

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 "TCAP Loan") with funds from the Tax Credit Assistant Program ("TCAP") 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. **The Development.**

a. The Development is located at the following address;

and contains *** units, of which *** units are Low Income Housing Tax Credit ("LIHTC") Units, *** units are Section 504 accessible units and *** units are of Energy Star qualified units;

b. The Development has received a Reservation for \$*** of LIHTCs, from the *four percent (4%)*/*nine percent (9%)* credits awarded under Section 42(h) of the Internal Revenue Code of 1986, as amended (the "Code").

2. **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 TCAP Loan shall not exceed ***Dollars (\$***). However, Mortgagor acknowledges that the availability of the funds for the TCAP Loan is severely limited and subject to the time constraints set forth in Section 26.

3. **Interest Rate.** The interest rate on the Mortgage Loan shall be *** percent (***) per annum, computed monthly on the outstanding loan balance. The TCAP Loan shall bear interest at the rate of three and 00/100 (3.00%) per annum.

4. **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 Cut-off Date established by an Authorized Officer of the Authority in accordance with the Authority's Cost Certification Manual dated September 24, 1992 (the "Cost Certification Manual"). Additionally, Mortgagor covenants that 75% of the costs to be reimbursed by TCAP funds must be incurred by February 16, 2011, all costs to be reimbursed by TCAP funds must be incurred by ***, 2012, all TCAP funds must be disbursed by the Authority by ***, 2012 and must be expended upon a Development which meets all TCAP Regulations and other TCAP requirements and which is placed in service, as defined by Section 42 of the Code, by ***, February 12, 2012, or such other date as HUD may require or permit. Any TCAP funds not disbursed by that date shall be forfeited. The term of the permanent loan shall begin on the 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 TCAP Loan shall not exceed fifty (50) years after Mortgage Loan closing.

5. **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.

6. **Asset Management Fee.** Prior to or concurrently with the initial disbursement by the Authority of any TCAP Loan proceeds the Mortgagor shall deliver to the Authority a *an initial asset management fee equal to two percent (2%) of the amount of the TCAP 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 TCAP Loan does not close. Any loan processing fees paid by the Sponsor or Mortgagor to the Authority prior to disbursement of Loan proceeds will be credited toward this fee.

7. **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 TCAP 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 Tax Credit Assistant Program 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.

8. **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 after the Cut-off Date. 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) will be returned to the Authority in an amount not to exceed the outstanding balance of and applied against the TCAP Loan, 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 will be returned to the Authority in an amount not to exceed the outstanding balance of and applied against the TCAP Loan, and any remainder, will be available for release to the development's operating account. Any sums transferred to the operating account will be treated as Development funds, available for payment of accumulated limited dividends and to pay operating expenses.

9. **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 will be returned to the Authority in an amount not to exceed the outstanding balance of and applied against the TCAP Loan, and any remainder will be available for release to the development's operating account. Any sums transferred to the operating account will be treated as Development funds, available for payment of accumulated limited dividends and to pay operating expenses.

10. **Replacement Reserve.** The Mortgagor shall establish and maintain a Replacement Reserve Fund by depositing monthly installments with the Authority, beginning with the first scheduled payment of principal on the permanent loan. 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.

11. ****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 or TCAP 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.

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 commencement of amortization of the Mortgage Loan, the Authority will determine the amount sufficient to fund projected operating deficits through the remaining term of the Mortgage Loan and the TCAP Loan. 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, 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(s) as accelerated. At such time as the Mortgage Loan, TCAP Loan and all other financial obligations to the Authority are paid in full, the remaining balance of the ODR, including all interest which has accumulated, will be disbursed to the Mortgagor.

12. **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.

13. **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 to twelve percent (12%) per annum for the first year, commencing on the Cut-Off Date. The return will not exceed 12 % per annum, until the TCAP loan has been fully repaid. The owner may request to increase the return on equity upon full payment of the TCAP Loan. Once an increase is approved, the limitation on the Mortgagor's rate of return will increase at the rate of one percent (1%) per year until a maximum of twenty-five percent (25%) per annum in reached. The return on equity will be fully cumulative. For purposes of determining the Mortgagor's return, equity is defined as the difference between the cost-certified Total Development Cost for the Development and the sum of Mortgage Loan, plus the TCAP Loan and any grant funds or secondary financing from HOME funds, Section 1602 program, CDBG, the Federal Home Loan Bank Affordable Housing Program or other sources.

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.

14. **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.

15. **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 TCAP Loan and all unpaid interest thereon shall immediately be due and payable in full at the request of the Authority.

No payments on the TCAP Loan will be required prior to January 1, 2013 or so long as any deferred developer fees due to *** (the "Developer") under the terms of the Mortgagor's ****INSERT MORTGAGOR'S ORGANIZATIONAL DOCUMENT*, remain unpaid, but in no event longer than twelve years following the date that amortization of the First Mortgage Loan commences. At the earlier of: the year in which the all developer fees due to the Developer have been paid in full or the 13th year following the date that amortization of the First Mortgage Loan commences, repayment of the TCAP loan will be made from not less than twenty-five percent (25%) of any funds otherwise available to the Mortgagor for distribution ("Surplus Cash"), as determined by the Mortgagor's annual audit of the Development's operations. Such payments shall be applied first to accrued interest, then to current interest and principal and shall continue until the sale of the development, refinancing of the First Mortgage Loan, at which time the TCAP Loan shall be due in full. If the TCAP Loan is still outstanding, then following repayment of the First Mortgage Loan and continuing on the first day of every month thereafter, the Mortgagor shall make monthly payments of principal and interest equal to the monthly payments that were required on the First Mortgage Loan shall be made on the first day of every month until the TCAP Loan is paid in full, sale of the development or the date that is 50 years from date of closing, whichever occurs first.

16. **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. . The TCAP Loan may not be prepaid prior to January 1, 2013. After that date, it may be prepaid, in full or in part, without penalty or fee upon sixty (60) days written notice to the Authority.

17. **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.

18. **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.

19. **Development Cost Analysis.**

a. 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 and the Mortgagor's equity contribution.

b. The final sources and uses for the development, including total development costs, total amount of TCAP funds to be used for the development and the total amount of equity to be raised by syndication of the LIHTC's is set forth in Exhibit B attached hereto and made a part of this Commitment;

c. The Development will be *constructed/rehabilitated* pursuant to the schedule attached hereto in Exhibit C; attached hereto and made a part of this Commitment

d. The Mortgagor cannot request or receive TCAP funds in excess of actual costs incurred that are eligible for reimbursement pursuant to TCAP Regulations and other TCAP requirements and that there can be no lump sums of TCAP funds advanced or TCAP funds placed in escrow to fund future advances.

20. **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.

21. **Recapture.** The Mortgagor is hereby notified and hereby acknowledges that:

a. If it has received funds for costs ineligible pursuant to TCAP Regulations and other TCAP requirements any TCAP funds used for ineligible costs shall become subject to recapture.

b. if the Mortgagor shall fail:

i. to complete *construction/rehabilitation* of the Development and/or to complete *construction/rehabilitation* of the Development in compliance with all TCAP Regulations and other TCAP requirements and place the Development in service, as defined by Section 42 of the Code, by ***February 12, 2012, or such other date as HUD may require or permit, or:

ii. to comply with the 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;

such failure shall cause all TCAP funds to become subject to recapture.

In the event that the Mortgagor shall become liable for the Recapture Requirement, it shall satisfy the Recapture Requirement within the time specified in the written notice thereof to the Mortgagor by the Authority.

22. **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.

23. **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.

24. **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.

25. **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.

26. **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 23.

The Commitment for the TCAP Loan is subject to the condition that the availability of TCAP Funds is severely limited and shall be disbursed on a first-come, first-served basis. Specifically, any mortgagor shall close upon and receive a disbursement of TCAP funds once it has satisfied all of the conditions set forth in its commitment for the TCAP Loan. If, prior to the time that Mortgagor satisfies all of the conditions of this Commitment for the TCAP Loan the amount of TCAP loans closed by the Authority is sufficient to obligate all of the TCAP funds available to the Authority, the Mortgagor shall not be entitle to receive a TCAP Loan. Further, as to the TCAP 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 and TCAP 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 the section 23.

27. **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.

28. **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.

29. **Initial Closing.** The Initial Closing of the Mortgage Loan and TCAP 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.

30. **Final Closing.** The final closing of the permanent loan and TCAP 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 TCAP 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. HUD Notice of Release of Grant Conditions (HUD 7015.16) relating to the use of TCAP funds in connection with the Development
7. TCAP Mortgage Note in the amount of the TCAP Loan, secured by a TCAP 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 TCAP 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 Policy shall be extended prior to each disbursement of Mortgage 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 TCAP 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 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.