

CONNECTICUT HOUSING FINANCE AUTHORITY

STANDARD CLOSING REQUIREMENTS

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*IF THE LOAN IS A CONSTRUCTION-ONLY LOAN, OR A CONSTRUCTION-TO-PERMANENT LOAN,
THE FOLLOWING REQUIREMENTS APPLY IN ADDITION TO THOSE ABOVE:*

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1(a)
DEFINITIONS

“ALTA” shall have the meaning ascribed to it in Section 2(a) hereof.

“Authority” shall mean the Connecticut Housing Finance Authority.

“Bonds” shall have the meaning ascribed to it in Section 7(a) hereof.

“Code” shall mean the Internal Revenue Code of 1986, as amended, and the U.S. Treasury Department regulations, rulings and other requirements applicable to or promulgated thereunder.

“Commitment Letter” shall mean that certain mortgage loan commitment letter entered into by Owner and the Authority setting forth the terms and conditions under which the Authority would make the Mortgage Loan to Owner, including (without limitation) the terms and conditions of the Authority’s interest rate lock program, as applicable.

“Development” shall mean the Property and the Improvements referenced in the Commitment Letter.

“Field Observation Escrow” shall have the meaning ascribed to it in Section 7(a) hereof.

“Final Closing” shall mean the final closing of the Mortgage Loan pursuant to the terms and conditions set forth in the Mortgage Loan Documents.

“General Contractor” shall have the meaning ascribed to it in Section 7(c) hereof.

“General Construction Contract” shall have the meaning ascribed to it in Section 7(c) hereof.

“Improvements” shall mean all buildings and other improvements now or hereafter located on the Property or any part thereof, including, but not limited to, all renovations, substitutes and replacements.

“Initial Closing” shall mean the initial closing of the Mortgage Loan pursuant to the terms and conditions set forth in the Commitment Letter.

“Insurance Requirements” shall have the meaning ascribed to it in Section 4(a) hereof.

“HUD” shall mean the Department of Housing and Urban Development.

“LIHTCs” shall mean low-income housing tax credits allocated by the Authority pursuant to Section 42 of the Code.

“Mortgage” shall mean that certain mortgage granted by Owner in favor of the Authority, securing the Note.

“Mortgage Loan” shall mean that certain mortgage loan from the Authority to Owner evidenced by the Note and secured and otherwise evidenced by the Mortgage Loan Documents.

“Mortgage Loan Documents” shall be those documents listed in Section 3(e) hereof.

“Operating Deficit Escrow” shall have the meaning ascribed to it in Section 3(f) hereof

“Note” shall mean those certain promissory note(s) given by Owner to the Authority evidencing the Mortgage Loan.

“Owner” shall mean the owner or ground lessee of the Development.

“Proceeds” shall mean the meaning ascribed to it in Section 7(i) hereof.

“Property” shall mean the land and real property on which the Improvements are located, together with all rights and appurtenances thereof.

“Real Estate Tax Escrow” shall have the meaning ascribed to it in Section 3(f) hereof.

“Replacement Reserve Escrow” shall have the meaning ascribed to it in Section 3(f) hereof.

“Survey” shall mean the Survey of the Development described in Section 2(c) hereof, and provided by Owner to the Authority.

“TDC” shall have the meaning ascribed to it in Section 7(a) hereof.

“Working Capital Escrow” shall have the meaning ascribed to it in Section 7(a) hereof.

“VLIE” shall have the meaning ascribed to it in Section 7(g) hereof.

2(a)

TITLE INSURANCE

At Initial Closing, Owner shall deliver to the Authority an American Land Title Association ("ALTA") mortgagee title insurance policy(ies) in an amount not less than the face amount of the Mortgage Loan insuring the Authority as first (1st) mortgagee, which policy(ies) shall show that title to the Development on the date of Initial Closing is free of all encumbrances not previously accepted by the Authority. Said title insurance policy(ies) shall be in form, content and written with a title insurance company satisfactory to the Authority insuring that the Mortgage is a good and valid first (1st) lien against the Property. Coverage(s) shall (i) include endorsements required by the Authority, (ii) include insurance against priority of any lien arising from the existence of hazardous waste, (iii) contain no exception for matters which a survey would disclose, (iv) include insurance against unrecorded mechanics' and materialmen's liens, and (v) contain no exceptions other than those accepted by the Authority, in writing. Title endorsements shall be required as of the date of each advance showing no change in the title except as accepted by the Authority. If required by the Authority, all appurtenant easements required for the Development, if any, shall be insured as unsubordinated additional insured parcels.

Prior to the Initial Closing, Owner shall provide evidence satisfactory to the Authority that all taxes, payments in lieu of taxes, assessments, and any other governmental charges due which affect the Development have been paid.

Prior to the Initial Closing, Owner shall provide evidence satisfactory to the Authority that Owner owns fee simple title to the Property (or, as applicable, is the holder of a ground lease interest in the Property which ground lease meets all Connecticut statutory requirements and is otherwise acceptable to the Authority). If Owner shall acquire such ownership (or ground lease interest, as applicable) concurrent with the Initial Closing, then Owner shall provide evidence of Owner's continuing site control of the Property in the form of a binding purchase and sale agreement or such other documentation acceptable to the Authority, in its sole discretion, such that at the conclusion of the Initial Closing, Owner shall own fee simple title to the Property (or, as applicable, shall hold a ground lease interest therein which shall meet all current statutory requirements and shall otherwise be acceptable to the Authority).

At the Initial Closing, Owner shall provide proof of payment of the premium for such title insurance.

At the Initial Closing, Owner shall deliver the original title insurance policy(ies) properly completed and executed to the Authority.

At the Initial Closing, if applicable, Owner shall provide evidence satisfactory to the Authority that all real estate commissions, fees, and charges arising out of or relating to Owner's acquisition of the Development have been paid by Owner.

2(b)

PROPERTY DESCRIPTION

Owner shall provide a Property Description in the form of a perimeter statement reciting metes, bounds, courses, distances and identification points and referencing the Survey.

2(c)
SURVEY

Owner shall provide two (2) copies of a currently dated class A-2 Survey of the Property (the “Survey”) containing a long form certification to the Authority and the title insurance company(ies) insuring the Mortgage Loan, by a land surveyor licensed in the State and showing the area in square feet and acres with no state of facts objectionable to the Authority.

a. The certification shall read as follows:

To: Connecticut Housing Finance Authority, [State of Connecticut Department of Housing/Other Lenders], [Title Insurance Company], [Owner/Developer] [Other Interested Parties]:

This is to certify that this map and the survey on which it is based were made in accordance with the 2011 Minimum Standard Detail Requirements for ALTA/ACSM Land Title Surveys, jointly established and adopted by ALTA and NSPS, and includes items 1(existing), 2, 3, 4, 5, 6, 7(a), 8, 9, 10, 11b, 13, 14, 16, 17, 18, 19, 20(a) and 21 of Table A thereof. The fieldwork was completed on [Date].

Date: [Certification Date]

Signature: [Licensed Land Surveyor’s Signature with Professional Seal Affixed]

b. Applicable Notes (including, but not necessarily limited to):

1. This survey map has been prepared in accordance with Sections 20-300b-1 through 20-300b-20 of the Regulations of Connecticut State Agencies and the’ “Standards for Surveys and Maps in the State of Connecticut” as adopted by the Connecticut Association of Land Surveyors, Inc. as a Property and Topographic Survey, the Boundary Determination Category of which is a [Resurvey or First Survey] conforming to Horizontal Accuracy Class A-2 Topographic Accuracy Class T-2. This [survey/resurvey] is intended to be used for conveyance or financing purposes, and as a base for engineering site design.

2. Reference is made to [List of Maps] of the [Municipality] Land Records.

3. Reference is made to deeds of record found in [List of Books/Pages] of the [Municipality] Land Records.

4. Reference is made to instruments of record as labeled hereon.

5. Areas of the surveyed parcel(s):

Total = [Sq. Ft. (Acres)]

6. There are no wetlands on the subject property as indicated in [Wetlands/Watercourses and Soils Report], prepared by [Soils Science and Environmental Services Consultant], [Date].

7. Property does not lie within a FEMA Flood Hazard Zone, as depicted on Flood Insurance Rate Map, Panel [Number], Map [Number], Effective Date: [Date].

8. Reference is made to map titled [Title] dated [Date], prepared by [Surveyor].

9. Elevations depicted hereon are based on the North Atlantic Vertical Datum of 1988 (NAVD88).

10. Subsurface utility, structure and facility locations depicted hereon have been compiled, in part, from municipal records and field measurements. These locations must be considered as approximate, may not be complete, and other such structures may exist on site. The size, location and existence of all such features must be verified by the appropriate authorities prior to construction.

2(d)

MARKET STUDY & APPRAISAL

(A) Market Study

(i) The Authority requires an independent, professional market study on all multifamily rental housing developments being considered for mortgage financing, *provided, however*, if Owner is a not-for-profit and the multifamily rental housing development contains fifteen (15) apartments or less, then the Authority may: (1) determine that the market analysis required as part of the prospective appraisal valuation required under subsection (B) below will be sufficient so as to not require a separate market study, or (2) accept a market analysis prepared by an acceptable alternative source.

(ii) If the Authority determines that a separate market study is required, then the Authority shall commission a market analysis from an approved list of market analysts developed and maintained by the Authority. Owner shall make full payment for the market study(ies), in advance, which payment is nonrefundable should Owner's financing proposal not be approved by the Authority. The market study shall be prepared according to industry standards and within contract terms established by the Authority.

(iii) The Authority reserves the right to require current market information prior to approval of its financing.

(B) Appraisal

(i) Independent, professional "as-is" and "to-be-developed" appraisals are required for all multifamily rental housing developments being considered for mortgage financing by the Authority. This requirement may be modified in the Authority's discretion: (1) for not-for-profit sponsored developments of fifteen (15) apartments or less, and/or (2) to waive the requirement for "as-is" appraisals for developments with zero land cost (donated properties, etc.) or long-term ground leases where no site acquisition costs will be incurred.

(ii) The Authority shall commission an appraisal from an approved list of appraisers developed and maintained by the Authority. Owner shall make full payment for the appraisal(s), in advance, which payment is nonrefundable should Owner's financing proposal not be approved by the Authority. The appraisal shall be prepared according to industry standards and within contract terms established by the Authority.

(iii) The Authority reserves the right to require additional appraisals or to commission review appraisals.

2(e)
UCC SEARCH

Owner shall provide to the Authority a current search of the records of the Secretary of the State showing that there are no financing statements filed against Owner, Owner's general partner(s) or principal shareholders (members), or the Development.

2(c)

ORGANIZATIONAL DOCUMENTS

If Owner is a partnership, the agreement of partnership, together with any amendments thereto and the certificate of partnership, shall comply with the statutory requirements of Connecticut General Statutes (“C.G.S.”) §8-250(29), shall be satisfactory to the Authority, shall provide for no substitution or addition of general or limited partners and no modification without the prior written consent of the Authority (which consent shall not be unreasonably withheld) and shall authorize one or more designated general partners to execute, acknowledge and deliver all Mortgage Loan Documents and to do all other acts necessary or desirable in connection with the Initial Closing and Final Closing. The agreement shall also provide the following: no assignment, transfer, or sale of a limited or a general partnership unit may be made without the prior written consent of the Authority; no action shall be taken or performed by Owner’s partnership or the partners unless said action is in compliance with the procedures, regulations, and requirements of the Authority; and the partnership shall not be voluntarily terminated, dissolved, or substantially all of its assets sold, without the prior written consent of the Authority. Owner shall also deliver to the Authority a certificate of a general partner certifying that as of the date of the Initial Closing and Final Closing, Owner’s partnership agreement, as amended, is in full force and effect and that none of the parties thereto have defaulted thereunder. Owner shall also certify that its certificate of partnership has been properly filed with the Secretary of the State. Owner shall provide a Certificate of Legal Existence, Certificate of Good Standing or similar documentation as may be required by the Authority.

If Owner is a corporation, Owner shall provide: (i) current lists certified by the president or secretary of the corporation showing the total number and classes of shares of the corporation which are issued and outstanding and the names and addresses of all shareholders or members, officers and directors of the corporation; (ii) a copy of the corporate resolution certified true and correct by the president or secretary of the corporation authorizing Owner to borrow the amount of the Mortgage Loan from the Authority and execute the Mortgage Loan Documents; and (iii) a copy of the certificate of incorporation and by-laws of the corporation, which certificate and by-laws shall comply with the statutory requirements of C.G.S. §8-250(29) in form and content satisfactory to the Authority, and provides for no substitution or addition of shareholders (members), officers or directors, and authorizes designated officers of the corporation to execute, acknowledge and deliver all Mortgage Loan Documents and do all other acts necessary or desirable in connection with the Initial Closing and Final Closing. Owner shall also provide a current Certificate of Legal Existence and Certificate of Good Standing or similar instrument from the Office of the Secretary of the State.

If Owner or general partner of Owner is an entity other than a partnership or corporation, including, without limitation, a limited liability partnership or limited liability company, such entity shall submit to the Authority for its review and approval all organizational documents, certificates, agreements, filings, resolutions and other documentation as may be required by the Authority establishing and evidencing the legal creation, legal existence, good standing, ownership, management, rules of operation, powers, purposes, and financial structure and soundness of such entity. Any such documentation submitted by Owner or general partner or other

principal of Owner shall comply with the requirements of C.G.S. §8-250(29), and shall provide for no substitution deletion or addition of the principals of the entity and no modification of such documentation without the prior written consent of the Authority.

All organizational form documents must include the designated terms below for their form of entity in their formation or existence documents.

For a limited liability company, Owner shall insert the following language:

Section [_____]-----Requirements of the Lender

Notwithstanding any other provisions of this Agreement, it is hereby agreed that:

(a) the limited liability company is organized to provide housing;

(b) every member and/or manager of the limited liability company shall be deemed, by acceptance of a beneficial interest in the limited liability company or by executing the Operating Agreement and any amendments thereto, to have agreed that he or it at no time shall receive from the limited liability company any return in excess of the face value of the investment attributable to his respective interest plus cumulative dividend payments not in excess of the return on equity permitted by other provisions of Chapter 134 of the Connecticut General Statutes, as determined in accordance with the terms of the Covenant of Compliance and Regulatory Agreement made by and between the limited liability company and the Authority, computed from the initial date upon which moneys were paid or property delivered in consideration for the interest, and upon the dissolution of the limited liability company any surplus in excess of such amounts shall be paid to the Authority; "surplus" as used herein shall not be deemed to include any increase in assets of any recipient of a mortgage loan from the Authority under Chapter 134 of the Connecticut General Statutes by reason of reduction of mortgage, by amortization or similar payments, or realized from the sale or disposition of any assets of such recipient, to the extent such surplus can be attributed to any increase in market value of any real property or tangible personal property accruing during the period the assets were owned and held by such recipient;

(c) the operations of the limited liability company may be supervised by the Authority, and the limited liability company shall enter into such agreements with the Authority as the Authority from time to time requires providing for the regulation by the Authority of the planning, development and management of any housing undertaken by the limited liability company, and the disposition of the property and franchises of the limited liability company;

(d) the Authority shall have the power to appoint a managing agent of the limited liability company, notwithstanding any other provisions of this Agreement or any other provisions of law, if:

- (i) the Authority determines that the loan or advance made to the limited liability company is in jeopardy of not being repaid;*
- (ii) the Authority determines that the proposed housing project for which the loan or advance was made is in jeopardy of not being constructed;*
- (iii) the Authority determines that the limited liability company is in violation of any rules, regulations or procedures promulgated by the Authority under the provisions of Chapter 134 of the Connecticut General Statutes;*

- (iv) *the Authority determines that the limited liability company is in violation of any agreements entered into with the Authority providing for regulation by the Authority of the planning, development and management of any housing undertaken by the limited liability company or the disposition of the property and franchises of the limited liability company; or*
- (v) *the Authority determines that some part of the net income or earnings of the limited liability company, in excess of that permitted by other provisions of Chapter 134 of the Connecticut General Statutes, shall inure to the benefit of any private individual, firm, corporation, limited liability company or association;*

(e) no assignment, transfer or sale of a membership interest in the limited liability company or a substitution of the manager or any member of the limited liability company or transfer of any interest therein, or removal of any member or manager of the limited liability company or substitute thereof may be made without the prior written consent of the Lender and no member may be admitted to the limited liability company and no manager of the limited liability company may be appointed without the prior written approval of the Lender;

(f) no actions shall be taken and/or performed by the limited liability company or the manager or any member of the limited liability company unless said actions are in compliance with the promulgated regulations, procedures and requirements of the Lender;

(g) there shall be no further amendments of this Agreement without the prior written approval of the Lender;

(h) the limited liability company shall not be voluntarily terminated, dissolved, or substantially all of the assets sold without the prior written approval of the Lender; and

(i) the limited liability company is and shall be subject to all of the terms, provisions, covenants, agreements, interests, conditions and restrictions set forth in the documents evidencing and/or securing the loan or loans made, or to be made, by the Lender to the limited liability company; and to the extent that there are any inconsistencies between the provisions of the documents evidencing and/or securing the loan(s) made by the Lender and the provisions of this Agreement (and/or any exhibits hereto), the terms and provisions of the documents evidencing and/or securing the loan(s) made by the Lender shall take precedence and shall control;

(j) the Managing Member (and each of them if more than one), on behalf of the limited liability company, is authorized to execute and deliver all documents and items, and to take all action, as may be necessary or required in order to obtain and/or maintain the loan or loans made, or to be made, by the Lender to the limited liability company, and is authorized at all times to modify the terms and provisions of such loan(s) and to execute and deliver all documents and items relating to any such modification(s), without the need for any further consent;

(k) any review of this Agreement by the Lender is made solely for the benefit of the Lender, and no person or entity may rely on such review for any purpose whatsoever;

(l) the Investor Member [or replace with correct defined term] hereby acknowledges the provisions of the loan documents evidencing and/or securing the loan(s) including, without limitation, the Open-End Construction Mortgage Deed, Security Agreement, Assignment of Leases and Rentals and Fixture Filing and the Construction Loan and General Escrow Agreement (the "Lender Loan Documents"). The Members acknowledge that the limited liability company's right to receive Capital Contributions hereunder has been assigned to the Lender pursuant to the Construction Loan and General Escrow Agreement executed by the limited liability company in favor of the Lender. The Members further acknowledge that because the project is financed in part by the Lender, the limited liability company is subject to the provisions of the Lender Loan Documents and the applicable provisions of the Chapter 134 of the Connecticut General Statutes as the same may be amended from time to time;

(m) for purposes hereof, "Lender" shall mean Connecticut Housing Finance Authority (the "Authority") and the State of Connecticut, as applicable.

For a corporation (Not For Profit), Owner shall insert the following language:

Article [_____] Requirements of the Connecticut Housing Finance Authority.

(a) the Corporation is organized to provide housing;

(b) all income and earnings of the Corporation shall be used exclusively for corporate purposes and no part of the net earnings or net income of the Corporation may inure to the benefit or profit of any private individual, firm, corporation, partnership or association;

(c) the Corporation shall in no manner be controlled or under the direction or acting in the substantial interest of any private individual, firm, partnership or association seeking to derive profit or gain therefrom or seeking to eliminate or minimize losses in any dealing or transactions therewith;

(d) the operations of the Corporation may be supervised by the Connecticut Housing Finance Authority (the "Authority") and the Corporation shall enter into such agreements with the Authority as the Authority from time to time requires providing for regulation by the Authority of the planning, development and management of any housing project undertaken by the Corporation and the disposition of the property and franchises of the Corporation;

(e) The Authority shall have the power to appoint to the board of directors a number of new directors, which number shall be sufficient to constitute a majority of the board, notwithstanding any other provisions of the Certificate of Incorporation or other basic documents of organization or any other provision of law, if (i) the Authority determines that the loan or advance made to such corporation is in jeopardy of not be repaid; (ii) the Authority determines that the proposed housing project for which the loan or advance was made is in jeopardy of not being constructed; (iii) the Authority determines that some part of the net income or earnings of the corporation is inuring to the benefit of a private individual, firm, partnership, corporation, or association, or the corporation is in some manner controlled by or under the direction of or acting in the substantial interest of any private individual, firm, corporation, partnership, or association seeking to derive benefit or gain therefrom or seeking to eliminate or minimize losses in dealings or transactions with the corporation; (iv) the corporation is in violation of the rules and regulations of the Authority (v) the Authority determines that the corporation is in violation of any agreements entered into with the Authority providing for regulation by the Authority of the planning, development and management of any housing undertaken by the corporation or the disposition of the property and franchises of the corporation.

(f) no actions shall be taken and/or performed by the Corporation or its officers unless said actions are in compliance with the promulgated regulations, procedures and requirements of the Authority;

(g) there shall be no further amendments of this Certificate of Incorporation without the prior written approval of the Authority; and

(h) the Corporation shall not be voluntarily terminated, dissolved or substantially all of the assets sold without the prior written approval of the Authority.

For a partnership, Owner shall insert the following language:

Section [___] Requirements of the Lender.

Notwithstanding any other provisions of this Agreement, it is hereby agreed that:

(a) the Partnership is organized to provide housing;

(b) every member of the Partnership shall be deemed, by acceptance of a beneficial interest in the Partnership or by executing the Partnership Agreement and any amendments thereto, to have agreed that he or it at no time shall receive from the Partnership any return in excess of the face value of the investment attributable to his respective interest plus cumulative dividend payments not in excess of the return on equity permitted by other provisions of Chapter 134 of the Connecticut General Statutes, as determined in accordance with the terms of the Covenant of Compliance and Regulatory Agreement made by and between the Partnership and the Authority, computed from the initial date upon which moneys were paid or property delivered in consideration for the interest, and upon the dissolution of the Partnership any surplus in excess of such amounts shall be paid to the Authority; "surplus" as used herein shall not be deemed to include any increase in assets of any recipient of a mortgage loan from the Authority under Chapter 134 of the Connecticut General Statutes by reason of reduction of mortgage, by amortization or similar payments, or realized from the sale or disposition of any assets of such recipient, to the extent such surplus can be attributed to any increase in market value of any real property or tangible personal property accruing during the period the assets were owned and held by such recipient;

(c) the operations of the Partnership may be supervised by the Authority, and the Partnership shall enter into such agreements with the Authority as the Authority from time to time requires providing for the regulation by the Authority of the planning, development and management of any housing undertaken by the Partnership, and the disposition of the property and franchises of the Partnership;

(d) the Authority shall have the power to appoint a managing agent of the Partnership, notwithstanding any other provisions of this Agreement or any other provisions of law, if:

- (i) the Authority determines that the loan or advance made to the Partnership is in jeopardy of not being repaid;*
- (ii) the Authority determines that the proposed housing project for which the loan or advance was made is in jeopardy of not being constructed;*
- (iii) the Authority determines that the Partnership is in violation of any rules, regulations or procedures promulgated by the Authority under the provisions of Chapter 134 of the Connecticut General Statutes;*
- (iv) the Authority determines that the Partnership is in violation of any agreements entered into with the Authority providing for regulation by the Authority of the planning, development and*

management of any housing undertaken by the Partnership or the disposition of the property and franchises of the Partnership; or

(v) the Authority determines that some part of the net income or earnings of the Partnership, in excess of that permitted by other provisions of Chapter 134 of the Connecticut General Statutes, shall inure to the benefit of any private individual, firm, corporation, partnership or association;

(e) no assignment, transfer or sale of a partnership interest, or any portion thereof or any interest therein, or any interest in a general partner(s) or a limited partner(s), or a substitution of a limited partner(s) or a general partner(s), or removal of a general partner(s) or substitute thereof may be made without the prior written consent of the Lender, and no partner may be admitted to the Partnership without the prior written approval of the Lender;

(f) no actions shall be taken and/or performed by the Partnership or the partners unless said actions are in compliance with the promulgated regulations, procedures and requirements of the Lender;

(g) there shall be no further amendments of this Agreement without the prior written approval of the Lender;

(h) the Partnership shall not be voluntarily terminated, dissolved, or substantially all of the assets sold without the prior written approval of the Lender;

(i) for purposes hereof, "Lender" shall mean the Connecticut Housing Finance Authority (the "Authority") and the State of Connecticut, as applicable;

(j) the Partnership is and shall be subject to all of the terms, provisions, covenants, agreements, interests, conditions and restrictions set forth in the documents evidencing and/or securing the loan or loans made, or to be made, by the Authority to the Partnership; and to the extent that there are any inconsistencies between the provisions of the documents evidencing and/or securing the loan(s) made by the Authority and the provisions of this Agreement (and/or any exhibits hereto), the terms and provisions of the documents evidencing and/or securing the loan(s) made by the Authority shall take precedence and shall control;

(k) the general partner (and each of them if more than one), on behalf of the Partnership, is authorized to execute and deliver all documents and items, and to take all action, as may be necessary or required in order to obtain and/or maintain the loan or loans made, or to be made, by the Authority to the Partnership, and is authorized at all times to modify the terms and provisions of such loan(s) and to execute and deliver all documents and items relating to any such modification(s), without the need for any further consent;

(l) the limited partner hereby acknowledges the provisions of the mortgage loan documents of Lender, including, without limitation, the Open-End Construction Mortgage Deed, Security Agreement, Assignment of Leases and Rentals and Fixture Filing and the Construction Loan and General Escrow Agreement. The Partners acknowledge that the Partnership's right to receive Capital Contributions hereunder has been

assigned to the Authority pursuant to the Construction Loan and General Escrow Agreement executed by the Partnership in favor of the Authority. The Partners further acknowledge that because the project is financed in part by the Authority, the Partnership is subject to the provisions of the mortgage loan documents of Lender and the applicable provisions of the Chapter 134 of the Connecticut General Statutes, as the same may be amended from time to time.

(m) any review of this Agreement by the Authority is made solely for the benefit of the Authority, and no person or entity may rely on such review for any purpose whatsoever.

3(b)

MORTGAGOR CERTIFICATION

A certificate from Mortgagor, or such other instrument executed by Mortgagor as the Authority may require, stating that:

- (i) The Mortgagor's partnership agreement (or similar organizational agreement) is in full force and effect, and has not been amended, modified or otherwise changed, and none of the parties to the partnership agreement have defaulted thereunder;
- (ii) The Mortgagor is validly organized under the laws of the State of Connecticut;
- (iii) The limited partner(s) (or principals, as applicable) of the Mortgagor has(have) consented to the Mortgage Loan;
- (iv) The financial condition of Mortgagor has not suffered any materially adverse change between the date of this Commitment Letter and the date of Initial Closing;
- (v) Mortgagor is not a party to any bankruptcy, reorganization or other insolvency proceedings;
- (vi) The general partner (or principal) of Mortgagor is duly authorized with full power and authority to engage in the transaction in the name of and on behalf of the Mortgagor and to execute and deliver all documents, instruments and agreements necessary to consummate the Mortgage Loan; and
- (vii) No part of the Development has been destroyed or damaged, unless repaired to the Authority's satisfaction, or taken or threatened to be taken in condemnation or other proceedings.

3(c)
OPINION OF COUNSEL

Owner shall cause to be provided opinions of counsel as follows:

- (1) For Owner, satisfactory to the Authority and addressed to the Authority stating that after due diligence as required:
 - (i) Owner is validly organized and existing under the laws of the State;
 - (ii) The Commitment Letter and all of the Mortgage Loan Documents have been duly and validly executed by the authorized person or persons and are binding upon and enforceable against Owner in accordance with their terms;
 - (iii) Owner has power and authority to perform its obligations under the Commitment Letter;
 - (iv) The Commitment Letter, the Mortgage Loan Documents, the transaction contemplated thereby and the performance of Owner's obligations thereunder do not violate any provisions of existing law (including usury laws) applicable to Owner, or its partnership agreement, certificate of incorporation, bylaws or any agreement, indenture, note or other instrument known to such counsel to be binding upon Owner;
 - (v) The mortgage and security interests granted pursuant to the Commitment Letter create first valid liens against the Development as required in the Commitment Letter;
 - (vi) All applicable zoning, building, safety and environmental laws, codes and regulations, including but not limited to those relating to treatment and disposal of hazardous waste, asbestos, and in-ground oil tanks, have been complied with, all appeal periods have expired, and there is no action pending or threatened that would adversely affect the Development or its use as [supportive/elderly/family or other, as applicable] multifamily rental housing. No condemnation or other taking of any of the Development for a public purpose is pending;
 - (vii) All building permits have been legally issued, no appeal is pending or threatened, and construction/renovation in accordance with the plans and specifications accepted by the Authority is authorized thereby;
 - (viii) All tenant relocation laws and regulations have been complied with as they may relate to the Development;
 - (ix) To such counsel's knowledge, there is no outstanding or threatened litigation, administrative proceeding or other legal action, the outcome of which could materially and adversely affect Owner and no action by any governmental department, agency, or commission having jurisdiction over Owner, or over the Development, is requisite to the binding nature, validity or enforceability of the Mortgage Loan Documents or the transaction contemplated thereby;
 - (x) There are no defenses to any action or proceeding to enforce the Note or the underlying security established by the execution, delivery and recording of the Mortgage and/or other Mortgage Loan Documents;
 - (xi) All provisions of the Connecticut Transfer Act (C.G.S. §§22a-134 et. seq.) have been complied with or are not applicable;

- (xii) The Development is not located in a flood hazard area;
 - (xiii) Owner is a non-profit entity with 501(c)(3) designation in accordance with the requirements of the Internal Revenue Code and Regulations, as applicable;
 - (xiv) Owner's participation in the Authority's loan program and receipt of 501(c)(3) bond funds is in accordance with the Internal Revenue Code and Regulations; and
 - (xv) Such other information, statements or opinions as the Authority may request.
- (2) For the General Contractor, satisfactory to the Authority and addressed to the Authority and stating that after due diligence as required:
- (i) The General Contractor is validly organized and existing in good standing under the laws of the State and maintains a current Connecticut General Contractor's license;
 - (ii) All documents in connection with the organization of the General Contractor and its participation in closing the Mortgage Loan have been reviewed;
 - (iii) The documents executed by the General Contractor have been duly authorized, executed and delivered and are legal, valid and binding obligations of the General Contractor;
 - (iv) Execution of the documents by the General Contractor does not conflict with, breach or impose any lien upon any asset of any signatory pursuant to provisions of any agreement;
 - (v) The documents executed by the General Contractor and the transaction contemplated by the Commitment Letter do not violate any provisions of existing law;
 - (vi) All consents, approvals and authorizations required by any governmental authority have been obtained;
 - (vii) The proposed construction/renovation work complies with all applicable laws, codes and regulations including applicable sewage disposal, air quality and traffic requirements;
 - (viii) All building permits have been legally issued, no appeal is pending or threatened, and construction/renovation in accordance with plans and specifications accepted by the Authority is authorized by said permits;
 - (ix) No action, suit, proceeding, inquiry, administrative proceeding or investigation, is pending or threatened, which could materially and adversely affect the General Contractor, the Authority or the Development; and
 - (x) Such other information, statements or opinions as the Authority may request.

3(d)
NON-RECOURSE

In any action or proceeding brought on the Mortgage, the Note, or any of the other Mortgage Loan Documents in which a money judgment is sought, the Authority shall look solely to the Development and Owner's interest in the Development and in all present and future leases and income from the Development, provided that this shall not impair the Authority's right to seek and obtain a money or deficiency judgment against Owner or any general partner, member, shareholder or principal of Owner, or against any member, shareholder, partner or principal of any general partner of Owner, in an action based upon:

- (i) fraud, misappropriation of funds, or material misrepresentation in connection with any of the Mortgage Loan Documents, or any affidavit, certification, warranty or representation given by Owner or any general partner, member, shareholder or principal of Owner or by any member, shareholder, partner or principal of any general partner of Owner;
- (ii) recovery of any condemnation or insurance proceeds or similar funds or payments attributable to the Development which, under the terms of any of the Mortgage Loan Documents, should have been paid to the Authority;
- (iii) recovery of any tenant security deposits, advance or prepaid rent or other similar sums paid to, or held by, Owner or any other party in connection with the operation of the Development;
- (iv) recovery of any compensation paid, provided, or owed to an affiliate or manager in connection with any agreement which does not comply with the terms of the Mortgage;
- (v) any breach or violation of representations, warranties, covenants (other than the covenant to make payments under the Note) and indemnities executed in connection with the Mortgage Loan;
- (vi) material waste of any portion of the Development;
- (vii) collection of rents in advance in violation of any covenant in the Mortgage or other Mortgage Loan Documents;
- (viii) failure to make payments when due on the Mortgage Loan or payments of insurance premiums, property taxes, payments in lieu of taxes, or payments of other operating or maintenance expenses related to the Development during such time as total revenues from the Development are sufficient to pay such amounts, or the failure to pay a portion of such amounts, up to the full extent of the total revenues from the Development available to pay such amounts; or
- (ix) intentional failure to maintain resident occupancy levels and income from the Development.

The foregoing shall not impair the liability of any guarantor with respect to any guaranty or indemnity, nor shall the foregoing be deemed a waiver by the Authority or an impairment of any statutory right of indemnity against Owner or any guarantor nor shall the foregoing affect in any way the rights of the Authority to enforce its rights in and to the Development under the Mortgage Loan Documents by foreclosure, exercise of any power of sale, possession or pursuant to any collateral assignment of rents.

3(e)
CLOSING

(A) Initial Closing. The Initial Closing shall take place no sooner than ten (10) business days after all documents and exhibits referred to herein and all plans and specifications have been received and approved by the Authority. At or prior to the Initial Closing, executed originals of each of the following Mortgage Loan Documents (collectively, the “Mortgage Loan Documents”) and exhibits shall be executed and submitted by Owner to the Authority:

- (a) Extended Low-Income Housing Commitment;
- (b) Declaration and Agreement of Restrictive Covenants;
- (c) Open-End Construction Mortgage Deed, Security Agreement, Assignment of Leases and Rentals and Fixture Filing;
- (d) Construction Loan Note;
- (e) Permanent Loan Note;
- (f) Covenant of Compliance and Regulatory Agreement;
- (g) Construction Loan and General Escrow Agreement (*investor capital contributions shall be paid to and held by the Authority for disbursement in accordance with such agreement and as work progresses at the Development*);
- (h) Environmental Indemnification Agreement;
- (i) Mortgagor Affidavit and Agreement;
- (j) General Contractor Agreement, Assignment and Consent;
- (k) Amendment to Architect Agreement;
- (l) HUD Certification (if risk sharing);
- (m) Forms W-9 for Owner and its management agent;
- (n) Documentation required by the State Campaign Contribution Restriction Provision, C.G.S. §9-612(g)(2), as amended by Public Act 10-1;
- (o) Such additional documents and items as the Authority deems necessary or desirable.

All Mortgage Loan Documents and exhibits shall be on forms prepared or accepted by the Authority. The Authority shall designate the date, time and place of the Initial Closing and shall notify Owner.

- (B) Final Closing. If applicable, the Final Closing date shall take place no sooner than ten (10) business days after copies of all of the following documents and exhibits have been received and approved by the Authority. At the Final Closing, the following documents and exhibits, in final form, shall be executed and delivered to the Authority:
- (a) Modification Agreement, modifying the Mortgage Loan Documents if required in the Authority's reasonable judgment;
 - (b) Updated mortgagee title policy acceptable to the Authority, including, without limitation, endorsements acceptable to the Authority;
 - (c) Updated Borrower's counsel's opinion letter, as reasonably required by the Authority, including, without limitation an opinion with respect to the legal compliance of the Development as constructed;
 - (d) Attorney's syndication proceeds opinion letter;
 - (e) Unconditional and final certificate(s) of occupancy;
 - (f) Letters of credit and escrow deposits, as required by the Mortgage Loan Documents;
 - (g) Any permit(s) and licenses which are required for the operation and use of the Development;
 - (h) Two (2) copies of a Class A-2 "as-built" survey, showing all improvements completed and such other information requested by the Authority, certified to the Authority using the Authority's long form certification;
 - (i) "As-Built" plans, drawings and specifications, showing all improvements as completed;
 - (j) Tenant Income Certifications
 - (k) Owner's Certificate of Continuing Program Compliance;
 - (l) Certification of Mortgagor;
 - (m) Certificate of General Contractor;
 - (n) Maximum Mortgage Letter;
 - (o) Owner's Tax Compliance Certification;
 - (p) Owner's Affidavit of Syndication Proceeds;
 - (q) Request for Final Advance;
 - (r) Environmental report to the Authority, satisfactory to the Authority, confirming that the environmental conditions on the Property have been properly addressed and that all applicable laws and regulations concerning identification, treatment, and disposal of hazardous waste, asbestos, and in-ground oil tanks, or contaminated soil, structures and ground water have been complied with, if applicable;
 - (s) Department of Housing and Urban Development Firm Approval Letter (Risk Sharing) (obtained by the Authority), if applicable;
 - (t) Mortgagor's Certificate and receipt of Mortgage Insurance premiums, if applicable;
 - (u) Warranties on specified building components;
 - (v) Current Certificates of Legal Existence for Mortgagor and Mortgagor's General Partner(s); and
 - (w) Such additional documents and items as may be required by the Mortgage Loan Documents or deemed necessary by the Authority in its reasonable judgment.

3(f)

RESERVES AND ESCROWS

(A) Replacement Reserve Escrow. If required by the Authority, a replacement reserve escrow (the “Replacement Reserve Escrow”) payable by Owner monthly along with, and at such times, as amounts are payable under the Note, or at such other time as may be determined by the Authority, in an amount to be determined by the Authority, which amount shall be subject to annual adjustment in the discretion of the Authority. The Authority shall permit disbursements from the reserve fund for the purpose of effecting replacement of structural elements and mechanical equipment of the Development or for improvements thereto or for other purposes related to the Development as determined by the Authority in its sole discretion.

(B) Operating Deficit Reserve Escrow. If required by the Authority, an operating deficit reserve escrow (the “Operating Deficit Escrow”) in an amount determined by the Authority, payable in cash shall be delivered by Owner to the Authority at Initial Closing. The Authority shall permit disbursements from the reserve fund for the purpose of paying operating deficits, real estate taxes, and amounts due and payable under the Mortgage Loan and for any other purpose determined by the Authority in its sole discretion. Such reserve fund shall be governed by the Construction Loan and General Escrow Agreement, the form of which shall be satisfactory to the Authority.

(C) Real Estate Tax Escrow. If required by the Authority, a real estate tax escrow (the “Real Estate Tax Escrow”) in an amount satisfactory to the Authority shall be funded by Owner monthly along with, and at such times, as amounts are payable under the Note, or at such other time as may be determined by the Authority, in an amount to be determined by the Authority, which amount shall be subject to annual adjustment in the discretion of the Authority. The purpose of the real estate tax escrow account is to provide a source of funds for the payment of property taxes. Upon the occurrence of an Event of Default (as defined in the Mortgage Loan Documents), tax escrow funds held by the Authority may be used as the Authority, in its sole discretion, shall determine.

(D) Attorneys’ Fees. If required by the Authority, Owner shall pay any reasonable costs, fees and expenses, including, but not limited to, attorneys’ fees for representation of the Authority and the preparation for the Initial Closing or Final Closing. Upon the occurrence of an Event of Default (as defined in the Mortgage Loan Documents), excess attorneys’ fees and any other amounts held in escrow by the Authority may be applied in such manner as the Authority, in its sole discretion, shall determine.

3(g)

RESTRICTIVE COVENANT

Owner shall acknowledge and covenant that the Development shall be a “qualified low-income housing project” within the meaning of Section 42 of the Code, and a “qualified residential rental project” within the meaning of Section 142 of the Code, and shall be operated and managed in accordance with the Covenant of Compliance Regulatory Agreement. Owner shall at all times comply with the Code and execute any and all documents required by the Authority to comply with the Code. Owner also shall pay the Authority’s fee(s) for its compliance monitoring duties, as determined by the Authority.

3(h)
BUDGETS

Owner shall provide a Development Budget, Allocation of Funds (sources and uses), and a Development Cash Flow Analysis of both capital and operating costs covering the period from the earlier date of (i) the Initial Closing or (ii) the commencement of construction/renovation through sustaining occupancy. Income from all sources and all expenditures shall be shown in a form acceptable to the Authority.

4(a)
INSURANCE REQUIREMENTS

The Authority requires that the Owner maintain or cause to maintain certain minimum types of insurance coverage for the Development pursuant to the Authority's Insurance Requirements (the "Insurance Requirements") which are promulgated and published by the Authority from time to time. The Authority reserves the right, in its sole discretion, to modify, change or update the Insurance Requirements from time to time as circumstances warrant. Any deviations from these requirements shall be at the sole discretion of the Authority.

Wherever the Insurance Requirements specify that the Authority is to be added as insured, loss payee, or mortgagee, or wherever notice is required for claims, policy changes, renewals or cancellations, they mean "Connecticut Housing Finance Authority, its successors and assigns, as their interests may appear, 999 West Street, Rocky Hill, Connecticut 06067-4005". All insurance documentation provided to the Authority shall be addressed to the Authority's insurance servicing group.

5(a)

ENVIRONMENTAL SITE ASSESSMENT

Owner shall at its sole cost and expense obtain a Phase I environmental site assessment of the Development (including radon gas testing, as applicable) in form and content and issued by an entity satisfactory to the Authority which shall include a description of the historical use of the Development. If the Authority determines it necessary or appropriate, Owner shall also at its sole cost and expense obtain a Phase II environmental site assessment in form and content and issued by an entity satisfactory to the Authority.

If any hazardous waste, asbestos or in-ground oil tanks or contamination of soil, structures or ground water are determined to exist at the Development as a result of such Phase I/Phase II environmental site assessment(s) or as a result of any other environmental reports made available to the Authority, the Authority, in its sole discretion, may void the Commitment Letter *ab initio*.

If any such contamination as referenced above is disclosed by the Phase I/Phase II environmental site assessment(s) or by any of the other environmental reports or by such other environmental reports made available to the Authority, and the Authority elects not to void the Commitment Letter, then it is agreed that Owner, as a condition of the Commitment Letter, shall at its sole cost and expense (i) perform the remediation recommended in the Phase I/Phase II environmental site assessment(s), and any pertinent remediation plans related thereto, or such other environmental reports referenced herein in accordance with all applicable laws and regulations, (ii) perform any other action required by the Authority in accordance with all applicable laws and regulations with respect thereto, and (iii) complete such work by Initial Closing or Final Closing, as required by the Authority.

At the Final Closing, Owner shall certify that, to the best of its knowledge after due inquiry, there is no hazardous waste, asbestos or in-ground oil tanks at the Development, and the soil, structures and ground water are not contaminated. Owner shall promptly notify the Authority of any hazardous waste, asbestos, or in-ground oil tanks, or contamination of soil, structures or ground water not identified in the Phase I/Phase II or environmental reports and discovered during the construction/renovation of the Development, or at any other time, and if any are discovered at the Development, then Owner shall take appropriate actions as may be required by law. BY ITS SIGNATURE BELOW, OWNER ACKNOWLEDGES THAT IF ANY HAZARDOUS WASTE, ASBESTOS OR IN-GROUND OIL TANKS, OR CONTAMINATION OF SOIL, STRUCTURES OR GROUNDWATER ARE DISCOVERED AT THE DEVELOPMENT WHICH ARE NOT DISCLOSED IN THE PHASE I/PHASE II OR OTHER ENVIRONMENTAL REPORTS MADE AVAILABLE TO THE AUTHORITY, THE AUTHORITY IN ITS SOLE DISCRETION MAY VOID THE COMMITMENT LETTER AB INITIO. IF THE AUTHORITY ELECTS NOT TO VOID THE COMMITMENT LETTER, THEN IT IS AGREED THAT OWNER, AS A CONDITION OF THE COMMITMENT LETTER, SHALL AT ITS SOLE COST AND EXPENSE (i) PERFORM ALL REMEDIATION NECESSARY AS REQUIRED BY AND IN ACCORDANCE WITH ALL STATE, FEDERAL AND LOCAL LAWS AND REGULATIONS, (ii) PERFORM ANY OTHER ACTION

REQUIRED BY THE AUTHORITY IN ACCORDANCE WITH ALL APPLICABLE STATE, FEDERAL AND LOCAL LAWS AND REGULATIONS, AND (iii) COMPLETE ALL SUCH WORK BY INITIAL CLOSING OR FINAL CLOSING AS REQUIRED BY THE AUTHORITY. Owner shall certify to the Authority that all applicable laws and regulations concerning identification, treatment, and disposal of hazardous waste, asbestos, and in-ground oil tanks, or contaminated soil, structures or groundwater have been complied with. Owner shall also provide the Authority with an affidavit describing the nature of any and all hazardous waste, asbestos, and in-ground oil tanks, or contaminated soil, structures or groundwater and stating that the same have been removed in accordance with all applicable laws and regulations. Such affidavit shall set forth the specific consents and approvals required by said laws and regulations.

Owner shall execute an environmental Indemnification Agreement by virtue of which Owner shall indemnify, defend, and hold the Authority and its officers, employees, and agents harmless, from any claims, judgments, damages, penalties, fines, costs, or losses (including reasonable fees for attorneys, consultants, and experts) that arise as a result of the presence or suspected presence at the Development of any toxic or hazardous substances arising from any activity occurring prior or subsequent to the date of the Mortgage Loan Documents.

6(a)

MANAGEMENT PLAN

Owner shall provide a Management Plan and Management and Affirmative Fair Marketing Agreement (CHFA Form #HM2-21) of Owner and the proposed management agent. No management agreement for the Development may be executed by Owner without the Authority's prior written approval of both the agreement and the proposed management agent. The management agreement shall provide that the Authority may terminate the agreement at any time with or without cause.

The management plan shall include a copy of the residential lease form for the Development.

6(b)
MEDIA RELEASES

Owner shall not hold a ground breaking, dedication or grand opening or issue publicity releases to the media regarding the Development without first obtaining the Authority's prior written approval. Reference shall be made in all publicity releases to the fact that financing for the Development was provided by the Authority.

6(c)

NON-DISCRIMINATION

Owner agrees and warrants that, in the performance of the obligations contained in the Mortgage Loan Documents, it shall not discriminate or permit discrimination against any person or group of persons on the grounds of race, color, age, handicap, religion, sex, sexual orientation, national origin, or marital status, in any manner prohibited by the laws of the United States or of the State.

Owner shall provide acceptable an affirmative action plan of Owner, and an affirmative action plan of General Contractor if applicable.

6(d)

LARGE CONTRACTS COMPLIANCE

If any officer, employee or appointing authority of Owner takes or threatens to take any personnel action against any employee of Owner in retaliation for such employee's disclosure of information to the Auditors of Public Accounts or the Attorney General under the provisions of C.G.S. §4-61dd, (as may be amended), Owner shall be liable for a civil penalty or penalties as provided for therein. Owner agrees to display any notice required by C.G.S. §4-61dd in proper form and manner. Any violation of C.G.S. §4-61dd by Owner may be deemed an Event of Default under the Mortgage Loan(s).

7(a)

CONSTRUCTION FEES AND DEPOSITS/BONDS

(A) Fees.

If set forth by the Authority in the Commitment Letter, Owner shall be entitled to a developer's fee/allowance in an amount determined by the Authority, which amount shall be equal to: (1) the amount set forth in the Commitment Letter, or (2) the percentage of the Authority-recognized total development cost ("TDC") as determined by the Authority in its sole discretion, in conjunction with the Authority's cost certification process and Owner's cost certification obligations pursuant to the Cost Certification Agreement and Covenant to Comply with C.G.S. §8-253a(6) signed by Owner at the Initial Closing. TDC shall be determined solely by the Authority during its cost certification review. The final amount of the developer's fee/allowance shall be determined by the Authority during its cost certification review and shall be identified in the Maximum Mortgage Letter. The developer's fee/allowance shall be disbursed in accordance with a Development Cash Flow exhibit acknowledged by the parties at the Initial Closing.

Owner's developer's fee/allowance shall not be financed by the Mortgage Loan.

Owner's developer's overhead shall be included in the developer's fee/allowance.

(B) Deposits.

(i) Working Capital Escrow. If required by the Authority, a working capital escrow deposit (the "Working Capital Escrow") shall be delivered by Owner to the Authority at Initial Closing. The working capital escrow deposit shall be in the amount equal to: (1) the amount set forth in the Commitment Letter, or (2) the percentage set forth in the Commitment Letter as to the TDC, plus six (6) months' debt service on the Mortgage Loan in cash or in the form of an irrevocable and unconditional letter of credit in form and content and issued by a financial institution, satisfactory to the Authority, in its sole discretion, which shall name the Authority as the sole beneficiary thereof. A current financial statement for the financial institution issuing any letter of credit shall be provided for review and acceptance by the Authority. The working capital escrow deposit shall be applied and disbursed as determined by the Authority, and shall be governed by the Construction Loan and General Escrow Agreement, the form of which shall be satisfactory to the Authority.

Such deposit shall not be used if the Development's net income is sufficient to cover its expenses and, in any case, shall not be used without the prior written approval of the Authority. With the prior written approval of the Authority, one-third of such deposit (less the portion thereof previously used) may be returned to Owner: (i) one (1) year from Final Closing, one-third (less the portion thereof previously used) may be returned two (2) years from Final Closing, and the balance may be returned three (3) years from Final Closing; or (ii) at such

intervals as the Authority shall determine in its sole discretion. Said deposit shall not constitute a loan to the Development by Owner.

(ii) Assurance of Completion. If required by the Authority pursuant to the Commitment Letter, an assurance of completion of the Development in the form of (i) an irrevocable and unconditional letter of credit, in form and content and issued by a financial institution satisfactory to the Authority in its sole discretion, which shall be delivered to the Authority by Owner at Initial Closing in an amount determined by the Authority, which shall name only the Authority as the beneficiary thereof. At delivery of the General Contractor's Cost Certification (as described in Section 7(j) hereof), and with the prior written approval of the Authority, Owner may reduce said letter of credit to an amount determined by the Authority, which letter of credit as reduced shall remain in effect for a period determined by the Authority from the later of the date of the issuance of the final, complete, permanent certificate of occupancy for the Development or from the date of substantial completion of the construction/renovation work for the Development or, (ii) in lieu of said letter of credit, 100% Performance and Payment Bonds (together, the "Bonds") issued by a surety acceptable to the Authority and in a form acceptable to the Authority in its sole discretion.

(iii) Field Observation Escrow. If required by the Authority, a field observation escrow deposit (the "Field Observation Escrow") in cash in an amount as determined by the Authority shall be delivered by Owner to the Authority at the Initial Closing to cover the cost of the Authority's field observer. The field observation escrow deposit shall be maintained and disbursed in accordance with an escrow agreement satisfactory to the Authority, the form of which shall be satisfactory to the Authority.

7(b)

PLANS AND SPECIFICATIONS

Owner shall promptly commence and complete construction/renovation of the Development in a diligent and workmanlike manner and strictly in accordance with the plans and specifications delivered to and accepted by the Authority. Two (2) sets of such plans and specifications shall be submitted to and accepted by the Authority prior to the establishment of a date for the Initial Closing. Plans and specifications accepted by the Authority shall not be modified without prior written acceptance by the Authority. The plans and specifications shall be identified in a manner acceptable to the Authority by Owner, design architect, supervising architect, General Contractor and General Contractor's surety.

7(c)

CONSTRUCTION CONTRACT

Owner shall provide a Construction contract between Owner and a general contractor satisfactory to the Authority (the “General Contractor”) relating to the Development (the “General Construction Contract”). Said contract shall provide a guaranteed maximum price (lump sum), which price shall include any builder's profit, and shall provide a minimum one (1) year warranty against all defects unless a longer period is customary and available. All manufacturers' warranties for goods, materials and equipment shall be transferred to Owner and the Authority, as their interests may appear, at the Final Closing.

All other contracts between Owner and third (3rd) parties providing for demolition or construction of any improvements, the providing of any services, or the delivery of any materials, to the Development shall be approved by the Authority. Neither the General Construction Contract nor other contracts may be amended, terminated, or assigned without the prior written consent of the Authority. All contracts between Owner and General Contractor or between Owner or General Contractor and identity of interest third parties (subcontractor(s)) shall require that such contractor(s) or identity of interest subcontractor(s) certify its costs to the Authority as required by the Authority.

Owner shall require the General Contractor to provide a current Certificate of Legal Existence from the office of the Secretary of the State and a copy of its current Connecticut General Contractor License, and Owner shall provide copies of such to the Authority.

Owner shall provide a Construction/renovation progress schedule in form and substance satisfactory to the Authority, certified by the architect, the General Contractor, and Owner, showing the progress of construction by dates and the dates and amounts of anticipated disbursements of Proceeds for completion of construction of the Development.

Owner shall provide a complete and detailed Project Cost Summary and Exploded Trade Payment Breakdown prepared by the General Contractor and Owner, together with similar cost breakdowns for such other contractors and material suppliers as the Authority may require. Owner shall provide the Authority with certificates from Owner and the General Contractor that to the best of their knowledge and belief, the Development can and shall be constructed/renovated/rehabilitated at the cost shown in said cost breakdown.

7(d)
BUILDING PERMITS

Owner shall provide evidence satisfactory to the Authority that valid building permits have been legally issued by the municipality, that any other governmental approvals necessary for the construction/renovation of the Improvements have been received, and that no proceedings are pending or threatened to revoke or suspend such approvals and permits; evidence satisfactory to the Authority of soil and subsoil conditions suitable to support the Improvements and evidence of adequate frontage on a public street or highway, including curbing, sidewalks and curb cuts and permits from any authority having jurisdiction thereof. Without limiting the generality of the foregoing, Owner shall submit evidence of compliance with state and federal environmental laws and regulations, including, without limitation, inland wetlands legislation, federal flood control laws and regulations, and Connecticut Department of Transportation and Connecticut Department of Energy and Environmental Protection regulations, as applicable.

7(e)
ARCHITECT CONTRACT

Owner shall provide an Owner-Architect Agreement with the design architect and supervising architect, providing for the rendering of services in connection with the construction/renovation of the Improvements in a form acceptable to the Authority.

The agreement(s) with the design architect and the supervising architect shall provide for inspection and certification to the Authority that the proposed construction/renovation has been designed in accordance with all applicable laws, regulations, and ordinances upon requisition for the initial advance of Proceeds and for inspection and certification to the Authority upon each subsequent requisition for an advance of Proceeds. The agreement(s) shall further contain a provision that the Development's plans and specifications become the sole property of the Authority without cost to the Authority, except for so much of the accepted architects' fee as has not been advanced by the Authority, and if the Authority acquires or takes over the Development, that the design architect and the supervising architect shall continue to work with the Authority throughout the construction/renovation of the Improvements for the balance of the unadvanced accepted architects' fee.

The design architect and the supervising architect shall be covered by policies of professional liability insurance in an amount acceptable to the Authority, which policies shall be for terms not less than one (1) year, shall provide for at least thirty (30) days' prior written notice to the Authority by certified mail prior to any endorsement, modification, nonrenewal or cancellation, and shall continue in force for at least one (1) year subsequent to the date of completion of the work at the Development, and shall provide for a maximum deductible and otherwise be acceptable to the Authority.

7(f)

UTILITY AVAILABILITY

Owner shall provide evidence, satisfactory to the Authority, of the supply and connection of all utilities, including, but not limited to, electricity, natural gas, water, storm and sanitary sewers, mail delivery and heating oil delivery, if applicable, without present or deferred costs or expense to Owner for the connection to or supply of such utilities, except as accepted by the Authority. In particular, but without limiting the foregoing, there shall be submitted to the Authority prior to the Initial Closing, evidence satisfactory to the Authority that all local, state and federal authorities having jurisdiction over the Development have unconditionally approved installation of storm and sanitary sewage disposal, a water supply system to provide domestic water and a sprinkler system, if required by the Authority, sufficient to obtain fire and extended coverage insurance at normal rates. NOTE: SEWAGE DISCHARGE PERMIT MAY BE REQUIRED FROM BOTH THE CONNECTICUT DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION AND THE CITY OR TOWN WITHIN WHICH THE DEVELOPMENT IS SITUATED.

7(g)

VERY LOW-INCOME CONSTRUCTION EMPLOYMENT (“VLIE”) POLICY

If the contract price stated in the General Construction Contract equals or exceeds \$1,000,000.00, Owner and the General Contractor shall comply with the Authority’s VLIE Policy. Prior to commencement of construction/renovation of the Development, Owner shall provide documentation to the Authority, in form and content satisfactory to the Authority, describing the actions to be undertaken by the General Contractor to comply with the VLIE Policy. Failure to comply with the VLIE Policy, as determined by the Authority, may result in (i) Owner and principals of Owner being barred for a period of twelve (12) months from applying to the Authority for multifamily financing and/or LIHTCs, and (ii) the General Contractor and principals of the General Contractor being barred for a period of twelve (12) months from performing construction/renovation work on projects for which funding has been provided by Authority multifamily financing and/or by LIHTCs administered by the Authority.

7(h)

ACCESS AND OBSERVATION

Owner shall permit agents, independent contractors and employees of the Authority access to all areas of the Development during construction/renovation for purposes of observation and shall advise the Authority of the time and place of, and permit agents, independent contractors and employees of the Authority to be present at, all job meetings or other similar meetings regarding the Development. If at any time construction/renovation is not in accordance with plans and specifications accepted by the Authority, then the Authority may require correction of the difference and/or declare an Event of Default under the Mortgage, at its option. Observation of construction/renovation is solely for the benefit of the Authority and may not be relied upon by any other party for any purpose whatsoever.

7(i)
ADVANCE PROCESS

Proceeds from the Mortgage Loan (collectively, the “Proceeds”) shall be advanced and disbursed to Owner as construction/renovation progresses, the time and amount of each advance to be at the sole discretion and upon the estimate of the Authority in relation to the percentage of the work in place, subject to the following conditions:

- (a) Advances shall be made no more frequently than once per month unless otherwise agreed to by the Authority. All requisitions, reports, and other documents required under this paragraph or otherwise shall be in form and content satisfactory to the Authority and shall be executed, certified or sworn to by Owner, General Contractor, design architect, supervising architect, or the officers, partners and principals thereof as may be required by the Authority and shall be delivered to the Authority no later than the tenth (10th) day of the month. The Authority shall process such advance request in a timely manner after the date of submission by Owner of its complete request for the advance.

- (b) The Authority shall not be required to make an advance of Proceeds until after it has determined that:
 - (i) The status of construction/renovation is satisfactory and is progressing in accordance with the plans and specifications accepted by the Authority;
 - (ii) The amount is appropriate considering the status of construction/renovation work and the required retainage;
 - (iii) The undisbursed portion of the Proceeds and other identified capital sources are sufficient to complete all remaining work;
 - (iv) All building, demolition and other required permits and approvals have been obtained; and
 - (v) No litigation affecting the Development is pending or threatened.

- (c) When requested by the Authority, each request for an advance of Proceeds shall be accompanied by:
 - (i) The certificate of Owner and/or other evidence satisfactory to the Authority that Owner is in full compliance with the Mortgage Loan Documents and the Commitment Letter and any documents executed in connection herewith or required hereby;
 - (ii) Certification by Owner and a written opinion from counsel for Owner that to the best of their knowledge the Development is not subject to any litigation, administrative proceeding or other legal action which affects or could affect the title to the Development and/or the validity or priority of the Mortgage or the right of Owner to construct/renovate or use the Development; and

- (iii) A certificate of Owner, in form and substance satisfactory to the Authority, establishing the solvency of Owner.
- (d) Each advance of Proceeds shall be made only upon receipt of an endorsement to the Authority's mortgagee title insurance policy delivered as of the date of such advance showing that there has been no change in the status of title to the Development, which endorsement shall increase the coverage of the policy to the cumulative amount of the advances made under the Mortgage Loan, and, when requested by the Authority, executed lien waivers from all contractors and subcontractors.
- (e) If a request for an advance of Proceeds follows the completion of construction or renovation, such request shall be accompanied by the final, unconditional certificate of occupancy therefor; the Authority's acceptance of completion of any building or improvement and its permission to occupy the same shall be a condition precedent to such advance of Proceeds. No building or any unit contained therein shall be occupied by any tenant prior to receipt of permission to occupy from the Authority.
- (f) All advances of Proceeds shall be made to Owner to be held as a trust fund to be applied for the purpose of paying, first, interest on the unpaid balance of Proceeds theretofore advanced, and second, the cost of construction/renovation of the Development and such other costs as may be accepted from time to time by the Authority at its sole discretion. The Authority, at its option, may make advances of Proceeds directly to (i) Owner or jointly to Owner and the General Contractor or other contractor(s) supplying labor or materials to the Development, or (ii) the General Contractor or other contractor(s), or to the issuer of any payment and performance bonds for the Development; or (iii) third-party professionals to pay fees and expenses for services of such third-party professionals retained by the Authority for the benefit of the Authority in connection with construction/renovation of the Development including, without limitation, field observation, appraisal and environmental consultation services, and the execution of the Note by Owner shall constitute an irrevocable direction and authorization to so make advances and consent to and ratification of any such advance of Proceeds. No further direction or authorization from Owner shall be necessary to authorize the Authority to make any such advances of Proceeds for the above-cited purposes, fees, expenses and/or costs.
- (g) The Authority shall retain five percent (5%) of every advance requisitioned pursuant to the General Construction Contract between Owner and the General Contractor or such lesser percent holdback that the Authority may determine to be appropriate at its sole discretion. Such retainage shall be released only to Owner and as provided under the Chapter 134 of the Connecticut General Statutes, as amended from time to time, the Building Loan Agreement and the General Construction Contract. Retainage may be released or reduced solely at the discretion of the Authority in accordance with C.G.S. Section 8-253(c), subject to retention of an amount deemed sufficient by the Authority to complete the Development.

- (h) Each request for advance of Proceeds shall include Owner's certification as to the cost of the work as of the date of the request and, upon request of the Authority, shall be accompanied by such invoices, contracts, sub-contracts, lien waivers and subordination agreements, and bills of sale deemed necessary by the Authority. Each request for advance shall also be accompanied by a statement of Owner showing sources and uses of funds received by Owner, satisfactory to the Authority.
- (i) At or prior to the Final Closing, the Development shall be completed in all respects in accordance with plans and specifications therefor, and any change orders, as submitted to and accepted by the Authority, and all requirements of the Commitment Letter shall be satisfied.
- (j) If at any time the Authority determines that the Proceeds remaining to be advanced may not be sufficient to complete the Development in accordance with the accepted plans and specifications or to pay any other required development costs, then Owner shall obtain and disburse funds other than Proceeds in payment of such costs in the amount of such shortage before the Authority shall have any further obligation to advance any of the Proceeds that remain for disbursement.

7(j)
COST CERTIFICATION

Within ninety (90) days after substantial completion of the Development, as determined by the Authority, and prior to Final Closing, Owner, General Contractor and identity of interest subcontractors shall deliver to the Authority, in form and content acceptable to the Authority, audited statements of costs certified by independent certified public accountant(s) licensed in the State and acceptable to the Authority, to further verify such costs. Such statements of costs shall be accompanied by receipts and other supporting documents, as reasonably required by the Authority. All contracts between Owner and the General Contractor or between Owner or General Contractor and identity of interest subcontractors shall contain provisions requiring such cost certification. Amounts received by Owner in excess of permissible profits, as determined by the Authority, shall be remitted and applied to reduce the Mortgage Loan.

Hard and soft cost savings shall be treated as determined by and set out by the Authority to comply with all applicable state and federal regulations, as such are established and revised from time to time.

7(k)

JOB PROGRESS PHOTOGRAPHS

Owner, at its sole cost and expense, shall provide the Authority with job progress photographs taken by a competent commercial photographer from four (4) different points on or about the Development accepted by the architect. The first set of such photographs shall be taken before commencement of work at the Development; thereafter photographs shall be taken on the first work day of each month until completion of the Development as determined by the architect. Such photographs shall be furnished promptly to and remain the property of the Authority.