

Prepared by & Return to:
PHFA-Legal Division
211 North Front Street, P.O. Box 8029
Harrisburg, Pennsylvania 17105-8029
717-780-3846

PIN / ID Number: _____

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TAX CREDIT ASSISTANCE PAYMENT AGREEMENT

THIS AGREEMENT, entered into the _____ day of _____, 2009, between PENNSYLVANIA HOUSING FINANCE AGENCY ("Lender or Agency"), a public corporation and government instrumentality, created by and existing pursuant to the Housing Finance Agency Law, 35 P.S. Section 1680.101 et seq., as amended (the "Act"), having a mailing address of P. O. Box 8029, Harrisburg, Pennsylvania 17105-8029,

AND

_____, a Pennsylvania
_____, ("Borrower") having its principal office at
_____.

WITNESSETH:

WHEREAS, Borrower is the holder of a fee simple interest in certain property (or the lessee under an approved ground lease) described in Exhibit A, attached hereto and made a part hereof, (hereinafter the "Premises"); and

WHEREAS, Lender has agreed to provide Borrower a loan in the amount of _____ Dollars (\$_____) (the "Loan") through funds made available to Lender through the American Recovery and Reinvestment Act of 2009 ("ARRA"), Tax Credit Assistance Program ("TCAP") from the U. S. Department of Housing and Urban Development ("HUD"), to assist Borrower in the construction and/or rehabilitation of residential rental units located in _____ County, Pennsylvania, as more fully described herein ("Project"), in accordance with certain Drawings and Specifications prepared by the Project, and the PHFA addendum together with the Drawings and Specifications. Said Drawings and Specifications are hereby made a part of this Agreement; and

WHEREAS, Borrower desires to borrow from Lender and Lender, subject to the terms and conditions set forth herein, the requirements of the PHFA Tax Credit Allocation Plan (the "Allocation Plan"), the Low Income Housing Tax Credit Program set forth in Section 42 of the Internal Revenue Code, as amended, (the "Code") and the regulations, notices and rulings promulgated in accordance thereto, ARRA and the TCAP guidelines, as amended and modified from time to time by HUD, is prepared to lend to Borrower up to the full amount of the Loan to finance the construction of the Project.

Borrower has agreed to secure the requested financing of the Premises with a mortgage on the Premises and other security documents; and

WHEREAS, in reliance upon the security of Borrower's mortgage collateral, contractor's payment and performance guarantees, Borrower's covenants, escrows, reserves, guaranties and pledges of payments, Lender is prepared to make a loan upon the conditions set forth below.

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

For the purposes of this Agreement each of the following terms shall have the meaning specified with respect thereto:

(a) Agreement: This Tax Credit Assistance Program Agreement as it may be amended or supplemented.

(b) Architect's Agreement: The agreement for architectural and related services for the construction and/or rehabilitation of the Project between Borrower and an architectural firm.

(c) Construction Contract: The AIA Document A101, 1997 Edition or 2007 Edition, Standard Form of Agreement Between Owner and Contractor, AIA Document A201 the Conditions of the Contract for Construction 1997 Edition or 2007 Edition and Lender Addendum to AIA Documents A101 and A201 for the construction and/or rehabilitation of the Project between Borrower and a construction contractor.

(d) Contract Documents: The Construction Contract as defined above, this Agreement, the drawings, the specifications and all Addenda issued prior to and all modifications issued after execution of the Contract, and any other items that may be specifically stipulated as being included in the Contract Documents.

(e) Governmental Authority: Any governmental office, officer or official (including environmental) whose consent or approval is required as a prerequisite to the commencement of the Project or the operation and occupancy of the Project or to the performance of any act or obligation or observance of any agreement, or condition contained within this Agreement.

(f) Loan: The loan herein described, which shall be in the maximum amount set forth in the recitals of this Agreement. There will be no interest due and payable on the loan. The term of the loan shall be 30 years from the date the Project is cost certified by the Agency and placed in service under the Code. Payment of principal only shall be made from surplus of revenues over expenses generated by the Project during any calendar year prior to repayment of subordinate Project financing, any and all partnership fees or payments, operating expense loans, deferred developer's fees, asset management fees, priority distributions or payments to the general partner or investor or any other fees or payments not originally underwritten as a project operating expense and due and payable by Borrower ("Excess Revenue"). In the event there is a surplus of revenues over expenses in any calendar year as determined by the Lender upon review of annual audited financial statements, 50% of the Excess Revenue shall be applied to repay the Loan. During the first three (3) years of Project operations, 50% of Excess Revenue shall be deposited into the operating reserve established for the Project and the other 50% shall be paid to Borrower as Owner Distribution. Upon the expiration of three (3) years of Project operations, in the

event there is a surplus of revenues over expenses in any calendar year, 50% of Excess Revenue shall repay the Loan and the other 50% shall be paid to Borrower as Owner Distribution.

(g) Loan Documents: This Agreement, the Note, the Mortgage, the Indenture of Restrictive Covenants for Low Income Housing Tax Credits and Tax Credit Assistance Program and all other loan documents executed in connection with the Loan.

(h) Mortgage: The Open-End PHFA Mortgage and Security Agreement and Assignment of Rents and Leases securing the Loan covering all of the right, title and interest of Borrower in and to the Premises and all personal property and containing an assignment of the rents and leases thereon used in the management, maintenance and operation of the Premises.

(i) Note: The PHFA TCAP Note of Borrower in the amount of the Loan secured by the Mortgage and evidencing Borrower's obligation to repay the Loan.

(j) Owner Distribution - Any withdrawal of cash or any assets of the Project, as approved in the sole discretion of the Agency, including the segregation of cash or assets for subsequent withdrawals as well as any and all fees payable to the general partner (excluding payment for reasonable expenses incident to the operation and maintenance of the Project.)

(k) Premises: The premises as defined in the recitals of this Agreement.

(l) Required Equity Contribution: The difference between the amount necessary to complete construction of the premises in accordance with the Contract Documents and the amount remaining to be advanced by Lender to Borrower, including the Loan and other ancillary loans and funding sources.

ARTICLE II PROJECT DESCRIPTION

The Project that will be funded by the Loan is more fully described as follows:

- (a) Project Address: _____

- (b) Project Owner and Address: _____

- (c) Total Number of Units: _____
- (d) Total Number of LIHTC Units: _____
- (e) Total Number of Section 504 Accessible Units: _____
- (f) Total Number of Energy Star Units: _____
- (g) TCAP Loan Amount: \$_____
- (h) Amount of LIHTC: \$_____

- (i) Source of LIHTC: 4% credit or 9% credit under Section 42(h)
- (j) Type of Project: Construction or Rehabilitation

ARTICLE III
PROJECT BUDGET
Attached as Exhibit B

ARTICLE IV
CONSTRUCTION SCHEDULE
Attached as Exhibit C

All construction draws must be submitted for processing no later than September 30, 2011. This is a fixed deadline to ensure processing within the timeframes established under ARRA and no exceptions shall be made.

ARTICLE V
GENERAL REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants, which representations and warranties shall survive until the Loan has been paid in full, as follows:

(a) Borrower is duly formed and validly existing and in good standing under the laws of the Commonwealth of Pennsylvania, and has all the power and authority to own and operate the real property and to consummate the transaction contemplated in the Loan Documents and in all other agreements mentioned within this Agreement to which Borrower is a party.

(b) There is no action, suit or proceeding pending, or to the best of Borrower's knowledge threatened, against or affecting it, the Premises or Borrower with respect to the Premises in any court at law or in equity, or before or by any governmental instrumentality, whether federal, state, county or municipal.

(c) The consummation of the transactions herein contemplated and the performance or observance of Borrower's obligations under the Loan Documents and under any and all other agreements and instruments herein mentioned to which Borrower is a party, have been duly authorized by the partners of Borrower, will not conflict with or result in a breach of any of the terms, conditions or provisions of the partnership documents and filings pursuant to which Borrower has been organized and is existing, or of any law or any regulation, order, injunction or decree of any court or governmental instrumentality, or of any agreement or instrument to which Borrower is now a party or is subject, or constitute a default thereunder, or (except to the extent provided in the Loan Documents) result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of Borrower pursuant to the terms of any such agreement or instrument.

(d) No consent or authorization of or registration, declaration or filing with any Governmental Authority is required in connection with the valid execution and delivery of the Loan Documents or the performance of any of the transactions required thereby, or, if required such consent or authorization shall have been obtained or such registration, declaration or filing shall have been accomplished prior to the date such consent is required to have been obtained.

(e) To the best of Borrower's knowledge, the construction of the Project and the proposed use thereof will be in compliance with all applicable zoning, subdivision, environmental protection, use and building codes, appropriate wage rate determinations and procedures, energy conservation standards, historic preservation requirements, laws, regulations and ordinances, and Borrower has no knowledge of any notice of violations of any laws, ordinances, codes, requirements or orders of any governmental instrumentality having jurisdiction over the Project.

(f) All financial statements delivered to Lender by Borrower are true and correct in all respects and have been prepared in accordance with generally accepted accounting principles, no materially adverse change has occurred in the financial conditions reflected in the statements since their respective dates and no additional borrowings have been made by Borrower since the date of the statements other than the borrowing contemplated hereunder approved by Lender.

(g) None of the financial statements or other statements furnished to Lender by or on behalf of Borrower in connection with this Agreement contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements not misleading.

(h) Any and all federal, state and local income tax returns required to be filed by Borrower have been filed, and all taxes reflected upon any such tax returns, all past due taxes, interest and penalties and all estimated payments required to be paid have been paid.

(i) Borrower has good and marketable title to an indefeasible fee simple estate or to a leasehold estate pursuant to a ground lease as approved by Lender in the Premises, subject to no lien, charge or encumbrance, except such as are listed as exceptions to title or exclusions from coverage in the title insurance policy being issued to Lender concurrently with the recording of the Mortgage.

(j) All personal property with respect to which Borrower has granted to Lender a security interest pursuant to any of the Loan Documents is owned by Borrower free and clear of all liens, encumbrances and security interests and Borrower has granted no other party an interest in the rents and lease which are assigned to Lender as security for the Loan, with the exception of those assignments as identified on Lender's title insurance policy.

(k) Borrower has not executed and is not a party to any contract or agreement of any kind which could give rise to a right by the other party thereto to acquire a lien against the Premises, except as permitted in the financing documents for the Project, and the Contract Documents, and no work or site activity, with the exception of certain preconstruction work activity specifically approved by the Agency, has been commenced prior to the execution of this Agreement it being understood that all preconstruction activity was conducted at Borrower's sole and continuing risk. The Contract Documents are in full force and effect and no party thereto is in default thereunder.

(l) The Loan shall only be disbursed to pay for costs associated with the construction and/or rehabilitation of the Project that are basis eligible under the federal Low Income Housing Tax Credit Program at Section 42 of the Internal Revenue Code ("LIHTC").

(m) Borrower has not treated, stored, recycled, disposed of or discharged any hazardous, toxic or polluting substances on or into the Premises, and Borrower has no actual knowledge of any other person or entity, including, without limitation, any previous owner of the Premises, having treated, stored, recycled, disposed of or discharged any hazardous, toxic or polluting substances on or into the Premises.

(n) Borrower has no actual knowledge of any notification having been filed with regard to the discharge of hazardous, toxic or polluting substances on or into the Premises under the Federal Comprehensive Environmental Response, Compensation and Liability Act, the Pennsylvania Clean Water Act or under any other federal or state law pertaining to protection of the environment.

(o) Borrower hereby discloses that it has physically inspected the Premises in the company of a certified design architect.

(p) The work to be performed at the Premises will be done using the applicable Davis-Bacon wage rates as determined in accordance with the TCAP and ARRA program and Borrower shall require all contractors and all subcontractors to certify their compliance at all times throughout the construction and rehabilitation work on the Premises and shall require all reporting and record keeping applicable to the Project in accordance with guidance issued by the U.S. Department of Labor and/or HUD from time to time throughout the Project Term. Failure to abide with the regulations, submit in a timely manner all necessary paperwork or failure to properly compensate employees and workers on the Project, by any Contract party, may result in various remedial actions against Borrower, including without limitation, suspension of funding under the disbursement provisions of this Agreement or application of funds from reserves or escrows to pay disputed costs or to reserve for possible liability.

ARTICLE VI TCAP LOAN REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants, which representations and warranties shall survive until the Loan has been paid in full and may be amended and supplemented from time to time and will be applicable as amended, as follows:

(a) Borrower shall comply with all of the terms and conditions of LIHTC, including, but not limited to, timeframes, and deadlines, record keeping, rent and income restrictions for the project.

(b) Borrower shall comply with all of the terms and conditions of the American Recovery and Reinvestment Act of 2009 (Public Law 111-5), and all applicable rules, regulations, guidelines, notices and rulings issued by the U.S. Department of Housing and Urban Development and/or the U.S. Treasury Department in connection with the programs established by ARRA and the U.S. Department of Labor (Davis-Bacon) and the U.S. Department of Environmental Protection (NEPA).

(c) Borrower shall comply with Title VI of the Civil Rights Act of 1964, P.L. 88-352 (42 U.S.C. 2000(d)) and the regulations issued pursuant thereto (24 CFR Part 1), which provides that no persons in the United States shall on the grounds of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity for which the Borrower receives Federal financial assistance and Borrower will immediately take any measures necessary to effectuate this assurance. If any real property or structure thereon is provided with the aid of Federal financial assistance extended to the Borrower, this assurance shall obligate the Borrower or in the case of any transfer of such property, any transferee, for the period during which the real property or structure is used for a purpose for which the Federal financial assistance is extended, or for another purpose involving the provision of similar services or benefits.

(d) Borrower shall comply with Fair Housing Act (42 U.S.C. 3601-19) and implementing regulations at 24 CFR Part 100 and the regulations at 24 CFR Part 107 (Equal Opportunity in Housing),

which states that no person shall be subjected to discrimination because of race, color, religion, sex, handicap, familial status, or national origin in the sale, rental, or advertising of dwellings, in the provision of brokerage services, or in the availability of residential real estate-related transactions; and requires that Borrower manages and operates the project in a manner to affirmatively further fair housing. Actions that the Borrower undertakes to affirmatively further fair housing will be consistent with actions identified in any locally adopted fair housing analysis.

Borrower acknowledges that HUD has responsibility to affirmatively further fair housing in the programs it administers. Lender will establish an affirmative fair housing marketing plan for its TCAP projects and require Borrower to follow its plan when marketing TCAP units. Affirmative marketing steps consist of actions to provide information and otherwise attract eligible persons in the housing market to the available housing without regard to race, color, national origin, sex, religion, familial status or disability. The affirmative marketing requirements and procedures adopted must include:

(1) Methods for informing the public, Project owners and potential tenants about Federal fair housing laws and the Lender's affirmative marketing policy:

(2) Requirements and practices each Project owner must adhere to in order to carry out the Lender's affirmative marketing procedures and requirements;

(3) Procedures to be used to inform and solicit applications from persons in the housing market areas that are not likely to apply for the housing without special outreach. Special outreach, as appropriate, includes but is not limited to, the translation of marketing material for persons who are limited English proficient; the placement of translated marketing material in minority-owned media; and the provision of meaningful access concerning the Project (e.g. providing translated information about application procedures, tenancy and other project amenities);

(4) Records that will be kept describing actions taken by Lender and by Project owners to affirmatively market units and records to assess the results of these actions; and

(5) A description of how it will annually assess the success of affirmative marketing actions and what corrective actions will be taken where affirmative marketing requirements are not met.

Borrower shall comply with ongoing Lender guidance regarding reporting and data collection, participation in outreach programs and use of ongoing tools such as the Apartment Locator and related programs for expansion of housing and employment opportunities in furtherance of fair housing.

(e) Borrower shall comply with Age Discrimination Act of 1975 (42 U.S.C. 6101-07) and implementing regulations at 24 CFR Part 146 "Nondiscrimination on the Basis of Age in HUD Programs or Activities Receiving Federal Financial Assistance."

(f) Borrower shall comply with Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and implementing regulations at 24 CFR Part 8 "Nondiscrimination Based on Handicap in Federally Assisted Programs and Activities of the Department of Housing and Urban Development."

Section 504 of the Rehabilitation Act of 1973 applies to all TCAP projects. For new construction projects and projects undergoing substantial rehabilitation, five percent of the units must be accessible to persons with mobility impairments and two percent of the units must be accessible to persons with hearing or vision impairments. (See 24 CFR 8.22.) "Substantial rehabilitation" for a multifamily rental

project is defined in Section 24 CFR 8.23 as a project with 15 or more units for which the alterations would equal more than 75 percent of the replacement cost for the facility.

Modifications to projects to comply with Section 504 requirements are eligible costs under TCAP. However, compliance with Section 504 requirements may be infeasible or impracticable for some projects, depending on where they are in the development process. If a new construction or substantial rehabilitation project is underway or has already been completed, and it cannot be modified to meet the accessibility requirements established by Section 504, it is ineligible to receive TCAP assistance.

(g) Borrower shall comply with Executive Order 11625, October 13, 1971 and Executive Order 12432 which prescribe additional arrangements for developing and coordinating a national program for Minority Business Enterprise (36 FR 19967); and 24 CFR 85.36(e) which describes actions to be taken to assure that minority business enterprises are used when possible in the procurement of property and services. Borrower shall at all times undertake such reporting and outreach programs as are required by the Lender to maximize minority business participation in the construction and ongoing operation of the Project.

(h) Borrower shall comply with Executive Order 12138, May 18, 1979 (44 FR 29637) which creates a National Women's Business Enterprise Policy; and 24 CFR 85.36(e) which describes actions to be taken to assure that minority business enterprises are used when possible in the procurement of property and services. Borrower shall at all times undertake such reporting and outreach programs as are required by the Lender to maximize women's business participation in the construction and ongoing operation of the Project.

(i) Borrower shall comply with the following regulations issued under the following Acts and other federal laws and regulations pertaining to labor standards:

(1) The Davis-Bacon Act, P.L. 86-624, (40 U.S.C. 276a-5), as amended, which requires contractors and subcontractors to pay prevailing wages to laborers and mechanics in compliance with the Davis-Bacon Act.

(2) Under Section 1606 of Division A of ARRA, contractors and subcontractors hired with ARRA funds are required to pay prevailing wages to laborers and mechanics in compliance with the Davis-Bacon Act. In the case of projects already under construction, it may be possible to obtain a determination, under 29 CFR 1.6(g), that Davis-Bacon requirements apply prospectively to the construction project, as of the date of the TCAP award.

(j) Borrower shall comply with The Drug-Free Workplace Act of 1988 (41 U.S.C. 701 et seq., as implemented at 24 CFR Part 21 "Government-Wide Requirements for Drug-Free Workplace (Grants)"). This statute prohibits the receipt of funds unless the recipient agrees to provide and certify to a drug-free workplace.

(k) Borrower shall comply with Copeland "Anti-kickback" Act (40 U.S.C. 276c).

(l) Borrower shall comply with the restrictions on lobbying in 31 USC 1352 and implementing regulations at 24 CFR Part 87 "New Restrictions on Lobbying". This statute prohibits the use of funds appropriated by any act by the recipient of a federal contract, grant, loan or cooperative agreement to pay any person for influencing or attempting to influence an officer or employee of any

agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with covered federal action.

(m) Borrower shall comply with the National Environmental Policy Act ("NEPA") and related laws and implementing regulations at 24 CFR Part 58 and will (i) supply Lender with information necessary for it to perform any necessary environmental review of each property; and (ii) carry out mitigating measures required by Lender or select alternate eligible property; and (iii) not acquire or otherwise carry out any project activities with respect to any eligible property until Lender approval is received.

(n) Borrower shall comply with the Lead-Based Paint Poisoning Prevention Act and the Residential Lead-Based Paint Hazard Reduction Act of 1992 and implementing regulations at 24 CFR Part 35 that are applicable to housing that receives federal assistance. These requirements may be amended and supplemented from time to time.

(o) Borrower is in compliance with and is not presently debarred, suspended, proposed for debarment, declared ineligible, or involuntarily excluded from covered transactions by any federal department or agency pursuant to subpart C of 2 CFR Part 180, as required by 2 CFR Part 2424 "Non-procurement Debarment and Suspension".

ARTICLE VII LOAN DISBURSEMENTS

(a) Subject to the conditions and upon the terms of this Agreement, Lender agrees to make the Loan to Borrower and Borrower agrees to borrow the amount of the Loan from Lender to provide residential rental housing units for persons and families of low and moderate income in the manner and for the purposes set forth in the Act, ARRA, TCAP and LIHTC.

(b) The disbursement of the Loan shall be made as construction and or rehabilitation is completed, upon Borrower's written requests on Lender's forms for payment and in accordance with "The General Payout Procedures for Mortgagees and Contractors".

(c) Requests for loan advancements shall not be made by Borrower until the funds are needed for payment of eligible Project costs and the amount of each request shall be limited to the amount needed. Lender shall only pay for actual costs incurred. Loan proceeds shall not be used to fund advances for costs not incurred and may be limited in the funding escrows.

(d) Lender may, at its discretion, require Borrower to attach to any request for payment an acknowledgment in a form satisfactory to Lender from contractors, subcontractors and material suppliers acknowledging that payments previously requested by Borrower and made by Lender have been delivered in accordance with Borrower's request for work done and materials, equipment and fixtures furnished.

(e) Fees and charges for services and costs shall be disbursed from Loan proceeds to the extent that such charges have accrued and are basis eligible under the Code.

(f) Lender may, at its discretion, disburse Loan proceeds to persons other than Borrower in order to cure a default under the Contract Documents or the Loan Documents, or may disburse Loan proceeds to dual payees.

(g) Lender may refuse to disburse Loan proceeds where work for which payment has been requested has not been performed in a good and workerlike manner; where supplies, chattels and fixtures have not been furnished and installed; where property stored on or off site has not been insured and made subject to the prior lien of the Mortgage and where the work otherwise fails to comply with this Agreement.

(h) The disbursement of Loan proceeds shall not be deemed an approval or acceptance by Lender of the work or materials for which payment has been made.

(i) Upon Borrower's failure to do so, Lender may make payments to persons for costs and expenses incurred by Borrower or Lender for examining the title to the Premises, making the Loan, paying encumbrances, taxes, assessments or other charges or liens against the Premises and any other costs and expenses imposed upon Borrower under the Loan Documents. Payments made pursuant to this section shall be deemed disbursements to Borrower the repayment of which shall be secured by the lien of the Mortgage.

(j) Lender shall hold retention on each payment request for a construction item made by Borrower to Lender. The percentage retained by Lender shall be identified and reduced in accordance with the Construction Contract. The balance due Contractor shall be payable at final loan closing provided the work is fully completed and Contractor has complied with all provisions of the Construction Contract to Borrower's and Lender's satisfaction, including, but not limited to, complete adherence to all required Davis-Bacon payroll disbursements, paperwork, record keeping and reporting, submission and approval of Contractor's certificate of actual cost to the Lender at final closing and receipt of all certificates of occupancy for all units by Borrower and Lender.

(k) Non-loan proceeds deposited with Lender to pay costs of the Project may be disbursed by Lender to Borrower at any time, including prior to the disbursement of Loan proceeds and must be made available for the funding of non-basis eligible items under the TCAP as well as reserves and escrows.

(l) In the event Lender must draw on a letter of credit delivered to Borrower for any contingency or escrow account, Lender shall charge a processing fee of \$50 per draw request.

(m) Borrower shall pay Lender, when due and payable, fees and costs associated with the Loan as required by the Loan Documents and the applicable Lender program guidelines.

(n) Disbursements are to be made at the principal office of Lender, or at such place as Lender may designate in writing.

(o) Any savings shall be applied to reduce the principal of the Loan or in any other manner determined by Lender in its sole discretion.

(p) Final disbursement of Loan proceeds (representing undisbursed retention) shall not be made if Borrower is then in default under any provision of the Loan Documents or until construction and/or rehabilitation is complete and accepted by Lender through issuance of a notice of completion provided, however, that the construction and/or rehabilitation shall not be considered complete for purposes of the final disbursement until all work requiring inspection by Governmental Authorities shall have been duly inspected and approved by such authorities as evidenced by appropriate certificates, and provided, further, that if discrepancies are discovered in the payments made or procedures followed to

comply with Davis-Bacon or other proceedings shall have been instituted to enforce a mechanic's or material supplier's lien arising out of such construction and/or rehabilitation, Lender shall not be obligated to make such final disbursement, or any portion thereof, until the discrepancies are resolved or such litigation shall have been finally disposed of or the lien removed by bonding or otherwise. Lender may withhold an amount equal to two (2) times the estimated amount required to complete any punchlist item. The contractor's certificate of actual cost must be submitted to Lender and final disbursement of Loan proceeds must occur within three (3) months of the date of the issuance of the Notice of Completion unless otherwise set forth herein.

(q) Borrower shall maintain all necessary and customary insurance on the Premises and on the Project at all times during the construction and ongoing occupancy and operation of the Project as required by the Lender. In the event the Project is located in a flood plain, Borrower shall provide and maintain Federal or private flood insurance and all appropriate property and liability insurance coverages as determined by Lender's insurance requirements as may be amended from time to time.

(r) Borrower shall cause to be furnished to Lender before the execution of this Loan Agreement, mortgage title insurance issued by a title insurance company or companies, satisfactory to Lender, in the amount not less than the indebtedness of the Loan, insuring the interest of Lender as mortgagee to be a valid first lien on the real estate, and including such endorsements as Lender shall require. Borrower agrees, upon Lender's request, to provide to Lender from the title insurance company a title continuation and date down endorsement at any time. If such continuation discloses any additional liens or encumbrances affecting such real estate, which, in the opinion of Lender would materially adversely affect the value or usefulness of such real estate for the intended use thereof and if Borrower fails to cause the title insurance company to provide Lender with said continuation and endorsement acceptable to Lender, such failure shall constitute grounds for Lender to withhold all or a portion of the unadvanced Loan proceeds. As further assurance, Borrower hereby assigns to Lender all of its present and future rights, title and interest in and to (but none of its obligations under) the Contract Documents and the performance and payment bonds or equivalent escrow arrangement referred to herein, and upon Lender's request, Borrower will also assign any other present and future contracts, subcontracts and agreements relating to construction and/or rehabilitation of the Project.

(s) At the initial loan closing, the Borrower, its General Partner and its Limited Partner, and the accounting firm serving each of them, shall provide such certifications regarding factual matters within their respective knowledge obtainable in the exercise of reasonable due diligence, including the valid existence and good standing of the Borrower, its General Partner and Limited Partner, the identity and authority of officers and/or General Partners of such entities, the status of zoning affecting the Project, the status of final land development approval, the absence of litigation affecting any of the foregoing, and the compliance by the Borrower and its General Partner with applicable laws, including compliance by the Borrower and the Project with the requirements of the LIHTC and ARRA. Legal counsel for the Borrower, and the General Partner of the Borrower, shall provide such legal opinions in form and content required by the Lender, with regard to the Loan and the Project, including the valid existence of the Borrower, its General Partner and Limited Partner, the absence of litigation affecting any of the foregoing, and the compliance by the Borrower and its General Partner with applicable laws, including compliance by the Borrower and the Project with the requirements of the LIHTC and ARRA.

ARTICLE VIII MARKETING

In conjunction with the marketing of residential rental units, Borrower will ensure that:

(a) All advertising, brochures, leaflets, and other printed material shall include the Equal Housing Opportunity logo and the slogan or statement; and all advertising depicting persons shall depict persons of majority and minority groups.

(b) The Equal Housing Opportunity slogan, "Equal Housing Opportunity", utilized in the newspaper classified advertisements should be at least eight (8) point boldface type. Display advertising must include the Equal Housing logo and slogan. If other logotypes are used in the advertisement, then the Equal Housing Opportunity logotype should be of a size equal to the largest of other logotypes.

The Equal Housing Opportunity insignia are as follows:

- (1) Equal Housing Opportunity Logo and Slogan



**EQUAL HOUSING
OPPORTUNITY**

- (2) Equal Housing Opportunity Statement

"We are pledged to the letter and spirit of the policy of achievement of equal housing opportunity. We encourage and support an affirmative advertising and marketing program in which there are no barriers to obtaining housing on the basis of race, color, religion, national origin, sex, or familial status."

(c) All signs, off-site and on-site, must prominently display the logo and slogan, or the statement in a size that would not be smaller than the largest letters used on the sign.

(d) The logo and slogan, or the statement and the HUD Equal Housing Opportunity Poster, HUD Form 928.1 (dated 2-2003), must be prominently displayed in the on-site office or wherever applications are being taken.

ARTICLE IX
PROJECT ESCROWS AND RESERVES

Borrower agrees to establish and maintain the following escrows and reserves as provided below. All reserves and escrows must be established and funds deposited at initial loan closing and will be held by Lender, unless Lender agrees to a segregated third party pledged account.

(a) Operating Reserve – Borrower shall deposit (in cash or letter of credit) with Lender, unless Lender, in its sole discretion, approves the use of a third party deposit agreement outlining acceptable terms and conditions for disbursement of the funds, an Operating Reserve in the amount of _____ Dollars (\$_____)

to be held in an escrow account to cover the costs of operations. The Operating Reserve shall be held until achievement of two years of positive cash flow and satisfactory management and maintenance of the

Project as determined by Lender, in its sole discretion, or 15 years of Project operations, whichever is earlier.

The Operating Reserve shall be subject to disbursement for application: (1) to the mortgage debt; (2) to cure any Event of Default not timely cured after notice by Owner of the provisions of the Mortgage Loan Documents; (3) to remedy any failure to maintain the building in accordance with Agency standards; (4) to meet the cost of furnishing and equipping the Project; (5) to pay taxes, Agency fees and charges, property insurance premiums, mortgage insurance premiums, assessments, water charges, sewer rents and municipal and other charges and fees; (6) to cover any unfunded cash deficit resulting from operational losses; and (7) to the Agency in the event the expiration date of the Letter of Credit or other security required hereunder is not extended to a time and in an amount acceptable to the Agency, and satisfactory evidence of such extension or substituted security acceptable to Agency is not provided to the Agency by Owner within ten (10) business days prior to the expiration date, so that such Letter of Credit or other security remains in full force and effect until the Agency releases the Reserve as described in the paragraph above. Such disbursements may occur at any time prior to the expiration of the aforesaid consecutive financial reporting periods.

Any funds that remain in the Operating Reserve at the end of the compliance period or upon sale of the property, whichever is earlier, must be used as directed by Lender, to reduce any outstanding indebtedness or pay for eligible capital costs associated with the Project.

(b) Transformation Reserve - If applicable, Borrower shall deposit with Lender, unless Lender, in its sole discretion, approves the use of a third party deposit agreement outlining acceptable terms and conditions for disbursement of the funds, a Transformation Reserve in an amount sufficient to cover the Annual Contribution Contract ("ACC") subsidy for a period of twelve (12) months. Lender has the right to approve any disbursement from the Transformation Reserve at any time and, in the event of default under the Mortgage, such funds may be applied to the loan. Any funds that remain in the Transformation Reserve upon termination of said reserve, upon an event of default by Borrower under the Loan Documents or upon sale of the property, whichever is earlier, must be used to reduce any outstanding indebtedness or pay for eligible capital costs associated with the development. In the event that Lender is providing a primary mortgage to the Project, the Transformation Reserve must be held by Lender.

(c) Family Supportive Services Program Escrow - If applicable, Borrower shall deposit with Lender, unless Lender, in its sole discretion, approves the use of a third party deposit agreement outlining acceptable terms and conditions for disbursement of funds, a supportive services program escrow for the purpose of providing supportive services to tenants of the Project. Lender has the right to approve any disbursement from the Family Supportive Service Escrow at any time and, in the event of default under the Mortgage, such funds may be applied to the repayment of the Loan. Any funds that remain in the escrow upon termination of said escrow, upon an event of default by Borrower under the Loan Documents or upon sale of the property, whichever is earlier, the balance in the reserve shall be used to repay the Loan.

(d) Rental Subsidy Fund - If applicable, Borrower shall deposit with Lender, unless Lender, in its sole discretion, approves the use of a third party deposit agreement outlining acceptable terms and conditions for disbursement of the funds, a rental subsidy fund. The fund shall be used to subsidize rents of individuals at or below 20% of area median income, at the applicable rents. The fund shall be held and applied as appropriate during the first 15 years of Project operations. The Agency has the right to approve any disbursement from the Rental Subsidy Fund at any time and, in the event of default under the

Mortgage, such funds may be applied to the repayment of the Loan. Any funds that remain in the fund upon termination of said fund, upon an event of default by Borrower under the Loan Documents or upon sale of the property, whichever is earlier, the balance in the reserve shall be used to repay the Loan.

(e) Reserve for Replacements – Borrower shall deliver evidence of the establishment and maintenance of a reserve fund for replacements to be funded by depositing amounts per annum as to cover expected maintenance and replacement of capital items during the term of the Project. The reserve shall be held and maintained by Lender, unless Lender, in its sole discretion, approves the use of a third party deposit agreement outlining acceptable terms and conditions for disbursement of the funds. Lender has the right to approve any disbursement from the Reserve for Replacement Fund at any time and, in the event of default under the Mortgage, such funds may be applied to the repayment of the Loan.

ARTICLE X REPORTING AND RECORDKEEPING

(a) Periodic reports are required by the Lender in order to respond to ARRA and state requirements. Lender must provide a financial status report and a project performance report on a periodic basis. To allow the completion of these reports in a timely manner, Lender requires that each Borrower provide all necessary reports and data five (5) calendar days following the end of each calendar quarter.

(b) The performance report must have the following elements:

- (i) Name of Owner
- (ii) Name of project
- (iii) Brief description of project
- (iv) Location of project; city/county, State, zip code
- (v) Number of construction jobs created
- (vi) Number of construction jobs retained
- (vii) Number of non-construction jobs created
- (viii) Number of non-construction jobs retained
- (ix) Number of total housing units newly constructed
- (x) Number of total housing units rehabilitated
- (xi) Number of low-income housing units newly constructed
- (xii) Number of low-income housing units rehabilitated
- (xiii) Project Occupancy Report
- (xiv) Quarterly Project Financial Operating Report
- (xv) Number and types of persons employed full time and part time by the Project

(c) Borrower shall submit any other reports that HUD or PHFA deem necessary and such reporting requirements will be amended as additional guidance is provided by Lender, the Commonwealth or HUD. FAILURE TO PROVIDE REPORTS REQUIRED BY THIS SECTION IN THE TIMEFRAME SET BY LENDER MAY RESULT IN SUSPENSION OF ANY ONGOING DISBURSEMENT OF ASSISTANCE BY LENDER AND MAY RESULT IN RECAPTURE OR TERMINATION OF THIS AGREEMENT.

(d) Borrower must provide quarterly financial reports on the Project operation in accordance with Lender guidance.

(e) Borrower shall deliver to Lender within ninety (90) days after the end of each fiscal year an audited financial statement prepared by a certified public accountant acceptable to Borrower and Lender, in accordance with the Lender's Financial Reporting Manual and based upon the preparer's examination of the Project books and records. The cost of preparation and distribution of this financial statement shall be a Project expense.

(f) All records, books and accounts for the Project will be subject to examination and reproduction at reasonable hours by Lender, HUD, or by any of their designated agents or representatives.

(g) Borrower shall deliver to Lender copies of all reports, statements, financial filings and income tax returns required to be submitted by Borrower's general partner to Borrower's limited partner relating to the Project in accordance with the limited partnership agreement.

(h) Records of the Project and the Loan are public information and may be subject to disclosure and dissemination pursuant to the freedom of information act or the Pennsylvania Right to Know law.

ARTICLE XI BORROWER'S COVENANTS

Borrower covenants with and warrants to Lender as follows:

(a) Borrower will fully and completely comply with all requirements applicable to the form of financing provided by Lender including; (1) compliance with all state laws, rules, regulations and program guidelines applicable now and as promulgated in the future to the program of Lender through which financing is provided; (2) compliance with all applicable federal laws, rules and regulations now and as promulgated in the future through which financial assistance to the construction, rehabilitation, improvements and/or operation of the Project is provided or is to be provided.

(b) Borrower shall maintain its existence as a limited partnership under the laws of the Commonwealth of Pennsylvania and shall maintain the present financial structure except as expressly permitted in the Loan Documents. Borrower shall advise Lender in advance of any changes in the nature of its organization. Borrower shall not change its organizational structure in any manner without prior consent of Lender as provided in the Loan Documents. In the event Borrower is a limited partnership, Borrower may, without Lender's approval, syndicate limited partnership interests in the Project of up to ninety-nine percent (99%) of equity in the Project as provided in the Loan Documents.

(c) Borrower shall promptly proceed with and complete the Project within the time period specified in the Construction Contract, in accordance with the Contract Documents, including any work write-up and any approved amendments or supplements filed with Lender for this Project. **Time is of the essence of this Agreement.**

(d) Borrower shall rehabilitate and/or construct the Project in a timely manner in accordance with project schedule, the Contract Drawings; in compliance with all applicable laws, regulations, codes and ordinances; and in conformance with the cost-effective energy conservation and effectiveness standards in 24 C.F.R. Part 39 (or successor regulations).

(e) Borrower agrees to promptly pay any and all additional funds needed to complete the Project if Loan proceeds are not sufficient to complete the Project or if Lender determines the costs to be

ineligible project costs in accordance with the LIHTC Program, TCAP, ARRA or Lender's Guidelines and the Contract Documents.

(f) Borrower will execute, deliver and pledge to Lender all Contract Documents and other agreements affecting real estate in the operation of the Project as provided in the Assignment of Agreements Affecting Real Estate of even date herewith.

(g) Lender will have the right of entry and free access to the Project during and after the construction period to inspect all work done, labor performed and materials furnished in and about the Project and the right to inspect all books, contracts and records of Borrower relating to the Project and the must approve any proposed changes in the work write-up.

(h) All disbursements made by Lender shall be used only for the payment of basis eligible costs including labor and material necessary to complete the Project and fees and charges related to the Project.

(i) Borrower shall receive the disbursements to be made under this Agreement and to be secured by the Mortgage and will hold the right to receive disbursements in trust to be applied for the purpose of paying the costs of the Project.

(j) Borrower will promptly advise Lender in writing of (1) all litigation, regardless of amount affecting Borrower or any part of the Project, and (2) all complaints and charges made by any Governmental Authority affecting the Project or affecting Borrower or its business which may delay or require changes in the construction and/or rehabilitation of the Project or in any way impair the security of Lender or affect the timely ability of the Project to be placed in service and meet all expenditure and disbursement timeframes applicable to the Project and TCAP.

(k) Borrower will cause any mechanic's lien or lien claim against the Project to be discharged or bonded over. Failure to do so will give rise to Lender's right to discharge liens under this Agreement.

(l) To the extent Borrower receives Loan proceeds in excess of the allowable Loan, Borrower shall reimburse Lender upon demand.

(m) Upon written request from Lender, Borrower shall provide any subcontracts, certificates, approvals, permits, licenses, surveys or other information Lender deems necessary to enforce any rights Borrower has under the Contract Documents.

(n) Except for the Mortgage of even date herewith and liens securing loan(s) described in Lender's title insurance policy, Borrower shall not execute any security interest under the Uniform Commercial Code covering any materials, fixtures or articles used in the construction and/or rehabilitation of the Project or appurtenances thereto, or articles of personal property included in the Project, and all of such materials, fixtures or articles shall be purchased so that the ownership thereof will vest unconditionally in Borrower, free from encumbrance, on delivery at the premises, and Borrower shall produce for Lender upon demand the contracts, bills of sale, statements, receipted vouchers, or any of them under which Borrower claims title to such materials, fixtures and articles.

(o) Borrower represents that it has made a reasonable search and to the best of its knowledge and belief the contractor and subcontractors are not barred or suspended by HUD from participation in federally assisted construction or by the Commonwealth from participation in state contracts. Each

subcontractor shall execute a certification that they are not a debarred or suspended contractor. Borrower shall be responsible to take any and all actions necessary and appropriate to ensure that no claims will be filed by any subcontractors and suppliers that affect the lien position of Lender at any time throughout the term of the Loan. If a claim or lien is made or filed by a subcontractor or supplier, Borrower shall take such immediate and appropriate actions to remedy the claim or remove or bond over the lien to the satisfaction of Lender. In its sole discretion, Lender may apply any funds held by it to address such claim or lien.

(p) Borrower within ten (10) days after receiving a request from Lender by mail shall furnish a written statement duly acknowledging the amount advanced to it under this Agreement and/or the amount due on the Mortgage and Note and whether any offsets or defenses exist hereunder or against the Loan.

(q) Borrower shall furnish or cause the Contractor to furnish prior to the Loan Closing date either a dual obligee performance and labor and material bonds in an amount equal to one hundred percent (100%) of the anticipated cost of construction of the Project or a twenty-five percent (25%) unconditional and irrevocable letter of credit or in an amount as Lender shall reasonably require or such other assurances as Lender shall at its option reasonably require. If it becomes necessary for a Surety Company or Companies (hereinafter called the "Surety") furnishing to Lender performance and payment bonds covering the Project or any part thereof, to arrange for completion of the Project, Lender may, in case the Project is continued as provided in this Agreement, continue to make disbursements under this Agreement and the Contract Documents to the Surety. All sums so disbursed by Lender shall be deemed disbursements under this Agreement, as if made to Borrower, and shall be secured by the Mortgage. Notwithstanding any term, provision, or covenant of this Agreement or performance bond of this date, if Borrower breaches any term, provision, or covenant of this Agreement, Lender may notify the contractor of such breach and pay the contractor to the date of such notification according to the provisions of the Contract Documents, for work performed satisfactorily by the contractor; however, said payment to the contractor shall be made only if Lender has not been notified by Borrower that the contractor is not in default under the Contract Documents of this date.

(r) Borrower agrees to indemnify, defend and hold harmless Agency from any and all environmental liabilities, claims, damages, injuries, costs, expenses and losses, of every kind whatsoever, that are paid, incurred, suffered by or asserted against Lender, as a direct or indirect result of the presence of any hazardous substance on the Premises or the escape, seepage, leakage, spillage, discharge, emission or release thereof on the Premises.

Borrower shall be responsible for and agrees to indemnify and hold harmless the Agency and the Commonwealth of Pennsylvania from all losses, damages, expenses, claims, demands, suits and actions brought by any party against the Agency and the Commonwealth of Pennsylvania as a result of Borrower's failure to comply with the provisions above.

(s) Borrower shall submit building permits to Lender prior to the initial loan closing and shall have the Drawings and Specifications for the Project reviewed and approved by the local fire marshal, which approval shall be submitted to Lender prior to initial loan closing.

(t) Pursuant to federal regulations under the authority of the Americans With Disabilities Act, 28 C.F.R. Section 35.101 et seq., Borrower understands and agrees that no individual with a disability shall, on the basis of the disability, be excluded from participation in this Agreement or from activities provided for under this Agreement. As a condition of accepting and executing this Agreement,

Borrower agrees to comply with the "General Prohibitions Against Discrimination," 28 C.F.R. Section 35.130, and all other regulations promulgated under Title II of the Americans With Disabilities Act which are applicable to the benefits, services, programs and activities provided by the Commonwealth of Pennsylvania through contracts with outside contractors.

(u) Borrower shall rehabilitate and/or construct the Project in conformance with Lender's Submission Guide for Architects and all applicable state and local housing quality standards and code requirements and if there are no such standards or code requirements, the housing must meet the housing quality standards set forth in Section 24 C.F.R. Section 982.401 or any successor regulations.

(v) Borrower shall carry out each activity provided for in this Agreement and in the other Loan Documents in compliance with all applicable requirements under TCAP and the Lender, including deadlines for submissions of all cost certification information necessary to meet the TCAP timesframes.

ARTICLE XII
BORROWER INTEGRITY
COMMONWEALTH CONTRACTING PROVISIONS

(a) Definitions for this section are as follows:

(1) Confidential information means information that is not public knowledge, or available to the public on request, disclosure of which would give an unfair, unethical, or illegal advantage to another desiring to contract with the Commonwealth and/or Lender.

(2) Consent means written permission signed by a duly authorized officer or employee of the Commonwealth and/or Lender, provided that where the material facts have been disclosed, in writing, by prequalification, bid, proposal, or contractual terms, the Commonwealth and/or Lender shall be deemed to have consented by virtue of execution of this Agreement.

(3) Borrower means the individual or entity that has entered into this Agreement with Lender, including directors, officers, partners, managers, key employees, and owners of more than five percent (5%) interest.

(4) Financial interest means ownership of more than a five percent (5%) interest in any business or holding a position as an officer, director, trustee, partner, employee, or the like, or holding any position of management.

(5) Gratuity means any payment of more than nominal monetary value in the form of cash, travel, entertainment, gifts, meals, lodging, loans, subscriptions, advances, deposits of money, services, employment, or contracts of any kind.

(b) Borrower shall maintain the highest standards of integrity in the performance of this Agreement and shall take no action in violation of state or federal laws, regulations, or other requirements that govern contracting with the Commonwealth and/or Lender.

(c) Borrower shall not disclose to others any confidential information gained by virtue of this Agreement.

(d) Borrower shall not, in connection with this or any other Agreement with the Commonwealth and/or Lender, directly or indirectly, offer, confer, or agree to confer any pecuniary benefit on anyone as consideration for the decision, opinion, recommendation, vote, other exercise of discretion, or violation of a known legal duty by any officer or employee of the Commonwealth and/or Lender.

(e) Borrower shall not, in connection with this or any other Agreement with the Commonwealth and/or Lender, directly or indirectly offer, give, or agree or promise to give to anyone any gratuity for the benefit of or at the direction or request of any officer or employee of the Commonwealth and/or Lender.

(f) Except with the consent of the Commonwealth and/or Lender, neither Borrower nor anyone in privity with it shall accept or agree to accept from, or give or agree to give to, any person, any gratuity from any person in connection with the performance of work under this Agreement except as provided therein.

(g) Except with the consent of the Commonwealth and/or Lender, Borrower shall not have a financial interest in any other contractor, subcontractor or supplier providing services, labor or material on this Project.

(h) Borrower, upon being informed that any violation of these provisions has occurred or may occur, shall immediately notify Lender in writing.

(i) Borrower, by execution of this Agreement and by the submission of any bills or invoices for payment pursuant thereto, certifies and represents that it has not violated any of these provisions.

(j) Borrower shall, upon request of the Office of State Inspector General, reasonably and promptly make available to that office and its representatives, for inspection and copying, all business and financial records of Borrower of, concerning, and referring to this Agreement, or which are otherwise relevant to the enforcement of these provisions.

(k) For violation of any of the above provisions, the Commonwealth and/or Lender may terminate this and any other agreement with Borrower, claim liquidated damages in an amount equal to the value of anything received in breach of these provisions, claim damages for all expenses incurred in obtaining another contractor to complete performance hereunder, and debar and suspend the Borrower from doing business with Lender. These rights and remedies are cumulative, and the use of nonuse of any one shall not preclude the use of all or any other. These rights and remedies are in addition to those Lender may have under law, statute, regulation or otherwise.

ARTICLE XIII BORROWER RESPONSIBILITY

(a) Borrower certifies that it is not currently under suspension or debarment by the Commonwealth, any other state, or the federal government, and if the Borrower cannot so certify, then it agrees to submit along with the bid/proposal a written explanation of why such certification cannot be made.

(b) If Borrower enters into subcontracts or employs under this Agreement any subcontracts/individuals who are currently suspended or debarred by the Commonwealth or the federal

government or who become suspended or debarred by the Commonwealth or federal government during the term of this Agreement or any extensions or renewals thereof, the Commonwealth shall have the right to require the Borrower to terminate such subcontracts or employment. Borrower further agrees not to enter into any contract or provide funds available under this Agreement to any organization that is prohibited from receiving such funds by either state or federal law.

(c) The Borrower agrees to reimburse the Commonwealth for the reasonable costs of investigation incurred by the Office of Inspector General for investigations of the Borrower's compliance with the terms of this or any other agreement between the Borrower and the Commonwealth which result in the suspension or debarment of the Borrower. Such costs shall include, but not be limited to, salaries of investigators, including overtime; travel and lodging expenses; and expert witness and documentary fees. Borrower shall not be responsible for investigative costs for investigations which do not result in the Borrower's suspension or debarment.

(d) The Borrower may obtain the current list of suspended and debarred contractors by contacting:

Department of General Services
Office of Chief Counsel
North Office Building Room 603
Harrisburg, Pennsylvania 17125
Phone: (717) 783-6472
Fax: (717) 787-9138

ARTICLE XIV NONDISCRIMINATION/SEXUAL HARASSMENT CLAUSE

During the term of this Agreement, Borrower agrees as follows:

(a) Borrower shall not discriminate against nor intimidate any employee, applicant for employment, independent contractor, or any other person for the manufacture of supplies, performance of work, or any other activity because of race, color, religious creed, ancestry, handicap, national origin, age, or sex. Borrower shall take affirmative action to insure that applicants are employed, and that employees or agents are treated during employment, without regard to their race, color, religious creed, handicap, ancestry, national origin, age, or sex. Such affirmative action shall include, but is not limited to: employment, upgrading, demotion or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training. Borrower shall post in conspicuous places, available to employees, agents, applicants for employment, and other persons, a notice to be provided by the contracting agency setting forth the provisions of this nondiscrimination clause.

(b) Borrower shall, in advertisements or requests for employment placed by it or on its behalf, state that all qualified applicants will receive consideration for employment without regard to race, color, religious creed, handicap, ancestry, national origin, age, or sex.

(c) Borrower shall send each labor union or workers' representatives with which it has a collective bargaining agreement or other contract or understanding, a notice advising said labor union or workers' representative of its commitment to this nondiscrimination clause. Similar notice shall be sent to every other source of recruitment regularly utilized by Borrower.

(d) The Borrower and any subcontractors shall establish and maintain a written sexual harassment policy and shall inform their employees of the policy. The policy must contain a notice that sexual harassment will not be tolerated and employees who practice it will be disciplined.

(e) It shall be no defense to a finding of noncompliance with this Nondiscrimination/Sexual Harassment Clause that Borrower had delegated some of its employment practices to any union, training program, or other source of recruitment which prevents it from meeting its obligations. However, if the evidence indicates that the Borrower was not on notice of the third-party discrimination or made a good faith effort to correct it, such factor shall be considered in mitigation in determining appropriate sanctions.

(f) Where the practices of a union or any training program or other source of recruitment will result in the exclusion of minority group persons, so that Borrower will be unable to meet its obligations under this nondiscrimination clause, Borrower shall then employ and fill vacancies through other nondiscriminatory employment procedures.

(g) Borrower shall comply with all state and federal laws prohibiting discrimination in hiring or employment opportunities. In the event of Borrower's noncompliance with the nondiscrimination clause of this Agreement or with any such laws, this Agreement may be terminated or suspended, in whole or in part, and all money due or to become due under this Agreement may be forfeited. In addition, Borrower may be declared temporarily ineligible for further Lender or Commonwealth contracts and Lender may proceed with debarment or suspension and may place the Borrower in the Contractor Responsibility File and other sanctions may be imposed and remedies invoked.

(h) Borrower shall furnish all necessary employment documents and records to, and permit access to its books, records, and accounts by the contracting agency and the Department of General Services' Bureau of Contract Administration and Business Development for purposes of investigation to ascertain compliance with the provisions of this Nondiscrimination/Sexual Harassment clause. If Borrower does not possess documents or records reflecting the necessary information requested, it shall furnish such information on reporting forms supplied by the contracting agency or the Department of General Services' Bureau of Contract Administration and Business Development.

(i) Borrower shall actively recruit minority and women subcontractors or subcontractors with substantial minority representation among their employees.

(j) Borrower shall include the provisions of this Nondiscrimination/Sexual Harassment clause in every subcontract, so that such provisions will be binding upon each subcontractor.

(k) Borrower obligations under this clause are limited to Borrower's facilities within Pennsylvania or, where the contract is for purchase of goods manufactured outside of Pennsylvania, the facilities at which such goods are actually produced.

ARTICLE XV
SPECIFIC PERFORMANCE AND PLEDGE OF EQUITABLE INTEREST
TO LENDER AND THIRD PARTIES

(a) Upon violation of any of the provisions of this Agreement by Borrower, Lender, at its option, may treat the violation as an Event of Default under the Mortgage and Note and may exercise any of its rights and remedies provided for in the Mortgage and Note. Lender may also take any other action

it deems desirable or necessary to ensure the proper operation and financial viability of the Project and Lender may apply to any court, State or Federal, for specific performance of this Agreement, for an injunction against any violation of this Agreement, or for such other relief as may be appropriate, since the injury to Agency arising from a default under any of the terms of this Agreement would be irreparable and the amount of damage would be difficult to ascertain.

Borrower further acknowledges and agrees that this Agreement shall inure to the benefit of all prospective, present and former low-income tenants or occupants of the Project who meet the income limitation applicable to the Project under the Code as third party beneficiaries who, either individually or collectively, shall have the right to enforce this Agreement in any tribunal in the Commonwealth of Pennsylvania.

(b) Lender is authorized to record or file any notices or instruments appropriate to ensure enforceability of this Agreement. Borrower on behalf of itself and its successors and assigns appoints Lender its attorney-in-fact to execute, acknowledge and deliver any such instruments on its behalf. Without limiting the foregoing, Borrower and its successors and assigns agrees to execute any such instruments upon request. The benefits of this Agreement shall be in gross and shall be assignable to Lender. Borrower and the Agency intend that the restrictions arising hereunder take effect upon the date hereof, and to the extent enforceability by any person ever depends upon the approval of governmental officials, such approval when given shall relate back to the date hereof regardless of the date of actual approval or the date of filing or recording of any instrument evidencing such approval.

ARTICLE XVI EVENTS OF DEFAULT

(a) The occurrence of any one or more of the following shall constitute an event of default hereunder ("Event of Default"):

(1) Borrower shall be in default under the Note or the Mortgage and any applicable grace period has expired or any notice required under the Note or the Mortgage has been given.

(2) Any disbursement is not accepted by Borrower within five (5) days after it has been authorized by Lender.

(3) Borrower fails to perform or observe any term, covenant, condition or obligation contained in this Agreement or in the TCAP guidelines as promulgated by HUD from time to time or as specified by the Agency.

(4) If at any time any representation or warranty made by Borrower shall be incorrect in any material respect.

(5) Borrower fails to comply with any of the covenants, terms and conditions contained in any agreement through which financial assistance is to be provided to assist in the construction and/or rehabilitation or operation of the Project.

(6) If at any time title to any part of the Premises is not satisfactory to Lender by reason of any lien, encumbrance or other defect (even though the same may have existed at the time of any prior disbursement), except those matters affecting title which appeared in the title insurance policy or binder delivered to Lender at the time of the recording of the Mortgage or which have at any time been

consented to in writing by Lender, and Borrower has failed to commence and proceed diligently to correct such lien, encumbrance or other defect within ten (10) days after notice to Borrower, or if the title company shall fail or refuse to insure any disbursement to be secured by the Mortgage as a valid first lien on the Premises, subject only to those matters affecting title which appeared in the title insurance policy or binder delivered to Lender at the time of the recording of the Mortgage or which have at any time been consented to in writing by Lender.

(7) Borrower assigns this Agreement or any advance to be made hereunder or any interest in either, or if the Project or any part thereof is conveyed, assigned, mortgaged, pledged or encumbered in any way other than as herein provided without the prior written consent of Lender, except liens securing loan(s) as permitted in the title insurance policy provided to Lender; provided however that nothing herein shall be construed to preclude a sale of limited partnership interests of Borrower to the extent authorized under the Mortgage of even date herewith.

(8) The improvements are partially or totally damaged or destroyed by fire or any other cause and the restoration thereof cannot be expected to be placed in service on or before December 31, 2011, whether or not Lender and Borrower agree to use of the proceeds of any fire or other casualty insurance.

(9) There is any cessation of construction of the improvements for any period after the date construction and/or rehabilitation shall commence in excess of twenty (20) successive calendar days, unless the conditions of each of subparagraphs (i), (ii), (iii) and (iv) below shall have been satisfied:

(i) the cessation of construction shall have been caused by conditions beyond the control of Borrower, including, without limitation, acts of God or the elements, fire, strikes, labor disputes, delays in delivery of material and disruption of shipping;

(ii) Borrower shall have made adequate provision, acceptable to Lender, for the protection of materials stored on site and for the protection of the Project, to the extent then constructed and/or rehabilitated, against deterioration and against other loss or damage and theft;

(iii) Borrower shall have furnished to Lender satisfactory evidence that such cessation of construction will not adversely affect or jeopardize the rights of Borrower under material contracts relating to the construction and/or rehabilitation or operation of the Project; and

(iv) from time to time upon Lender's request therefore during any such cessation of construction and/or rehabilitation, Borrower shall furnish to Lender satisfactory evidence that (notwithstanding such cessation of construction and/or rehabilitation) the completion of the Project can be accomplished on or before the completion date as provided in the Construction Contract, as extended by the provisions set forth in the following sentence.

In the event of any delay or delays in construction and/or rehabilitation with respect to which the foregoing conditions shall have been satisfied, the completion date as stated in the Construction Contract shall be extended for a period or periods commensurate with such delay or delays subject to final disbursement and processing by the Agency no later than December 31, 2011 under TCAP and subject to the Project being able to meet applicable deadlines and timeframes applicable to the Project under LIHTC.

(10) With the exception of liens securing loan(s) described in Lender's title insurance policy, if (i) Borrower executes any chattel mortgage or other security agreement on any materials, fixtures or articles used in the construction and/or rehabilitation or operation of the Project or on articles of personal property located therein, or (ii) any such materials, fixtures or articles are not in accordance with the Contract Documents or are purchased pursuant to any conditional sales contract or other security agreement or otherwise so that the ownership thereof will not vest unconditionally in Borrower free from encumbrances, or (iii) Borrower does not furnish to Lender upon request the contracts, bills of sale, statements, receipted vouchers and agreements, or any of them, under which Borrower claims title to such materials, fixtures or articles.

(11) Any statements, details, budgets or revisions submitted by Borrower to Lender indicate, in the opinion of Lender, that the estimated cost of construction and/or rehabilitation of the Project is in excess of the amount of funds available to Borrower to complete and pay for such construction and/or rehabilitation.

(12) Borrower fails to comply with any requirement of any Governmental Authority within the time period provided by the Governmental Authority or within thirty (30) days after notice in writing of such requirement shall have been given to Borrower by such Governmental Authority, or fails to furnish to Lender upon request official reports made by any such Governmental Authority.

(13) A petition in bankruptcy or for reorganization or for an arrangement under any bankruptcy or insolvency law or for a receiver or trustee for any of its property is filed by Borrower, or a petition in bankruptcy or for reorganization or for an arrangement under any bankruptcy or insolvency law or for a receiver or trustee of any of its property is filed against Borrower which is not dismissed within sixty (60) days, or a receiver or trustee of any property of Borrower is appointed and is not discharged within sixty (60) days, or Borrower makes an assignment for the benefit of creditors, or admits in writing its inability to pay its debts, or Borrower is adjudged insolvent by any State or Federal court of competent jurisdiction, or an attachment of execution is levied against any substantial portion of the property of Borrower which is not discharged within sixty (60) days.

(14) Borrower fails to construct or rehabilitate, whichever is applicable, the Project in accordance with the Contract Documents.

(15) Borrower fails to apply the Loan proceeds to eligible costs of the Project as set forth in ARRA and the Code.

(16) Borrower fails to maintain the Project as affordable rental housing in accordance with Low Income Housing Tax Credit Program, the Code, the Indenture of Restrictive Covenants for Low Income Housing Tax Credits and TCAP.

ARTICLE XVII
NOTICE OF EVENT OF DEFAULT
AND GRACE PERIOD

(a) If the Event of Default consists of failure to pay money when due, Lender shall not be obligated to provide notice of the Event of Default or a grace period to cure the Event of Default.

(b) If the Event of Default consists of something other than the failure to pay money, prior to Lender exercising any remedies under Article XVIII hereof, Lender may provide notice to Borrower and

a grace period that shall be thirty (30) days from the date on which the notice is given or, if the Event of Default cannot be cured within the said thirty (30) day period and delay in the exercise of a remedy would not (in the Lender's sole judgment) cause any material harm to Lender, the security of Lender's Mortgage or any of the Mortgage Premises, the period required to cure the Event of Default may be extended by Lender, in its sole discretion, provided that Borrower shall commence to cure the Event of Default within the said thirty (30) day period and actively, diligently and in good faith proceed with and continue the curing of the Event of Default.

ARTICLE XVIII
ACTIONS IN THE EVENT OF DEFAULT

(a) In addition to any other rights and remedies Lender may have pursuant to the Loan Documents or as provided by law, upon the occurrence of an Event of Default, (whether or not any required notice has been given or any applicable grace period has elapsed), Lender shall not be obligated to make any further disbursements of Loan proceeds until such Event of Default is remedied and if any such Event of Default shall occur and continue after any required notice or the lapse of any applicable grace period, all obligations of Lender under this Agreement, at Lender's option, shall cease and terminate, and Lender may declare the indebtedness evidenced and secured by the Note and the Mortgage immediately due and payable and may foreclose the Mortgage and attach any reserves or escrows held by Lender or any third party and any other collateral given as security for the Loan. In its sole discretion, Lender may make any Loan disbursement so long as any such Event of Default shall exist without thereby waiving the right to demand payment of the indebtedness and to foreclose and without becoming liable to make any other or further disbursement.

(b) Upon the occurrence of an Event of Default, (whether or not any required notice has been given or any applicable grace period has elapsed), Lender may immediately recapture any funds disbursed, to date, to Borrower and any and all Loan proceeds not yet disbursed hereunder, Lender may remove, replace or debar Borrower or any affiliate or subsidiary of any entity of Borrower or the management agent for the Project from applying for or participating in any programs administered by or funded by Lender

(c) Upon the occurrence of an Event of Default on the part of Borrower and after the expiration of any applicable grace period hereunder, Lender may, in addition to any other remedies which Lender may have under this Agreement or under 35 P.S. Section 1680.101 et seq., or by law, enter upon the Premises and construct, equip and complete the Project in accordance with the Drawings and Specifications with such changes therein as Lender may from time to time and in its sole discretion deem appropriate, all at the risk, cost and expense of Borrower. Lender shall have the right at any and all times to discontinue any work commenced by it in respect of the Project or to change any course of action undertaken by it and shall not be bound by any limitations or requirements of time whether set forth herein or otherwise. Lender shall have the right and power (but shall not be obligated) to assume any Contract Document or other Real Estate Document made by or on behalf of Borrower in any way relating to the Project and to take over and use all or any part or parts of the labor, materials, supplies and equipment contracted for by or on behalf of Borrower, whether or not previously incorporated into the Project, all in the sole and absolute discretion of Lender.

(d) Upon the occurrence of any Event of Default under this Agreement and after the expiration of any applicable grace period in respect thereof, the rights, powers and privileges provided in this Article and all other remedies available to Lender under this Agreement or by statute or by rule of law may be exercised by Lender at any time and from time to time whether or not the indebtedness evidenced and

secured by the Note and the Mortgage shall be due and payable, and whether or not Lender shall have instituted any foreclosure or other action for the enforcement of the Mortgage or the Note. For the purpose of carrying out the provisions and exercising the rights, powers and privileges granted herein, Borrower hereby irrevocably constitutes and appoints Lender its true and lawful attorney-in-fact to execute, acknowledge and deliver any instruments and do and perform any acts such as are referred to herein in the name and on behalf of Borrower. This power of attorney is a power coupled with an interest and cannot be revoked.

(e) In connection with any construction of the Project undertaken by Lender pursuant to the provisions hereof, Lender may (1) engage builders, contractors, architects, engineers and others for the purpose of furnishing labor, materials and equipment in connection with any construction and/or rehabilitation of the Project, (2) pay, settle or compromise all bills or claims which may become liens against the Premises or the Project, or both, or which have been or may be incurred in any manner in connection with the construction and/or rehabilitation, completion and equipping of the Project or for the discharge of liens, encumbrances or defects in the title of the Premises, and (3) take such other action (including the employment of watchmen to protect the Project) or refrain from acting under this Agreement as Lender may in its sole and absolute discretion from time to time determine without any limitation whatsoever.

(f) Borrower shall be liable to Lender for all sums paid or incurred for the construction and/or rehabilitation, completion and equipping of the Project whether the same shall be paid or incurred pursuant to the provisions hereof or otherwise, and all payments made or liabilities incurred by Lender under this Agreement of any kind whatsoever shall be paid by Borrower to Lender upon demand with interest at the rate set forth in the Note to the date of payment to Lender, and all of the foregoing, including interest, shall be deemed and shall constitute advances under this Agreement.

ARTICLE XIX GENERAL CONDITIONS

The following conditions shall be applicable throughout the term of this Agreement:

(a) If Lender, at any time during construction and/or rehabilitation, reasonably determines that there is any conflict resulting from the identity of interest by and between Borrower and a construction party, including, but not limited to a determination that the Project construction is, in any way, likely to be delayed or will unreasonably escalate in price, Lender may, in its sole discretion, require Borrower to terminate the related party, employ an independent construction manager, or take whatever other or additional action Lender deems necessary to ensure the timely and satisfactory completion of the Project and shall charge Borrower with costs attendant thereto.

(b) No disbursement of Loan proceeds hereunder shall constitute a waiver of any of the conditions of Lender's obligation to make further advances nor, in the event Borrower is unable to satisfy any such condition, shall any waiver of such condition have the effect of precluding Lender from thereafter declaring such inability to be an Event of Default as herein provided.

(c) All conditions of the obligation of Lender to make disbursements hereunder are imposed solely and exclusively for the benefit of Lender and its assigns and no other person shall have standing to require satisfaction of such conditions in accordance with their terms or be entitled to assume that Lender will refuse to make advances in the absence of strict compliance with any or all thereof and no other person shall, under any circumstances, be deemed to be a beneficiary of such conditions, any or all of

which may be freely waived in whole or in part by Lender at any time if in its sole discretion it deems it advisable to do so.

(d) Borrower shall not, without the prior written approval of Lender, make, receive or retain any Owner Distribution of assets or income of any kind of the Project. Owner distribution is conditioned upon the following:

(1) The annual repayment of the Lender's loans in accordance with the applicable Notes of even date herewith.

(2) Owner Distribution shall be made only as of the end of an annual fiscal period as determined by Lender in its sole discretion.

(3) No Owner Distribution shall be made from borrowed funds (except as authorized in writing by Lender) or prior to the completion of the Project in accordance with the Construction Contract or where there has been a default under this Agreement, the Mortgage or Note of even date herewith.

(4) There shall have been compliance with all outstanding notices of requirements for proper maintenance and operation of the Project.

(e) All notices, requests, demands and other communications required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given, made and received only (i) when personally delivered, or (ii) when deposited with a courier service such as Federal Express or United Parcel Service for delivery to the intended addressee, or (iii) when deposited in the United States mails, registered or certified mail, postage prepaid, return receipt requested, addressed as set forth below:

To Lender: PENNSYLVANIA HOUSING FINANCE AGENCY
211 North Front St.
Harrisburg, PA 17101

To Borrower: _____

or, in the alternative, to the office of the Project.

Any party may alter the address to which communications or copies are to be sent by giving notice of such change of address to the other parties in conformity with the provisions of this Section for the giving of notice.

(f) Neither this Agreement nor any provision hereof may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against whom enforcement of the change, waiver, discharge or termination is sought.

(g) Inspections and approvals of drawings, specifications, the Project, and the workmanship and materials used therein impose no responsibility or liability of any nature whatsoever on Lender; Lender's sole obligation hereunder is to make the disbursements if and to the extent required by this Agreement.

(h) All rights, powers and remedies herein given to Lender are cumulative and not alternative and are in addition to all statutes or rules of law; any forbearance or delay by Lender in exercising the same shall not be deemed to be a waiver thereof, and the exercise of any right or partial exercise thereof shall not preclude the further exercise thereof, and the same shall continue in full force and effect until specifically waived by an instrument in writing executed by Lender. All representations and covenants by Borrower shall survive the making of the disbursements and the Loan, and the provisions hereof shall be binding upon and inure to the benefit of the respective successors and assigns of the parties hereto.

(i) Borrower agrees that the Note and the Mortgage shall be made subject to all the terms, covenants, conditions, obligations, stipulations, and agreements contained in this Agreement to the same extent and effect as if fully set forth in and made a part of the Note and the Mortgage, and Borrower and Lender agree that this Agreement is made subject to all the terms, covenants, conditions, obligations, stipulations and agreements contained in the Note and the Mortgage to the same extent and effect as if fully set forth herein and made a part of this Agreement.

(j) Lender may assign this Agreement and the Note and Mortgage to any other agency, person, firm or corporation provided that all of the provisions of this Agreement shall continue to apply to the Loan, the Note and the Mortgage. In the event of such assignment, it shall be deemed to be a compliance by Lender with this Agreement and to have been made in pursuance of this Agreement and not to be a modification hereof and the advances made by any such assignee shall be evidenced and secured by the Note and the Mortgage.

(k) Borrower shall secure a guaranty from a financially capable party ensuring the completion of the Project.

(l) This Agreement and all matters relating thereto shall be governed by and construed and interpreted in accordance with the laws of the Commonwealth of Pennsylvania.

IN WITNESS WHEREOF, the parties hereto, with intent to be legally bound hereby, have caused this Agreement to be executed and attested (witnessed) on the day and year first above written.

WITNESS

PENNSYLVANIA HOUSING FINANCE AGENCY

By: _____

Title: _____

WITNESS (ATTEST)

_____,
a Pennsylvania _____

By: _____,
a _____,
Its General Partner

By: _____

Title: _____

COMMONWEALTH OF PENNSYLVANIA :
: SS:
COUNTY OF DAUPHIN :

On this, the _____ day of _____, 2009, before me, the undersigned officer, personally appeared _____ who being sworn according to law, deposes and states that s/he is an authorized officer of the Pennsylvania Housing Finance Agency, known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument and acknowledged that s/he, being authorized to do so, executed the same for the purpose therein contained, and desires the same to be recorded as such.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Notary Public

COMMONWEALTH OF PENNSYLVANIA :
: SS:
COUNTY OF _____ :

On this, the _____ day of _____, 2009, before me, the undersigned officer, personally appeared _____ who being sworn according to law, deposes and states that he is the _____ of _____, a _____, General Partner of _____, a Pennsylvania _____, known to me (or satisfactorily proven) to be the person whose name is subscribed to the within instrument and acknowledged that he, being authorized to do so, executed the same for the purpose therein contained, and desires the same to be recorded as such.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Notary Public

