF APPLICABLE** *In the event that the Authority continues this loan as a permanent mortgage loan to the Mortgagor, the Mortgagor shall be obligated to reduce the principal of this Mortgage Note by the sum *** Dollars (\$***) to the permanent loan amount of *** Dollars (\$***), by a time established by an Authorized Officer of the Authority, but in no event later than the date on which IRS Form 8609 will be issued for the development.*

The principal amount of the Section 1602 Loan shall not exceed ***Dollars (\$***).

2. **Interest Rate.** The interest rate on the Mortgage Loan shall be *** percent (***) per annum, computed monthly on the outstanding loan balance. The Section 1602 Loan shall bear no interest.

3. **Loan Term.** The term of the construction loan shall be *** (***) months from the first day of the month following Initial Closing (as set forth below), based on a term of *** (***) months provided in the Construction Contract for the construction of the Development, plus a rent-up and absorption period of *** (***) additional months. The term of the construction loan shall end on the Mortgage Cut-off Date established by an Authorized Officer of the Authority. Additionally, the Mortgagor must pay or incur at least thirty percent (30%) of the Mortgagor's total adjusted basis in land and depreciable property that is reasonably expected to be part of the Development by December 31,

2010, all conditions for disbursement must be met and all Section 1602 funds must be disbursed by the Authority by ***,2011 and any Section 1602 funds not disbursed by that date shall be forfeited. The term of the permanent loan shall begin on the Mortgage Cut-off Date and shall end 34 years and 11 months after the first scheduled payment of principal on the Mortgage Loan. The term of the Section 1602 Loan shall not exceed fifty (50) years after Mortgage Loan closing.

4. **Commitment Fee.** Prior to or concurrently with the initial disbursement by the Authority of any Mortgage Loan proceeds the Mortgagor shall deliver to the Authority a commitment fee equal to two percent (2%) of the amount of the Mortgage Loan estimated to be *** Dollars (\$***). The commitment fee shall be considered earned at the time of payment. No portion of this fee shall be refunded in the event the Mortgage Loan does not close. Any loan processing fees paid by the Sponsor or Mortgagor to the Authority prior to disbursement of Mortgage Loan proceeds will be credited toward this fee.

5. **Asset Management Fee** Prior to or concurrently with the initial disbursement by the Authority of any Section 1602 Loan proceeds the Mortgagor shall deliver to the Authority an initial asset management fee equal to two percent (2%) of the Section 1602 Loan, estimated to be *** Dollars (\$***). The initial asset management fee shall be considered earned at the time of payment. No portion of this fee shall be refunded in the event the Section 1602 Loan does not close. Any loan processing fees paid by the Sponsor or Mortgagor to the Authority prior to disbursement of Section 1602 Loan proceeds will be credited toward the initial asset management fee.

6. **Equity Contribution.** The Mortgagor will be required to contribute as "equity" the difference between the Total Development Cost for the construction of the Development and the sum of the amount of the Mortgage Loan and the Section 1602 Loan. The Authority will have no obligation to close the Mortgage Loan, unless the Mortgagor provides assurance acceptable to the Authority that sufficient loans, grants, and/or future investor contributions are or will be available to finance the construction of the Development in accordance with the construction schedule approved by the Authority. The Mortgagor's equity contribution shall be satisfied as set forth in the Regulatory Agreement and Building Loan Agreement to be executed between the Mortgagor and the Authority. The Mortgagor's equity will be delivered to the Authority for deposit at Initial Closing, except that the Mortgagor will not be required to deposit any equity expected to be satisfied from future investor contributions. All monies deposited with the Authority as equity will be disbursed by the Authority to the Mortgagor for development cost items prior to disbursement of any Mortgage Loan proceeds.

7. **Operating Assurance Reserve.** FOR PROJECTS OTHER THAN SECTION 8 PRESERVATIONS Concurrently with Initial Closing, the Mortgagor shall fund an operating assurance reserve (the "OAR") in the amount equal to four months' estimated Development operating expenses, payments required under the Mortgage Note, deposits to reserves and other anticipated Development expenses (estimated to be \$***), to cover operating losses incurred at the Development. The OAR will be treated as a separate cost and not as part of the developer fee. The OAR may be funded with cash, or the Mortgagor may elect to secure funding of the OAR with an irrevocable, unconditional letter of credit acceptable to the Authority, or a combination thereof. To the extent that any portion of the OAR is drawn for use prior to the Final Closing of the Mortgage Loan the Mortgagor must restore the OAR to its original balance at Final Closing. The Authority shall disburse funds from the OAR in accordance with the Authority's written policy on the use of the Operating Assurance Reserve, as amended from time to time. Amounts on deposit in the OAR shall be invested and reinvested by the Authority's Office of Finance in accordance with the Act, and shall at all times be under the control of the Authority. Interest earned on funds in the OAR, if any, shall become a part of the OAR and shall be treated and disbursed in the same way as other monies in the OAR. The OAR will be held by the Authority for a minimum fifteen (15) years. In the tenth year of operation, the OAR will be used to fully fund the replacement reserve

needs identified by an independent capital needs analysis and to fully fund any other escrow accounts. If the amount required to fund escrows is represented by a letter of credit, the letter of credit will be drawn upon. The Director of Asset Management may approve a 50% reduction/release in the remaining OAR, based on a review of the development's operations. All reductions or releases from the OAR (in connection with this or any future release) may, in the Authority's discretion, be returned to the Authority to be applied against any obligations that the Mortgagor owes the Authority including any Recapture Obligation pursuant to the Regulatory Agreement,, and any remainder of the reduction or release will be deposited into the development's operating account. If the amount to be released is represented by a letter of credit, the letter of credit will be drawn upon for the amount to be released. Any sums transferred to the operating account will be treated as Development funds, available for payment of accumulated limited dividends. Following the fifteenth full year of operation, OAR funds that are not needed for funding of the replacement reserve or other escrows may, in the Authority's discretion, be returned to the Authority to be applied against any obligations that the Mortgagor owes the Authority including any Recapture Obligation pursuant to the Regulatory Agreement,, and any remainder will be available for release to the development's operating account.

Operating Assurance Reserve. (FOR SECTION 8 PRESERVATIONS) Concurrently with Initial Closing, the Mortgagor shall fund an operating assurance reserve (the "OAR") in the amount equal to four months' estimated Development operating expenses, payments required under the Mortgage Note, deposits to reserves and other anticipated Development expenses, as of the date the HAP Contract expires (the "OAR Amount"). Such funds will be available at that time to assist the transition to market rents. The Authority may, in its discretion, at any time, review the amount on deposit, the rate of interest being earned on that amount, and the annual budget for the Development, to determine whether, at the time of the expiration of the HAP Contract, the amount then on deposit will equal the OAR Amount. If the current amount on deposit is insufficient, the Authority may require the Mortgagor to increase the amount on deposit so that, in the Authority's estimate, the amount on deposit at the time of the expiration of the HAP Contract will equal the OAR Amount. Funds shall be held by the Authority until the expiration of the HAP Contract. Thereafter, the Authority shall disburse funds from the OAR in accordance with the Authority's written policy on the use of the Operating Assurance Reserve, as amended from time to time. Amounts on deposit in the OAR shall be invested and reinvested by the Authority's Office of Finance in accordance with the Act, and shall at all times be under the control of the Authority. Interest earned on funds in the OAR, if any, shall become a part of the OAR and shall be treated and disbursed in the same way as other monies in the OAR. The Authority will hold the OAR until the Development has experienced twenty-four consecutive months with annual average economic vacancy (i.e. actual vacancy plus rent concessions plus bad-debt) equaling 5% or less of the yearly MSHDA approved budgeted gross rent potential after the later of (i) the date upon which the original project based HAP assistance terminates or (ii) the end of the 12th year of amortization. Depreciation shall not be considered an expense in calculating the Development's operational results. After the expiration of the 24-month period, , the OAR will be used to fully fund the Replacement Reserve funding needs, as identified by an updated independent comprehensive needs analysis and to fully fund any other escrow accounts. Upon achieving this criterion, the Mortgagor may request in writing to the Director of Asset Management that any remaining balance in the OAR be released. Funds released from the OAR may, in the Authority's discretion, be returned to the Authority to be applied against any obligations that the Mortgagor owes the Authority including any Recapture Obligation pursuant to the Regulatory Agreement,, and any remainder of the reduction or release will be available for release to the development's operating account.

8. Replacement Reserve. FOR PROJECTS OTHER THAN SECTION 8 PRESERVATIONS The Mortgagor shall establish and maintain a Replacement Reserve Fund by depositing monthly installments with the Authority, beginning with the Mortgage Cutoff Date, as determined by the Authority. In addition, any cost savings from the construction of the Development, to the extent not used to pay remaining deferred developer fee, will be deposited in Replacement Reserve

Fund. For the first year, the annual payment to the Replacement Reserve Fund shall be \$***, payable in monthly installments of \$***. Subsequent to the first year of operation, monthly installments shall increase to an amount which is the at the greater of 3% higher than the deposit for the prior year or an amount equal to 1/12 of ***% of the gross annual rent potential (including tenant contributions and subsidies) for the Development as indicated in the most recent annual budget prepared by the management agent of the Mortgagor and approved by the Authority's Division of Asset Management, unless a different payment schedule or amount is approved or directed in writing by an Authorized Officer of the Authority. All monies in the Replacement Reserve Fund shall be used and disbursed in accordance with the terms of the Regulatory Agreement and the Authority's policy regarding the use of Replacement Reserve Funds.

(FOR SECTION 8 PRESERVATIONS) At or prior to closing of the Mortgage Loan, the Mortgagor shall establish a Replacement Reserve Fund with the Authority by depositing with the Authority the amount of \$***, and maintain the Replacement Reserve Fund pursuant to this Agreement. To the extent that certified actual costs are less than the costs of the acquisition and rehabilitation of the Development used by the Authority to authorize the Mortgage Loan, any remaining Mortgage Loan proceeds, to the extent not used to pay remaining deferred developer fee, shall be disbursed into the Replacement Reserve Fund.. In addition to the deposits required above, beginning *** , the Mortgagor shall make monthly payment for deposit into the Replacement Reserve Fund, in the initial amount of be \$***, payable in monthly installments of \$***. Subsequent to the first year of operation, monthly installments shall increase to an amount which is the greater of 3% higher than the deposit for the prior year or an amount equal to 1/12 of ***% of the gross annual rent potential (including tenant contributions and subsidies) for the Development as indicated in the most recent annual budget prepared by the management agent of the Mortgagor and approved by the Authority's Director of Asset Management ("Gross Rent Potential"), unless a different payment schedule or amount is approved or directed in writing by an Authorized Officer of the Authority. All monies in the Replacement Reserve Fund shall be used and disbursed in accordance with the terms of the Regulatory Agreement and the Authority's policy regarding the use of Replacement Reserve Funds..

9. ****Insert if required* **Operating Deficit Reserve.** At or prior to mortgage loan closing the mortgagor must enter into an agreement to establish an Operating Deficit Reserve (ODR) with the Authority in the initial amount of \$***. The ODR shall be funded in cash, held and controlled by the Authority and will be invested and reinvested by the Authority's Office of Finance. Interest earned on this reserve, if any, shall become part of this reserve and shall be treated and disbursed in the same way. Disbursements from the ODR may begin at the request of the Mortgagor, in the first year in which the projected budget deficit is shown on the cash flow analysis on Attachment A to the Agreement Regarding Operating Deficit Reserve. The amount initially disbursed from the ODR will be the annual projected budget deficit as shown on Attachment A to the Agreement Regarding Operating Deficit Reserve. In each subsequent year, the annual disbursement will be the amount called for in the Development's operating budget as approved by the Office of Asset Management, but not to exceed the amount projected for that year on Attachment A. Each month the Authority will withdraw 1/12th of the projected annual deficit for that specific year from the ODR, and will apply it against the Mortgage Loan payment due that month. This will continue each year until the ODR has been depleted or the Authority's mortgage loan(s) are paid in full. Once the Mortgage Loan is paid in full, and until the extended use period as defined in the Section 42(h)(6)(B) of the Code and the regulations thereunder, as may be set forth in the Low Income Housing Tax Credits ("LIHTC") Program Regulatory Agreement between the Mortgagor and the Authority (the "Extended Use Period") has expired disbursement shall be made from the ODR to fund the annual projected budget deficit as shown on Attachment A to the Agreement Regarding Operating Deficit Reserve

In the event that the development experiences an operating deficit that is greater than that projected in Attachment A to the Agreement Regarding Operating Deficit Reserve, the Mortgagor may

request that the Authority increase the amount drawn from the ODR. The Director of Asset Management must approve the request. However, the Mortgagor shall not be entitled to receive a Limited Dividend payment for any year in which the amount drawn from the ODR is greater than the amount identified in Attachment A for that year, until the balance of the ODR is restored to the appropriate level. At the earlier of the time when 80% of the ODR has been depleted or during the 18th year after the Mortgage Cutoff Date, as determined by the Authority, the Authority will determine the amount sufficient to fund projected operating deficits through the remaining term of the Mortgage Loan and the Extended Use Period. The Mortgagor must deposit this amount into the ODR, which will be held by the Authority and disbursed as noted above. Failure to replenish the ODR, when required by the Authority, constitutes a default under the Mortgage Loan. In the event that the Authority's Mortgage Loan is accelerated after a default in the terms of the Mortgage Note or Regulatory Agreement, or the Section 1602 Loan is accelerated due to a default in the terms of the Section 1602 Regulations and other Section 1602 requirements resulting in the Mortgagor becoming liable for a Recapture Obligation pursuant to the Regulatory Agreement the Authority, in its sole discretion, may, but is not required to, apply any funds on deposit in the ODR, to the amount due on the Mortgage Loan or Section 1602 Loan as accelerated. At such time as the Mortgage Loan, and all other financial obligations to the Authority are paid in full and the Mortgagor has satisfied all obligations under the Section 1602 Loan, the remaining balance of the ODR, including all interest which has accumulated, will be disbursed *to the Mortgagor/into the Sustainability Reserve Account established pursuant to section 12 below.*

10. **Income And Rent Restrictions.** At the Initial Closing, the Mortgagor will enter into a Regulatory Agreement with the Authority, pursuant to which the Mortgagor will agree to restrict the occupancy of and the rents charged for units at the Development as described in Condition Numbers 3 and 4 of the Conditions attached hereto. These rent and occupancy restrictions will be in the form of covenants running with the land.

11. **Limitation Of Return On Equity.** *FOR PROJECTS OTHER THAN SECTION 8 PRESERVATIONS* The Regulatory Agreement to be entered into at Initial Closing will also require the Mortgagor to agree to limit the rate of return on its equity. For each year of the Development's operation, beginning in the year in which the Mortgage Cutoff Date, as determined by the Authority, occurs, payments are limited to twelve percent (12%) of the Mortgagor's equity, as determined by an Authorized Officer of the Authority. Equity is defined as the total project cost, established by the Mortgagor's cost certification as approved by the Authority, less total indebtedness including the Section 1602 Loan and less other federal or state project investment, including but not limited to, HOME funds, CDBG, the Federal Home Loan Bank Affordable Housing Program, Rental Rehabilitation loans, Tax Credit Assistance Program or other sources. All such payments shall be referred to as "Limited Dividend Payments". The Mortgagor's return on equity shall be fully cumulative.

FOR SECTION 8 PRESERVATIONS The Regulatory Agreement to be entered into at Initial Closing will also require the Mortgagor to agree to limit the rate of return on its equity for each year of the Development's operation, beginning in the year in which the commencement of amortization of the Mortgage Loan occurs to *****twelve percent (12%) of the Mortgagor's equity, as determined the Authority ***** percent (****%*) of the Mortgagor's equity, which is the amount approved by HUD. All such payments shall be referred to as "Limited Dividend Payments". The equity upon which Limited Dividend Payments are based will be ***** the total of the original equity of ***** Limited Dividend Housing Association Limited Partnership, plus the total of monthly principal payments made by ***** Limited Dividend Housing Association Limited Partnership on the mortgage loan from the Authority/***** the total project cost, established by the Mortgagor's cost certification as approved by the Authority, less total indebtedness including the TCAP Loan and less other federal or state project investment, including but not limited to, HOME funds, CDBG, the Federal Home Loan Bank Affordable Housing Program, Rental

Rehabilitation loans, Section 1602 Program or other sources, unless HUD or other federal regulations require a different calculation.

Limitation Of Return. *The Regulatory Agreement to be entered into at Initial Closing will also require the Mortgagor to agree to limit its return to fifty percent (50%) of the funds otherwise available to the Mortgagor for distribution ("Surplus Funds"), as determined by the Mortgagor's annual audit of the Development's operations, as approved by an Authorized Officer of the Authority. Such payments may begin for the year in which the Mortgage Cutoff Date, as determined by the Authority occurs. The balance of any Surplus Funds shall be deposited into a Sustainability Reserve Account (SRA) pursuant to section 12 below.*

12. **Sustainability Reserve Account.** *The Surplus Funds from the operation of the Development shall be calculated and determined annually by Certified Audit conducted in accordance with the Audit Guidelines. The Mortgagor shall deposit that portion of Surplus Cash that is required to be submitted under the Audit Guidelines into the Sustainability Reserve Account established by the Authority for the Development (the "SRA") within 120 days after the end of each calendar year, unless this requirement is waived in writing by an Authorized Officer of the Authority. Funds on deposit in the SRA shall be invested and reinvested by the Authority's Office of Finance in accordance with the Act, and shall at all times be under the control of the Authority. Interest earned on funds on deposit in the SRA, if any, shall remain in the SRA and shall be treated and disbursed in the same way as any other funds deposited in that account. Funds in the SRA may only be used, after all other Development reserves have been exhausted. Disbursements from the SRA shall be made for Development expenses, such as payments for real estate taxes, other taxes, maintenance, fuel, legal, audit, the payment of amounts owed to the Authority, and required reserve deposits and other requirements to maintain the physical and fiscal integrity of the Development, upon the written request of the Mortgagor and the approval of an Authorized Officer of the Authority. No disbursement will be approved unless the Mortgagor and the proposed use of the funds are in compliance with the Authority's then-current policies on the disbursement of the SRA. Funds in the SRA shall not be included when calculating Surplus Funds and may not be used to fund Limited Dividend Payments. In the event that the Mortgage Loan is accelerated after a default in the terms of the Mortgage, or the Section 1602 Loan is accelerated due to a default in the terms of the Section 1602 Regulations and other Section 1602 requirements resulting in the Mortgagor becoming liable for a Recapture Obligation pursuant to the Regulatory Agreement, the Authority may, in its sole discretion but is not required to, apply or authorize the application of the balance on deposit in the SRA to the amount due on the Mortgage Loan or Section 1602 Loan as accelerated.*

13. **Cost Certification.** *Within ninety (90) days after the Cut-Off Date, the Mortgagor and the General Contractor for the construction of the Development must submit certificates of actual costs in accordance with the Authority's Cost Certification Manual.*

14. **Repayment.** *During the term of the Mortgage Loan, principal and interest shall be repayable as follows: Interest only is payable monthly on amounts advanced and outstanding under the Construction Loan, commencing on the first day of the month following the first disbursement of Mortgage Loan proceeds, until the Cut-Off Date. Commencing on the first day of the month following the Cut-Off Date, monthly payments of principal and interest shall be made in an amount established by an Authorized Officer of the Authority, and shall continue on the first day of each month thereafter until the entire principal balance of the Mortgage Loan is paid in full, at which time all accrued and unpaid interest must be paid in full. In the event, however, that the permanent loan closing does not occur, then the entire principal balance of the Mortgage Loan and all unpaid interest thereon shall immediately be due and payable in full at the request of the Authority.*

15. **Prepayment.** No principal or interest of the Mortgage Loan may be prepaid until the expiration of fifteen (15) years after the commencement of amortization on the Mortgage Loan, without the prior written approval of an Authorized Officer of the Authority. The mortgagor must provide the Authority with at least 60 days notice prior to any such prepayment. In the event of any prepayment of the Mortgage Loan, the Mortgagor shall also simultaneously pay to the Authority a prepayment fee equal to the sum of (i) one percent (1%) of the balance being prepaid, plus (ii) any prepayment penalty, call premium, swap premium or other costs that the Authority must pay to prepay the bonds or notes that were used to fund the Mortgage Loan and (iii) loss of debt service spread between the mortgage loan and the bonds used to finance the mortgage loan from the date of the prepayment through the end of the 20th year of amortization. Prepayment is further subject to the obligations of the Mortgagor set forth in the Regulatory Agreement.

16. **Loan Conditions.** This Commitment is subject to the conditions of the Staff Report, which are attached to this Commitment, and the Staff Report and all loan terms and conditions therein are incorporated into and made a part of this Commitment.

17. **Authority Approvals.** All necessary internal approvals from Authority staff must be obtained at or prior to both the Initial and Final Closings of the Mortgage Loan.

18. **Development Cost Analysis.** Attached and made a part of this Commitment is a Development Proforma reflecting the Authority-approved Rental Schedule and estimated Total Development Cost. This Development Proforma shall govern the allocation of all disbursements of proceeds of the Mortgage Loan, the Section 1602 Loan and the Mortgagor's equity contribution.

19. **Changes In Drawings And Specifications.** Any changes in the Drawings and Specifications or in the conditions upon which this Commitment is based that occur after the date of this Commitment must have the written approval of an Authorized Officer of the Authority prior to the Initial Closing of the Mortgage Loan. The Authority may condition its written approval on any other conditions deemed appropriate.

20. **Recapture.** The Mortgagor is hereby notified and hereby acknowledges that, if the Mortgagor shall fail to comply with:

- a. the income and use restriction set forth in the Regulatory Agreement;
- b. or any other requirements imposed upon an Owner under the terms of the Section 42 of the Code, and the regulations thereunder;

for the entire fifteen year "Compliance Period", as defined in the Section 42(i)(1) of the Code, and the regulations thereunder, shall cause the Mortgagor to be subject to a "recapture" requirement for all or part of the Section 1602 Loan. The Mortgagor is hereby notified and hereby acknowledges that any amount subject to recapture pursuant to this Section 31.a. shall both constitute an event of default on the Section 1602 Mortgage and shall become a debt owed to the United States payable to the General Fund of the Treasury, which debt shall be enforceable by all available means against any assets of the **Mortgagor**

- c. The Mortgagor is further notified and acknowledges that, Mortgagor's failure to comply with :
 - i. the income and use restriction set forth in the Regulatory Agreement ;

- ii. or any other requirements imposed upon an Owner under the terms of the Section 42 of the Code, and the regulations thereunder;

during the Extended Use Period , shall constitute an event of default under the terms of the Regulatory Agreement

21. **Material Adverse Change.** Except as may otherwise be required in this Commitment, at the time of both the Initial Closing and the Final Closing, the credit of the Sponsor and Mortgagor and all other information provided to the Authority in the underwriting of the Mortgage Loan shall not have changed in any material adverse respect. The Authority may, at its sole option, require the submission of updated financial statements and credit reports of the Mortgagor and its principals, general partners, members and/or officers.

22. **Scheduling Of Closings, Groundbreakings And Dedications.** The date of the Initial Closing of the Mortgage Loan will be scheduled by an Authorized Officer of the Authority. Provisions as to scheduling the Final Closing and liquidated damages for not closing in a timely manner are set forth in the Building Loan Agreement. By acceptance of this Commitment, the Mortgagor agrees that the Executive Director shall be given at least ten (10) days' written notice of any dedication ceremonies. The Authority reserves the privilege of posting a public notice on the Property stating that the Authority supplied the financing for the Development.

23. **Assignment Or Transfer Of Commitment.** This Commitment shall not be assignable or transferable by the Mortgagor or the Sponsor without the prior written consent of the Authority.

24. **Survival Of Commitment.** This Commitment shall not be considered merged upon the closing of the Mortgage Loan, and all terms and conditions of this Commitment, whether or not embodied in the documents signed at Initial or Final Closing, shall survive the closing of the Mortgage Loan.

25. **Term Of Commitment.** As to the Mortgage Loan this Commitment shall terminate, unless renewed or extended by and Authorized Officer of the Authority, if the documents required for the Initial Closing of the Mortgage Loan are not executed on behalf of the Mortgagor and Sponsor and placed in escrow with the Authority within sixty (60) days after acceptance of this Commitment, which acceptance must occur within the fifteen (15) day-period stated in section 26.

26. **Effectiveness Of Commitment.** This Commitment shall become effective only if an original of this document is returned to the Authority within fifteen (15) days from the date hereof, with acceptance endorsed on the Commitment by such signatories as are properly authorized to bind the parties named herein.

27. **Fraud Penalties.** The Sponsor and Mortgagor acknowledge that any false pretense, including any false statement or representation, or the fraudulent obtaining of money, real or personal property, or the fraudulent use of an instrument, facility, article, or other valuable thing or service pursuant to his/her/its participation in any Authority program, is punishable by imprisonment for up to ten years or by a fine up to \$5,000 or both.

28. **Initial Closing.** The Initial Closing of the Mortgage Loan and Section 1602 Loan is deemed to occur when the first distribution of funds is made by the Authority, which shall not take place until the Authority determines that each of the conditions precedent listed in the Exhibit B attached to this Letter has been satisfied, and that each of the items listed in the Exhibit B have been delivered to the Authority in form and substance satisfactory to an Authorized Officer of the Authority.

29. **Final Closing.** The final closing of the permanent loan and Section 1602 Loan ("Final Closing") shall occur upon the completion of construction/rehabilitation of the Development in accordance with the Drawings and Specifications approved by an Authorized Officer of the Authority, and as a condition precedent to the Final Closing of the permanent loan and Section 1602 Loan, each of the items listed on Exhibit C to this Agreement shall be delivered to the Authority in form and substance satisfactory to an Authorized Officer of the Authority:

Sincerely,

MICHIGAN STATE HOUSING
DEVELOPMENT AUTHORITY

Accepted on _____, by:

MORTGAGOR:

*** LIMITED DIVIDEND HOUSING ASSOCIATION
LIMITED PARTNERSHIP

By: ***, a ***

Its: General Partner

By: _____

Its: President

SPONSOR:

***, a ***

By: _____

Its: ***

EXHIBIT A
Legal Description

EXHIBIT B

Conditions Precedent/Items to be Delivered Prior to Initial (Construction Loan) Closing

1. Mortgage Note in the amount of the Mortgage Loan (Legal Form 011).
2. Mortgage in recordable form, granting the Authority a first mortgage lien on the entire Property and the Development (Legal Form 012).
3. Security Agreement/Financing Statement (Legal Form 015), and such other documents as the Authority considers necessary to provide a first lien on all personal property, furniture, furnishings, equipment, accounts, general intangibles, and fixtures used in the operation of the Development and owned by the Mortgagor, including after-acquired property and proceeds thereof.
4. Regulatory Agreement in recordable form (Legal Form 013).
5. Environmental Indemnification Agreement in form and substance satisfactory to the Director of Legal Affairs.
6. **INSERT IF REQUIRED** HUD Notice of Release of Grant Conditions (HUD 7015.16).
7. Section 1602 Mortgage Note in the amount of the Section 1602 Loan, secured by a Section 1602 Second Mortgage in recordable form, granting the Authority a second mortgage lien on the entire Property and the Development.
8. Certified copy (including all amendments) of the Certificate of Limited Partnership for the Mortgagor and current Certificate of Non-Cancellation, both dated within 30 days of closing; a copy of the partnership agreement and other agreements governing the affairs of the Mortgagor, including all amendments; and the Mortgagor's Closing Certificate (Legal Form 005).
9. Certified copies (including all amendments) of the Certificate of Limited Partnership, Articles of Incorporation or Articles of Organization for any entity general partners or members of the Mortgagor, and current Certificates of Good Standing, Non-Cancellation or Status, as applicable; copies of the partnership or operating agreements, by-laws, and other agreements governing the affairs of such entity general partners or members, including all amendments; and a Closing Certificate for each such entity (Legal Form 005, 005L or 007); certified Resolutions of any corporate general partners or members (Legal Form 008); and all other instruments necessary, in the opinion of the Authority or its counsel, to authorize the execution of the Mortgage Note and Mortgage and all other closing documents by the Mortgagor.
10. Drawings and Specifications approved by an Authorized Officer of the Authority and initialed by the Mortgagor, Design Architect, Supervising Architect, General Contractor, and General Contractor's Surety, if any.
11. Assurances from appropriate public authorities and public utility companies that adequate water, sewer, gas and electric facilities will be fully installed prior to completion of the Development and that necessary public streets, sidewalks and curbing outside the Development site, if not yet constructed, will be fully completed within a reasonable time after completion of the Development.

12. A Management Agreement (Form 401), a Marketing Agreement executed by the Mortgagor and the Marketing and Management Agent(s), the Certification of Owner and Management Agent (Form 210) and the Management Agent's Power of Attorney (Form 209).
13. A copy of the Builder's License for the General Contractor.
14. A copy of the Annual Registration Certificate for the Design and Administrative Architect.
15. Building Permits and other governmental permits and approvals necessary to the construction of the Development issued by the appropriate jurisdiction.
16. Operating Assurance Reserve established with a letter of credit or cash.
17. Building Loan Agreement (Legal Form 014).
18. Construction Contract (Legal Form 016), with exhibits.
19. General Conditions to the Construction Contract (Legal Form 017).
20. Trade Payment Breakdown (PSD 6:001).
21. Equal Employment Opportunity Plan.
22. Payment and Performance Bonds (Legal Forms 019 and 020) each in the amount of \$*** or a Completion Assurance Agreement (Legal Form 021), with cash deposit or unconditional, irrevocable Letter of Credit issued to the Authority in an amount not less than \$***.
23. Schedule of anticipated dates for completion of construction of living units and turnover thereof by the General Contractor to the Mortgagor, prepared by the General Contractor and the Mortgagor.
24. Certified copy of tax abatement ordinance and Notification to Local Assessor of Exemption (Legal Form 031).
25. Mortgage Title Insurance Policies for both the Mortgage and Section 1602 Mortgage, issued by a title insurance company authorized to do business in Michigan and acceptable to the Authority, insuring the Authority's interest in the Property and showing that on the date of Closing title to the Property is vested in the Mortgagor free and clear of all liens, encumbrances, encroachments or reservations of title other than those which are specifically determined to be acceptable by an Authorized Officer of the Authority. The Title Insurance Policy shall include a [3.0/3.1] zoning endorsement, comprehensive endorsement, pending disbursement endorsement, and any other endorsements deemed necessary or appropriate by the Authority. The Title Insurance Policies shall be extended prior to each disbursement of Mortgage Loan and Section 1602 Loan proceeds during construction in accordance with the provisions of the Building Loan Agreement to show that the status of title to the Property has not changed to the detriment of the Authority, as determined by an Authorized Officer of the Authority.
26. A copy of a recorded Notice of Commencement as required by P.A. 497 of 1980. The Notice of Commencement shall contain a legal description of the Property and shall designate the title insurance company or such other person or entity as may be acceptable to the title insurance company as "Designee."

27. ALTA/ACSM Land Title Survey certified to the Authority (using Legal Form 026) and Surveyor's Certificate of Facts (Legal Form 025), prepared by a licensed professional surveyor within thirty (30) days prior to Closing, showing all easements or encroachments upon the Property. The survey shall be updated prior to each disbursement of Mortgage Loan proceeds during construction in accordance with the provisions of the Building Loan Agreement.

28. Agreement between the Mortgagor and Authority-approved Architect for Design and Administration Services (Legal Form 023) and an Architect's Certificate (Legal Form 024).

29. Assignment of the Architect's Agreement and the Drawings and Specifications for the improvements to be constructed on the Property (Legal Form 023A).

30. Certificate and Policy of Professional Liability Insurance for the Design and Supervisory Architect in an amount equal to the greater of \$1,000,000 or 10% of the construction contract amount, with a deductible minimum of \$10,000 to a maximum of \$100,000, depending on project size, which policy must remain in effect for a period of at least one year following substantial completion of the Development as determined by an Authorized Officer of the Authority.

31. Opinion of the Mortgagor's Attorney addressed to the Authority and acceptable to the Authority's Director of Legal Affairs and the Attorney General of the State of Michigan (Legal Form 027).

32. Copies of the Mortgagor's builder's risk insurance, a copy of the General Contractor's broad form comprehensive general liability insurance in amounts and coverages approved by an Authorized Officer of the Authority, and certificates confirming the existence of the General Contractor's worker's compensation and employee liability insurance policies.

33. Zoning confirmation letter dated within thirty (30) days of closing.

34. Such other documents and instruments as are necessary and as may be required by the Authority, the Attorney General of the State of Michigan, or Bond Counsel to the Authority as a result of obligations imposed upon the Authority by contract or agreement relating to the issuance by the Authority of its notes or bonds.

35. The requisite amount of the Mortgagor's equity contribution.

EXHIBIT C

Conditions Precedent/Items to be Delivered Prior to Final (Permanent Loan) Closing

1. **INSERT THE FOLLOWING IF APPLICABLE** Receipt of the sum of *** Dollars (\$***) to reduce the permanent loan amount of *** Dollars (\$***) by a time established by an Authorized Officer of the Authority
2. Audit and cost certification prepared for the Development in accordance with the Authority's Cost Certification Manual and acceptable to an Authorized Officer of the Authority.
3. Certificate(s) of Occupancy issued by legally constituted authorities having jurisdiction and Permission(s) to Occupy issued by the Authority.
4. Mortgage Title Insurance Policies for both the Mortgage and Section 1602 Mortgage, issued by a title insurance company authorized to do business in Michigan and acceptable to the Authority, insuring the Authority's interest in the Property and showing that on the date of Final Closing, title to the Property and Development are vested in the Mortgagor free and clear of all liens, encumbrances, encroachments or reservations of title other than the Mortgage, Section 1602 Mortgage and Regulatory Agreement and those that are specifically determined to be acceptable by an Authorized Officer of the Authority. The Title Insurance Policy shall also include a 3.1 zoning endorsement, comprehensive endorsement and any other endorsements deemed necessary or appropriate by the Authority.
5. As-built ALTA/ACSM Land Title Survey certified to the Authority (using Legal Form 026) and Surveyor's Certificate of Facts (Legal Form 025), prepared by a licensed professional surveyor and dated within thirty (30) days of Final Closing, showing all easements or encroachments upon the Property. The survey shall show the completed improvements and their location on the Property.
6. Such supplemental and/or consolidating notes, mortgages and other agreements as may be deemed necessary by the Authority's Director of Legal Affairs.
7. Certificate confirming the continued existence of Professional Liability Insurance for the Design Architect and the Administrative Architect in an amount equal to the greater of \$1,000,000 or 10% of the construction contract amount, with a deductible minimum of \$10,000 to a maximum of \$100,000, depending on project size, and that said policy will remain in effect for a period of at least one year following substantial completion of the Development as determined by an Authorized Officer of the Authority. If the insurance company has changed since Initial Closing, then copies of the full policies must also be submitted.
8. Evidence that all approvals, licenses and permits necessary to the operation of the Development have been obtained from the appropriate authorities.
9. Certified copy (including all amendments) of the Certificate of Limited Partnership for the Mortgagor and current Certificate of Non-Cancellation, both dated within 30 days of closing; a copy of the partnership agreement and other agreements governing the affairs of the Mortgagor, including all amendments; and the Mortgagor's Closing Certificate (Legal Form 005).
10. Certified copies (including all amendments) of the Certificate of Limited Partnership, Articles of Incorporation or Articles of Organization for any entity general partners or members of the

Mortgagor, and current Certificates of Good Standing, Non-Cancellation or Status, as applicable; copies of the partnership or operating agreements, by-laws, and other agreements governing the affairs of such entity general partners or members, including all amendments; and a Closing Certificate for each such entity (Legal Form 005, 005L or 007); certified Resolutions of any corporate general partners or members (Legal Form 008); and all other instruments necessary, in the opinion of the Authority or its counsel, to authorize the execution of the Mortgage Note and Mortgage and all other closing documents by the Mortgagor.

11. Opinion of Mortgagor's Attorney addressed to the Authority (Legal Form 061).
12. Fully executed Form PSD 12:002.
13. Copies of General Contractor's Final Sworn Statement.
14. Copy of the Management Agent's Employee Crime and Dishonesty Insurance in an amount that is the greater of \$50,000 or two month's gross receipts from the operation of the Development.
15. Policies of property hazard insurance, commercial liability insurance and workmen's compensation insurance in amounts and coverages acceptable to an Authorized Officer of the Authority.