

EARLY START AGREEMENT

Department of Labor and Economic Growth
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
735 East Michigan Avenue, Lansing, Michigan 48912

THIS EARLY START AGREEMENT is entered into on the ___ day of ***, by and between *** LIMITED DIVIDEND HOUSING ASSOCIATION LIMITED PARTNERSHIP, a Michigan limited partnership (the "Mortgagor"); ***, a Michigan *** (the "Contractor"); and the MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY, a public body corporate and politic of the State of Michigan (the "Authority").

RECITALS:

- A. The Mortgagor has entered into a Construction Contract with the Contractor for the construction or rehabilitation of a housing development for persons of low and moderate income or the elderly, identified as ***, MSHDA Development No. *** and located in the ***, *** County, Michigan (the "Development").
 - B. Pursuant to the Authority's Mortgage Loan Commitment dated *** (the "Commitment"), the Authority has agreed to make a mortgage loan to the Mortgagor to aid in financing the construction or rehabilitation of the Development (the "Mortgage Loan").
- or
- B. Pursuant to a resolution adopted by the Authority dated *** (the "Resolution"), the Authority approved a mortgage loan to the Mortgagor to aid in financing the construction or rehabilitation of the Development (the "Mortgage Loan").
 - C. The Mortgagor and the Contractor desire to begin the construction or rehabilitation of the Development prior to initial closing of the Mortgage Loan (the "Initial Closing").

THEREFORE, in consideration of such permission being granted by the Authority, the Mortgagor and the Contractor have agreed to comply with the terms and conditions set forth below.

1. All construction or rehabilitation activities undertaken prior to the Initial Closing and recording of the Mortgage are to be at the sole risk of the Contractor, including but not limited to, any risk arising out of the failure to commence or complete the Initial Closing and recording of the Mortgage.
2. The Mortgagor and the Contractor agree not to allow the commencement of any construction or rehabilitation activities at the Development until after the Authority acknowledges the recording of the Mortgage with the register of deeds for the county in which the Development is located. The Mortgagor shall ensure that a proper notice of commencement shall be recorded subsequent to the Mortgage and posted at the Development in accordance with Michigan law.
3. In order to permit the assignment of a construction inspector, the Authority will be notified of

the date when construction *** or rehabilitation activities are to begin, which is defined as the date upon which initial site clearance, rough grading, and/or excavation is to begin. Once begun such site clearance, rough grading, excavation and/or related activities shall continue without appreciable delay and shall be pursued diligently. Any facilities required for the Authority's construction inspector will be made available.

4. A sworn statement and waivers of lien will be furnished by the Contractor and by each subcontractor who performed any work at, or provided services or materials to the Development, to be delivered to the Mortgagor and the Authority at the Initial Closing of the Mortgage Loan. All construction liens and encumbrances filed or recorded before the Initial Closing will be discharged of record prior to the disbursement by the Authority of any proceeds of the Mortgage Loan. Further, the Mortgagor will provide title insurance coverage, insuring the priority of the Authority's Mortgage over any potential construction liens arising from the work begun prior to the recording of the Mortgage.

5. No work shall be commenced on construction of the Development until Drawings and Specifications sufficient, as determined by an Authorized Officer of the Authority, to cover the work to be done prior to recording of the Mortgage and Initial Closing, have been filed with and approved by an Authorized Officer of the Authority. No construction work on the Development shall proceed beyond the scope indicated on such Drawings and Specifications, until complete Drawings and Specifications for the entire Development shall have been approved and accepted by all parties. All work shall be done in accordance with the plans and specifications approved by an Authorized Officer of the Authority.

6. If the Development is to receive federal assistance, no construction shall be commenced except pursuant to a current prevailing wage determination by the Authority.

7. Submitted with this Agreement is an executed copy of the Construction Contract and General Conditions between the Mortgagor and the Contractor on MSHDA Legal Forms 016 and 017 (the "Contract").

8. The real property upon which the Development is to be constructed or rehabilitated is currently owned by ***, a Michigan ***.

9. The date upon which the Commitment requires the first payment to principal of the Mortgage Loan to be made may be amended by the Authority prior to the date of the Initial Closing of the Mortgage Loan. As amended, this date will reflect the then-current estimate of an Authorized Officer of the Authority as to the total period required for the completion of construction or rehabilitation and for achieving sustaining occupancy at the Development.

10. The Contractor agrees not to assert any claim in connection with the contemplated construction or rehabilitation against the Mortgagor and/or any partner of the Mortgagor unless the Mortgage Loan is closed by the Authority, and then only to the extent provided for in the Contract.

11. All work prior to the Initial Closing and thereafter is to be approved by the Architect administering the work, as identified in the Contract.

12. It is understood that execution of this Agreement by the Authority shall not be construed as varying the terms of the *** Resolution or the outstanding Commitment except to permit the commencement of construction or rehabilitation prior to the Initial Closing, and the Mortgage Loan will not be closed unless all work completed prior to Initial Closing conforms to Authority-approved Drawings and Specifications and

unless all other requirements of the Commitment, including without limitation, a title insurance policy with construction lien coverage as required by the Authority, are satisfied.

13. It is understood that the Authority will not be held to be responsible for any liens or any other objections to title which might result from the fact that construction of the Development was commenced prior to recording the Mortgage, and shall not in any respect be deemed to have approved the title prior to the Initial Closing or to have waived, in any way, any of the provisions of the Building Loan Agreement to be executed and delivered at Initial Closing.

THIS EARLY START AGREEMENT is executed by the authorized representatives of the parties as of the date shown above.

*** LIMITED DIVIDEND HOUSING
ASSOCIATION LIMITED PARTNERSHIP

By: ***
Its General Partner

By: _____

Its: ***

By: _____

Its General Partner

*** (Contractor)

By: _____

Its: ***

MICHIGAN STATE HOUSING
DEVELOPMENT AUTHORITY

By: _____

Its: ***