

**RECORDING REQUESTED BY AND
WHEN RECORDED, RETURN TO:**

**[Corporation Counsel]
[IC Address]
Attention: [IC Contact Person]**

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

ASSET OVERSIGHT, COMPLIANCE AND SECURITY AGREEMENT

BETWEEN

TEXAS STATE AFFORDABLE HOUSING CORPORATION

AND

[Borrower]

Relating to
\$**[Bond Amount]**
Texas State Affordable Housing Corporation
Multifamily Housing Revenue Bonds
(**[Project Name]** Project)
Series **[Year]**

TABLE OF CONTENTS

Section 1.	The Property and the Bonds.....	1
Section 2.	Borrower’s Responsibility; Asset Oversight Activities.....	1
Section 3.	Compliance for Qualified Project Period.....	2
Section 4.	Rehabilitation Standards.....	3
Section 5.	Resident Services Requirement.....	3
Section 6.	Replacement Reserve Fund.....	4
Section 7.	Management Agreement.....	5
Section 8.	Annual Compliance Audit; Site Visit.....	5
Section 9.	Corporation Report; Borrower’s Compliance.....	6
Section 10.	Asset Oversight and Compliance Fee.....	6
Section 11.	Term.....	7
Section 12.	Covenants To Run With the Land.....	8
Section 13.	Burden and Benefit.....	8
Section 14.	Uniformity; Common Plan.....	8
Section 15.	Default; Enforcement by the Corporation.....	8
Section 16.	Appointment of Receiver; Corporation in Possession.....	9
Section 17.	Assessment of Penalties by Corporation.....	10
Section 18.	Lien.....	11
Section 19.	Consideration.....	12
Section 20.	Recording and Filing.....	12
Section 21.	Reimbursement of Expenses.....	12
Section 22.	Notices.....	12
Section 23.	Applicable Law.....	13
Section 24.	Successors and Assigns.....	13
Section 25.	Severability of Provisions.....	13
Section 26.	Amendment.....	13
Section 27.	Indemnification of the Corporation.....	13
Section 28.	Joinder by Other Parties.....	14
Section 29.	Headings.....	14
Section 30.	Counterparts.....	14
APPENDIX A LIST OF PROPERTIES.....		A-1
APPENDIX B GUIDELINES FOR RESIDENT SERVICES.....		B-1
APPENDIX D SCHEDULE OF PENALTIES.....		D-1

THIS ASSET OVERSIGHT, COMPLIANCE AND SECURITY AGREEMENT (as amended, modified, or supplemented from time to time, this “Agreement”) is dated as of [**Date of Agreement**] for convenience of reference and is made effective as of [**Effective Date**] (the “Effective Date”) by and between [**Borrower**] (the “Borrower”) and **TEXAS STATE AFFORDABLE HOUSING CORPORATION**, a Texas non-profit corporation (together with its successors and assigns, the “Corporation”).

Section 1. **The Property and the Bonds.** The Borrower has acquired and plans to renovate, and operate a multifamily residential rental facility containing [# of Units] units in aggregate located in [**Property City**], [**Property County**], Texas all as more particularly described in Appendix A attached hereto (the “Property”) in connection with the issuance and sale of the Corporation’s Multifamily Housing Revenue Bonds ([**Project Name**] Project), Series [**Year**] in the original aggregate principal amount of \$[**Bond Amount**] (the “Bonds”) issued pursuant to an Indenture of Trust dated as of [**Date of Indenture**] (the “Indenture”), by and between the Corporation and [**Name of Trustee**] (the “Bond Trustee”). All capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the [Indenture, the Loan Agreement or the Regulatory Agreement].

Section 2. **Borrower’s Responsibility; Asset Oversight Activities.**

(a) The Borrower acknowledges responsibility for ensuring that the Property is operated in a manner consistent with and in compliance with the Regulatory Agreement, the Indenture, the Loan Agreement, this Agreement and all applicable legal requirements.

(b) The Borrower shall be responsible for providing to the Corporation financial, operating, and such other information related to the Property as the Corporation may request. The Borrower shall cause the Manager hired by the Borrower to cooperate with the Corporation with respect to providing information concerning the multifamily housing facilities comprising the Property as the Corporation may request from time to time.

(c) Each year, at least sixty (60) days prior to the end of Borrower’s fiscal year, Borrower shall submit to the Corporation the annual budget for the Property prepared by the Manager (the “Proposed Budget”). The Corporation shall review the Proposed Budget, may make (in its discretion) recommendations to the Borrower regarding the Proposed Budget (such recommendation to be based upon the Corporation’s opinion as to whether income, expense and capital items are realistic concerning the Property).

(d) As soon as it is available, but in any event not later than one hundred twenty (120) days after the end of each fiscal year of the Borrower, the Borrower shall submit to the Corporation its audited balance sheet as of the end of such year, and the related audited statement of income, audited statement of retained earnings and changes in capital from such year, audited statement of cash flows for such year, and an audited statement of all contingent liabilities of the Borrower which are not reflected in such financial statements or referred to in the notes thereto, each setting forth in comparative form the figures for the previous fiscal year. All such statements shall be in reasonable detail, prepared in accordance with generally accepted accounting principles, and shall be accompanied by an unqualified auditor’s report prepared by independent certified public accountants which states that after conducting an examination

necessary to provide such report, such firm has obtained no knowledge of any Default or Event of Default under the Financing Agreement, the Regulatory Agreement or this Agreement, or, if such accountants shall have obtained knowledge of any such then-existing Default or Event of Default they shall disclose in such statement any such Default or Event of Default.

(e) As soon as it is available, but in any event not later than thirty (30) days after the end of each quarter, the Borrower shall submit to the Corporation copies of its unaudited balance sheet at the end of such month, and the related unaudited statement of income, statement of retained earnings and changes in capital, and statement of cash flows for the portion of each Borrower's fiscal year then elapsed, all in reasonable detail and prepared in accordance with generally accepted accounting principles, together with a certification by the principal financial or accounting officer, partner or trustee of the Borrower that no Event of Default under the Financing Agreement, the Regulatory Agreement or this Agreement has occurred and is continuing and the information contained in such financial statements fairly presents the financial position of the Borrower on the date thereof (subject to year-end adjustments) and that, in making the examination necessary to said certification, such Person has obtained no knowledge of any facts to the contrary.

(f) The Corporation shall assess the site, personnel and procedures of the Manager on an annual basis to obtain information concerning the marketing plans, the compliance procedures relating to the Bonds and the operation of the multifamily housing facility comprising the Property.

Section 3. **Compliance for Qualified Project Period.** The Corporation and the Borrower hereby recognize and declare their understanding and intent that the Property is to be owned, managed and operated as a "housing development", as such term is defined in Section 2306.004(13), as amended, of the Texas Government Code, and in compliance with applicable restrictions and limitations as provided in said Chapter 2306 of the Texas Government Code and the Corporation's applicable Multifamily Tax Exempt Bond Policy and Request for Proposals for the creation or preservation of multifamily residential rental projects in Texas, until the expiration of the Qualified Project Period, as defined in the Tax Regulatory Agreement and Declaration of Restrictive Covenants dated as of **[Date of Regulatory Agreement]**, among the Borrower, the Corporation and the Bond Trustee (the "Regulatory Agreement") with respect to the Property, or for so long as any portion of the Bonds remains outstanding and unpaid, whichever is later. To that end, the Borrower hereby represents, covenants and agrees to meet all requirements of the Regulatory Agreement and the following requirements:

(i) to comply with the Set-Aside Requirements:

(1) Set-Aside Requirement. As set forth in the Regulatory Agreement, during the Qualified Project Period, on a continuous basis, at least forty percent (40%) of the Units, initially **108** Units, in the Project (excluding Units occupied or reserved for a resident manager or security or maintenance personnel that are functionally related and subordinate to the Project Facility and are reasonably required for such Project) (the "Set-Aside") shall be occupied or held vacant and available for occupancy at all times by **[Low-Income Tenants]** earning no more than **60%** of the applicable Area Median

Income. For the purposes of this subparagraph (i), a vacant Unit that was most recently occupied by a Low-Income Tenant is treated as rented and occupied by a Low-Income Tenant until reoccupied, at which time the character of such Unit shall be re-determined.

(2) General Rent Restriction Requirement. The Corporation places restrictions on the rents charged on the units leased pursuant to paragraph (1) and (2) above. The maximum rent that may be charged for any such Unit may not exceed 30% of the applicable median gross income for the county in which the Project is located, as prescribed by HUD, under Section 8 of the United States Housing Act of 1937, as amended (the "Housing Act of 1937"), adjusted for family size, assuming 1½ persons per bedroom and without taking into account any allowance for utilities. Rents may also not exceed 30% of a household's annual income, as calculated using the prescribed method provided by the Corporation. Notwithstanding anything to the contrary, utilization of the Housing Act of 1937 as a framework for rent restrictions and determining median gross income does not by itself make the Corporation subject to HUD's Final Rule on VAWA as defined in Section 3(ix) of this Agreement.

(3) Within twelve months of Closing, the set-aside units [described in paragraph (1)] must be evenly distributed throughout the Project and among all the different unit types (i.e. one-bedroom units, two-bedroom units and three-bedroom units). In any event, no more than 60% of the units making up the set-aside requirement may consist of one unit type and no less than 20% of the set aside requirement may consist of any particular unit type.

(4) The Borrower hereby represents, covenants and agrees that, from the Closing Date through and including [Month, Year], any and all increases in rents in excess of the greater of (a) 5% or (b) the Consumer Price Index as published by the Bureau of Labor Statistics of the United States Department of Labor, for any of the Low-Income Units or Very Low-Income Units (each as defined in the Regulatory Agreement) in the Project are subject to the prior written approval of the Corporation, which approval shall not be unreasonably withheld. Any written approval of the Corporation shall be given within ten (10) Business Days of the Corporation's receipt of request therefor from the Borrower. If such approval is not received within such time, the Corporation shall be deemed to have consented to the increase in rents

(ii) to obtain an Income Certification (as defined in the Regulatory Agreement and as attached to the Regulatory Agreement as Exhibit D) from each resident in the Project in accordance with the provisions of the Regulatory Agreement and to maintain a file of all such resident Income Certifications, together with all supporting documentation for a period of not less than three years following the later of the date on which no Bond remains outstanding or the end of the Qualified Project Period;

(iii) to obtain from each resident in the Property, for any lease executed after the Effective Date of this Agreement, pertaining to the unit occupied by such resident, a written certification, acknowledgment and acceptance in such form provided by the Corporation from time to time that (i) such lease is subordinate to the Loan Agreement and the Regulatory Agreement, (ii) all statements made in the Income Certification submitted by such resident are accurate, (iii) the family income and eligibility requirements of the Loan Agreement and the Regulatory Agreement are substantial and material obligations of tenancy in the Property, (iv) such resident will comply promptly with all requests for information with respect to such requirements from the Borrower, the Bond Trustee, and the Corporation, and (v) failure to provide accurate information in the Income Certification or refusal to comply with a request for information with respect there to will constitute a violation of a substantial obligation of the tenancy of such resident in the Property;

(iv) except as prepared and submitted as part of the monthly Unit Status Report (as referred under paragraph (e) below), commencing in the year **2018**, to cause to be prepared and submitted to the Corporation (or any duly authorized representative of the Corporation) upon written notice provided by the Corporation and the Bond Trustee on the first day of the Qualified Project Period, or within such extended time as is permitted under Internal Revenue Service Revenue Procedure 2004-39, and thereafter by the tenth (10th) calendar day after the end of each calendar quarter, or other schedule as determined by the Corporation with written notice to the Borrower, a Certificate of Continuing Program Compliance in the form attached as Exhibit C to the Regulatory Agreement or at the request of the Corporation in such other form provided by the Corporation to Borrower from time to time to meet tax-exempt bond requirements;

(v) commencing in **March 2019**, to cause to be prepared and submitted to the Corporation (or any duly authorized representative of the Corporation) by electronic submission on or before the tenth (10th) day of each calendar month, the "Unit Status Report," the "Resident Services Report" and any other reasonably required report required by the Corporation available on the Corporation's website;

(vi) to the extent legally permissible and upon reasonable advance written notice, to permit any duly authorized representative of the Corporation or the Bond Trustee to inspect the books and records of the Borrower pertaining to the Property or the incomes of residents of the Property, including but not limited to resident files, during business hours and to make copies therefrom if so desired and file such reports as are necessary to meet Corporation's requirements; and

(vii) to obtain an Income Certification, together with all supporting documentation, for each Set-Aside Unit annually no earlier than 120 days prior to the anniversary date and no later than the anniversary date of the initial occupancy. Example: If the household moved in on July 1, 2017, the annual Income Certification must be completed between March 3 (120 days prior to July 1) and July 1 every year thereafter.

(viii) **Rehabilitation Standards.** All rehabilitation and replacement or make-ready activities must adhere to the construction, energy efficiency, accessibility and site

development standards set by the applicable Corporation's Multifamily Tax Exempt Bond Policy and Request for Proposals. Specifically, the rehabilitation activities detailed in the Borrower's application and supporting documents must include the use of Energy Star rated appliances (e.g. refrigerators, dishwashers, lighting, ceiling fans) and mechanical systems (e.g. water heaters, HVAC systems, ventilation, etc.) being replaced or rehabilitated by the Borrower.

(ix) HUD's Final Rule on VAWA. To the extent that Borrower is receiving or will receive any assistance for tenant-based or project-based rental assistance programs under the Housing Act of 1937 or is considered providing any other "covered housing program" within the meaning of HUD's final rule implementing the Violence Against Women Reauthorization Act of 2013 ("HUD's Final Rule on VAWA"), Borrower represents, warrants and covenants until the end of the Qualified Project Period that Borrower is and will continuously be in compliance with the requirements of HUD's Final Rule on VAWA.

All rehabilitation and/or construction activities must adhere to the Federal Fair Housing Accessibility Standards, Title II & III of the American's with Disabilities Act, Section 504 Accessibility Standards, and Section 2306.514 of the Texas Government Code. The Borrower must submit an affidavit or affidavits certifying its adherence to the requirements of Section 504 (Accessibility Standards) and Section 2306.514 of the Texas Government Code prior to the commencement of any rehabilitation or construction activities.

Section 4. **Resident Services Requirement.** The Borrower shall comply with all applicable requirements of the Act, including submitting (via the electronic filing system available on the Corporation's website) the Fair Housing Sponsor Report (in the form available on the Corporation's website) on or before March 30, **2018**, and each year thereafter. The borrower shall be required to maintain a sustained resident services program that provides at least six (6) approved services to tenants on a quarterly basis. The borrower must ensure a dedicated budget for services, free transportation to services if off-site, and preferably on-site staff to direct services. The six (6) services must be listed in the Corporation's Resident Services Program Guidelines set forth in Appendix B hereto, as amended from time to time by the Corporation. The Borrower shall also submit a resident services program plan (the "Program Plan") that explains the services to be provided on an annual basis for the Property and which is subject to review and approval by the Corporation. The Borrower shall submit an updated Program Plan on or before December 1st of each year, commencing December 1, **2019**. The Program Plan may be amended throughout the year upon written request of the Borrower and the written approval by the Corporation. A line-item budget must accompany the Program Plan and the Borrower shall maintain a dedicated budget for such resident services. To the extent feasible, the budget should include salaries for on-site staff to provide or coordinate resident services, and if services are provided off-site, transportation costs (which transportation costs may not be charged to the residents).

Section 5. **Replacement Reserve Fund.** The Borrower shall conduct a physical needs assessment pursuant to the provisions set forth in the Loan Agreement. At a minimum, such an assessment shall occur during the fifth (5th) year following the Bond closing and once every five years thereafter (the "Physical Needs Assessment"). The Borrower shall submit to the

Corporation, within fifteen (15) Business Days of receipt thereof, copies of the most recent Physical Needs Assessment report, any response by the Borrower to the Physical Needs Assessment, and, subject to Section 5.22 of the Loan Agreement, information on any necessary adjustments to amounts held in the Replacement Reserve Fund (as defined in the Indenture) based on the Physical Needs Assessment.

The Borrower shall maintain the Property and make repairs as specified in the Physical Needs Assessments and shall otherwise comply with Section 2306.186(e), (f) and (g) of the Texas Government Code (the Corporation shall be considered the “department” under such statute) and this Agreement. The Borrower hereby grants the Corporation, upon at least ten (10) days prior written notice to the Borrower, any and all rights to enter upon the related Property and such right of access thereto as necessary to comply with Section 2306.186(e), (f) and (g) of the Texas Government Code, this Agreement, the Corporation’s Multi-Family 501(c)(3) and Private Activity Bond Program Compliance Policy (as approved in **[Most Recent Date]**, and as subsequently amended from time to time by the Corporation) (the “Corporation’s Compliance Policy”) and this Agreement.

If the Corporation determines in its reasonable discretion, that (i) the Property is in violation of Section 2306.186(e), (f) or (g) of the Texas Government Code; or (ii) the Borrower has not completed the repairs/replacements pursuant to the applicable Physical Needs Assessment, the Corporation shall provide written notice to the Borrower of such violation with a list and description of each violation and the action needed to effect a remediation of the violation. The Borrower shall cooperate with the Corporation to resolve such violations in a diligent manner. If such violations are not corrected by the Borrower after sixty (60) days of the receipt of the violation notice by the Borrower from the Corporation, the Corporation shall, upon providing prior written notice of its action to the Borrower, have the right to withdraw an amount or amounts from the Replacement Reserve Fund equal to the reasonable cost to correct the violations and use such funds to make the repairs/replacements to correct such violations. The Corporation may begin the process of withdrawing funds from the Replacement Reserve Fund ninety (90) days after the initial corrective action period ends.

Notwithstanding anything else to the contrary contained in this Section 6, the Corporation shall not be obligated to enter upon any Property nor shall the Corporation be obligated to take action or make repairs for the purpose of enforcing this Section 6.

Section 6. **Management Agreement.** The Borrower agrees to the following, and each of these provisions shall be reflected in the Management Agreement (as defined in the Indenture) or in a separate written consent executed by the then current Manager:

(a) The Corporation has approved the initial Manager, **[Name of Property Manager]**, which shall act as Manager for the Property, and the Corporation has approved the initial Management Agreement. The Corporation shall have the authority to approve all subsequent Managers prior to their installment and the Borrower shall notify the Corporation in writing at least thirty (30) days prior to the installment of a new Manager. The Corporation shall have the authority to approve all subsequent Management Agreements, which approval shall not be unreasonably withheld, conditioned or delayed. If the Corporation has not responded within twenty (20) days of receipt by certified mail of a proposed new Manager and any proposed new

Management Agreement, the proposed Manager and the proposed Management Agreement shall be deemed approved by the Corporation.

(b) The Corporation shall have the authority to remove any Manager and appoint a new Manager or Managers (including itself) if:

(i) any Property is not maintained in a manner which complies with Section 2306.186 of the Texas Government Code, as required by Section 2306.269 of the Texas Government Code;

(ii) an Event of Default has occurred and is continuing under this Agreement with respect to the Property;

(iii) any Borrower does not follow the reasonable recommendations of the Corporation, or its agent, in accordance with this Agreement, the Regulatory Agreement, the Indenture or the Loan Agreement, or any other agreement related to the Corporation's Compliance Policy; or

(iv) any Borrower does not correct the findings noted within an Asset Oversight Observation Report and/or Compliance Observation Report within the timeframes set forth in the Corporation's Compliance Policy.

Section 7. **Annual Compliance Audit; Site Visit.**

(a) The Corporation, or a third party compliance monitoring agent selected and retained by the Corporation (the "**Independent Consultant**"), will conduct an annual audit to verify compliance with one or more of the agreements entered into in accordance with the Corporation's Compliance Policy, including the Regulatory Agreement and the Loan Agreement, and any other agreement relating to the Corporation's Compliance Policy. The Borrower shall agree to provide any documentation or information requested in writing either by the Corporation or the Independent Consultant related to such audit that is reasonably available to the Borrower. The costs related to any annual audit (excluding the costs incurred by the Borrower in providing information to the Corporation or the Independent Consultant) will be paid from the fees and other amounts payable to the Corporation or the Independent Consultant under the related agreements. The Corporation shall provide to the Borrower the Corporation's preferred resident file organization standard to be used for each related property.

(b) After the Issue Date, the Corporation or the Independent Consultant shall make an annual site visit to the Property, with reasonable prior written notice to the Borrower, and prepare an observation report in connection therewith. The Borrower shall fully cooperate with the Corporation and with any Independent Consultant retained by the Corporation to perform all or any part of the site visit.

Section 8. **Corporation Report; Borrower's Compliance.** The Corporation shall prepare and deliver to the Borrower during each calendar year a report in or such other form as may be required or promulgated by the Corporation. Each report by the Corporation shall be delivered to the Borrower within ninety (90) days after the annual site visit to the Property. It is understood that if the date of the site visit to the Property takes place within the last ninety (90)

days of a calendar year, the applicable report may be delivered to the Borrower in the next calendar year (but still within the 90 day timeframe). The Borrower shall, within thirty (30) days (or within one (1) business day in the case of a health or safety violation, unless the Corporation approves a longer period) after the date each report is received by the Borrower, cure any and all deficiencies or problems and provide sufficient evidence to the Corporation that the Borrower has corrected all deficiencies; provided, however, that in the event the Borrower cannot reasonably cure all noted deficiencies within the applicable cure period, the Borrower may (except in the case of a health or safety violation, unless the Corporation approves an additional cure period for such violation) have an additional reasonable period of time to cure the deficiencies if, in the Corporation's judgment, the Borrower has commenced such cure prior to the expiration of the applicable period and the Borrower diligently prosecutes such cure.

Section 9. **Fees.**

(a) For services to be performed under this Agreement, the Borrower agrees to pay the Corporation an annual asset oversight and compliance monitoring fee (the "Issuer Compliance Fee") in an amount equal to \$45.00 for each multifamily unit in the Property plus, commencing January (2nd year after closing), the lesser of (i) 3% per annum or (ii) the CPI Adjustment (as defined herein); provided however in no event shall the total adjustment exceed 15% of the aggregate over the first fifteen (15) years of the Agreement.

(b) The Borrower shall pay the Issuer Compliance Fee in accordance with the terms of the Loan Agreement and the Indenture, as follows: (insert language from Loan Agreement or Indenture)

(c) The Corporation will pay the fees of any Independent Consultant hired by the Corporation from the Corporation Compliance Fee. The Borrower shall not be a party to any contract between the Corporation and an Independent Consultant.

(d) "CPI Adjustment" means an increase in the Corporation Compliance Fee from the prior year's fee to account for the most recently published annual percentage increase in the CPI. "CPI" means the Consumer Price Index - All Urban Consumers, U.S. City Average, All Items (1982-84 = 100), as published by the Bureau of Labor Statistics of the United States Department of Labor. All such CPI Adjustments and amounts owing for fees under this Section 10 shall be evidenced by an invoice from the Corporation delivered to the Borrower and the Bond Trustee setting forth such amounts prior to payment being required by the Bond Trustee or the Borrower. If the publication of the CPI is discontinued or published less frequently, then the Corporation shall determine a substitute index published by a governmental body or nationally recognized financial institution that reasonably reflects and monitors consumer prices. In addition to the CPI Adjustments, the Corporation may in its discretion adjust the Corporation Compliance Fee, subject to the prior written approval of the Borrower. The Borrower shall respond to any request herein within thirty (30) business days of the Borrower's receipt of a written request from the Corporation. If the Borrower fails to respond within such time period, the Borrower shall be deemed to have consented to the proposed adjustment to the Corporation Compliance Fee.

Section 10. **Term.** This Agreement and each provision hereof shall become effective as of the Effective Date, shall remain in full force and effect for the periods provided herein and,

except as otherwise provided in this Section 11, shall terminate in its entirety at the end of the Qualified Project Period.

Notwithstanding anything herein to the contrary, the requirements set forth herein shall terminate, without the requirement of any consent by the Corporation, and be of no further force and effect in the event of involuntary noncompliance with the provisions of this Agreement caused by fire, seizure, requisition, change in a federal or State law or an action of a federal agency after the Issue Date which prevents the Borrower from enforcing the provisions hereof, or foreclosure or transfer of title by deed in lieu of foreclosure or other similar involuntary transfer, condemnation or a similar event, but only if, within a reasonable period thereafter, the Bonds are retired in full. The provisions of the preceding sentence shall cease to apply and the requirements referred to therein shall be reinstated if, at any time during the Qualified Project Period, after the termination of such requirements as a result of involuntary noncompliance due to foreclosure, transfer of title by deed in lieu of foreclosure or similar event, any of the Borrower or any Related Person (as defined in the Indenture) obtains an ownership interest in the Property for federal income tax purposes and for the purposes of State law.

Notwithstanding any other provision of this Agreement, this Agreement may be terminated upon written agreement by the Corporation and the Borrower.

Upon the termination of the terms of this Agreement, the parties hereto agree to execute, deliver and record appropriate instruments of release and discharge of the terms hereof; provided, however, that the execution and delivery of such instruments shall not be necessary or a prerequisite to the termination of this Agreement in accordance with its terms. All costs, including fees and expenses of the Corporation incurred in connection with the termination of this Agreement shall be paid by the Borrower and its successors in interest.

Section 11. **Covenants To Run With the Land.** The Borrower hereby subjects the Property to the covenants, reservations and restrictions set forth in this Agreement. The Corporation and the Borrower hereby declare their express intent that the covenants, reservations and restrictions set forth herein shall be deemed covenants running with the land and shall pass to and be binding upon the Borrower's successors in title to the Property; provided, however, that upon the termination of this Agreement said covenants, reservations and restrictions shall expire. Each and every contract, deed or other instrument hereafter executed covering or conveying the Property or any portion thereof prior to the termination of this Agreement shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations and restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instrument.

No breach of any of the provisions of this Agreement shall impair, defeat or render invalid the lien of any mortgage, deed of trust or like encumbrance made in good faith and for value encumbering any of the Property or any portion thereof.

Section 12. **Burden and Benefit.** The Corporation and the Borrower hereby declare their understanding and intent that the burden of the covenants set forth herein touch and concern the land in that the Borrower's legal interest in the Property is rendered less valuable thereby. The Corporation and the Borrower hereby further declare their understanding and intent that the

benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Property by low-income tenants and by furthering the public purposes for which the Bonds were issued.

Section 13. **Uniformity; Common Plan.** The covenants, reservations and restrictions hereof shall apply uniformly to the Property in order to establish and carry out a common plan for the use, development and improvement of the Property.

Section 14. **Default; Enforcement by the Corporation.** If the Borrower defaults in the performance or observance of any covenant, agreement or obligation of the Borrower set forth in this Agreement, and if such default remains uncured by the Borrower for a period of sixty (60) days after written notice thereof shall have been given by the Corporation to the Borrower, then the Corporation shall declare an “Event of Default” hereunder to have occurred hereunder; provided, however, that, if the default stated in the notice is of such a nature that it cannot be corrected within sixty (60) days, such default shall not constitute an Event of Default hereunder and shall not be declared an Event of Default so long as (i) the Borrower institutes corrective action within said sixty (60) days and diligently pursue such action until the default is corrected and (ii) in the reasonable discretion of the Corporation, the Borrower has the ability to cure said default within an additional sixty (60) days. Notwithstanding anything herein to the contrary, with respect to any conflict regarding enforcement provisions between this Agreement and the Regulatory Agreement for requirements found in both documents, the Regulatory Agreement shall control.

Following the declaration of an Event of Default as set forth above, the Corporation, subject to being indemnified to its satisfaction with respect to the costs and expenses of any proceeding may, at its option, take any one or more of the following steps:

- (a) by mandamus or other suit, action or proceeding at law or in equity, including injunctive relief, require the Borrower to perform their obligations and covenants hereunder or enjoin any acts or things which may be unlawful or in violation of the rights of the Corporation hereunder;
- (b) have access to and inspect, examine and make copies of all of the books and records of the Borrower pertaining to the Property during regular business hours following reasonable written notice;
- (c) pursuant to Section 6, withdraw funds from the Replacement Reserve Fund to make repairs/replacements to the Property;
- (d) pursuant to Section 7, remove any Manager or Managers and replace such Manager or Managers with a Manager or Managers reasonably acceptable to the Borrower;
- (e) pursuant to Section 16, the ex parte appointment of a receiver;
- (f) pursuant to Section 17, assess reasonable penalties for non-compliance; and
- (g) take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Borrower hereunder;

The Borrower hereby agrees that specific enforcement of the Borrower's agreements contained herein may be the only means by which the Corporation may obtain the benefits of such agreements, and the Borrower therefore agrees to the imposition of the remedy of specific performance against it in the case of any Event of Default by the Borrower hereunder.

All rights and remedies herein given or granted are cumulative, nonexclusive and in addition to any and all rights and remedies that the parties may have or may be given by reason of any law, statute, ordinance, document or otherwise. Notwithstanding the availability of the remedy of specific performance provided for in this Section 15, promptly upon determining that a violation of this Agreement has occurred, the Corporation shall to the extent that it has actual knowledge thereof, by notice in writing, inform the Borrower that a violation of this Agreement has occurred (provided that the failure to provide such notice shall not adversely affect the Corporation's rights under this Agreement).

Section 15. **Appointment of Receiver; Corporation in Possession.** As provided in Section 2306.125(b) of the Texas Government Code, if and only if all of the following shall have occurred; (i) a "Material Event of Default", defined below, has occurred and is continuing, and (ii) the Corporation has already pursued its remedies under Section 15(c) and 15(d) above and such Material Event of Default still remains, then as a matter of strict right and without notice to the Borrower, without the showing of any insolvency, fraud or mismanagement on the part of any Borrower and without the necessity of filing any judicial or other proceeding other than for the appointment of a receiver, the Corporation shall be entitled to the ex parte appointment of a receiver to take possession of, protect, control, manage and operate any Property in order to remedy the Material Event of Default with respect to such Property but for only so long as the Material Event of Default is continuing and remains uncured. The Borrower hereby irrevocably agrees, consents to, waives any notice of or defense to the appointment of a receiver for the Property owned thereby. The Borrower further agrees that, following the Extraordinary Additional Cure Period, the equitable appointment of a receiver hereunder is the only remedy available for the Corporation to ensure compliance with the terms of this Agreement and the safety and well-being of the residents of any Property owned by the Borrower who has committed a Material Event of Default. Any receiver appointed pursuant to this Agreement shall have all usual powers and duties in such matters as ordered by a court, including, without limitation, the power to take possession of, enter upon, hold, develop, rent, lease, manage, maintain, operate and otherwise use and operate the Property upon such terms and conditions as the receiver may deem to be prudent and reasonable under the circumstances in order to remedy the Material Event of Default with respect to such Property.

During an Extraordinary Additional Cure Period, the Corporation agrees to cooperate fully with the Borrower and any Affiliates of the Borrower to rectify the Event(s) of Default in a diligent manner.

"Material Event of Default" means an Event of Default that materially adversely affects the health, welfare and/or safety of the tenants of the Property that is continuing after the Extraordinary Additional Cure Period has passed.

"Extraordinary Additional Cure Period" means a period of an additional ninety (90) days from the cure periods provided in Section 13 that begins on the date that the Borrower

receives written notice from the Corporation that it intends to appoint a receiver as an enforcement remedy for a Material Event(s) of Default under this Agreement. If corrective action is instituted to cure such Material Event(s) of Default within this 90-day period, the Corporation agrees this Extraordinary Additional Cure Period shall last so long as, in the reasonable discretion of the Corporation, the Borrower are diligently pursuing a remedy for such Material Event(s) of Default; provided, however in no event shall the Extraordinary Additional Cure Period last for more than one (1) year from the date the Borrower receive notice as described above unless such corrective action has been instituted by or at the direction of the Corporation, then such Extraordinary Additional Cure Period shall continue so long as such corrective action is diligently pursued.

Section 16. **Assessment of Penalties by Corporation.**

Upon an Event of Default that continues after all cure periods provided in Section 15 (or if appropriate, Section 16), the Corporation may assess reasonable penalties for such non-compliance against the defaulting Borrower. All penalties assessed herein will be for the compliance action and amounts per time period as provided in Appendix D attached hereto (the “Penalties”); provided that these amounts and time periods may be adjusted by the Corporation from time to time in its sole, but reasonable, discretion. All Penalties assessed shall be paid by the Borrower within thirty (30) days of receipt of a written complaint and assessment of penalties provided by the Corporation to the Borrower. If any penalties remain unpaid for a period of sixty (60) days after receipt by the Borrower of any written complaint and assessment of Penalties, additional Penalties may be assessed by the Corporation as provided in Appendix D attached hereto.

Upon the receipt of the written complaint and assessment of Penalties by the Borrower from the Corporation, the Borrower shall have ten (10) days to request an appearance before the Board of Directors of the Corporation (the “Board”) to contest the assessment of such Penalties by the Corporation by written notice to the Corporation within such ten (10) day period. If the Corporation receives the request for an appearance within such ten (10) day period, all Penalties shall be suspended until the appearance date before the Board. The Corporation shall set such appearance date for the next scheduled public meeting of the Board for which legal and adequate notice can be given. If the Board finds the assessment of Penalties was unwarranted or in violation of this Agreement, the Corporation will cancel the complaint and assessment of Penalties in dispute and no amounts shall be owed thereunder by the Borrower; provided, however, this shall not prevent the Corporation from assessing the same or similar Penalties against the Borrower for similar future Events of Default under this Agreement. If the Board determines the assessment of penalties was valid and in accordance with this Agreement, the Borrower shall pay all assessed Penalties (without additional Penalties) within thirty (30) days of such determination.

Section 17. **Lien.**

(a) The payments due hereunder (including, but not limited to, the Corporation Compliance Fee, the Penalties and other amounts owed hereunder) shall be a charge on the Property and shall be a continuing lien (“Assessment Lien”) upon the Property, and shall be the continuing obligation of the Borrower.

(b) In order to secure the payment of the sums due hereunder, the Borrower hereby grants the Assessment Lien for the benefit of the Corporation. Subject to the provisions of Section 18(f) hereof, the Assessment Lien may be foreclosed upon by non-judicial foreclosure pursuant to the provisions of Section 51.002 of the Texas Property Code (or any successor statute). Borrower hereby grants a power of sale to the Corporation to sell the Property upon a default in the payment of any amounts owed hereunder, where such default in payment is not cured within ten (10) days after written notice of such default is given to the Borrower and the Bond Trustee. Alternatively, the Corporation may pursue its remedies as set out in Sections 15, 16 and 17 hereof, and independent of any such remedies but subject to Paragraph 16(f) hereof, may foreclose the Assessment Lien by judicial proceedings. Any exercise of remedies or the power of sale hereunder shall be as to the Property as to which any default then applies.

(c) The Executive Vice President or any Vice President of the Corporation or his or her designee is hereby appointed as a trustee to exercise the Corporation's power of sale (subject to Section 16(f) hereof). Such trustee will not incur any personal liability hereunder.

(d) Although no further action is required to create or perfect the Assessment Lien, the Corporation may, as further evidence of the Assessment Lien, give notice of the Assessment Lien by executing and recording a document setting forth the amount of the delinquent sums due at the time such document is executed (a copy of any such document shall be provided to the Bond Trustee and the Borrower) and the fact that a lien exists to secure the payment hereof. Failure of the Corporation to execute and record any such document will not, to any extent, affect the validity, enforceability or priority of the Assessment Lien. The Corporation hereby agrees to provide the Bond Trustee with copies of any and all notices given to Borrower under this Agreement. The Corporation shall, at the request of the Bond Trustee, deliver to the Bond Trustee an accounting of all amounts owed by the Borrower to the Corporation hereunder, on which accounting the Bond Trustee may conclusively rely for all purposes of this Agreement.

(e) At any foreclosure proceeding of the Assessment Lien, any person or entity, including, but not limited to the Corporation, shall have the right to bid for the Property at the foreclosure sale and to acquire ownership of the same. From the proceeds of the foreclosure sale, (1) all expenses incurred by the Corporation in connection with the default, including attorneys' fees and trustee's fees will be paid first; (2) second, the Corporation will be paid an amount equal to the amount in default; (3) third, the remaining balance, if any, shall be paid to the Borrower.

(f) Notwithstanding anything to the contrary contained herein, the Assessment Lien shall be and remain subordinate to the liens of any deed of trust related to the Bonds or the Property that are recorded or assigned on or about the date this Agreement is recorded (the "Deeds of Trust"), and the Corporation agrees that (i) during the compliance period related to the federal low income housing tax credits provided for the Property or (ii) so long as any principal, premium, if any, and interest on the Bonds remains unpaid, the Corporation will not exercise its rights to foreclosure of the Assessment Lien by power of sale, judicial proceedings or conveyance in lieu of foreclosure as to the Property. For the avoidance of doubt, the Corporation agrees that upon a foreclosure, or deed in lieu of foreclosure, under any of the Deeds of Trust, any Assessment Lien then existing as to the Property (and the sums due pursuant to such Assessment Lien) will be extinguished and no longer of any force or effect; provided, however,

if any foreclosure, or any proceeding for deed in lieu of foreclosure, is commenced by or on behalf of an Affiliate (as defined in the Indenture) of any Borrower, the Assessment Lien shall not be extinguished thereby and shall remain as a subordinate lien against the Property.

Section 18. **Consideration.** The Corporation has issued the Bonds to provide funds to finance the Property, all for the purpose, among others, of inducing the Borrower to acquire, rehabilitate, equip and operate the Property. In consideration of the issuance of the Bonds by the Corporation, the Borrower has entered into this Agreement and has agreed to restrict the uses to which this Property can be put on the terms and conditions set forth herein.

Section 19. **Recording and Filing.** The Borrower shall cause this Agreement, and all amendments and supplements hereto and thereto, to be recorded and filed in the real property records of the Texas County in which its respective Property is located and in such other places as the Corporation may reasonably request. A file-stamped copy of this Agreement and all amendments and supplements thereto shall be delivered to the Corporation. The Borrower shall pay all fees and charges incurred in connection with any such recording. This Agreement is subject to and subordinate to all matters of record as of the date hereof.

Section 20. **Reimbursement of Expenses.** Notwithstanding any prepayment of the Bonds and notwithstanding a discharge of the Indenture, throughout the terms of this Agreement, during the occurrence of any Event of Default, the Borrower shall continue to pay to the Corporation all fees and reimbursement for all expenses (including reasonable attorney fees) actually incurred thereby required to be paid to the Corporation by the Borrower pursuant to this Agreement, including all costs related to the enforcement hereof.

Section 21. **Notices.** No notice or other communication shall be deemed given unless sent in any of the manners, and to the persons, specified in this Section 22. All notices and other communications hereunder shall be in writing and shall be deemed given (a) upon receipt if delivered personally (unless subject to clause (b)) or if mail by registered or certified mail, (b) at noon on the date after dispatch if sent by overnight courier or (c) upon the completion of transmission (which is confirmed by telephone or by a statement generated by the transmitting machine) if transmitted by telecopy or other means of facsimile which provides immediate or near immediate transmission to compatible equipment in the possession of the recipient, in any case to the parties at the following addresses or telecopy numbers (or at such other address or telecopy number for a party specified by like notice):

If to Corporation:

Texas State Affordable Housing Corporation
Attention: Executive Vice President
6701 Shirley Ave.
Austin, Texas 78752
Fax: (512) 477-3557

If to Borrower:

(Borrower)
Borrower Address

Attention: **Borrower Contact**
Telephone: **Borrower Phone**
Facsimile: **Borrower FAX**

Section 22. **Applicable Law.** This Agreement shall be construed and enforced in accordance with the laws of the State of Texas.

Section 23. **Successors and Assigns.** This Agreement shall be binding upon the parties hereto and their respective agents, designees, representatives, heirs, administrators, executors, successors and assigns. This Agreement, and the rights of the Corporation hereunder, may be assigned by the Corporation upon written notice to the Borrower. The Corporation will not be required to obtain an opinion of nationally recognized bond counsel in connection with an assignment. Neither this Agreement nor the rights or obligations of any Borrower may be assigned by any Borrower without the Corporation's prior written consent.

Section 24. **Severability of Provisions.** Each provision of this Agreement shall be considered severable and if for any reason any provision which is not essential to the effectuation of the basic purposes of this Agreement is determined to be invalid and contrary to any existing or future law, such invalidity shall not impair the operation of or affect those provisions of this Agreement which are valid.

Section 25. **Amendment.** This Agreement may be amended only by written agreement of all parties hereto.

Section 26. **Indemnification of the Corporation.** THE BORROWER HEREBY AGREES TO PROTECT, INDEMNIFY AND SAVE THE ISSUER (AS PRINCIPAL UNDER THIS AGREEMENT, AND AS ISSUER), ANY INDEPENDENT CONSULTANT, AND THEIR RESPECTIVE BOARD MEMBERS, OFFICERS, AGENTS AND EMPLOYEES (THE "INDEMNIFIED PARTIES") HARMLESS FROM AND AGAINST ALL LIABILITY, LOSSES, DAMAGES, COSTS, EXPENSES (INCLUDING REASONABLE ATTORNEYS' FEES), TAXES, CAUSES OF ACTION, SUITS, CLAIMS, DEMANDS AND JUDGMENTS OF ANY NATURE OR FORM (COLLECTIVELY, "CLAIMS"), BY OR ON BEHALF OF ANY PERSON ARISING IN ANY MANNER FROM ISSUER'S EXERCISE OF ITS RIGHTS HEREUNDER AND/OR THE ISSUER'S AND/OR ANY INDEMNIFIED PARTY'S PERFORMANCE OF ITS DUTIES HEREUNDER OR ARISING IN ANY MANNER IN CONNECTION WITH ANY PROPERTY OR THE FINANCING OF ANY PROPERTY; HOWEVER, THE BORROWER SHALL NOT BE LIABLE FOR OR OBLIGATED TO HOLD THE INDEMNIFIED PARTIES HARMLESS AGAINST, ANY CLAIM OR INJURY OR DEATH WHICH RESULTS FROM THE WILLFUL MISCONDUCT, BAD FAITH OR FRAUD OF THE ISSUER OR OTHER INDEMNIFIED PARTY. UPON WRITTEN NOTICE FROM ANY INDEMNIFIED PARTY, THE BORROWER SHALL DEFEND THE INDEMNIFIED PARTY IN ANY ACTION OR PROCEEDING BROUGHT IN

CONNECTION WITH ANY OF THE ABOVE EXCEPT WHEN RESULTING FROM WILLFUL MISCONDUCT, BAD FAITH OR FRAUD AS HEREINABOVE DESCRIBED, AND SHALL PROVIDE COMPETENT COUNSEL REASONABLY SATISFACTORY TO THE INDEMNIFIED PARTIES; PROVIDED, HOWEVER, THAT ANY INDEMNIFIED PARTY MAY ELECT, IN THE EVENT OF A CONFLICT OF INTEREST AMONG THE INDEMNIFIED PARTIES WHICH IN THE REASONABLE JUDGMENT OF THE ISSUER'S COUNSEL WILL INTERFERE WITH THE EFFECTIVE DEFENSE OF ANY ACTION, TO RETAIN ITS OWN COUNSEL AND PROSECUTE THE DEFENSE OF ANY ACTION, IN WHICH EVENT BORROWER SHALL PAY ALL REASONABLE ATTORNEYS FEES AND REASONABLE EXPENSES OF SUCH DEFENSE, AND IN NO EVENT SHALL SUCH DEFENSE BY AN INDEMNIFIED PARTY REDUCE, LIMIT, OR IMPAIR BORROWER'S INDEMNIFICATION OF SUCH INDEMNIFIED PARTY HEREUNDER.

Section 27. **Joinder by Other Parties.** By executing this Agreement, [Borrower], a Texas [form of organizaion], which is the general partner of the Borrower, agrees that it is jointly and severally liable for the obligations of Borrower under this Agreement.

Section 28. **Headings.** All headings and subheadings used in this Agreement are inserted only for convenience and ease of reference and are not to be considered in the construction or interpretation of any provision of this Agreement.

Section 29. **Counterparts.** This Agreement may be executed in one or more counterparts and each of such counterparts shall be deemed to be an original for all purposes, and all of such counterparts shall together constitute one and the same document.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the parties hereto have affixed or caused to be affixed their respective signatures effective as of the day first written above.

Corporation:

TEXAS STATE AFFORDABLE HOUSING CORPORATION

By: _____

Name: **[TSAHC Signator]**

Title: **[Signator's Title]**

STATE OF TEXAS §
 §
COUNTY OF **[Name of** §
County]

This instrument was acknowledged before me on the ____ day of _____, 20____ by **[TSAHC Signatory]**, **[Title]** of Texas State Affordable Housing Corporation.

Notary Public in and for the State of Texas

(SEAL)

Borrower:

[Borrower], a Texas [form of coporation]

By: **[Name]**, a Texas **[form of organization]**, in its capacity as the general partner of the above-referenced limited partnership

By: _____
Name: **[signatory]**
Title: **[title]**

STATE OF TEXAS §
 §
COUNTY OF **[County]** §

This instrument was acknowledged before me on the ____ day of _____, 2012 by _____, _____ of _____, in its capacity as the general partner of _____, on behalf of said limited partnership.

Notary Public in and for the State of Texas

(SEAL)

APPENDIX A

LIST OF PROPERTIES

<u>Property Name</u>	<u>Borrower Name</u>	<u>Address(es)</u>	<u>City</u>	<u>Number of Units</u>

APPENDIX B

GUIDELINES FOR RESIDENT SERVICES

It is the Texas State Affordable Housing Corporation's goal to support Developers in the creation of high quality Resident Service Programs. TSAHC has created basic guidelines and a reporting system to help with this process.

In order to fulfill the Resident Service requirement, at least six resident service activities per quarter must be provided from the following list. Developers must ensure services are provided onsite or provide free transportation to services if offered off-site. If the applicant received additional points under the Resident Service scoring criteria, an average of at least four resident service activities per month must be provided from the following list. If you are interested in starting an activity or course that is not on the list, please propose the new activity to the Multifamily Oversight Department for approval. Activities that are provided daily, such as after school programs and educational/scholastic tutoring can be counted as two services for the quarter. Please make sure that services offered will encourage economic self-sufficiency and/or promote homeownership opportunities.

- **Career Services**
 1. Computer Literacy Class
 2. GED Classes
 3. Job Skills/Training
 4. Resume/ Job Search Workshop
 5. Job Fair
 6. College Preparation Class
 7. Military Recruiting

- **Children's Services**
 1. After School Care (2 Services When Provided Daily)
 2. Swimming Lessons
 3. Free On-site Daycare (2 Services When Provided Daily)
 4. Free On-site Tutoring Sessions (2 Services When Provided Daily)
 5. Performing Arts Classes
 6. Holiday Safety Classes
 7. On-Site library
 8. Free Lunch Program (2 Services When Provided Daily)

- **Community Awareness**
 1. Crime Watch Meeting
 2. Self Defense Course
 3. Child Id/Fingerprinting Program
 4. Fire Safety Class
 5. Hurricane Safety Class
 6. Domestic Violence Awareness Workshop
 7. Drug Awareness Workshop
 8. Host Support Groups Such as AA, Anger Management, etc.
 9. Community Gardens

10. Community Service Activities (i.e. Habitat for Humanity)
11. Green Living/Environmental Workshop

- **Financial Skills**

1. Household Budgeting Workshop
2. Financial Planning/Credit Counseling Workshop
3. Asset Building Workshop
4. Tax Preparation Courses
5. Student Financial Aid Workshop
6. Personal Insurance Workshop (Medical, Renters, Life, Disability, Car)

- **Medical and Health Services**

1. Basic First Aid and CPR Class
2. Caring for the Disabled Class
3. Health and Screening Services
4. HIV/AIDS Classes
5. Vaccinations/ Flu Shots Services
6. Fitness and Exercise Classes
7. Diabetes/ Heart Disease Courses
8. Babysitting Safety Courses
9. Health and Nutritional Courses
10. Low Cost Healthy Cooking Courses
11. Cancer Awareness Workshop/Cancer Screening Services
12. Free Dental Services

- **Personal Development**

1. Counseling Services
2. English as a Second Language Courses
3. Home Ownership Counseling
5. Parenting Classes
6. Anger Management Courses
7. Family Counseling
8. Cleaning Supply Safety Class/Housekeeping Education
9. Book Club

- **Free Transportation Services**

1. Grocery Store
2. Library
3. Medical Visits
4. Cultural Community Events
5. Free/Discounted Public Transportation Tickets

Activities that will not be counted towards the six resident services per quarter requirement include, but are not limited to, children's movie time, patio decorating contests, gambling trips, resident parties, Easter Egg Hunts or other such activities. Properties are welcome to offer these activities, but they will not count towards fulfilling the Resident Services obligation.

TABLE OF CONTENTS

Page

APPENDIX D SCHEDULE OF PENALTIES

(Penalty Amounts and Time Periods Subject to Change)

<u>Compliance Action</u>	<u>Required Action to Regain Compliance</u>	<u>Potential Penalty for Continued Non-compliance and Time Periods</u>
Units leased to households that are not eligible because their income is in excess of the allowable limit; occupied by non-eligible full time students; or noncompliance with senior age restrictions.	Change unit designation to market if the household is not qualified within 30 days of initial notification.	Compliance penalty of \$500 for failure to change unit designation; Compliance penalty of \$500 for repeated violation.
Failure to meet set-aside requirement as stated in the compliance and/or regulatory agreements.	Only qualified households are eligible for move in. No market households should be moved in until the set aside requirement is met.	Compliance penalty of \$500 for each market household moved in during the time the set aside requirement is not being met.
Rents charged exceed allowable limits or improperly calculated utility allowance.	Borrower/manager demonstrates reduction in rent and/or recalculation of utility allowance and refund difference to tenants.	Compliance penalty of the amount of uncorrected overcharge.
Failure to submit reports timely and or failure to execute and record program documents.	The Borrower must provide corrective action within 30 days after receiving a notice of failure to submit reports/documents.	Compliance penalty of \$250 for every 30 days of non-response.
Failure to follow fair housing or federal laws providing access by the general public or failure to comply with Section 8 minimum income to rent standard.	Borrower must enter into a corrective action agreement and amend leasing requirements if appropriate.	Report for possible fair housing violation. Compliance penalty of \$250 per violation.
Failure to maintain adequate documentation or certification for compliance.	Borrower to certify accordingly and provide documentation within 30 days of initial notification.	Compliance penalty of \$100 per 15 day period of failure to provide documentation after corrective action period.
Low income units used on transient basis, unless otherwise approved by the Corporation.	Borrower should execute at least six month lease and provide evidence of such lease. If Borrower is unable to extend	Compliance penalty of up to \$100 per 15 days for failure to provide documented lease.

TABLE OF CONTENTS
(continued)

Page

<u>Compliance Action</u>	<u>Required Action to Regain Compliance</u>	<u>Potential Penalty for Continued Non-compliance and Time Periods</u>
<p>The property has physical condition violations.</p>	<p>lease terms, the unit must take market designation. If the unit is being held vacant and was previously occupied by a qualified household on a transient basis, the unit designation must be changed to Market.</p> <p>Appropriate repairs must be completed and evidence must be provided. (Health and Safety violations must be completed within 24 hrs, and all other violations must be completed within 30 days.)</p>	<p>Compliance penalty of \$500 per violation that has not been remedied after the corrective action period has ended.</p>
<p>Failure to provide the minimum number of agreed to resident services.</p>	<p>If the minimum number of resident services is not provided in any quarter the deficit of that quarter must be made up in the following quarter.</p>	<p>Compliance penalty of \$500 per listed service not provided per quarter.</p>
<p>Failure to pay compliance review fees or compliance penalties timely.</p>	<p>Fees due and payable must be submitted 30 days after initial notice.</p>	<p>Begin collection proceedings. Add State maximum interest rate and additional penalty of up to \$250 per 30 day period of nonpayment.</p>
<p>Failure to meet minimum rehabilitation standards.</p>	<p>If discovered during development, the Borrower would be required to make necessary corrections per the specifications in the related loan agreement. If discovered after building, establish an account to fund necessary modifications.</p>	<p>Compliance penalty up to \$500 per 30 day period of non-compliance.</p>
<p>Failure to remove manager or replacement of manager.</p>	<p>Remove manager or replace manager pursuant to Section 5.</p>	<p>Compliance penalty of \$500 per 30 day period of non-compliance.</p>
<p>Failure to correct Findings under the Asset Oversight Observation Report and/or Compliance Observation Report.</p>	<p>Complete corrective actions required in the Asset Oversight Observation Report and/or Compliance Observation Report.</p>	<p>Compliance penalty of \$500 per 30 day period of non-compliance.</p>

TABLE OF CONTENTS
(continued)

Page

<u>Compliance Action</u>	<u>Required Action to Regain Compliance</u>	<u>Potential Penalty for Continued Non-compliance and Time Periods</u>
Determination of material non-compliance for more than the sum of all cure periods provided in the related compliance agreement.	After notice of violation, corrective action plan developed with bond issuer.	Institution of appointment of receivership and possession by bond issuer proceedings with all costs payable by Borrower.
Failure to notify and gain approval from the Corporation of change in ownership or General Partner.	Discuss change of ownership or General Partner with the Corporation to ensure the Corporation is in agreement.	Penalty of \$1,000 per violation.
Determination of a Fair Housing violation.	The property must assess the property and staff to determine if any additional Fair Housing violations exist. If so, staff must be trained immediately. Additionally, the owner must provide documentation to certify that all staff has received Fair Housing training.	Penalty of \$1,000 per violation
Any cause for the Issuer to perform a second physical inspection of the property in any calendar year.	Borrower to allow access to all files and notify residents of possible inspections.	Penalty of the greater of \$15 per door or \$1,000.